

BOARD MEETING PACKAGE

May 15, 2018



BOARD MEETING AGENDA ITEMS

For the JEA Board of Directors Meeting
Tuesday, May 15, 2018
12:00 PM
19th Floor, JEA Tower

Melissa Charleroy
Executive Assistant to the
CEO & Board of Directors
charmm@jea.com
904-665-7313 (O)
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Cheryl Mock
Executive Assistant
mockcw@jea.com
904-665-4202 (O)

JEA BOARD MEETING AGENDA

May 15, 2018 • 12:00 p.m.

21 W. Church Street, 19th Floor



AMENDED – 5/14/18 (Adding VI. B. 3.)

I.	WELCOME	
	A.	Call to Order
	B.	Time of Reflection
	C.	Pledge to Flag
	D.	Adoption of the Agenda – Action
	E.	Safety Briefing – Aaron Zahn, Interim Managing Director/CEO
	F.	Sunshine Law/Public Records Statement – Jody Brooks, Vice President, Legal

II.	COMMENTS		
	Item(s)		Speaker/Title
	A.	Comments from the Public	Public
	B.	Council Liaison’s Comments	Council Member Matt Schellenberg
	C.	Office of the Mayor Liaison’s Comments	Dr. Johnny Gaffney
	D.	Introduction to Board Agenda	Aaron Zahn, Interim MD/CEO

III.	OPERATIONS (DISCUSSION / ACTION)		
	Definition: The "Operations" section of the Board meeting is for business matters requiring Board discussion and action.		
	Item(s)		Speaker/Title
			Discussion/Action/Information
	A.	Consent Agenda – The Consent Agenda consists of agenda items that require Board approval but are routine in nature, or have been discussed during previous public meetings of the Board. The Consent Agenda items require no explanation, discussion or presentation, and are approved by one motion and vote.	
		Reference Information	
		Appendix A:	Special Board Meeting Minutes April 6, 2018
		Appendix B:	Board Meeting Minutes April 17, 2018
	B.	JEA FY2017 Annual Disclosure Reports	Ryan Wannemacher, Interim CFO
	C.	Compensation Committee Recommendation – Executive Contracts	Compensation Chair Kelly Flanagan
			Action
			Action
			Action

IV. STRATEGY (DISCUSSION ONLY)			
Definition: The “Strategy” section of the Board meeting is <u>only</u> for discussion & feedback to management on strategic initiatives of and for JEA.			
Item(s)		Speaker/Title	
A.	Reorganization / Transition Steps	Aaron Zahn, Interim MD/CEO	
B.	CEO Search Update	Compensation Committee Chair Kelly Flanagan / Angie Hiers, VP & Chief HRO	

V. SUBJECT MATTER EXPLORATION (OPPORTUNITIES & RISKS - PRESENTATION)			
Definition: The “Subject Matter Exploration” section of the Board meeting will be used to brief the Board members on market, environment, business or other generally important matters. Staff and/or 3 rd party experts will provide presentations on a specific subject and the Board will be afforded an opportunity for Q&A at the end.			
Item(s)		Speaker/Title	
A.	Introduction to Subject Matter Exploration Concept	Aaron Zahn, Interim MD/CEO	

VI. COMMITTEE REPORTS				
Item(s)			Speaker/Title	Discussion/Action/Information
A.	Finance & Audit Committee Report		Kelly Flanagan, Committee Chair	
	1.	Approval of Minutes – March 12, 2018		Information
	2.	FY2019 Budget Presentation		Information
	3.	Quarterly Audit Services Update		Information
	4.	Ethics Officer Quarterly Report		Information
	5.	Electric System and Water and Sewer System Reserve Fund Quarterly Report		Information
	6.	JEA Energy Market Risk Management Policy Report		Information
	7.	Annual Disclosure Report – Open Discussion		Information
	8.	Announcements a. Next Meeting August 13, 2018, 8:00 – 10:00 am		Information
	9.	Committee Discussion Sessions a. Ernst & Young b. Director, Audit Services c. Council Auditor’s Office		Information

	B.	Compensation Committee Report	Kelly Flanagan, Committee Chair	
	1.	Approval of Minutes – November 27, 2017		Information
	2.	Executive Contracts		Information
	3.	Executive Search Firm Selection		Information

VII.	OTHER BUSINESS			
	Item(s)		Speaker/Title	
	A.	Old Business		
		1.	Dark Fiber Utility Services for the 21 st Century Digital Utility	Paul Cosgrave, VP & Chief Information Officer
	B.	Other New Business		
	C.	Open Discussion		
	D.	Interim Managing Director/CEO's Report		Aaron Zahn, Interim Managing Director/CEO
	E.	Chair's Report		Alan Howard, Board Chair

VIII.	CLOSING CONSIDERATIONS			
	Item(s)			
	A.	Announcements – Next Board Meeting June 19, 2018		
	B.	Adjournment		

Board Calendar

Board Meetings: 12:00 p.m. – Third Tuesday of Every Month (exception(s): December 11, 2018)

Committees: Finance & Audit Committee: August 13, 2018

Compensation Committee: June TBD, 2018

Government Affairs Committee: TBD

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

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

I. F.

Sunshine Law/Public Records Statement

Florida's Government in the Sunshine Law Office of General Counsel

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

III. B.

JEA FY2017 Annual Disclosure Reports

May 9, 2018

SUBJECT: JEA FY2017 ANNUAL DISCLOSURE REPORTS

Purpose:

☐ Information Only

☒ Action Required

☐ Advice/Direction

Issue: JEA staff is requesting an authorization and approval of the filing and use of the Annual Disclosure Reports for each of the (i) Electric Utility System and (ii) Water and Sewer System and District Energy System (together, the "Systems") for the fiscal year ended September 30, 2017, in order to comply with JEA's continuing disclosure undertakings for its bonds and various bank credit agreements.

Significance: High. JEA is responsible for the content of the Annual Disclosure Reports and is subject to the provisions of the federal securities laws prohibiting false and misleading information in its disclosure documents.

Effect: To fulfill the Board's responsibility under federal securities laws prohibiting false and misleading information in JEA's disclosure documents.

Cost or Benefit: Filing of the Annual Disclosure Reports facilitates disclosure to the marketplace to meet JEA's continuing disclosure obligations to current holders of JEA's debt. The Annual Disclosure Reports are also used to provide information about JEA to potential buyers of JEA's Systems' bonds.

Recommended Board action: Staff recommends that the Board (i) approve and authorize the Annual Disclosure Reports for the Systems in substantially the forms provided to the Board on March 20, 2018, as amended through May 9, 2018, with additional changes as are approved by the Interim Managing Director and Chief Executive Officer of JEA and (ii) authorize the filing and use of the Annual Disclosure Reports.

For additional information, contact: Ryan Wannemacher, 665-7223

Submitted by: AFZ/RFW/JEO/RLH



Commitments to Action

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



III. B.
05/15/2018

INTER-OFFICE MEMORANDUM

May 9, 2018

SUBJECT: JEA FY2017 ANNUAL DISCLOSURE REPORTS

FROM: Aaron F. Zahn, Interim Managing Director/CEO

TO: JEA Board of Directors

BACKGROUND:

Each year, JEA files with the Municipal Securities Rulemaking Board (the "MSRB") through the Electronic Municipal Market Access ("EMMA") website Annual Disclosure Reports in compliance with JEA's continuing disclosure undertakings for certain of its bonds and various credit agreements. EMMA is the "central electronic post office" recognized by the United States Securities and Exchange Commission ("SEC") as the single national depository for continuing disclosure information that is required to be prepared and disseminated by issuers of municipal securities. Annual Disclosure Reports have been prepared for the Electric Utility System and separately for the Water and Sewer System and District Energy System, (together, the "Systems"), and will be incorporated by reference in official statements and reoffering memoranda subsequently used by JEA for its respective Systems' bond offerings and reofferings.

JEA is responsible for the content of the Annual Disclosure Reports and is subject to the provisions of the federal securities laws prohibiting false and misleading information in its disclosure documents. The antifraud provisions of the federal securities laws govern Board Member disclosure responsibilities. The requirements of the federal securities laws essentially require that disclosure documents of issuers such as JEA not contain an "untrue statement of a material fact" or omit to state a "material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading." "Materiality" under the federal securities laws means whether there is a substantial likelihood that a reasonable investor would consider the facts at issue to be important to an investment decision.

Public officials (including Board Members) who have the ultimate responsibility to approve the issuance of debt securities and related disclosure documents have a duty under the federal securities laws and may not authorize disclosure he or she knows to be false or misleading or while recklessly disregarding facts that indicate there is a risk that the disclosure may be misleading. The SEC has stated that Board Members may reasonably rely on the work of governmental employees in the disclosure context. Nothing in the SEC's position mandates that a Board Member needs to read each page of every disclosure document before approving it. Reasonable reliance can be established when the Board Member:

- is satisfied that the disclosure process is reasonably designed to produce accurate and reliable information;
- has a reasonable basis to have confidence in the integrity and competence of the staff and financing team; and
- does not know of anything that would cause such Board Member to question the accuracy of the disclosures or that would indicate that they are misleading or know of any potentially material issues that should be brought to the attention of staff and the financing team for further explanation.

In accordance with existing practices, each Annual Disclosure Report presented for Board approval has been prepared by staff with the assistance of JEA's outside bond counsel in a manner which we believe is reasonably designed to produce disclosure documents meeting the requirements of the federal securities laws.

DISCUSSION:

Each Annual Disclosure Report prepared for the Systems, as referred to above, contains updated disclosure information regarding each of JEA's Systems and its respective most recently completed fiscal year and will be used (a) to provide that information to all participants in the municipal securities market regarding JEA's outstanding debt and (b) as a basis for the disclosure information regarding JEA that is required to be given by JEA in connection with its issuances from time to time of refunding or additional debt. Among other things, the Annual Disclosure Reports contain JEA's audited financial statements for its fiscal year ended September 30, 2017, as Appendix A thereto. Official Statements and reoffering memoranda prepared by JEA in connection with its respective Systems' debt offerings and reofferings, subsequent to the date of the Annual Disclosure Reports for the Systems, incorporate by reference the relevant disclosure information contained in the respective Annual Disclosure Report and, if necessary, contain a "recent developments" section with respect to material changes in JEA's business and condition that have occurred after the date of the respective Annual Disclosure Report.

The Annual Disclosure Reports for the (i) Electric Utility System and (ii) Water and Sewer System and District Energy System for the fiscal year ended September 30, 2017, are expected to be filed with EMMA on or around May 15, 2018. Drafts of the Annual Disclosure Reports for the Systems were distributed to Members on March 20, 2018 and additional changes from the March 20 draft were provided to members for the April 17, 2018 meeting, with further updates included with this item.

All documents have been reviewed by the Office of General Counsel.

RECOMMENDATION:

Staff recommends that the Board (i) approve and authorize the Annual Disclosure Reports for the Systems in substantially the forms distributed to Members on March 20, 2018, as amended through May 9, 2018, with additional changes as are approved by the Interim Managing Director and Chief Executive Officer of JEA and (ii) authorize the filing and use of the Annual Disclosure Reports as described above.

Aaron F. Zahn, Interim Managing Director/CEO

AFZ/RFW/JEO/RLH

May 9, 2018

Drafts of the (i) Annual Disclosure Report for Electric Utility System for Fiscal Year Ended September 30, 2017 and (ii) Annual Disclosure Report for Water and Sewer System and District Energy System for Fiscal Year Ended September 30, 2017 were delivered to Board Members for review on March 20, 2018, with further amendments provided for the April 17, 2018 Board meeting, and are not included in the monthly Board packages being distributed.

These reports are available for review upon request. Please contact Melissa Charleroy, Executive Assistant, at (904) 665-7313 if additional information is needed.

III. B.
05/15/2018



**ANNUAL DISCLOSURE REPORT
FOR
ELECTRIC UTILITY SYSTEM
FOR
FISCAL YEAR
ENDED
SEPTEMBER 30, 2017**

**(Prepared pursuant to certain
continuing disclosure undertakings
relating to the Bonds listed
in APPENDIX I hereto)**

Filed with EMMA

Dated as of

AprilMay [___], 2018

JEA
21 W. CHURCH STREET
JACKSONVILLE, FLORIDA 32202
(904) 665-7410
(<http://www.jea.com>)

JEA OFFICIALS

BOARD MEMBERSHIP⁽¹⁾

Chair
Vice Chair
Secretary

G. Alan Howard
Husein A. Cumber⁽²⁾
Frederick D. Newbill
Kelly Flanagan
April Green

MANAGEMENT

Interim Managing Director and Chief Executive Officer

~~_____~~⁽³⁾ [Aaron F. Zahn](#)⁽²⁾

[President / Chief Operating Officer](#)

[Melissa H. Dykes](#)

[Interim Chief Financial Officer](#)

[Ryan F. Wannemacher](#)

[Chief Public and Shareholder Affairs Officer](#)

[Michael R. Hightower](#)

Vice President / General Manager, Electric Systems

Michael J. Brost

Vice President / General Manager, Water ~~and~~ Wastewater Systems

Brian J. Roche

~~Chief Financial Officer~~

~~Melissa H. Dykes~~

~~Chief Compliance Officer~~

~~Ted E. Hobson~~

[Vice President and Chief Customer Officer](#)

Kerri Stewart

[Vice President and Chief Compliance Officer](#)

[Ted E. Hobson](#)

[Vice President and Chief Human Resources Officer](#)

Angelia R. Hiers

[Vice President and Chief Information Officer](#)

Paul J. Cosgrave

[Vice President and Chief Supply Chain Officer](#)

[John P. McCarthy](#)

[Vice President and Chief of Environmental Services](#)

[Paul K. Steinbrecher](#)

[Vice President and Chief Legal Officer](#)

Jody L. Brooks

~~Chief Public Affairs Officer~~

~~Michael R. Hightower~~

~~Treasurer~~

~~Joseph E. Orfano~~

GENERAL COUNSEL

Jason R. Gabriel, Esq.
General Counsel of the City of Jacksonville
Jacksonville, Florida

⁽¹⁾ There are currently two vacancies on the JEA Board.

⁽²⁾ ~~Mr. Cumber's term expired on February 28, 2018; his re-appointment for a second full term expiring February 28, 2022 is presently under consideration by the City Council of the City of Jacksonville.~~

⁽³²⁾ Paul E. McElroy resigned as Managing Director and Chief Executive Officer effective April 6, 2018. ~~_____~~ [Aaron F. Zahn](#) has been appointed by the Board as Interim Managing Director and Chief Executive Officer.

Current members of the JEA Board, their occupations and the commencement and expiration of their terms are as follows:

<u>MEMBER⁽¹⁾</u>	<u>OCCUPATION</u>	<u>TERM</u>
G. Alan Howard Chair	Founder & President Milam Howard Nicandri Gillam & Renner P.A.	February 10, 2016 - February 28, 2019
Husein A. Cumber Vice Chair	Executive Vice President for Corporate Development Florida East Coast Industries, Inc.	February 28, 2014 – February 28, 2022 ⁽²⁾
Frederick D. Newbill Secretary	Pastor First Timothy Baptist Church	January 12, 2017 - February 28, 2019
Kelly Flanagan	Senior Vice President & CFO Jacksonville Jaguars, LLC	November 25, 2015 - February 28, 2020
April Green	Chief Operating Officer, Baxter Technology	December 1, 2017 - February 28, 2021

⁽¹⁾ There are currently two vacancies on the JEA Board.

~~⁽²⁾ — Mr. Cumber's term expired on February 28, 2018; his re-appointment for a second full term expiring February 28, 2022 is presently under consideration by the Council.~~

In addition, in accordance with the provisions of the interlocal agreement entered into between JEA and Nassau County, Florida in connection with JEA's acquisition of certain assets and franchises of a private water and sewer utility in Nassau County, Nassau County is entitled to appoint a non-voting representative to the JEA Board. The Nassau County representative is entitled to attend all JEA Board meetings and to participate in discussions concerning matters that affect the provision of water and sewer services within Nassau County. Nassau County has appointed Mike Mullin, a Commissioner on Nassau County's Board of County Commissioners, as its representative to the JEA Board.

The Charter authorizes JEA to construct, acquire (including acquisition by condemnation), establish, improve, extend, enlarge, maintain, repair, finance, manage, operate and promote its utilities systems (which consist of (1) the Electric System, (2) the Water and Sewer System, (3) the District Energy System and (4) any additional utilities systems which JEA may undertake in the future upon satisfaction of the conditions set forth in the Charter), and to furnish electricity, water, sanitary sewer service, natural gas and other utility services as authorized therein within and outside of the City and for said purposes to construct and maintain electric lines, pipelines, water and sewer mains, natural gas lines and related facilities along all public highways and streets within and outside of the City. The Charter also confers upon JEA the power to sue, to enter into contracts, agreements and leases, and to sell revenue bonds to finance capital improvements and to refund previously issued evidences of indebtedness of JEA.

In addition to the powers conferred upon JEA by the Charter, the Bulk Power Act authorizes JEA to acquire, own and operate as separate bulk power supply utilities or systems, electric generating plants and transmission lines within the City and within and outside of the State of Florida. JEA's interests in the Power Park and the Scherer 4 Project are separate bulk power supply systems pursuant to the Bulk Power Act. JEA may develop other separate bulk power supply systems in connection with future generation and/or transmission projects. JEA has launched several initiatives to provide revenue diversity. Included in these initiatives are natural gas sales to commercial and industrial customers (See "ELECTRIC UTILITY SYSTEM - *ELECTRIC UTILITY FUNCTIONS* – Electric System – *Natural Gas*

Sales” herein), forestry management of JEA owned conservation lands, leasing of dark fiber and space on communication towers, transmission and distribution poles and partnering with the North Florida Transportation Planning Organization to encourage electrification.

Management and Employees

The Charter assigns responsibility for the management of JEA’s utilities systems to the JEA Board. JEA employs a Managing Director and Chief Executive Officer as its chief executive officer. The Managing Director, executive officers, vice presidents, directors, managers, executive assistants and other appointed staff, numbering approximately 382 persons, form the management team (the “Management Team”) and are not subject to the City’s civil service system.

Management

On April 6, 2018, Paul E. McElroy submitted his resignation as Managing Director and Chief Executive Officer of JEA to the JEA Board effective immediately. Mr. McElroy’s resignation was accepted by the Chairperson of the JEA Board and the JEA Board approved entering into a Transition Services Agreement with Mr. McElroy. The Transition Services Agreement, among other things, provides for Mr. McElroy to be available to management of JEA and to assist in the leadership transition of JEA through the end of his current employment contract date of September 30, 2018.

On April 17, 2018, the JEA Board appointed ~~_____~~ [Aaron F. Zahn](#) as Interim Managing Director and Chief Executive Officer of JEA and the JEA Board adopted a resolution providing that except as may otherwise be expressly provided, the Interim Managing Director and Chief Executive Officer of JEA has all powers of the Managing Director and Chief Executive Officer of JEA while serving as Interim Managing Director and Chief Executive Officer, including, but not limited to, the power to enter into all contracts and to make all determinations that the Managing Director and Chief Executive Officer of JEA is authorized to enter into and to make, respectively.

Information regarding the Interim Managing Director and Chief Executive Officer of JEA and the ~~nineteen~~ [twelve](#) executive officers of JEA follows:

~~_____~~ [Aaron F. Zahn](#), *Interim Managing Director and Chief Executive Officer*. ~~[TO BE PROVIDED]~~ [Aaron F. Zahn is Interim Managing Director and Chief Executive Officer for JEA. In this role, Mr. Zahn oversees all operations for the eighth-largest public utility in the nation, providing electric, water and sewer services to customers across a 900-mile service territory in Northeast Florida.](#)

[Prior to being appointed Interim CEO in April 2018, Mr. Zahn served as Managing Partner and Chief Executive Officer of Pascal Partners, a distributed infrastructure investment and development company. From 2009 to 2017, he was Chairman and Chief Executive Officer of BCR Environmental Corporation, a water/wastewater technology firm and public-private-partnership development and operations company. Prior to BCR, Mr. Zahn worked as an investment professional for two multi-strategy hedge funds in New York City, managing over \\$6 billion in equity. He was also a Senior Manager of the Capital Markets team at General Growth Properties, playing a key role in \\$25+ billion of acquisitions and financing activities along with providing financial oversight for \\$200+ million of commercial real estate development.](#)

[A graduate of Yale University, Mr. Zahn is a supporter of YMCA of Jacksonville, Baptist Health System, Nemours Children’s Health System and Yale University. He is a member of the Board of](#)

Directors for the Young Presidents Organization (YPO) and the Bob Graham Center for Public Service at University of Florida.

Melissa H. Dykes, President / Chief Operating Officer. Melissa Dykes serves as JEA's President and Chief Operating Officer. She leads the operation of the utility, responsible for providing utility services to more than one million people across four counties. She manages more than 1,900 employees in the areas of electric, water, wastewater, customer experience, human resources, environmental services, compliance, technology, supply chain, and legal.

Ms. Dykes served as JEA's Chief Financial Officer for nearly six years prior to her current role. As CFO, she provided leadership to ensure the financial health of JEA, resulting in access to capital at low cost on behalf of JEA's customers. She was responsible for all aspects of JEA's finances, including treasury, financial reporting, budgeting, supply chain management, and shared services, and had lead responsibility for ensuring compliance with all reporting, regulatory and tax requirements for JEA.

Prior to joining JEA, Ms. Dykes was CFO at a portfolio company of a large energy private equity firm and a principal in a renewable energy development company, where she was responsible for origination, commercial structuring, development and capital raising for renewable energy projects. She also was Vice President of Investment Banking at JPMorgan, where she was responsible for providing capital solutions for clients, including more than \$26 billion in financings for many municipal electric and water systems across the country, risk management product delivery and mergers and acquisitions. Prior to joining JPMorgan, Ms. Dykes worked for The World Bank Group, where she researched and published on private participation in infrastructure industries in developing countries. She is a graduate of the University of Florida and holds a certificate in Advanced Management from the Tuck School of Business at Dartmouth.

Ryan F. Wannemacher, Interim Chief Financial Officer. Mr. Wannemacher has served as Interim Chief Financial Officer since April 2018. He provides leadership to ensure fiscal responsibility for the long-term financial health of JEA, resulting in access to capital at low cost for JEA's customers. He is responsible for all aspects of JEA's finances, including treasury, financial reporting, financial planning and analysis, and budgeting, as well as corporate strategy. He has lead responsibility for ensuring compliance with all reporting, regulatory and tax requirements for JEA. Mr. Wannemacher currently serves on the Finance and Audit Committee of TEA.

Prior to his current role at JEA, Mr. Wannemacher served as JEA's Director of Financial Planning and Analysis from April 2015 to 2018. Prior to joining JEA, Mr. Wannemacher was Vice President of Investment Banking at JPMorgan. While at JPMorgan, Mr. Wannemacher was responsible for providing capital solutions for clients, including over \$20 billion in financings for many municipal electric, water and natural gas systems across the country, risk management product delivery, and mergers and acquisitions. Mr. Wannemacher holds a B.B.A. in Financial Consulting from Southern Methodist University graduating Magna Cum Laude.

Michael R. Hightower, Chief Public and Shareholders Affairs Officer. Mr. Hightower joined JEA in 2015, bringing over 35 years of governmental and legislative relations experience. He also previously served 16 years on JEA's Board of Directors including two two-year terms as JEA Chair.

Mr. Hightower joined Blue Cross and Blue Shield of Florida (now Florida Blue) in 1981 as the Director of Governmental and Legislative Relations and in 1985 was named its Vice President of Governmental and Legislative Relations. He worked closely with key political leaders in the federal, state and local government and, after three decades of a successful career at Florida Blue, retired in

late 2014. He then joined the international law firm of Holland & Knight LLP as a Senior Policy Advisor before joining the JEA senior leadership team.

In addition to his professional accomplishments, Mr. Hightower has dedicated his time, talents and leadership to numerous boards and commissions over the last 35 years. Presently he chairs the following: the Florida Governor's Mansion Foundation and the Florida Association of Professional Lobbyists. Mr. Hightower is in his second year as Vice President, Special Projects—Florida House and Florida's embassy in Washington, D.C. He also serves as an active board member of OneJax, Florida Ounce of Prevention and Five Star Veterans Center.

Prior to joining JEA, Mr. Hightower chaired the following organizations and civic and trade associations: United States Naval Academy; Jacksonville Chamber of Commerce; Florida House, Florida's Embassy in Washington, D.C.; Associated Industries of Florida; Florida Insurance Council; Florida News Service; Florida College System Foundation; Jacksonville Library Foundation; Jacksonville Political Leadership Institute; JaxBix; Duval County Republican Party and the Cecil Field Base Closure Commission.

Throughout the state, he is well-known for his political leadership, having served as chair or finance chair for more than 580 successful local, state, and/or federal candidates since 1972. He has assisted in raising more than \$136.3 million for charitable, candidate and political party campaigns since 1981.

In 2006, Leadership Florida's leaders appointed Mr. Hightower to the Florida Energy Commission. The nine-member panel was charged with making recommendations to the Florida Legislature on ways to secure Florida's energy future.

In 2010, Florida's legislative leadership appointed Mr. Hightower to the Public Service Commission Nominating Council, charged with interviewing and recommending qualified candidates for gubernatorial appointment to the Florida Public Service Commission.

Mr. Hightower, a 1972 graduate of Jacksonville University, resides in Jacksonville. He was a third term 2003, 2005, 2007 University of Florida Graduate School adjunct instructor, "Principles of Lobbying."

Michael J. Brost, Vice President / General Manager, Electric Systems. Mr. Brost has lead responsibility for producing and delivering electricity to JEA's 462,000 electric customers in a safe, reliable and cost-competitive manner, and in full compliance with regulatory objectives. In this role, Mr. Brost and his team are responsible for planning, constructing, operating and maintaining JEA's electric system—the generation plants and the transmission, substations and distribution systems.

Mr. Brost joined JEA in 1983 as an electrical engineer in System Operations. In 1993, he was appointed Division Chief of Distribution Engineering and was soon promoted to Vice President of the Distribution Group. He was a founding member of JEA's Corporate Strategy Team and has held vice president positions in the areas of Organizational Development and Organizational Services. He also served as the President and CEO at Colectric Partners in 2007 and 2008. Mr. Brost is a licensed Professional Engineer in the State of Florida. He has an M.S. degree in Engineering and an MBA. He also serves on several local nonprofit boards.

Brian J. Roche, Vice President / General Manager, Water / Wastewater Systems. Brian Roche is responsible for the planning, engineering, construction, operation and maintenance of JEA's Water,

Wastewater Reclaim and District Energy systems in a safe, reliable and cost-competitive manner, and in full compliance with regulatory objectives.

Mr. Roche joined JEA in 1983 as a co-op student and has 25 years experience at JEA in roles across the organization including serving as a project engineer for electric generating stations, an account executive for industrial customers, a wastewater planner, the Director of Meter, Billing and Collections, the Director of Financial Planning, Budgets and Rates and in the Water/Wastewater Systems VP/GM role effective December 2012. In addition, he has experience in the private sector, including roles as a project engineer for Amoco Oil Company and with a global environmental engineering consultant firm. Mr. Roche holds a bachelor degree in Mechanical Engineering from Georgia Institute of Technology, a Bachelor of Science degree in Accounting from the University of Florida, an MBA and a Master's Degree of Accountancy from the University of North Florida. Mr. Roche is a licensed Professional Engineer in the State of Florida and is a Certified Public Accountant.

~~**Melissa H. Dykes, Chief Financial Officer.** Ms. Dykes has served as Chief Financial Officer since March 2013. She provides leadership to ensure the long term financial health of JEA, resulting in access to capital at low cost for JEA's customers. She is responsible for all aspects of JEA's finances, including treasury, financial reporting, financial planning and analysis, and budgeting, as well as corporate strategy, supply chain management and shared services. She has lead responsibility for ensuring compliance with all reporting, regulatory and tax requirements for JEA.~~

~~Prior to joining JEA, Ms. Dykes was CFO at a portfolio company of a large energy private equity firm and a principal in a renewable energy development company, where she was responsible for origination, commercial structuring, development, and capital raising for renewable energy projects. She also was Vice President of Investment Banking at JPMorgan. While at JPMorgan, Ms. Dykes was responsible for providing capital solutions for clients, including over \$26 billion in financings for many municipal electric and water systems across the country, risk management product delivery, and mergers and acquisitions. Prior to joining JPMorgan, Ms. Dykes worked for The World Bank Group where she researched and published on private participation in infrastructure industries in developing countries. Ms. Dykes is a graduate of the University of Florida and holds a certificate in Advanced Management from Dartmouth College~~

Kerri Stewart, Vice President and Chief Customer Officer. Ms. Stewart joined JEA as Chief Customer Officer in 2017, bringing more than 14 years of experience to the organization. Previously, Ms. Stewart served as Chief of Staff for Jacksonville, Florida Mayor Lenny Curry, providing policy and public affairs guidance to the mayor.

Prior to returning to the City, Ms. Stewart was a Partner and Senior Vice President at Infinity Global Solutions. Drawing on her extensive experience in both the public and private sectors, she focused on assisting clients in the areas of government privatization, public infrastructure development, general management consulting and government relations. She also served as interim president of Visit Jacksonville, Local Initiative Support Corporation (LISC) and Cultural Council of Greater Jacksonville as part of her management consulting practice.

Prior to joining JGS, Ms. Stewart served as the Chief Administrative Officer for the City of Jacksonville/Duval County, Florida under Mayor John Peyton and Mayor Alvin Brown. In this role, she oversaw day-to-day government operations for the City, including directing a nearly 5,000-member workforce and managing the \$1 billion municipal budget and \$164 million annual capital improvement plan. During her first tenure with the City, Stewart led several successful

privatization studies and implementations; and she has shared her experiences in this area at a variety of conferences and other professional venues.

During her years of public service, Ms. Stewart also served as director of the City's Housing and Neighborhoods Department, created the Office of Operational Efficiency (now known as the Inspector General's Office), and served as a policy advisor to Mayor Peyton.

Prior to joining the City, Ms. Stewart worked as a Program Manager for Alltel Information Systems in Leeds, UK and Jacksonville, Florida. She is a graduate of the University of North Florida's Coggin School of Business with a bachelor's degree in Business Administration, double-majoring in Marketing and Management.

Ted E. Hobson, Vice President and Chief Compliance Officer. Mr. Hobson joined JEA in 1973 and has overall responsibility for development, implementation and maintenance of JEA's Compliance Programs including NERC Electrical Standards, NERC Critical Infrastructure Protection ("CIP") standards, FACTA regulations and other related federal and state regulations. He is also responsible for JEA's Physical Security department as well as Audit Services and Enterprise Risk Management. Mr. Hobson is currently on the Board of Directors of TEA and is JEA's representative on the TEA Settlement and Operating Committee. Mr. Hobson is JEA's board member for the Florida Electric Reliability Coordinating Council ("FRCC") and the Florida Electric Coordinating Group ("FCG"). Additionally, Mr. Hobson currently serves on the Board of Directors of the Jacksonville Museum of Science and History.

Mr. Hobson's previous position was Director of Energy Delivery, where he was responsible for all electric field activities including overhead and underground line work, system protection and controls, substation maintenance and the 24-hour operation of the JEA power system including generation commitment and dispatch, transmission operation and security and interchange services with other utilities. During his over 40 years with JEA, he has worked in the areas of distribution, engineering, trouble dispatching, system operations and system planning. Mr. Hobson has served as JEA's representative to the FRCC for over 15 years and was chair of the Operating Committee for the past six years. He also served on various North American Electric Reliability Corporation ("NERC") committees and subcommittees and is a member and past chair of the NERC Compliance and Certification Committee.

Mr. Hobson holds a BSEE from the University of Florida, and is a registered Professional Engineer in the State of Florida.

~~***Kerri Stewart, Chief Customer Officer.*** Kerri Stewart joined JEA as Chief Customer Officer in 2017, bringing more than 14 years of experience to the organization. Previously, Stewart served as Chief of Staff for Jacksonville, Florida Mayor Lenny Curry, providing policy and public affairs guidance to the mayor.~~

~~Prior to returning to the City, Stewart was a Partner and Senior Vice President at Infinity Global Solutions. Drawing on her extensive experience in both the public and private sectors, she focused on assisting clients in the areas of government privatization, public infrastructure development, general management consulting and government relations. She also served as interim president of Visit Jacksonville, Local Initiative Support Corporation (LISC) and Cultural Council of Greater Jacksonville as part of her management consulting practice.~~

~~Prior to joining IGS, Stewart served as the Chief Administrative Officer for the City of Jacksonville/Duval County, Florida under Mayor John Peyton and Mayor Alvin Brown. In this role,~~

~~she oversaw day to day government operations for the City, including directing a nearly 5,000 member workforce and managing the \$1 billion municipal budget and \$164 million annual capital improvement plan. During her first tenure with the City, Stewart led several successful privatization studies and implementations; and she has shared her experiences in this area at a variety of conferences and other professional venues.~~

~~During her years of public service, Stewart also served as director of the City's Housing and Neighborhoods Department, created the Office of Operational Efficiency (now known as the Inspector General's Office), and served as a policy advisor to Mayor Peyton.~~

~~Prior to joining the City, Stewart worked as a Program Manager for Alltel Information Systems in Leeds, UK and Jacksonville, Florida. She is a graduate of the University of North Florida's Coggin School of Business with a bachelor's degree in Business Administration, double majoring in Marketing and Management.~~

Angelia R. Hiers, Vice President and Chief Human Resources Officer. Ms. Hiers is a career human resource professional, with industry knowledge and experience at strategic and tactical levels, in all aspects of human resources and organizational development. During her career, she has been responsible for employee and labor relations, compensation, benefits, recruiting, training and development, safety and wellness, diversity and inclusion. Throughout her career, Ms. Hiers has leveraged her collaborative, energetic and creative style to build successful human resource strategies and business solutions.

Prior to joining JEA, Ms. Hiers was the Vice President, Human Resources for Baker Distributing Company, a subsidiary of the publicly traded company, Watsco, Inc. She also served as Human Resources Director for CSX Technology and Senior Vice President/Managing Director, Right Management Consultants in Jacksonville, Florida. Prior to joining Right Management Consultants, Ms. Hiers held leadership positions in operations and human resources for Barnett Bank.

Ms. Hiers is a graduate of Edward Waters College with a Bachelor of Arts - Organizational Management and Jacksonville University with a Master of Business Administration.

Paul J. Cosgrave, Vice President and Chief Information Officer. Mr. Cosgrave brings to JEA 40+ years of line management and IT consulting/systems integration experience. He retired in 2010 from the City of New York ("NYC") as Commissioner for the Department of Information Technology and Telecommunications and as the Chief Information Officer ("CIO") for NYC. At that time he became a Senior Fellow at the Center for Digital Government and resumed operating his own consulting firm, Startegies4Success. His areas of research and expertise are IT strategic planning, IT portfolio management, IT governance and IT consolidation/cost reduction at all levels of government.

Previously, Mr. Cosgrave served as the CIO at the Internal Revenue Service during a major turnaround period (1998-2001), and before that he spent 25 years in private industry, having worked as CEO for the Claremont Technology Group, a company he took public in 1996 and as a Managing Partner at Andersen Consulting (now Accenture) where he worked for 19 years. He has served as Executive Board member for the Information Technology Association of America (now TechAmerica) and has served on the Board of Directors for three separate public IT services companies (Cognizant, Claremont Technology, and Technology Solutions). He has served on four not-for-profit Boards of Directors, including the Rensselaer Alumni Association where he recently completed his two-year term as president.

Mr. Cosgrave earned a BS and MS in Industrial Engineering from the Rensselaer Polytechnic Institute (“RPI”). He has been recognized by RPI with the Distinguished Albert Fox Demers Medal, the second highest recognition given to an alumnus, and by his fraternity, Sigma Chi, as a Significant Sig, an honor bestowed on a few alumni who have distinguished themselves in their careers. He has also been recognized by Computerworld, Information Week and Government Technology for his innovative leadership and accomplishments in the IT industry.

John P. McCarthy, Vice President and Chief Supply Chain Officer. Mr. McCarthy is responsible for leading JEA’s supply chain strategy and operations. His responsibilities include JEA’s facilities, fleet, real estate, procurement, inventory management, investment recovery, emergency management planning and recovery and utility locates groups. The team ensures JEA’s material readiness is at the highest levels and lowest cost, while ensuring corporate funds are committed under ethical standards to deliver the greatest value to JEA in compliance with state and local laws.

Mr. McCarthy joined JEA in 2002 after a successful 20-year career as a U.S. Navy Supply Officer. During his 16 years at JEA, he has served in various leadership roles within the procurement and logistics groups including an initial assignment as a Procurement Project Coordinator where he developed an aggregated sourcing model adopted by seven different utility companies. This resulted in the strategic sourcing of over \$400 million over a ten-year period. Other notable roles include JEA’s Chief Procurement Officer and Incident Command Logistics Section Chief where he implemented advanced contract negotiation processes and a hurricane preparedness strategy for critical storm materials, providing 100 percent on-site material availability for the restoration periods following Hurricanes Matthew and Irma. He also served as JEA’s United Way Campaign Chairman.

Mr. McCarthy received his B.S. degree from the U.S. Naval Academy, and an M.B.A. degree from The Ohio State University. He is a member of Leadership Jacksonville, class of 2013, and holds advance certificates in executive contract negotiations and supply chain strategy and management from the Massachusetts Institute of Technology Sloan School of Management.

Paul K. Steinbrecher, Vice President and Chief Environmental Services Officer. Mr. Steinbrecher is responsible for leading JEA’s Environmental Services group. Core group functions include environmental permitting and compliance assistance for JEA’s numerous electric and water business facilities, environmental incident response and reporting, due diligence, waste management and remediation, wetlands and wildlife issues, industrial pretreatment and other programs in which JEA serves as an environmental regulatory agency, and full service environmental laboratory functions to support the enterprise’s extensive monitoring and environmental reporting activities. In this role he leads the organization in ensuring the highest levels of environmental compliance and incorporation of sustainability into all JEA’s planning activities.

Mr. Steinbrecher’s career has focused on finding and advancing cost effective environmental and engineering solutions for utilities, business and industry and governments. Mr. Steinbrecher joined JEA in 2001. He is highly active on Florida environmental policy and regulatory issues, currently serving as President of the Florida Water Environment Association Utility Council and as a national board member of the WaterReuse Association. He is also a long term member of the Florida Electric Power Coordinating Group Environmental Committee. Based on his prior experience, he also helps lead the utility in forward thinking water resource solutions.

Prior to joining JEA Mr. Steinbrecher was a process engineer and program manager for CH2M Hill, designing water and wastewater systems and assisting industries and municipalities with environmental projects worldwide. Mr. Steinbrecher holds BS and MS degrees in Civil Engineering

from Valparaiso University and the University of Arkansas, respectively. He is a registered professional engineer in Florida and a member of the Leadership Jacksonville, class of 2015.

Jody L. Brooks, Vice President and Chief Legal Officer. ~~Jody~~Ms. Brooks joined JEA as Chief Legal Officer via an agreement with the City of Jacksonville Office of General Counsel in August 2016. Ms. Brooks had been rendering legal support and guidance to JEA while providing legal services to many other City departments. As the newly appointed JEA Chief Legal Officer, Ms. Brooks is fully dedicated to serving as the chief legal advisor to JEA and the JEA Board.

Ms. Brooks joined the Office of General Counsel in April 2013 and was subsequently promoted in 2015 to Chief, Government Operations Department. Prior to joining the Office of General Counsel, she held in house counsel positions with both The St. Joe Company and Allen Land Group handling real estate transactions, land use development and environmental matters. Earlier in her career, she worked as an associate at Lewis, Longman & Walker, P.A., where she represented property owners and government entities in federal, state and local government environmental, land use, zoning and condemnation matters.

She received a Bachelor of Science degree with honors from the Jacksonville University Davis College of Business and her Juris Doctor degree with honors and a Certificate in Environmental and Land Use Law from the University of Florida, Fredric G. Levin College of Law.

~~**Michael R. Hightower, Chief Public Affairs Officer.** Mr. Hightower joined JEA in 2015, bringing over 35 years of governmental and legislative relations experience. He also previously served 16 years on JEA's Board of Directors including two two-year terms as JEA Chair.~~

~~Mr. Hightower joined Blue Cross and Blue Shield of Florida (now Florida Blue) in 1981 as the Director of Governmental and Legislative Relations and in 1985 was named its Vice President of Governmental and Legislative Relations. He worked closely with key political leaders in the federal, state and local government and, after three decades of a successful career at Florida Blue, retired in late 2014. He then joined the international law firm of Holland & Knight LLP as a Senior Policy Advisor before joining the JEA senior leadership team.~~

~~In addition to his professional accomplishments, Mr. Hightower has dedicated his time, talents and leadership to numerous boards and commissions over the last 35 years. Presently he chairs the following: the Florida Governor's Mansion Foundation and the Florida Association of Professional Lobbyists. Mr. Hightower is in his second year as Vice President, Special Projects Florida House and Florida's embassy in Washington, D.C. He also serves as an active board member of OneJax, Florida Ounce of Prevention and Five Star Veterans Center.~~

~~Prior to joining JEA, Mr. Hightower chaired the following organizations and civic and trade associations: United States Naval Academy; Jacksonville Chamber of Commerce; Florida House, Florida's Embassy in Washington, D.C.; Associated Industries of Florida; Florida Insurance Council; Florida News Service; Florida College System Foundation; Jacksonville Library Foundation; Jacksonville Political Leadership Institute; JaxBix; Duval County Republican Party and the Cecil Field Base Closure Commission.~~

~~Throughout the state, he is well known for his political leadership, having served as chair or finance chair for more than 580 successful local, state, and/or federal candidates since 1972. He has assisted in raising more than \$136.3 million for charitable, candidate and political party campaigns since 1981.~~

~~In 2006, Leadership Florida's leaders appointed Mr. Hightower to the Florida Energy Commission. The nine member panel was charged with making recommendations to the Florida Legislature on ways to secure Florida's energy future.~~

~~In 2010, Florida's legislative leadership appointed Mr. Hightower to the Public Service Commission Nominating Council, charged with interviewing and recommending qualified candidates for gubernatorial appointment to the Florida Public Service Commission.~~

~~Mr. Hightower, a 1972 graduate of Jacksonville University, resides in Jacksonville. He was a third-term 2003, 2005, 2007 University of Florida Graduate School adjunct instructor, "Principles of Lobbying."~~

Employees

The employees of JEA are considered to be governmental (public) employees and, as such, have the right to organize, be represented and bargain collectively for wages, hours and terms and conditions of employment, as provided in Chapter 447, Part II, Florida Statutes. Florida state law prohibits strikes and concerted work slowdowns by governmental (public) employees. Pursuant to the Charter, JEA has full and independent authority to hire, transfer, promote, discipline, terminate and evaluate employees and, consistent with the provisions of the Charter relating to civil service, to establish employment policies relating to hiring, promotion, discipline, termination and other terms and conditions of employment, to enter into negotiations with employee organizations with respect to wages, hours and terms and conditions of employment and to take such other employment related action as needed to assure effective and efficient administration and operation of its utilities systems. The Council is the legislative body with authority to approve or not approve collective bargaining agreements and to resolve any statutory impasses that may arise from collective bargaining.

As of October 1, 2017, JEA had 2,158 budgeted employee positions (exclusive of the Power Park employees referred to below), of which 1,553 were budgeted to the Electric System, 599 were budgeted to the Water and Sewer System and six were budgeted to the District Energy System. Except for the Management Team and a minor number of contract employees, such employees have civil service status.

Approximately 1,567 employees are covered by five collective bargaining agreements. These employees are represented by the American Federation of State, County, and Municipal Employees ("AFSCME"), the International Brotherhood of Electrical Workers ("IBEW"), Local 2358 and the Northeast Florida Public Employees, Local 630, Laborers' International Union of North America ("LIUNA"), all of which are affiliated with the AFL-CIO, and by a professional employees' association (the "PEA," Professional Employees Association) and a supervisors' association (the "JSA," Jacksonville Supervisors Association) that have no AFL-CIO affiliation. JEA has collective bargaining agreements with all the collective bargaining agents, and all of the collective bargaining agreements have been ratified and approved by the legislative body, the Council, and are effective through September 30, 2019.

Substantially all of JEA's employees participate in the City's general employees pension plan ("GEPP"). Employees of the Power Park participate in a separate pension plan. See Note 12 to JEA's Financial Statements set forth in APPENDIX A to this Annual Disclosure Report for a discussion of certain information on the City's plan. The Actuarial Valuation and Review as of October 1, 2016 for the City's GEPP (the "2016 Actuarial Valuation Report") is available for viewing and downloading from the City's website (www.coj.net) by selecting "Government," then selecting "All Departments" under "City Departments," then selecting "Retirement System" under "Finance and Administration," then selecting "Plan Valuation Statements" from the navigation tab on the left hand side and then selecting

actuarial accrued liability entry-age normal was \$159,261,274, the unfunded actuarial accrued liability was \$20,359,518, the funded ratio was 87.2 percent, the covered payroll was \$16,664,648 and the unfunded actuarial accrued liability as a percentage of covered payroll was 122.2 percent. As of October 1, 2016, the SJRPP Plan's actuarial value of assets was \$142,285,489, the actuarial accrued liability entry-age normal was \$162,028,867, the unfunded actuarial accrued liability was \$19,743,378, the funded ratio was 87.8 percent, the covered payroll was \$15,489,302 and the unfunded actuarial accrued liability as a percentage of covered payroll was 127.5 percent. The SJRPP Plan's assumed rate of return is 7.0 percent for use in the Annual Actuarial Valuation performed as of October 1, 2012 and later. The objective of the SJRPP Plan is to establish and receive contributions that are intended to bring the plan's funding ratio to 100 percent by October 1, 2019, and meeting this objective is the main source of volatility in employer contributions. Upon the cessation of commercial operations of the Power Park in January 2018 pursuant to the agreement entered into between JEA and FPL, JEA assumed all payment obligations and other liabilities related to any amounts due to be deposited into the SJRPP Plan. See "ELECTRIC UTILITY SYSTEM – *ELECTRIC UTILITY FUNCTIONS* – St. John's River Power Park – *Early Termination of Power Park Joint Ownership Agreement*" for additional information.

See Note 12, Note 13 and pages 95-100 of JEA's Financial Statements ~~attached hereto as set forth~~ [in APPENDIX A to this Annual Disclosure Report](#) for a discussion of the pension plans, "other post-employment benefit" plan and actuarial accrued liability.

Certain Demographic Information

Under Florida law, the City and Duval County are organized as a single, consolidated government. Based upon the 2010 United States Census, the consolidated City is the most populous city in the State of Florida. The City covers 840 square miles and is one of the largest cities in area in the United States.

The Jacksonville Metropolitan Statistical Area ("MSA") is composed of Duval, Clay, Nassau, St. Johns and Baker Counties, an area covering 3,202 square miles. The U.S. Census Bureau estimates that the Jacksonville MSA had a population of 1,504,980 as of July 1, 2017. The Jacksonville MSA is currently the fourth most populous MSA in the State of Florida. The table below shows population for the Jacksonville MSA.

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Population	
<u>Year</u>	<u>Jacksonville MSA</u>
1980	722,252
1990	906,727
2000 ⁽¹⁾	1,122,750
2010	1,345,596
2017	1,504,980

Source: United States Census Bureau

⁽¹⁾ Baker County was included in the Jacksonville MSA starting with the 2000 United States census.

The economy of the Jacksonville MSA contains significant elements of trade and services, transportation services, manufacturing, insurance and banking and tourism. The Port of Jacksonville is one of the largest ports on the South Atlantic seaboard and in terms of tonnage ranks third in the State of Florida. A number of insurance and banking companies maintain regional offices in the City. The tourism and recreational facilities in the City include an arena, a performing arts center, a convention

center, TIAA Bank Field (formerly EverBank Field, which is the home field of the National Football League's Jacksonville Jaguars), a baseball park, numerous golf courses and resorts and various recreational facilities at the beaches. Two large United States Navy bases are located in the City.

The table below sets forth the annual, not seasonally adjusted, labor force, employment and unemployment figures for the Jacksonville MSA and comparative unemployment figures for the State of Florida and the United States for the most recent 10 years ended December 2017.

Jacksonville MSA Labor Force				Unemployment Rate (%)	
Year	Civilian	Employment	Unemployment Rate (%)	Florida	U.S.
2008	687,704	646,302	6.0	6.3	5.8
2009	681,026	612,993	10.0	10.4	9.3
2010	697,120	622,208	10.7	11.1	9.6
2011	701,533	633,405	9.7	10.0	8.9
2012	704,514	646,462	8.2	8.5	8.1
2013	708,926	659,390	7.0	7.2	7.4
2014	716,249	671,696	6.2	6.3	6.2
2015	719,195	680,930	5.3	5.5	5.3
2016	736,806	702,660	4.6	4.8	4.9
2017	762,141	732,140	3.9	4.1	4.4

Source: Florida Research and Economic Information Database Application, <http://freida.labormarketinfo.com/default.asp>.

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The table below shows the estimated average non-agricultural wage and salary employment by sector for the Jacksonville MSA for the calendar year 2017.

	Number of Employees	Percent of Distribution
Trade, Transportation and Utilities	143,300	20.5
Professional and Business Services	105,300	15.2
Education and Health Services	104,900	15.2
Leisure and Hospitality	85,400	12.4
Government	76,400	11.1
Finance	67,300	9.7
Construction	43,300	6.3
Other Services ⁽¹⁾	35,000	5.1
Manufacturing	30,900	4.5
Total Non-Agricultural Employment (Except Domestics, Self-Employed And Unpaid Family Workers)	<u>689,800</u>	<u>100.0</u>

Source: United States Department of Labor.

⁽¹⁾ Consists of other services, information and natural resources and mining.

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The following table lists the 10 largest non-governmental employers in the Jacksonville MSA and the approximate size of their respective work forces.

<u>Name of Employer</u>	<u>Product or Service</u>	<u>Approximate No. of Employees</u>
Baptist Health System	Healthcare	10,500
Bank of America / Merrill Lynch	Banking	8,000
Florida Blue	Health Insurance	6,700
Mayo Clinic	Healthcare	6,000
Southeastern Grocers	Supermarkets	5,700
Citibank	Banking	4,500
JP Morgan Chase	Banking	3,900
CSX Transportation	Railroad	3,600
UF Health Jacksonville	Healthcare	3,600
Wells Fargo	Banking	3,500

Source: Jacksonville Regional Chamber of Commerce Research Department ~~biennial~~ employer survey, fall 2012, as partially amended through December 2017.

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The following table lists the eight largest governmental employers in the Jacksonville MSA and the approximate size of their respective work forces.

<u>Name of Employer</u>	<u>Type of Entity/Activity</u>	<u>Approximate No. of Employees</u>
Naval Air Station, Jacksonville	United States Navy	19,800
Duval County Public Schools	Public Education	11,876 ⁽¹⁾
Naval Air Station, Mayport	United States Navy	9,000
City of Jacksonville	Municipal Government	7,374 ⁽²⁾
Clay County School Board	Public Education	5,000
St. Johns County School District	Public Education	4,534 ⁽³⁾
Fleet Readiness Center	Maintenance / Repair Overhaul	3,850
United States Postal Service	United States Government	3,800

Source: Jacksonville Regional Chamber of Commerce Research Department employer survey, fall 2012, as partially amended through December 2017.

(1) Duval County Public Schools website, full-time staff (<http://www.duvalschools.org/domain/5268>)

(2) City of Jacksonville Annual Budget 2017-18

(<http://www.coj.net/getattachment/Departments/Finance/Budget/FY17-18-Annual-Budget.pdf.aspx?lang=en-US>).

(3) St. Johns County School District website (<http://www.stjohns.k12.fl.us/about/>).

Indebtedness of JEA

The indebtedness of JEA relating to its Electric Utility Functions as of the date of this Annual Disclosure Report consists of Electric System Bonds, Subordinated Electric System Bonds, Power Park Issue Three Bonds, Bulk Power Supply System Bonds and borrowings outstanding under the Revolving Credit Facility (as defined herein) for the account of the Electric System. All outstanding Power Park Issue Two Bonds were defeased on January 5, 2018 in connection with the shutdown of SJRPP. See “ELECTRIC UTILITY FUNCTIONS – St. Johns River Power Park – Early Termination of Power Park Joint Ownership Agreement.” See “ELECTRIC UTILITY SYSTEM - *FINANCIAL INFORMATION RELATING TO ELECTRIC UTILITY FUNCTIONS* - Debt Relating to Electric Utility Functions” herein. For information regarding the Revolving Credit Facility, see “OTHER FINANCIAL INFORMATION - Revolving Credit Facilities” herein. As described under “INTRODUCTION - General” herein, the debt of JEA relating to its Electric Utility Functions, the debt of JEA relating to the Water and Sewer System

bonds or with a view to informing any person concerning an investment decision in JEA's bonds. Accordingly, the Report is not suitable for informing any person in the making of an investment decision in any of JEA's bonds. The Report does not purport to, and does not, inform any person concerning how any sale of JEA or any other action taken in response to the Report may impact the holders of JEA's bonds. In addition, the valuation-related statements in the Report regarding JEA are not prepared with a view to assess the value of JEA's bonds.

On March 20, 2018, the JEA Board held a workshop to discuss the issues related to a potential sale and to examine next steps as the JEA Board continues to consider the benefits and risks of a potential sale of JEA's Electric System, Water and Sewer System and District Energy System.

Any potential sale of JEA's Electric System, Water and Sewer System and District Energy System would require the approval of the Council. The Council has appointed a special committee ("Special Committee") currently consisting of the 19 members of the Council to examine and understand all aspects and implications of a potential sale of JEA and to gather the relevant facts the Council should consider in any decisions related to a potential sale of JEA. The Special Committee is scheduled to meet regularly to help to ensure a transparent and open process for the citizens of the City as to the consideration of a potential sale of JEA. On April 26, 2018, Mayor Curry stated that he will not submit any JEA privatization plan to the Council.

At this time, JEA is unable to predict the likelihood of whether a sale will occur, whether there is any potential timetable for a sale, or how, if at all, the holders of JEA's bonds may be impacted by any actions that the Council, the City or the JEA Board may take in connection with a possible sale of JEA.

JEA also cannot determine what additional action, if any, may be taken by the JEA Board, the Council or the City relating to the privatization of JEA.

ELECTRIC UTILITY SYSTEM

ELECTRIC UTILITY FUNCTIONS

General

In 2016, the latest year for which such information is available, JEA was the eighth largest municipally owned electric utility in the United States in terms of number of customers. During the Fiscal Year Ended September 30, 2017, the Electric System served an average of 451,788,953 customer accounts in a service area which covers virtually the entire City. JEA also sells electricity to retail customers and an electric system in neighboring counties. In addition, as described under "ELECTRIC UTILITY SYSTEM - *ELECTRIC UTILITY FUNCTIONS* - St. Johns River Power Park - *Ownership*" herein, JEA has sold to FPL a portion of the capacity (and associated energy) of JEA's interest in the Power Park pursuant to the long-term power sales provisions of the Power Park Joint Ownership Agreement (hereinafter defined) (such sale being referred to herein as the "FPL-Power Park Sale").

JEA's total energy sales in the Fiscal Year ended September 30, 2017, net of off-system sales and the energy sold by JEA to FPL pursuant to the FPL-Power Park Sale, were approximately 12.1 billion kilowatt-hours ("kWh"). Total revenues, including investment income, for the Electric System for the Fiscal Year ended September 30, 2017, net of the revenues received by JEA from the FPL-Power Park Sale (calculated for purposes of the Electric System Schedule of Debt Service Coverage (see "ELECTRIC UTILITY SYSTEM - *FINANCIAL INFORMATION RELATING TO ELECTRIC UTILITY FUNCTIONS* - Schedules of Debt Service Coverage" herein)), were approximately \$1,312,176,000.

On June 9, 2017, Georgia Power (for itself and as agent for the other Vogtle Co-Owners) and the Contractor entered into a services agreement (the “Services Agreement”) for the Contractor to transition construction management of Plant Vogtle Units 3 and 4 to Southern Nuclear Operating Company, an affiliate of Georgia Power (“SNC” or “Southern Nuclear”), and to provide ongoing design, engineering, and procurement services to SNC. The Services Agreement has taken effect and provides that the Contractor will generally be compensated on a time and materials basis for services rendered. The Services Agreement will continue until the start-up and testing of Plant Vogtle Units 3 and 4 is complete and electricity is generated and sold from both units. The Services Agreement is terminable by the Vogtle Co-Owners upon 30 days’ written notice.

Georgia Power recommended in the 17th Vogtle Construction Monitoring report (the “VCM 17 Report,” filed with the Georgia Public Service Commission (“GPSC”) on August 31, 2017 that the construction of the Additional Vogtle Units be continued. The recommendation to continue construction was supported by all of the Vogtle Co-Owners. Georgia Power has requested GPSC approval for a new project management structure in light of the realities that now exist after the Westinghouse and WECTEC bankruptcies. Under the new project management structure, Georgia Power, along with SNC acting as the project manager, will manage the construction of the Additional Vogtle Units on behalf of the Owners pursuant to a revised Ownership Participation Agreement. Bechtel Power Corporation (“Bechtel”) will serve as the prime construction contractor (see the description of the Construction Agreement below).

Going forward, Georgia Power through its agent SNC will manage the remaining bulk construction phase of the Additional Vogtle Units.

On October 19, 2017, Georgia Power, acting for itself and as agent for the other Vogtle Co-Owners, entered into a Construction Completion Agreement (the “Construction Agreement”) with Bechtel, which became effective on October 23, 2017. Under the Construction Agreement, Bechtel will serve as the primary contractor for the remaining construction activities for Plant Vogtle Units 3 and 4. Facility design and engineering remains the responsibility of Westinghouse under the Services Agreement.

Unlike the EPC Contract, which required the contractor to absorb most of the construction cost overruns for the Additional Vogtle Units, the Construction Agreement is a cost reimbursable plus fee arrangement, whereby Bechtel will be reimbursed by the Vogtle Co-Owners for actual costs plus a base fee and an at-risk fee, which is subject to adjustment based on Bechtel’s performance against cost and schedule targets. Each Vogtle Co-Owner is severally (not jointly) liable for its proportionate share, based on its ownership interest, of all amounts owed to Bechtel under the Construction Agreement. There is no cap on actual costs in the Construction Agreement and the total actual costs will not be known until the project is complete.

The Vogtle Co-Owners may terminate the Construction Agreement at any time for their convenience; provided that the Vogtle Co-Owners will be required to pay amounts related to work performed prior to the termination (including the applicable portion of the base fee), certain termination-related costs and, at certain stages of the work, the at-risk fee. Bechtel may terminate the Construction Agreement under certain circumstances, including, certain Vogtle Co-Owner suspensions of work, certain breaches of the Construction Agreement by the Vogtle Co-Owners, Vogtle Co-Owner insolvency and certain other events.

In addition, pursuant to the separate Loan Guarantee Agreements (each, a “DOE Loan Guarantee Agreement”), dated as of June 24, 2015, between each of the Vogtle Units 3 and 4 Project Entities and DOE, as amended, each Vogtle Units 3 and 4 Project Entity is required to obtain approval of the

Construction Agreement by the DOE prior to any further advances under its respective DOE Loan Guarantee Agreement.

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In connection with the recommendation to continue with construction of Plant Vogtle Units 3 and 4, the Vogtle Co-Owners agreed on a term sheet to amend the existing joint ownership agreements to provide for additional Vogtle Co-Owner approval requirements. Subsequently, the Vogtle Co-Owners entered into an amendment, dated as of November 2, 2017, to their joint ownership agreements for Plant Vogtle Units 3 and 4 (as amended, the “Joint Ownership Agreements”) to provide for, among other conditions, additional Vogtle Co-Owner approval requirements. Pursuant to the Joint Ownership Agreements, the holders of at least 90 percent of the ownership interests in Plant Vogtle Units 3 and 4 must vote to continue construction if certain adverse events occur, including: (1) the bankruptcy of Toshiba or (except in the case in which each of the Vogtle Co-Owners has assigned its rights under the Guarantee Settlement Agreement to a third party) a material breach by Toshiba of the Guarantee Settlement Agreement; (2) termination or rejection in bankruptcy of certain agreements, including the Services Agreement or the Construction Agreement; (3) the GPSC or Georgia Power determines that any of Georgia Power’s costs relating to the construction of Plant Vogtle Units 3 and 4 will not be recovered in retail rates because such costs are deemed unreasonable or imprudent; or (4) an increase in the construction budget contained in the VCM 17 Report of more than \$1 billion or extension of the project schedule contained in the VCM 17 Report of more than one year. In addition, pursuant to the Joint Ownership Agreements, the required approval of holders of ownership interests in Plant Vogtle Units 3 and 4 is at least (1) 90 percent for a change of the primary construction contractor and (2) 67 percent for material amendments to the Services Agreement or agreements with Southern Nuclear or the primary construction contractor, including the Construction Agreement.

The effectiveness of the amendment to the Joint Ownership Agreements is subject to the condition that Oglethorpe obtains the approval of the Administrator of the Rural Utilities Service.

The Joint Ownership Agreements also confirm that the Vogtle Co-Owners’ sole recourse against Georgia Power or Southern Nuclear for any action or inaction in connection with their performance as agent for the Vogtle Co-Owners is limited to removal of Georgia Power and/or Southern Nuclear as agent, except in cases of willful misconduct.

MEAG Power, based upon information provided to it by its agent, Georgia Power, has advised JEA that the current estimated in-service dates for the Additional Vogtle Units are November 2021 [for Unit 3](#) and November 2022 [for Unit 4](#).

[Based on information provided by Georgia Power, as of the end of March 2018, total construction on Plant Vogtle Units 3 and 4 is approximately halfway complete at 50.8% when including the site-specific balance of plant structures.](#)

Regulatory Proceedings

The Vogtle Co-Owners recommended that the Additional Vogtle Units be completed on the condition that any of the Owners have the right to abandon the construction of the Plant Vogtle Units 3 and 4 if the revised cost estimate or the revised construction schedule is not approved by the GPSC, or if there is a determination by the GPSC that any of Georgia Power’s share of the total investment in Plant Vogtle Units 3 and 4 or Georgia Power’s associated financing costs will not be recovered in Georgia Power’s retail rates because they are deemed by the GPSC to be unreasonable or imprudent or for any other reason, or that such investment or associated financing costs will be presumed to be unreasonable or imprudent or unrecoverable.

On December 21, 2017, the Georgia Public Service Commission approved Georgia Power Company's recommendation to complete construction of Plant Vogtle Units 3 and 4, which are expected to be online in November 2021 (Unit 3) and November 2022 (Unit 4).

JEA has been granted intervenor status in GPSC proceedings regarding the Additional Vogtle Units.

Should the GPSC render a decision at a later date that either directly or indirectly results in a cancellation of the Additional Vogtle Units, JEA believes such a cancellation will reduce both JEA's risks and its overall costs when compared with completion of the Additional Vogtle Units. Accordingly, JEA has previously informed MEAG Power that it disagrees with the recommendation to complete the Additional Vogtle Units and that it believes that the project should be cancelled rather than completed. Based on ~~a~~ comprehensive ~~analysis~~ internal and external analyses, JEA believes that cancellation of the Additional Vogtle Units will reduce its risks by eliminating cost and schedule uncertainty regarding the completion of the Additional Vogtle Units. JEA also believes that, if the project is cancelled, the projected cost of replacement power plus the cost of JEA's continuing obligation to pay Project J debt service under the terms of the Additional Vogtle Units PPA will be less than the cost of purchasing power under the Additional Vogtle Units PPA over the 20-year term of the Additional Vogtle Units PPA if the project is completed. JEA continues to plan as if the project will be completed in accordance with the most recent cost estimate and construction schedule provided by MEAG Power.

Description of Toshiba Guarantee

Toshiba guaranteed certain payment obligations of Westinghouse and WEC TEC under the EPC Contract, including any liability of Westinghouse and WEC TEC for abandonment of work (the "Toshiba Guarantee").

On June 9, 2017, Georgia Power and the other Vogtle Co-Owners and Toshiba entered into a settlement agreement regarding the Toshiba Guarantee (the "Guarantee Settlement Agreement"). Pursuant to the Guarantee Settlement Agreement, Toshiba acknowledged the amount of its obligation under the Toshiba Guarantee is \$3.68 billion (the "Guarantee Obligations") and that the Guarantee Obligations exist regardless of whether the Additional Vogtle Units are completed.

By December 14, 2017, Toshiba had made payments totaling its entire \$3.68 billion of Guarantee Obligations under the Guarantee Settlement Agreement to Georgia Power Company, for the benefit of Georgia Power Company and the other Vogtle Co-Owners. The portion of the payments allocable to Project J is approximately \$344 million.

Other Renewable Sources. JEA entered into a 20-year agreement (the "Wind Generation Agreement") with Nebraska Public Power District ("NPPD") in 2004 to participate in a wind generation project located in Ainsworth, Nebraska. JEA's participation in NPPD's wind generation project allowed JEA to receive environmental credits ("Green Tags") associated with this Green Power alternative. Under the Wind Generation Agreement, JEA agreed to purchase over a 20-year period 10 MW of capacity from NPPD's wind generation facility for an estimated net cost of \$2,280,958. In turn, NPPD buys back the energy at specified on/off peak charges. JEA makes all environmental attributes from this facility available to sell in order to lower rates for our customers. JEA has sold environmental credits for specified periods from this project thereby reducing but not eliminating JEA's net cost for this resource for that period.

With the expansion of JEA's renewable portfolio within the State of Florida, additional landfill gas generation and new solar facilities, JEA exercised its right to terminate this contract. JEA and NPPD have agreed to terminate the agreement effective December 2019.

being engaged in by TEA). The JEA Board can from time to time increase or (subject to certain limits) decrease the amount of its advances to TEA. For a discussion of JEA's investment in TEA and its commitments to TEA as of September 30, 2017, see Note 7 to the financial statements of JEA set forth in APPENDIX A attached hereto.

Order No. 889 of the Federal Energy Regulatory Commission ("FERC") established certain standards of conduct for utilities that offer open access transmission services. The effect of these standards would have been to require JEA to establish a wholesale marketing organization separate and apart from its operating group that controls operations of its generation and transmission facilities. JEA believes that the establishment of TEA satisfied that requirement at a cost to JEA that is substantially less than the cost that JEA would have incurred if it acted alone in establishing a wholesale marketing organization.

Mutual Aid Alliance

JEA has entered into an agreement with six other electric utilities located in Florida and Georgia (the "Participating Utilities") to provide mutual aid in the form of energy and price commitments in the event of an extended outage of certain designated baseload generating units of the Participating Utilities. Under this agreement, each Participating Utility agrees to make available, from its own capacity and only to the extent it has capacity available in excess of its native load and firm sales commitments, energy to replace energy unavailable due to unplanned outages of the designated units in excess of 60 days ("Replacement Power"). Each Participating Utility is obligated to provide such Replacement Power for up to 365 days from the outage event. The Participating Utilities will provide such Replacement Power at a cost derived through a formula based upon natural gas prices. This agreement has a term ending in September 2017²² and is automatically renewed for an additional five-year period unless a party thereto provides timely notice of its intent not to renew its participation. To date, JEA has neither provided nor received aid under this agreement.

Interconnections

JEA is interconnected with the Georgia Integrated Transmission System through two 500 kV lines. These lines are jointly owned by JEA and FPL. The lines are located in the western section of the Electric System's service area and extend north to the interconnect point with Georgia Integrated Transmission System at the Florida-Georgia state line.

JEA is a member of the Florida Reliability Coordinating Council ("FRCC"), which is one of eight Regional Entities of the North American Electric Reliability Corporation. Under a Delegation Agreement with NERC, FRCC acts as JEA's Compliance Enforcement authority for FERC Approved Electric Reliability Standards. Additionally, FRCC members coordinate their planning and system operations through the FRCC Member Services division to share spinning reserves; establish policies and procedures for dealing with scheduled and inadvertent interchanges and emergencies; coordinate maintenance schedules; establish and administer guidelines for utilizing under-frequency relays; maintain voice, facsimile and internet communications facilities; and evaluate and resolve system disturbances.

Power Sales and Transmission Contracts

JEA has a contract to supply the Beaches Energy Services with non-firm generation and transmission backup service. In accordance with a 36-month contract notice provision, the contract will terminate on November 30, 2019 unless renewed prior to its expiration. JEA does not receive a significant amount of revenue from this contract.

In January 1990, JEA entered into a contract with Cedar Bay Generating Company, L.P. ("Cedar Bay"), the owner of a cogeneration facility within JEA's service territory. Pursuant to the contract,

potential purchasers of the Electric System Bonds are advised that the information in JEA's 2017 Financial Statements relating to JEA's Water and Sewer System and District Energy System is not relevant to a decision to purchase the Electric System Bonds and should not be taken into account with respect thereto.

Transfers to the City

The Charter currently provides that, as consideration for the unique relationship between the City and JEA, there shall be assessed upon JEA in each Fiscal Year, for the uses and purposes of the City, from the revenues of the Electric System and Water and Sewer System operated by JEA available after the payment of all costs and expenses incurred by JEA in connection with the operation of the Electric System and the Water and Sewer System (including, without limitation, all costs of operation and maintenance, debt service on all obligations issued by JEA in connection with such Electric System and the Water and Sewer System and required reserves therefor and the annual deposit to the depreciation and reserve account required pursuant to terms of the Charter), an amount that is periodically negotiated by JEA and the City. The City's annual assessment of JEA does not include assessments pertaining to the District Energy System. The Charter provides that the Council may reconsider the assessment calculations every five years; however, pursuant to the Charter, the Council may also revise the assessments at any time by amending the Charter with a two-thirds vote of the Council. From time to time, proposals have been made, and may be made in the future, to increase the amount of the City's annual assessment on JEA.

Effective October 1, 2008, JEA is required to pay to the City a combined assessment for the Electric System and the Water and Sewer System and this combined assessment has been set forth in the Charter.

JEA and the City reached agreement on amendments ("2016 Amendments") to the Charter which affect the amount of the combined assessment that JEA is required to pay to the City. The 2016 Amendments were set forth in Ordinance 2015-764, were approved by the Council on March 8, 2016 and took effect on March 10, 2016, and provide that effective October 1, 2016, the combined assessment for the Electric System and the Water and Sewer System will be equal, but not exceed the greater of (A) the sum of (i) the amount calculated by multiplying 7.468 mills by the gross kilowatt hours delivered by JEA to retail users of electricity in JEA's service area and to wholesale customers under firm contracts having an original term of more than one year (other than sales of energy to FPL from JEA's St. Johns River Power Park System) during the 12-month period ending on April 30 of the Fiscal Year immediately preceding the Fiscal Year for which such assessment is applicable, plus (ii) the amount calculated by multiplying 389.20 mills by the number of ~~K-Gals~~kgals (~~1=1000~~) gallons) potable water and sewer service, excluding reclaimed water service, provided to consumers during the 12-month period ending on April 30 of the Fiscal Year immediately preceding the Fiscal Year for which such assessment is applicable or (B) a minimum calculated amount which increases by ~~1percent~~1% per year from ~~Fiscal Year~~ 2016-2017 through ~~Fiscal Year~~ 2020-2021 using the ~~Fiscal Year~~ 2015-16 combined assessment of \$114,187,538 as the base year. The amounts applicable to clause (B) above are: for ~~Fiscal Year~~ 2016-2017 - \$115,329,413; for ~~Fiscal Year~~ 2017-2018 - \$116,482,708; for ~~Fiscal Year~~ 2018-2019 - \$117,647,535; for ~~Fiscal Year~~ 2019-2020 - \$118,824,010; and for ~~Fiscal Year~~ 2020-2021 - \$120,012,250. A "mill" is one one-thousandth of a U.S. Dollar. The 2016 Amendments provide that the amended assessment calculations for the electric system and the water and sewer system shall be in effect until September 30, 2021 and that the Council may reconsider the assessment calculations after October 1, 2020 and changes, if any, shall become effective October 1, 2021. As provided in the Charter, the Council may change the assessment calculation by ordinance within the provisions of the relevant section of the Charter. The 2016 Amendments contemplate that in the event the Council does not reconsider the assessment calculations, the assessments shall be calculated using the

AUTHORIZATION

The dissemination and use of this Annual Disclosure Report have been duly authorized by the JEA Board.

JEA

By: /s/ G. Alan Howard
Chair

By: /s/ ~~f~~ Aaron F. Zahn
Interim Managing Director and Chief Executive Officer



**ANNUAL DISCLOSURE REPORT
FOR
WATER AND SEWER SYSTEM AND DISTRICT ENERGY SYSTEM
FOR
FISCAL YEAR
ENDED
SEPTEMBER 30, 2017**

**(Prepared pursuant to certain
continuing disclosure undertakings
relating to the Bonds listed
in APPENDIX E hereto)**

Filed with EMMA

Dated as of

AprilMay [___-], 2018

JEA
21 W. CHURCH STREET
JACKSONVILLE, FLORIDA 32202
(904) 665-7410
(<http://www.jea.com>)

JEA OFFICIALS

BOARD MEMBERSHIP⁽¹⁾

Chair
Vice Chair
Secretary

G. Alan Howard
Husein A. Cumber⁽²⁾
Frederick D. Newbill
Kelly Flanagan
April Green

MANAGEMENT

Interim Managing Director and Chief Executive Officer

~~_____~~⁽³⁾ [Aaron F. Zahn](#)⁽²⁾

[President / Chief Operating Officer](#)

[Melissa H. Dykes](#)

[Interim Chief Financial Officer](#)

[Ryan F. Wannemacher](#)

[Chief Public and Shareholder Affairs Officer](#)

[Michael R. Hightower](#)

Vice President / General Manager, Electric Systems

Michael J. Brost

Vice President / General Manager, Water ~~and~~ Wastewater Systems

Brian J. Roche

~~Chief Financial Officer~~

~~Melissa H. Dykes~~

~~Chief Compliance Officer~~

~~Ted E. Hobson~~

[Vice President and Chief Customer Officer](#)

Kerri Stewart

[Vice President and Chief Compliance Officer](#)

[Ted E. Hobson](#)

[Vice President and Chief Human Resources Officer](#)

Angelia R. Hiers

[Vice President and Chief Information Officer](#)

Paul J. Cosgrave

[Vice President and Chief Supply Chain Officer](#)

[John P. McCarthy](#)

[Vice President and Chief of Environmental Services](#)

[Paul K. Steinbrecher](#)

[Vice President and Chief Legal Officer](#)

Jody L. Brooks

~~Chief Public Affairs Officer~~

~~Michael R. Hightower~~

~~Treasurer~~

~~Joseph E. Orfano~~

GENERAL COUNSEL

Jason R. Gabriel, Esq.
General Counsel of the City of Jacksonville
Jacksonville, Florida

⁽¹⁾ There are currently two vacancies on the JEA Board.

⁽²⁾ ~~Mr. Cumber's term expired on February 28, 2018; his re-appointment for a second full term expiring February 28, 2022 is presently under consideration by the City Council of the City of Jacksonville.~~

⁽³²⁾ Paul E. McElroy resigned as Managing Director and Chief Executive Officer effective April 6, 2018. ~~_____~~ [Aaron F. Zahn](#) has been appointed by the Board as Interim Managing Director and Chief Executive Officer.

Rulemaking Board's Electronic Municipal Market Access ("EMMA") website at <http://emma.msrb.org>. **The revenues of each system do not constitute revenues of the other two systems, and, except as described under "WATER AND SEWER SYSTEM - FINANCIAL INFORMATION RELATING TO WATER AND SEWER SYSTEM - Debt Relating to Water and Sewer System - Water and Sewer System Support of the District Energy System Bonds" herein, revenues of each system are not pledged to the payment of any debt issued or to be issued by JEA to finance and refinance the other two systems.** JEA may, however, satisfy its annual obligation to transfer funds to the City with funds derived from any of its utilities systems. See "OTHER FINANCIAL INFORMATION - Transfers to the City" herein.

This Annual Disclosure Report contains information regarding JEA's Water and Sewer System and the District Energy System. For financing purposes and except as described under "WATER AND SEWER SYSTEM - FINANCIAL INFORMATION RELATING TO WATER AND SEWER SYSTEM - Debt Relating to Water and Sewer System - Water and Sewer System Support of the District Energy System Bonds" herein, the debt of JEA relating to the Water and Sewer System is payable from and secured by the revenues derived by the Water and Sewer System from the sale of water and the provision of sewer treatment and related services. The debt of JEA relating to the District Energy System is payable from and secured by the revenues derived from JEA's chilled water activities and any local district heating facilities JEA may develop in the future. **Accordingly, (a) except as described under "WATER AND SEWER SYSTEM - FINANCIAL INFORMATION RELATING TO WATER AND SEWER SYSTEM - Debt Relating to Water and Sewer System - Water and Sewer System Support of the District Energy System Bonds" herein, the information contained herein relating to the Water and Sewer System is not relevant to the Electric System Bonds, the Subordinated Electric System Bonds or the District Energy System Bonds and should not be taken into account in evaluating such debt; and (b) the information contained herein relating to the District Energy System is not relevant to the Electric System Bonds, Subordinated Electric System Bonds, Water and Sewer System Bonds or Subordinated Water and Sewer System Bonds and should not be taken into account in evaluating such debt.**

The summaries of or references to the Water and Sewer System Resolution, the Subordinated Water and Sewer System Resolution and the District Energy System Resolution, and certain ~~proposed~~recent amendments thereto, where applicable, (as such terms are hereinafter defined) and certain statutes and other ordinances and documents included in this Annual Disclosure Report do not purport to be comprehensive or definitive; and such summaries and references are qualified in their entirety by references to each such resolution, statute, ordinance, and document. Copies of the Water and Sewer System Resolution, the Subordinated Water and Sewer Resolution and the District Energy System Resolution are available on the JEA website at https://www.jea.com/About/Investor_Relations/Bonds.aspx and the other documents referred to in this Annual Disclosure Report may be obtained from JEA; *provided* that a reasonable charge may be imposed for the cost of reproduction.

JEA Establishment and Organization

JEA was established in 1968 to own and manage the electric utility which had been owned by the City since 1895. The City's Charter was amended in 1997 to authorize JEA to own and operate other utility systems, including the Water and Sewer System. In 2004, the City authorized JEA to create the District Energy System. The JEA Board consists of seven members appointed by the Mayor of the City, subject to confirmation by the Council. The members serve without pay for staggered terms of four years each, with a maximum of two consecutive full terms each.

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Current members of the JEA Board, their occupations and the commencement and expiration of their terms are as follows:

<u>MEMBER</u> ⁽¹⁾	<u>OCCUPATION</u>	<u>TERM</u>
G. Alan Howard Chair	Founder & President Milam Howard Nicandri Gillam & Renner P.A.	February 10, 2016 - February 28, 2019
Husein A. Cumber Vice Chair	Executive Vice President for Corporate Development Florida East Coast Industries, Inc.	February 28, 2014 – February 28, 2022 ⁽²⁾
Frederick D. Newbill Secretary	Pastor First Timothy Baptist Church	January 12, 2017 - February 28, 2019
Kelly Flanagan	Senior Vice President & CFO Jacksonville Jaguars, LLC	November 25, 2015 - February 28, 2020
April Green	Chief Operating Officer, Baxter Technology	December 1, 2017 - February 28, 2021

⁽¹⁾ There are currently two vacancies on the JEA Board.

~~⁽²⁾ Mr. Cumber's term expired on February 28, 2018; his re-appointment for a second full term expiring February 28, 2022 is presently under consideration by the Council.~~

In addition, in accordance with the provisions of the interlocal agreement entered into between JEA and Nassau County, Florida in connection with JEA's acquisition of certain assets and franchises of a private water and sewer utility in Nassau County, Nassau County is entitled to appoint a non-voting representative to the JEA Board. The Nassau County representative is entitled to attend all JEA Board meetings and to participate in discussions concerning matters that affect the provision of water and sewer services within Nassau County. Nassau County has appointed Mike Mullin, a Commissioner on Nassau County's Board of County Commissioners, as its representative to the JEA Board.

The Charter authorizes JEA to construct, acquire (including acquisition by condemnation), establish, improve, extend, enlarge, maintain, repair, finance, manage, operate and promote its utilities systems (which consist of (1) the Electric System, (2) the Water and Sewer System, (3) the District Energy System and (4) any additional utilities systems which JEA may undertake in the future upon satisfaction of the conditions set forth in the Charter), and to furnish electricity, water, sanitary sewer service, natural gas and other utility services as authorized therein within and outside of the City and for said purposes to construct and maintain electric lines, pipelines, water and sewer mains, natural gas lines and related facilities along all public highways and streets within and outside of the City. Should any additional utility system be undertaken by JEA in the future, such utility system may, at the option of JEA, constitute an additional utility function added to, and may become a part of, the Water and Sewer System or the District Energy System. See "SUMMARY OF CERTAIN PROVISIONS OF THE WATER AND SEWER SYSTEM RESOLUTION - Certain Other Covenants - *Additional Utility Functions*" in APPENDIX B attached hereto. The Charter also confers upon JEA the power to sue, to enter into contracts, agreements and leases, and to sell revenue bonds to finance capital improvements and to refund previously issued evidences of indebtedness of JEA.

~~[Remainder of page intentionally left blank]~~

Management and Employees

The Charter assigns responsibility for the management of JEA's utilities systems to the JEA Board. JEA employs a Managing Director and Chief Executive Officer as its chief executive officer.

The Managing Director, executive officers, vice presidents, directors, managers, executive assistants and other appointed staff, numbering approximately 382 persons, form the management team (the "Management Team") and are not subject to the City's civil service system.

Management

On April 6, 2018, Paul E. McElroy submitted his resignation as Managing Director and Chief Executive Officer of JEA to the JEA Board effective immediately. Mr. McElroy's resignation was accepted by the Chairperson of the JEA Board and the JEA Board approved entering into a Transition Services Agreement with Mr. McElroy. The Transition Services Agreement, among other things, provides for Mr. McElroy to be available to management of JEA and to assist in the leadership transition of JEA through the end of his current employment contract date of September 30, 2018.

On April 17, 2018, the JEA Board appointed ~~_____~~ [Aaron F. Zahn](#) as Interim Managing Director and Chief Executive Officer of JEA and the JEA Board adopted a resolution providing that except as may otherwise be expressly provided, the Interim Managing Director and Chief Executive Officer of JEA has all powers of the Managing Director and Chief Executive Officer of JEA while serving as Interim Managing Director and Chief Executive Officer, including, but not limited to, the power to enter into all contracts and to make all determinations that the Managing Director and Chief Executive Officer of JEA is authorized to enter into and to make, respectively.

Information regarding the Interim Managing Director and Chief Executive Officer of JEA and the ~~nineteen~~ [twelve](#) executive officers of JEA follows:

~~_____~~ [Aaron F. Zahn](#), **Interim Managing Director and Chief Executive Officer.** ~~[TO BE PROVIDED]~~ [Aaron F. Zahn is Interim Managing Director and Chief Executive Officer for JEA. In this role, Mr. Zahn oversees all operations for the eighth-largest public utility in the nation, providing electric, water and sewer services to customers across a 900-mile service territory in Northeast Florida.](#)

[Prior to being appointed Interim CEO in April 2018, Mr. Zahn served as Managing Partner and Chief Executive Officer of Pascal Partners, a distributed infrastructure investment and development company. From 2009 to 2017, he was Chairman and Chief Executive Officer of BCR Environmental Corporation, a water/wastewater technology firm and public-private-partnership development and operations company. Prior to BCR, Mr. Zahn worked as an investment professional for two multi-strategy hedge funds in New York City, managing over \\$6 billion in equity. He was also a Senior Manager of the Capital Markets team at General Growth Properties, playing a key role in \\$25+ billion of acquisitions and financing activities along with providing financial oversight for \\$200+ million of commercial real estate development.](#)

[A graduate of Yale University, Mr. Zahn is a supporter of YMCA of Jacksonville, Baptist Health System, Nemours Children's Health System and Yale University. He is a member of the Board of Directors for the Young Presidents Organization \(YPO\) and the Bob Graham Center for Public Service at University of Florida.](#)

[Melissa H. Dykes, President and Chief Operating Officer.](#) Melissa Dykes serves as JEA's President and Chief Operating Officer. She leads the operation of the utility, responsible for providing utility services to more than one million people across four counties. She manages more than 1,900 employees in the areas of electric, water, wastewater, customer experience, human resources, environmental services, compliance, technology, supply chain, and legal.

[Ms. Dykes served as JEA's Chief Financial Officer for nearly six years prior to her current role. As CFO, she provided leadership to ensure the financial health of JEA, resulting in access to capital at](#)

low cost on behalf of JEA's customers. She was responsible for all aspects of JEA's finances, including treasury, financial reporting, budgeting, supply chain management, and shared services, and had lead responsibility for ensuring compliance with all reporting, regulatory and tax requirements for JEA.

Prior to joining JEA, Ms. Dykes was CFO at a portfolio company of a large energy private equity firm and a principal in a renewable energy development company, where she was responsible for origination, commercial structuring, development and capital raising for renewable energy projects. She also was Vice President of Investment Banking at JPMorgan, where she was responsible for providing capital solutions for clients, including more than \$26 billion in financings for many municipal electric and water systems across the country, risk management product delivery and mergers and acquisitions. Prior to joining JPMorgan, Ms. Dykes worked for The World Bank Group, where she researched and published on private participation in infrastructure industries in developing countries. She is a graduate of the University of Florida and holds a certificate in Advanced Management from the Tuck School of Business at Dartmouth.

Ryan F. Wannemacher, Interim Chief Financial Officer. Mr. Wannemacher has served as Interim Chief Financial Officer since April 2018. He provides leadership to ensure fiscal responsibility for the long-term financial health of JEA, resulting in access to capital at low cost for JEA's customers. He is responsible for all aspects of JEA's finances, including treasury, financial reporting, financial planning and analysis, and budgeting, as well as corporate strategy. He has lead responsibility for ensuring compliance with all reporting, regulatory and tax requirements for JEA. Mr. Wannemacher currently serves on the Finance and Audit Committee of TEA.

Prior to his current role at JEA, Mr. Wannemacher served as JEA's Director of Financial Planning and Analysis from April 2015 to 2018. Prior to joining JEA, Mr. Wannemacher was Vice President of Investment Banking at JPMorgan. While at JPMorgan, Mr. Wannemacher was responsible for providing capital solutions for clients, including over \$20 billion in financings for many municipal electric, water and natural gas systems across the country, risk management product delivery, and mergers and acquisitions. Mr. Wannemacher holds a B.B.A. in Financial Consulting from Southern Methodist University graduating Magna Cum Laude.

Michael R. Hightower, Chief Public and Shareholders Affairs Officer. Mr. Hightower joined JEA in 2015, bringing over 35 years of governmental and legislative relations experience. He also previously served 16 years on JEA's Board of Directors including two two-year terms as JEA Chair.

Mr. Hightower joined Blue Cross and Blue Shield of Florida (now Florida Blue) in 1981 as the Director of Governmental and Legislative Relations and in 1985 was named its Vice President of Governmental and Legislative Relations. He worked closely with key political leaders in the federal, state and local government and, after three decades of a successful career at Florida Blue, retired in late 2014. He then joined the international law firm of Holland & Knight LLP as a Senior Policy Advisor before joining the JEA senior leadership team.

In addition to his professional accomplishments, Mr. Hightower has dedicated his time, talents and leadership to numerous boards and commissions over the last 35 years. Presently he chairs the following: the Florida Governor's Mansion Foundation and the Florida Association of Professional Lobbyists. Mr. Hightower is in his second year as Vice President, Special Projects-Florida House and Florida's embassy in Washington, D.C. He also serves as an active board member of OneJax, Florida Ounce of Prevention and Five Star Veterans Center.

Prior to joining JEA, Mr. Hightower chaired the following organizations and civic and trade associations: United States Naval Academy; Jacksonville Chamber of Commerce; Florida House,

Florida's Embassy in Washington, D.C.; Associated Industries of Florida; Florida Insurance Council; Florida News Service; Florida College System Foundation; Jacksonville Library Foundation; Jacksonville Political Leadership Institute; JaxBix; Duval County Republican Party and the Cecil Field Base Closure Commission.

Throughout the state, he is well-known for his political leadership, having served as chair or finance chair for more than 580 successful local, state, and/or federal candidates since 1972. He has assisted in raising more than \$136.3 million for charitable, candidate and political party campaigns since 1981.

In 2006, Leadership Florida's leaders appointed Mr. Hightower to the Florida Energy Commission. The nine-member panel was charged with making recommendations to the Florida Legislature on ways to secure Florida's energy future.

In 2010, Florida's legislative leadership appointed Mr. Hightower to the Public Service Commission Nominating Council, charged with interviewing and recommending qualified candidates for gubernatorial appointment to the Florida Public Service Commission.

Mr. Hightower, a 1972 graduate of Jacksonville University, resides in Jacksonville. He was a third term 2003, 2005, 2007 University of Florida Graduate School adjunct instructor, "Principles of Lobbying."

Michael J. Brost, Vice President / General Manager, Electric Systems. ~~Michael~~[Mr.](#) Brost has lead responsibility for producing and delivering electricity to JEA's 462,000 electric customers in a safe, reliable and cost-competitive manner, and in full compliance with regulatory objectives. In this role, Mr. Brost and his team are responsible for planning, constructing, operating and maintaining JEA's electric system—the generation plants and the transmission, substations and distribution systems.

Mr. Brost joined JEA in 1983 as an electrical engineer in System Operations. In 1993, he was appointed Division Chief of Distribution Engineering and was soon promoted to Vice President of the Distribution Group. He was a founding member of JEA's Corporate Strategy Team and has held vice president positions in the areas of Organizational Development and Organizational Services. He also served as the President and CEO at Colectric Partners in 2007 and 2008. Mr. Brost is a licensed Professional Engineer in the State of Florida. He has an M.S. degree in Engineering and an MBA. He also serves on several local nonprofit boards.

Brian J. Roche, Vice President / General Manager, Water / Wastewater Systems. Brian Roche is responsible for the planning, engineering, construction, operation and maintenance of JEA's Water, Wastewater, Reclaim and District Energy systems in a safe, reliable and cost-competitive manner, and in full compliance with regulatory objectives.

Mr. Roche joined JEA in 1983 as a co-op student and has 25 years experience at JEA in roles across the organization including serving as a project engineer for electric generating stations, an account executive for industrial customers, a wastewater planner, the Director of Meter, Billing and Collections, ~~and as~~ the Director of Financial Planning, Budgets and Rates and in the Water/Wastewater Systems VP/GM role effective December 2012. In addition, he has experience in the private sector, including roles as a project engineer for Amoco Oil Company and with a global environmental engineering consultant firm. Mr. Roche holds a bachelor degree in Mechanical Engineering from Georgia Institute of Technology, a Bachelor of Science degree in Accounting from the University of Florida, an MBA and a Master's Degree of Accountancy from the University of North Florida. Mr. Roche is a licensed Professional Engineer in the State of Florida and is a Certified Public Accountant.

~~**Melissa H. Dykes, Chief Financial Officer.** Ms. Dykes has served as Chief Financial Officer since March 2013. She provides leadership to ensure the long term financial health of JEA, resulting in access to capital at low cost for JEA's customers. She is responsible for all aspects of JEA's finances, including treasury, financial reporting, financial planning and analysis, and budgeting, as well as corporate strategy, supply chain management and shared services. She has lead responsibility for ensuring compliance with all reporting, regulatory and tax requirements for JEA.~~

~~Prior to joining JEA, Ms. Dykes was CFO at a portfolio company of a large energy private equity firm and a principal in a renewable energy development company, where she was responsible for origination, commercial structuring, development, and capital raising for renewable energy projects. She also was Vice President of Investment Banking at JPMorgan. While at JPMorgan, Ms. Dykes was responsible for providing capital solutions for clients, including over \$26 billion in financings for many municipal electric and water systems across the country, risk management product delivery, and mergers and acquisitions. Prior to joining JPMorgan, Ms. Dykes worked for The World Bank Group where she researched and published on private participation in infrastructure industries in developing countries. Ms. Dykes is a graduate of the University of Florida and holds a certificate in Advanced Management from Dartmouth College.~~

~~**Ted E. Hobson, Chief Compliance Officer.** Mr. Hobson joined JEA in 1973 and has overall responsibility for development, implementation and maintenance of JEA's Compliance Programs including NERC Electrical Standards, NERC Critical Infrastructure Protection ("CIP") standards, FACTA regulations and other related federal and state regulations. He is also responsible for JEA's Physical Security department as well as Audit Services and Enterprise Risk Management. Mr. Hobson is currently on the Board of Directors of TEA and is JEA's representative on the TEA Settlement and Operating Committee. Mr. Hobson is JEA's board member for the Florida Electric Reliability Coordinating Council ("FRCC") and the Florida Electric Coordinating Group (FCG). Additionally, Mr. Hobson currently serves on the Board of Directors of the Jacksonville Museum of Science and History.~~

~~Mr. Hobson's previous position was Director of Energy Delivery, where he was responsible for all electric field activities including overhead and underground line work, system protection and controls, substation maintenance and the 24-hour operation of the JEA power system including generation commitment and dispatch, transmission operation and security and interchange services with other utilities. During his over 40 years with JEA, he has worked in the areas of distribution, engineering, trouble dispatching, system operations and system planning. Mr. Hobson has served as JEA's representative to the FRCC for over 15 years and was chair of the Operating Committee for the past six years. He also served on various North American Electric Reliability Corporation ("NERC") committees and subcommittees and is a member and past chair of the NERC Compliance and Certification Committee.~~

~~Mr. Hobson holds a BSEE from the University of Florida, and is a registered Professional Engineer in the State of Florida.~~

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Kerri Stewart, Vice President and Chief Customer Officer. ~~Kerri~~ Ms. Stewart joined JEA as Chief Customer Officer in 2017, bringing more than 14 years of experience to the organization. Previously, Ms. Stewart served as Chief of Staff for Jacksonville, Florida Mayor Lenny Curry, providing policy and public affairs guidance to the mayor.

Prior to returning to the City, Ms. Stewart was a Partner and Senior Vice President at Infinity Global Solutions. Drawing on her extensive experience in both the public and private sectors, she focused on assisting clients in the areas of government privatization, public infrastructure development, general management consulting and government relations. She also served as interim president of Visit Jacksonville, Local Initiative Support Corporation (“LISC”) and Cultural Council of Greater Jacksonville as part of her management consulting practice.

Prior to joining IGS, Ms. Stewart served as the Chief Administrative Officer for the City of Jacksonville/Duval County, Florida under Mayor John Peyton and Mayor Alvin Brown. In this role, she oversaw day-to-day government operations for the City, including directing a nearly 5,000-member workforce and managing the \$1 billion municipal budget and \$164 million annual capital improvement plan. During her first tenure with the City ~~of Jacksonville~~, Stewart led several successful privatization studies and implementations; and she has shared her experiences in this area at a variety of conferences and other professional venues.

During her years of public service, Ms. Stewart also served as director of the City’s Housing and Neighborhoods Department, created the Office of Operational Efficiency (now known as the Inspector General’s Office), and served as a policy advisor to Mayor Peyton.

Prior to joining the City, Ms. Stewart worked as a Program Manager for Alltel Information Systems in Leeds, UK and Jacksonville, Florida. She is a graduate of the University of North Florida’s Coggin School of Business with a bachelor’s degree in Business Administration, double-majoring in Marketing and Management.

Ted E. Hobson, Vice President and Chief Compliance Officer. Mr. Hobson joined JEA in 1973 and has overall responsibility for development, implementation and maintenance of JEA’s Compliance Programs including NERC Electrical Standards, NERC Critical Infrastructure Protection (“CIP”) standards, FACTA regulations and other related federal and state regulations. He is also responsible for JEA’s Physical Security department as well as Audit Services and Enterprise Risk Management. Mr. Hobson is currently on the Board of Directors of TEA and is JEA’s representative on the TEA Settlement and Operating Committee. Mr. Hobson is JEA’s board member for the Florida Electric Reliability Coordinating Council (“FRCC”) and the Florida Electric Coordinating Group (“FCG”). Additionally, Mr. Hobson currently serves on the Board of Directors of the Jacksonville Museum of Science and History.

Mr. Hobson’s previous position was Director of Energy Delivery, where he was responsible for all electric field activities including overhead and underground line work, system protection and controls, substation maintenance and the 24-hour operation of the JEA power system including generation commitment and dispatch, transmission operation and security and interchange services with other utilities. During his over 40 years with JEA, he has worked in the areas of distribution, engineering, trouble dispatching, system operations and system planning. Mr. Hobson has served as JEA’s representative to the FRCC for over 15 years and was chair of the Operating Committee for the past six years. He also served on various North American Electric Reliability Corporation (“NERC”) committees and subcommittees and is a member and past chair of the NERC Compliance and Certification Committee.

Mr. Hobson holds a BSEE from the University of Florida, and is a registered Professional Engineer in the State of Florida.

Angelia R. Hiers, Vice President and Chief Human Resources Officer. Ms. Hiers is a career human resource professional, with industry knowledge and experience at strategic and tactical levels, in all aspects of human resources and organizational development. During her career, she has been responsible for employee and labor relations, compensation, benefits, recruiting, training and development, safety and wellness, diversity and inclusion. Throughout her career, Ms. Hiers has leveraged her collaborative, energetic and creative style to build successful human resource strategies and business solutions.

Prior to joining JEA, Ms. Hiers was the Vice President, Human Resources for Baker Distributing Company, a subsidiary of the publicly traded company, Watsco, Inc. She also served as Human Resources Director for CSX Technology and Senior Vice President/Managing Director, Right Management Consultants in Jacksonville, Florida. Prior to joining Right Management Consultants, Ms. Hiers held leadership positions in operations and human resources for Barnett Bank.

Ms. Hiers is a graduate of Edward Waters College with a Bachelor of Arts - Organizational Management and Jacksonville University with a Master of Business Administration.

Paul J. Cosgrave, Vice President and Chief Information Officer. Mr. Cosgrave brings to JEA 40+ years of line management and IT consulting/systems integration experience. He retired in 2010 from the City of New York (“NYC”) as Commissioner for the Department of Information Technology and Telecommunications and as the Chief Information Officer (“CIO”) for NYC. At that time he became a Senior Fellow at the Center for Digital Government and resumed operating his own consulting firm, Startegies4Success. His areas of research and expertise are IT strategic planning, IT portfolio management, IT governance and IT consolidation/cost reduction at all levels of government.

Previously, Mr. Cosgrave served as the CIO at the Internal Revenue Service during a major turnaround period (1998-2001), and before that he spent 25 years in private industry, having worked as CEO for the Claremont Technology Group, a company he took public in 1996 and as a Managing Partner at Andersen Consulting (now Accenture) where he worked for 19 years. He has served as Executive Board member for the Information Technology Association of America (now TechAmerica) and has served on the Board of Directors for three separate public IT services companies (Cognizant, Claremont Technology, and Technology Solutions). He has served on four not-for-profit Boards of Directors, including the Rensselaer Alumni Association where he recently completed his two-year term as president.

Mr. Cosgrave earned a BS and MS in Industrial Engineering from the Rensselaer Polytechnic Institute (“RPI”). He has been recognized by RPI with the Distinguished Albert Fox Demers Medal, the second highest recognition given to an alumnus, and by his fraternity, Sigma Chi, as a Significant Sig, an honor bestowed on a few alumni who have distinguished themselves in their careers. He has also been recognized by Computerworld, Information Week and Government Technology for his innovative leadership and accomplishments in the IT industry.

John P. McCarthy, Vice President and Chief Supply Chain Officer. Mr. McCarthy is responsible for leading JEA’s supply chain strategy and operations. His responsibilities include JEA’s facilities, fleet, real estate, procurement, inventory management, investment recovery, emergency management planning and recovery and utility locates groups. The team ensures JEA’s material readiness is at the highest levels and lowest cost, while ensuring corporate funds are committed under ethical standards to deliver the greatest value to JEA in compliance with state and local laws.

Mr. McCarthy joined JEA in 2002 after a successful 20-year career as a U.S. Navy Supply Officer. During his 16 years at JEA, he has served in various leadership roles within the procurement and logistics groups including an initial assignment as a Procurement Project Coordinator where he developed an aggregated sourcing model adopted by seven different utility companies. This resulted in the strategic sourcing of over \$400 million over a ten-year period. Other notable roles include JEA's Chief Procurement Officer and Incident Command Logistics Section Chief where he implemented advanced contract negotiation processes and a hurricane preparedness strategy for critical storm materials, providing 100 percent on-site material availability for the restoration periods following Hurricanes Matthew and Irma. He also served as JEA's United Way Campaign Chairman.

Mr. McCarthy received his B.S. degree from the U.S. Naval Academy, and an M.B.A. degree from The Ohio State University. He is a member of Leadership Jacksonville, class of 2013, and holds advance certificates in executive contract negotiations and supply chain strategy and management from the Massachusetts Institute of Technology Sloan School of Management.

Paul K. Steinbrecher, Vice President and Chief Environmental Services Officer. Mr. Steinbrecher is responsible for leading JEA's Environmental Services group. Core group functions include environmental permitting and compliance assistance for JEA's numerous electric and water business facilities, environmental incident response and reporting, due diligence, waste management and remediation, wetlands and wildlife issues, industrial pretreatment and other programs in which JEA serves as an environmental regulatory agency, and full service environmental laboratory functions to support the enterprise's extensive monitoring and environmental reporting activities. In this role he leads the organization in ensuring the highest levels of environmental compliance and incorporation of sustainability into all JEA's planning activities.

Mr. Steinbrecher's career has focused on finding and advancing cost effective environmental and engineering solutions for utilities, business and industry and governments. Mr. Steinbrecher joined JEA in 2001. He is highly active on Florida environmental policy and regulatory issues, currently serving as President of the Florida Water Environment Association Utility Council and as a national board member of the WaterReuse Association. He is also a long term member of the Florida Electric Power Coordinating Group Environmental Committee. Based on his prior experience, he also helps lead the utility in forward thinking water resource solutions.

Prior to joining JEA Mr. Steinbrecher was a process engineer and program manager for CH2M Hill, designing water and wastewater systems and assisting industries and municipalities with environmental projects worldwide. Mr. Steinbrecher holds BS and MS degrees in Civil Engineering from Valparaiso University and the University of Arkansas, respectively. He is a registered professional engineer in Florida and a member of the Leadership Jacksonville, class of 2015.

Jody L. Brooks, Vice President and Chief Legal Officer. ~~Jody~~Ms. Brooks joined JEA as Chief Legal Officer via an agreement with the City of Jacksonville Office of General Counsel in August 2016. Ms. Brooks had been rendering legal support and guidance to JEA while providing legal services to many other City departments. As the newly appointed JEA Chief Legal Officer, Ms. Brooks is fully dedicated to serving as the chief legal advisor to JEA and the JEA Board ~~of Directors.~~

Ms. Brooks joined the Office of General Counsel in April 2013 and was subsequently promoted in 2015 to Chief, Government Operations Department. Prior to joining the Office of General Counsel, she held in house counsel positions with both The St. Joe Company and Allen Land Group handling real estate transactions, land use development and environmental matters. Earlier in her career, she worked as an associate at Lewis, Longman & Walker, P.A., where she represented property owners and government entities in federal, state and local government environmental, land use, zoning and condemnation matters.

She received a Bachelor of Science degree with honors from the Jacksonville University Davis College of Business and her Juris Doctor degree with honors and a Certificate in Environmental and Land Use Law from the University of Florida, Fredric G. Levin College of Law.

~~**Michael R. Hightower, Chief Public Affairs Officer.** Mr. Hightower joined JEA in 2015, bringing over 35 years of governmental and legislative relations experience. He also previously served 16 years on JEA's Board of Directors including two two-year terms as JEA Chair.~~

~~Mr. Hightower joined Blue Cross and Blue Shield of Florida (now Florida Blue) in 1981 as the Director of Governmental and Legislative Relations and in 1985 was named its Vice President of Governmental and Legislative Relations. He worked closely with key political leaders in the federal, state and local government and, after three decades of a successful career at Florida Blue, retired in late 2014. He then joined the international law firm of Holland & Knight LLP as a Senior Policy Advisor before joining the JEA senior leadership team.~~

~~In addition to his professional accomplishments, Mr. Hightower has dedicated his time, talents and leadership to numerous boards and commissions over the last 35 years. Presently he chairs the following: the Florida Governor's Mansion Foundation and the Florida Association of Professional Lobbyists. Mr. Hightower is in his second year as the Vice President, Special Projects Florida House and Florida's embassy in Washington, D.C. He also serves as an active board member of OneJax, Florida Ounce of Prevention and Five Star Veterans Center.~~

~~Prior to joining JEA, Mr. Hightower chaired the following organizations and civic and trade associations: United States Naval Academy; Jacksonville Chamber of Commerce; Florida House, Florida's Embassy in Washington, D.C.; Associated Industries of Florida; Florida Insurance Council; Florida News Service; Florida College System Foundation; Jacksonville Library Foundation; Jacksonville Political Leadership Institute; JaxBix; Duval County Republican Party and the Cecil Field Base Closure Commission.~~

~~Throughout the state, he is well known for his political leadership, having served as chair or finance chair for more than 580 successful local, state, and/or federal candidates since 1972. He has assisted in raising more than \$136.3 million for charitable, candidate and political party campaigns since 1981.~~

~~In 2006, Leadership Florida's leaders appointed Mr. Hightower to the Florida Energy Commission. The nine member panel was charged with making recommendations to the Florida Legislature on ways to secure Florida's energy future.~~

~~In 2010, Florida's legislative leadership appointed Mr. Hightower to the Public Service Commission Nominating Council, charged with interviewing and recommending qualified candidates for gubernatorial appointment to the Florida Public Service Commission.~~

~~Mr. Hightower, a 1972 graduate of Jacksonville University, resides in Jacksonville. He was a third term 2003, 2005, 2007 University of Florida Graduate School adjunct instructor, "Principles of Lobbying."~~

Employees

The employees of JEA are considered to be governmental (public) employees and, as such, have the right to organize, be represented and bargain collectively for wages, hours and terms and conditions of employment, as provided in Chapter 447, Part II, Florida Statutes. Florida state law prohibits strikes and concerted work slowdowns by governmental (public) employees. Pursuant to the Charter, JEA has full and independent authority to hire, transfer, promote, discipline, terminate and evaluate employees

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JEA commissioned Public Financial Management (“PFM”) to prepare a report to inform the JEA Board, the City and the public as to several important considerations that must be evaluated in order to make any decisions regarding JEA’s future. A copy of that report, entitled “The Future of JEA: Opportunities and Considerations,” dated February 14, 2018 (the “Report”), has been filed with the MSRB, through the MSRB’s EMMA website currently located at <http://emma.msrb.org>.

JEA provided the Report to the holders of its bonds for general information purposes only. The Report does not include every item which may be of interest, nor does it purport to present full and fair disclosure with respect to any of JEA’s bond programs within the meaning of the federal securities laws. PFM prepared the Report with a view to informing JEA’s Board, the City and the public concerning the matters it covers, and PFM did not prepare the Report with a view to informing the holders of JEA’s bonds or with a view to informing any person concerning an investment decision in JEA’s bonds. Accordingly, the Report is not suitable for informing any person in the making of an investment decision in any of JEA’s bonds. The Report does not purport to, and does not, inform any person concerning how any sale of JEA or any other action taken in response to the Report may impact the holders of JEA’s bonds. In addition, the valuation-related statements in the Report regarding JEA are not prepared with a view to assess the value of JEA’s bonds.

On March 20, 2018, the JEA Board held a workshop to discuss the issues related to a potential sale and to examine next steps as the JEA Board continues to consider the benefits and risks of a potential sale of JEA’s Electric System, Water and Sewer System and District Energy System.

Any potential sale of JEA’s Electric System, Water and Sewer System and District Energy System would require the approval of the Council. The Council has appointed a special committee (“Special Committee”) currently consisting of the 19 members of the Council to examine and understand all aspects and implications of a potential sale of JEA and to gather the relevant facts the Council should consider in any decisions related to a potential sale of JEA. The Special Committee is scheduled to meet regularly to help to ensure a transparent and open process for the citizens of the City as to the consideration of a potential sale of JEA. On April 26, 2018, Mayor Curry stated that he will not submit any JEA privatization plan to the Council.

At this time, JEA is unable to predict the likelihood of whether a sale will occur, whether there is any potential timetable for a sale, or how, if at all, the holders of JEA’s bonds may be impacted by any actions that the Council, the City or the JEA Board may take in connection with a possible sale of JEA.

JEA also cannot determine what additional action, if any, may be taken by the JEA Board, the Council or the City relating to the privatization of JEA.

WATER AND SEWER SYSTEM

WATER AND SEWER SYSTEM FUNCTIONS

General

The Water and Sewer System consists of (a) facilities for the provision of potable water (hereinafter referred to as the “Water System”), (b) facilities for the collection and treatment of wastewater (hereinafter referred to as the “Sewer System”) and (c) facilities for the treatment and distribution of reclaimed water (herein referred to as the “Reclaimed Water System”). The Water and Sewer System provides water and sewer service within the urban and suburban areas of the City, other than certain excluded areas described below. The Water and Sewer System’s service territory extends into St. Johns County, which is southeast of the City, and Nassau County, which is north of the City, and

FINANCIAL INFORMATION RELATING TO WATER AND SEWER SYSTEM

Debt Relating to Water and Sewer System

Water and Sewer System Bonds

As of September 30, 2017, \$1,340,075,000 in aggregate principal amount of bonds (the “Water and Sewer System Bonds”) issued pursuant to the resolution of JEA adopted on February 18, 1997 and referred to therein as the “Water and Sewer System Revenue Bond Resolution” (as amended, restated and supplemented, the “Water and Sewer System Resolution”) was outstanding. As of the date of this Annual Disclosure Report, there is \$1,282,875,000 in aggregate principal amount of Water and Sewer System Bonds outstanding under the Water and Sewer System Resolution, consisting of (a) \$167,480,000 in aggregate principal amount of variable rate Water and Sewer System Bonds and (b) \$1,115,395,000 in aggregate principal amount of fixed rate Water and Sewer System Bonds.

Water and Sewer System Bonds may be issued for the purposes of (a) paying or providing for the payment of Costs (as defined in the Water and Sewer System Resolution) of the Water and Sewer System and (b) refunding any Water and Sewer System Bonds. See “SUMMARY OF CERTAIN PROVISIONS OF THE WATER AND SEWER SYSTEM RESOLUTION - Additional Water and Sewer System Bonds” in APPENDIX B attached hereto.

Pursuant to the Water and Sewer System Resolution and the laws of the State of Florida, the amount of Water and Sewer System Bonds that may be issued by JEA is not limited and is subject only to approval by the Council and satisfaction of the conditions set forth in the Water and Sewer System Resolution.

From time to time, JEA requests Council approval of the issuance of Water and Sewer System Bonds and Subordinated Indebtedness (as defined in the Water and Sewer System Resolution). Pursuant to previous Council approvals, JEA currently is authorized to issue additional Water and Sewer System Bonds and/or Subordinated Indebtedness for the purpose of paying or providing for the payment of Costs (as defined in the Water and Sewer System Resolution) of the Water and Sewer System in an aggregate principal amount of \$218,078,023. JEA expects that such authorization will be adequate to finance its Water and Sewer System capital program through the Fiscal Year ending September 30, 2022. See “WATER AND SEWER SYSTEM - WATER AND SEWER SYSTEM FUNCTIONS - Capital Program” herein.

JEA also has received approvals from the Council for the issuance of Water and Sewer System Bonds for the purpose of refunding outstanding Water and Sewer System Bonds and Subordinated Indebtedness. JEA may issue additional Water and Sewer System Bonds or Subordinated Water and Sewer System Bonds to refund outstanding Water and Sewer System Bonds and/or Subordinated Indebtedness from time to time as it deems economical or advantageous.

In the future, JEA will continue to seek authorization as needed from the Council to issue additional Water and Sewer System Bonds and/or Subordinated Indebtedness in order to enable it to finance its Water and Sewer System capital program.

A summary of certain provisions of the Water and Sewer System Resolution, including a description of the ~~proposed~~recent amendments thereto described below, is attached to this Annual Disclosure Report as APPENDIX B.

Liquidity support in connection with tenders for purchase of the Variable Rate Water and Sewer System Revenue Bonds, 2008 Series B (the “SBPA Supported Variable Rate Water and Sewer Bond”) currently is provided by a bank pursuant to a standby bond purchase agreement between JEA and such

bank. Credit and liquidity support for JEA's Variable Rate Water and Sewer System Revenue Bonds, 2008 Series A-2 (the "LOC Supported Variable Rate Water and Sewer System Bond" and, together with the SBPA Supported Variable Rate Water and Sewer System Bond, the "Senior Liquidity Supported Water and Sewer Bonds") currently is provided by a direct-pay letter of credit issued by a different bank. Any Senior Liquidity Supported Water and Sewer Bond that is purchased by the applicable bank pursuant to its (i) standby bond purchase agreement between JEA and such bank or (ii) letter of credit issued in connection with the reimbursement agreement between JEA and such bank, as applicable, and is not remarketed is required to be repaid as to principal in equal semiannual installments over a period of approximately five years from the date so purchased. In addition, any Senior Liquidity Supported Water and Sewer Bond that is purchased by the applicable bank pursuant to its standby bond purchase agreement or letter of credit reimbursement agreement, as applicable, will constitute an "Option Bond" within the meaning of the Water and Sewer System Resolution and, as such, may be tendered or deemed tendered to JEA for payment upon the occurrence of certain "events of default" on the part of JEA under such standby bond purchase agreement or letter of credit reimbursement agreement, as applicable. Upon any such tender or deemed tender for purchase, the Senior Liquidity Supported Water and Sewer Bond so tendered or deemed tendered will be due and payable immediately. For a discussion of certain "ratings triggers" contained in such standby bond purchase agreement and such reimbursement agreement, see "OTHER FINANCIAL INFORMATION - Effect of JEA Credit Rating Changes" herein. As of the date of this Annual Disclosure Report, no Senior Liquidity Supported Water and Sewer Bonds are held by the banks providing such standby bond purchase agreement or such letter of credit. The standby bond purchase agreement and letter of credit are subject to periodic renewal at the discretion of the respective bank. The current expiration date for the standby bond purchase agreement is May 8, 2020, and the current expiration date for the letter of credit is December 2, 2018.

Proposed~~Recent~~ Amendments to the Water and Sewer System Resolution

In June 2013, JEA adopted Resolution No. 2013-10 ("Resolution 2013-10") which provides for the amendment of certain provisions of the Water and Sewer System Resolution and the First Supplemental Water and Sewer System Revenue Bond Resolution, adopted by JEA on August 19, 1997 (the "First Supplemental Resolution") so as to:

- (i) revise certain definitions in order to allow for the more efficient and advantageous investment of certain funds held under the Water and Sewer System Resolution; and
- (ii) revise certain provisions of the First Supplemental Resolution related to the use of a reserve fund credit instrument (as defined therein) to fund the Initial Subaccount in the Debt Service Reserve Fund established thereby.

Such amendments ~~are expected to become~~became effective on ~~or about~~ May 2, 2018 following the issuance of the JEA Water and Sewer System Revenue Bonds, 2017 Series A on December 21, 2017, the mailing of notice to bondholders and satisfaction of the requirements of the Water and Sewer System Resolution and the First Supplemental Resolution. Certain of such amendments are ~~also included, in addition to the current provisions,~~ in the "SUMMARY OF CERTAIN PROVISIONS OF THE WATER AND SEWER SYSTEM RESOLUTION" attached hereto as APPENDIX B.

Subordinated Water and Sewer System Bonds

As of September 30, 2017, \$263,430,000 in aggregate principal amount of bonds (the "Subordinated Water and Sewer System Bonds") issued pursuant to the resolution of JEA adopted on May 15, 2003 and referred to therein as the "Water and Sewer System Subordinated Revenue Bond Resolution" (as supplemented, the "Subordinated Water and Sewer System Resolution") was

outstanding. As of the date of this Annual Disclosure Report, there is \$246,465,000 in aggregate principal amount of Subordinated Water and Sewer System Bonds outstanding under the Subordinated Water and Sewer System Resolution, consisting of (a) \$107,435,000 in aggregate principal amount of variable rate Subordinated Water and Sewer System Bonds and (b) \$139,030,000 in aggregate principal amount of fixed rate Subordinated Water and Sewer System Bonds.

The Subordinated Water and Sewer System Bonds may be issued (a) for any lawful purpose of JEA relating to the Water and Sewer System or (b) to refund any of the Water and Sewer System Bonds or the Subordinated Water and Sewer System Bonds.

Pursuant to the Subordinated Water and Sewer System Resolution and the laws of the State of Florida, and in accordance with the Water and Sewer System Resolution, the amount of Subordinated Water and Sewer System Bonds that may be issued by JEA is not limited and is subject only to approval by the Council and satisfaction of the conditions set forth in the Subordinated Water and Sewer System Resolution. For a discussion of the Council authorization currently in effect for the issuance of Water and Sewer System Bonds and/or Subordinated Water and Sewer System Bonds, see subsection “*Water and Sewer System Bonds*” above in this section.

A summary of certain provisions of the Subordinated Water and Sewer System Resolution, ~~including a description of the proposed amendments thereto described below~~, is attached to this Annual Disclosure Report as APPENDIX C.

Liquidity support in connection with tenders for purchase of the Variable Rate Water and Sewer System Subordinated Revenue Bonds, 2008 Series A-1, 2008 Series A-2 and 2008 Series B-1 (the “Subordinated Liquidity Supported Water and Sewer Bonds”) currently is provided by certain banks pursuant to standby bond purchase agreements between JEA and each such bank. Any Subordinated Liquidity Supported Water and Sewer Bond that is purchased by the applicable bank pursuant to its standby bond purchase agreement and is not remarketed is required to be repaid as to principal in equal semiannual installments over a period of approximately five years from the date so purchased. In addition, any Subordinated Liquidity Supported Water and Sewer Bond that is purchased by the applicable bank pursuant to its standby bond purchase agreement will constitute an “Option Subordinated Bond” within the meaning of the Subordinated Water and Sewer System Resolution and, as such, may be tendered or deemed tendered to JEA for payment upon the occurrence of certain “events of default” on the part of JEA under the standby bond purchase agreement. Upon any such tender or deemed tender for purchase, the Subordinated Liquidity Supported Water and Sewer Bond so tendered or deemed tendered will be due and payable immediately. For a discussion of certain “ratings triggers” contained in such standby bond purchase agreements, see “OTHER FINANCIAL INFORMATION - Effect of JEA Credit Rating Changes” herein. As of the date of this Annual Disclosure Report, no Subordinated Liquidity Supported Water and Sewer Bonds are held by the banks providing such standby bond purchase agreements. Such standby bond purchase agreements are subject to periodic renewal at the discretion of the respective bank. The current expiration dates for the standby bond purchase agreements range from July 29, 2018 to March 19, 2021.

Water and Sewer System Contract Debts

Contract Debts, a component of the Water and Sewer System’s Operation and Maintenance Expenses, is defined by the Water and Sewer System Resolution to mean any obligations of JEA under any contract, lease, installment sale agreement, bulk purchase agreement or otherwise to make payments out of the Revenues of the Water and Sewer System for property, services or commodities whether or not the same are made available, furnished or received. JEA has not incurred any obligations constituting Contract Debts under the Water and Sewer System Resolution, but it may do so in the future. All Contract Debts will be payable from the Revenues of the Water and Sewer System prior to any payments

AUTHORIZATION

The dissemination and use of this Annual Disclosure Report have been duly authorized by the JEA Board.

JEA

By: /s/ G. Alan Howard
Chair

By: /s/ ~~f~~ Aaron F. Zahn
Interim Managing Director and Chief Executive Officer

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III. C.

Compensation Committee Recommendation – Executive Contracts

May 9, 2018

SUBJECT: COMPENSATION COMMITTEE RECOMMENDATION - EXECUTIVE CONTRACTS

Purpose:

☐ Information Only

☒ Action Required

☐ Advice/Direction

Issue: On April 17, 2018, the Board provided direction to work on employment contracts for key executives including, but not limited to, the Interim Managing Director/Chief Executive Officer (“CEO”) and Chief Operating Officer (“COO”).

Significance: To have assurance that the CEO and COO will be engaged in providing the proper management and direction to JEA.

Effect: The JEA Board of Directors is tasked with appointing a CEO to operate the eighth largest community-owned electric utility company in the United States and the largest in Florida, with total assets of \$8.4 billion (2017), total revenue of \$1.8 billion (2017), and approximately 2000 employees (2017).

Cost or Benefit: The proposed Employment Agreements for the CEO and COO provide for certain provisions relative to: i) annual base salary; ii) benefits, iii) and other market standard employment terms consistent with Florida Statutes and for a period of one year.

Recommended Board action: Staff recommends that the JEA Board of Directors approve the CEO and COO Employment Agreements effective April 17, 2018 through April 30, 2019, unless sooner terminated in accordance with the terms of each agreement.

For additional information, contact: Aaron Zahn 665-4396

Submitted by: AFZ/AFZ



Commitments to Action

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

JEA®



The BOLD Future





Each day, JEA delivers about 115 million gallons of water from the pristine Florida aquifer to our customers.



Efficiency and Employee Initiatives

In recent weeks, the JEA team has solidified ~\$8.7MM of efficiency initiatives for the benefit of the company.

Efficiency Initiative	Estimated annual savings (\$)	Brief Description	Savings category
Vehicle maintenance	\$500,000	Better management of maintenance schedules and vehicle availability	O&M
Category Management	\$7,500,000	Realign procurement strategy to product categories instead of project focus. 2 year execution period.	Capital and O&M
Inventory Reduction	\$500,000	Evaluation of inventory quantities and low turn inventory items	Capital
Process Automation	\$200,000	Automation of AP and financial reporting tasks	O&M
Gross Annualized Savings & Efficiencies	\$8,700,000		

Itemized Savings / (Cost) for JEA	Amount (\$)	Note
Gross Annualized Savings & Efficiencies	\$8,700,000	See Efficiency Initiatives
Less pay increase to 399 appointed staff	(\$1,172,932)	Average 3.0% in 2017/2018 budget
Less addition of Interim CEO	(\$330,000)	See proposed Employment Agreement
Less net change for COO & CFO	(\$82,442)	See proposed Employment Agreement

Net Annualized Savings * **\$7,114,626**

* Does not include economic impact of Transition Services agreements previously approved by Board

Executive Contracts

- See Interim MD / CEO Employment Agreement
- See COO Employment Agreement



BE BOLD – **BE JEA**

 *////////////////*
The BOLD Future

III. C.

Compensation Committee Recommendation – Executive Contracts

Upon finalization, staff will email the Interim Managing Director/Chief Executive Officer and President/Chief Operations Officer contracts to Board Members, as well as provide a hard copy at your seat.

IV. A.

Reorganization / Transition Steps

May 9, 2018

SUBJECT: REORGANIZATION / TRANSITION STEPS

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

Issue: On April 17, 2018, the Board contemplated a transition period and plan for JEA and its management ("Transition").

Significance: To provide additional clarity for the Board on the process, progress and future contemplated steps of management related to the Transition.

Effect: The Transition and related plan is intended to accomplish the following key initiatives: 1) establish stability and focus on JEA's Core Business of providing electric, water, wastewater and other essential services to its customers; 2) create a 'framework' of understanding and measuring device for alignment of JEA's Board, JEA's management, City Council, the Mayor and other key stakeholders; and 3) establish a basis and foundation for a forward looking strategic planning process and permanent Managing Director/CEO placement.

Cost or Benefit: Long term planning and value creation for JEA.

Recommended Board action: This agenda item is provided for information only.

For additional information, contact: Aaron Zahn 904-665-4396

Submitted by: AFZ/ AFZ



Commitments to Action

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

JEA[®]



The BOLD Future



BOLD Ideas

BOLD Safety

BOLD Service

BOLD Growth²

BOLD Accountability

BOLD Integrity

////
> The BOLD Future





Each day, JEA delivers about 115 million gallons of water from the pristine Florida aquifer to our customers.



JEA's Path Forward

- 1) Focus on Core Business
- 2) Listen and Align our Purpose with JEA Board, Shareholder Trustees and Stakeholders
- 3) Align an 'updated' Strategic Plan to become the Utility of the Future
- 4) Execute as a community

Serving our
Customer is our #1
Commitment to
Action

JEA is adding new solar farms that will enable us to provide up to 300 MW of solar power, making JEA one of the leading solar cities in the nation.

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The BOLD Future

Focus



We do this with our “Unbeatable Team”

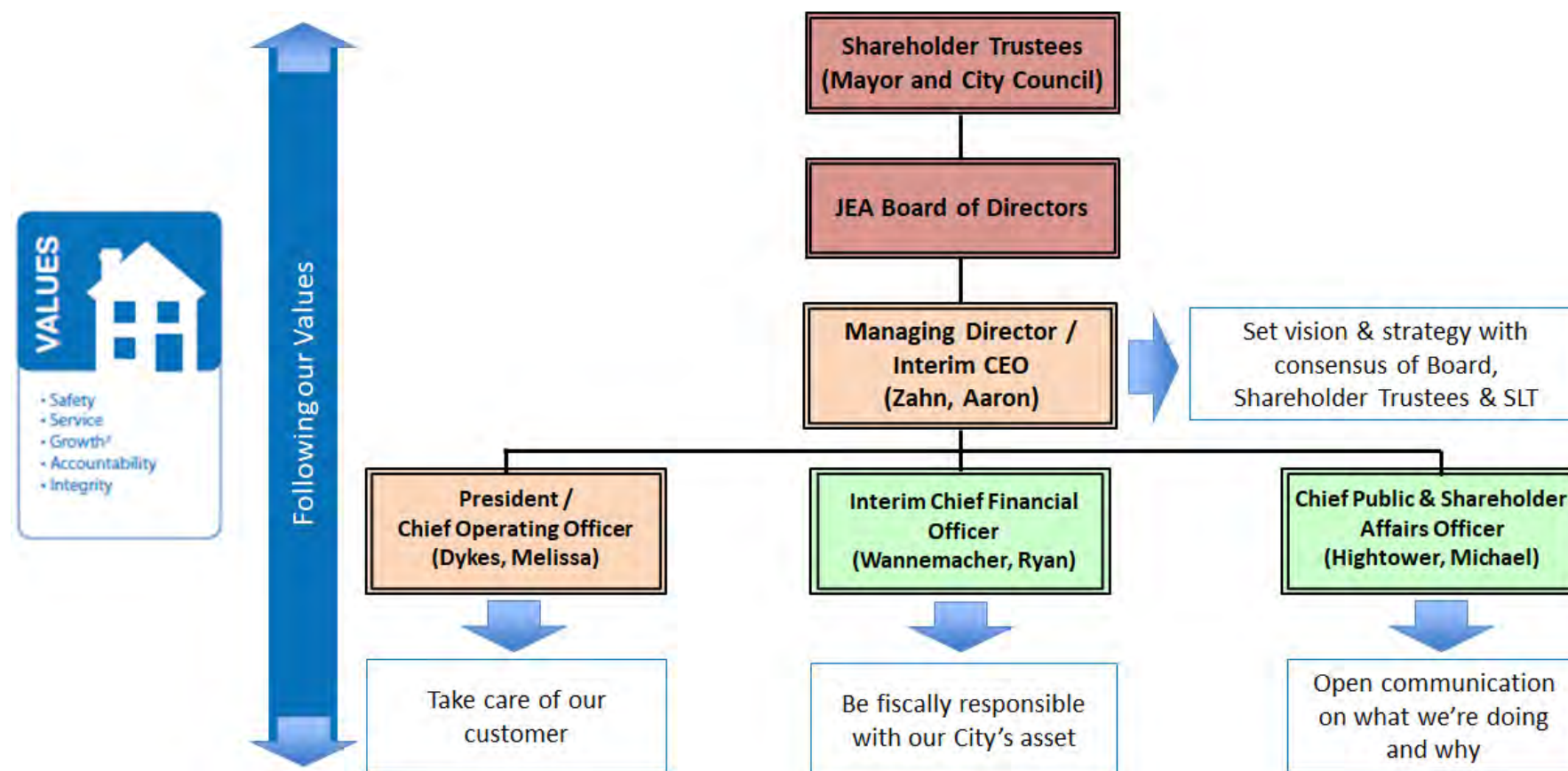


In 2016, JEA reduced the monthly fuel charge by \$6.85 per megawatt hour, a 5.56 percent decrease in the electric portion of a 1,000 kWh/month residential customers bill. JEA rates are currently 4.7 percent below the national average.

 **The BOLD Future**

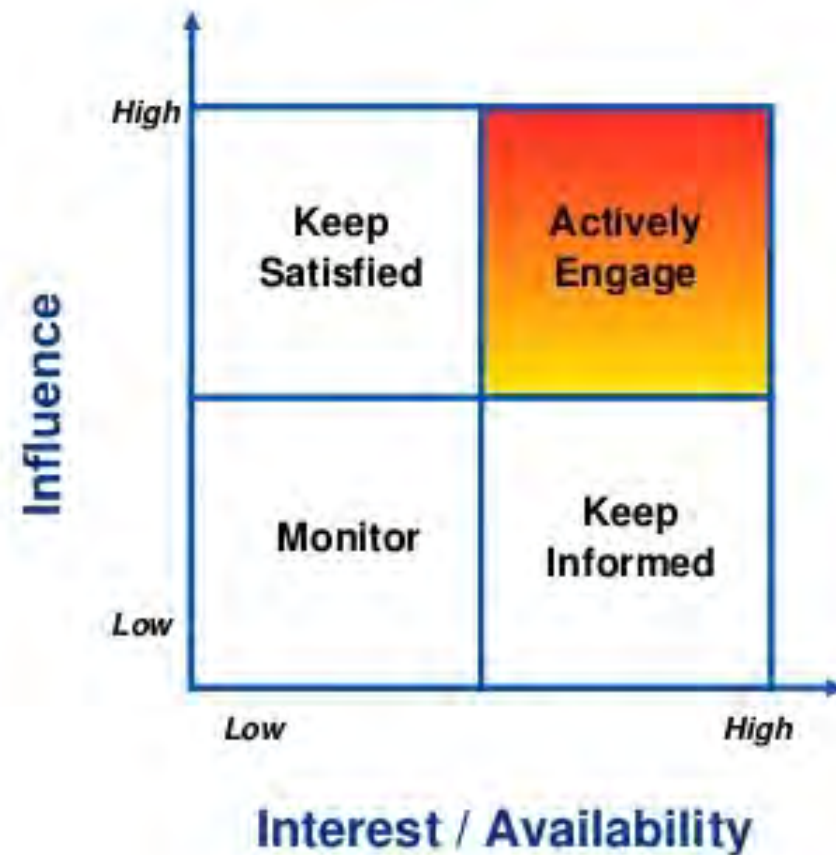
Step 1(a) – Organize

Prior: 36 Direct Stakeholders & Day-to-Day Operational Control



Step 2 – Listen & Align

Develop “Shareholder Trustee Framework” with consensus of JEA Board, Mayor, and City Council





JEA is the largest community-owned utility in Florida and the eighth largest in the United States. We are committed to improving the quality of life in the communities we serve, with a spirit that has united our business for more than 100 years.

The BOLD Future

Step 3 – Update Plan

Customer and Employees must remain #1



CORE COMPETENCIES:

- 1) Trusted partner for essential services
- 2) Asset management
- 3) Scale of existing infrastructure
- 4) Regional logistics

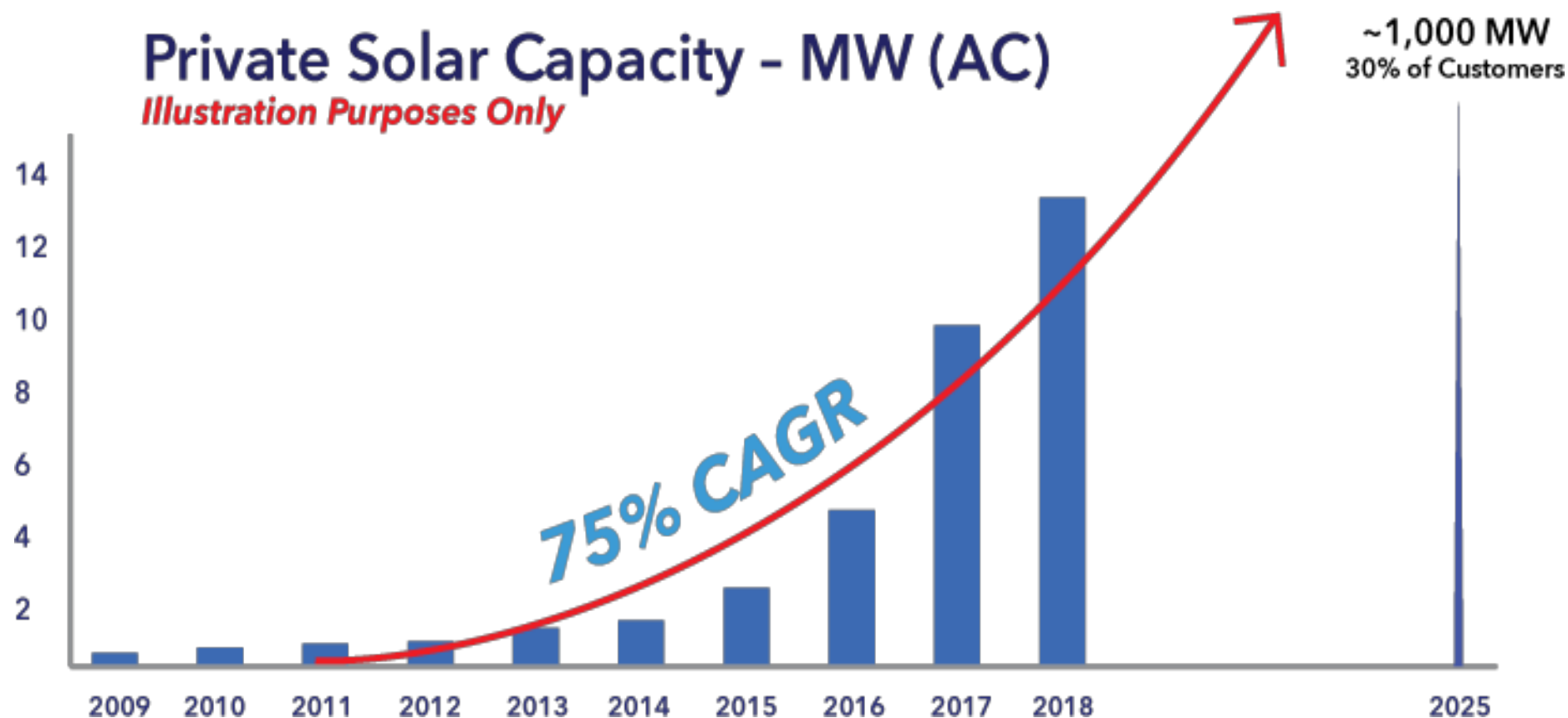


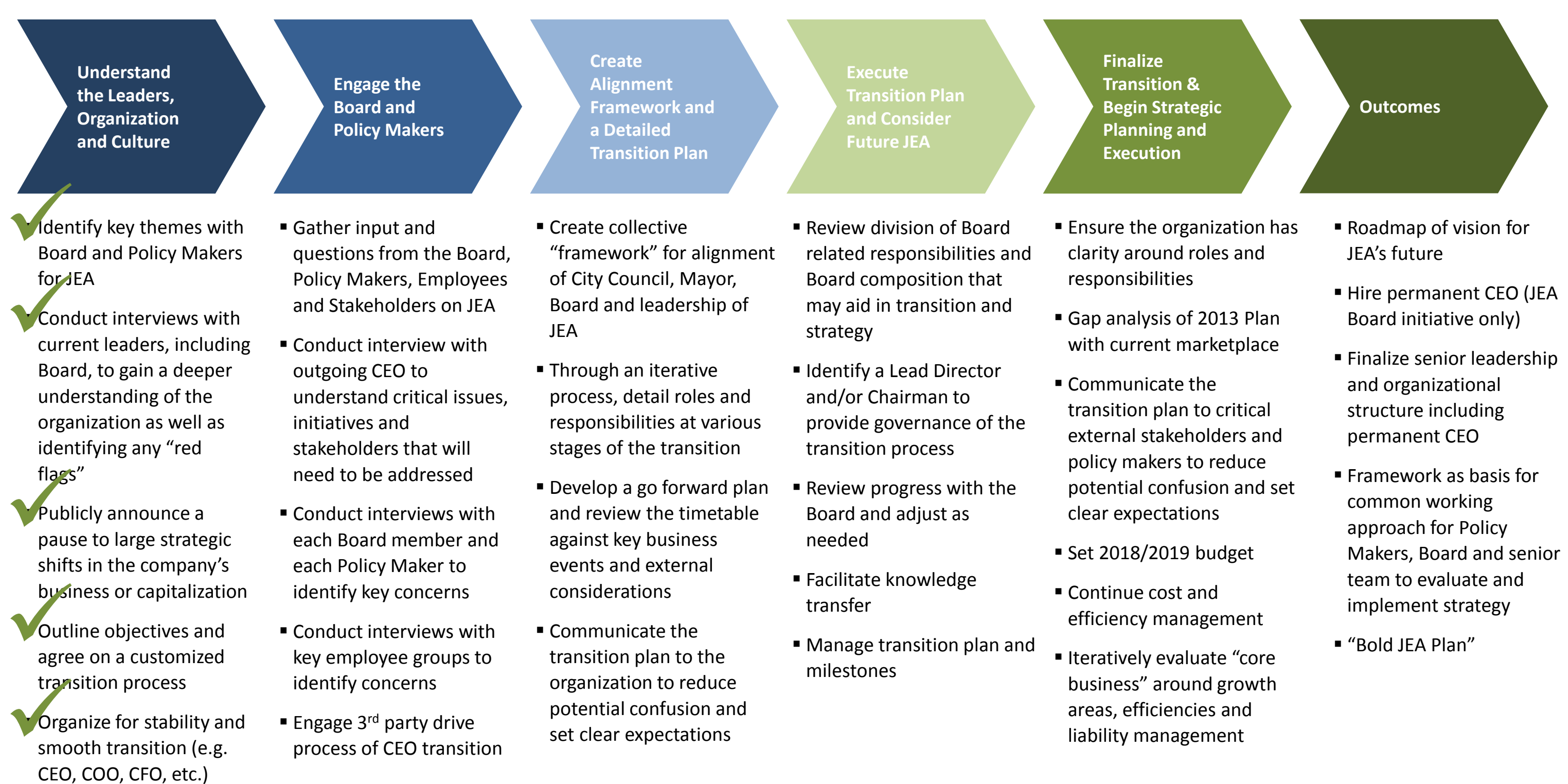
Before Hurricane Irma hit northeast Florida, mutual aid crews from across the country were in place to assist local communities with restoration efforts. More than 800 electric utility workers and 400 tree-removal personnel assisted JEA employees in restoring power to 284,000 customers.


The BOLD Future

Step 4 – Execute

Ride the tailwinds. *Don't fight them.*





Estimated timeframe: 6-12 months



BE BOLD – **BE JEA**

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The BOLD Future

V. A.

Introduction to Subject Matter Exploration Concept

A review will be provided at the Board Meeting. There are no materials included for this agenda item.

VI. A.

Finance & Audit Committee Report

**JEA
FINANCE & AUDIT COMMITTEE AGENDA**

VI. A.
05/15/2018

DATE: May 7, 2018
TIME: 8:00 – 10:00 AM
PLACE: 21 W. Church Street
8th Floor

			Responsible Person	Action (A) Info (I)	Total Time
I.	OPENING CONSIDERATIONS		Kelly Flanagan		
	A.	Call to Order			
	B.	Adoption of Agenda		A	
	C.	Approval of Minutes – March 12, 2018	La'Trece Bartley	A	
II.	NEW BUSINESS				
	A.	FY2019 Budget Presentation	Ryan Wannemacher	I	45 mins.
	B.	Quarterly Audit Services Update	Steve Tuten	I	10 mins.
	C.	Ethics Officer Quarterly Report	Walette Stanford	I	5 mins.
	D.	Electric System and Water and Sewer System Reserve Fund Quarterly Report	Joe Orfano	I	5 mins.
	E.	JEA Energy Market Risk Management Policy Report	Mike Brost	I	5 mins.
	F.	Annual Disclosure Report - Open Discussion	Aaron Zahn	I	15 mins.
	G.	Announcements			
	1.	Next Meeting, August 13, 2018, 8:00 – 10:00 AM			
	Committee Discussion Sessions				
	1.	Ernst & Young	John DiSanto	I	5 mins.
	2.	Director, Audit Services	Steve Tuten	I	5 mins.
	3.	Council Auditor's Office	Jeff Rodda	I	5 mins.
	Adjournment				

VI. A. 1.

Approval of Minutes – March 12, 2018

JEA FINANCE & AUDIT COMMITTEE MINUTES
March 12, 2018

The Finance & Audit Committee of JEA met on Monday, March 12, 2018, in the 8th Floor Conference Room, JEA Plaza Tower, 21 W. Church Street, Jacksonville, Florida.

Agenda Item I – Opening Considerations

- A. Call to Order – Committee Chair Kelly Flanagan called the meeting to order at 8:00 AM. Board Chair Alan Howard attended in observance, Member Husein Cumber in attendance. Others in attendance were Paul McElroy, Melissa Dykes, Brian Roche, Paul Cosgrave, Mike Hightower, Mike Brost, Ted Hobson, Kerri Stewart, Jody Brooks, Steve Tuten, Joe Orfano, Walette Stanford, Janice Nelson, Ryan Wannemacher, Gary Vondrasek, Steve McInall, Dan Mishra, Kristina Quarterman, Gina Kyle, Gerri Boyce, Russ Jeans, Ernst & Young.
- B. Adoption of Agenda – The agenda was adopted on **motion** by Mr. Cumber and Committee Chair Flanagan.
- C. Approval of Minutes – The December 5, 2017 Minutes were unanimously approved on **motion** by Mr. Cumber and Committee Chair Flanagan.

Agenda Item II – New Business

- A. FY2019 Budget Assumptions – Melissa Dykes, Chief Financial Officer, presented and reviewed the FY2019 Budget Assumptions and process, requesting Committee feedback and discussion. Items covered included key strategic issues, risks, major challenges, and assumptions. Ms. Dykes stated strategic issues focus on emphasizing business excellence opportunities, workforce readiness, financial performance and flexibility, with risks relating to evolution of the electric industry and constraints in the electric generation, water resource management and the health of the St. Johns River. Key assumptions relate to revenue projections, fuel and purchased power costs, and labor costs. Ryan Wannemacher, Director, Financial Planning & Analysis, provided information on FY2019 Electric and Water and Sewer System Budget Assumptions, including customer bill by expense category, revenue drivers, fuel rate, operating expenses, capital funding, debt service, and government transfers. Mr. Wannemacher stated staff will prepare a draft budget for review at the May 7, 2018 Finance and Audit Committee meeting. This presentation was received for information.
- B. JEA Annual Disclosure Policy Report – Melissa Dykes, Chief Financial Officer, presented JEA's Disclosure Policies and Procedures require that the Chief Financial Officer shall provide the Finance and Audit Committee each year with a report regarding the compliance with those policies in the preceding twelve-month period and to present recommendations, if any, for changes to those policies. Ms. Dykes stated staff is in the process of preparing the Annual Disclosure Reports for the fiscal year ended September 30, 2017, and plans to seek the Board's approval and authorization to disseminate those reports at its April 17, 2018 Board Meeting. Additionally, in accordance with past practice and prior Boards' requests, staff intends to provide Board Members with substantially final drafts for their review at the March 20, 2018 Board Meeting. This item was received for information.
- C. Dark Fiber Utility Services for the 21st Century Digital Utility – Paul Cosgrave, Chief Information Officer, presented an overview of dark fiber including: the future state of the dark fiber business, benefits, financial projections, program governance, new growth areas and what JEA is not doing. Upon **motion** by Mr. Cumber and Committee Chair Flanagan, the Committee unanimously approved recommending the Board approve and adopted Resolution 2018-01,

authorizing JEA to invest in expansion and enhancement of the existing fiber optic network, with the intention to lease dark fiber.

- D. Quarterly Audit Services Update – Steve Tuten, Director, Audit Services, provided an update to the Committee regarding the vacant positions, progress of the FY18 Internal Audit Plan, open audit and investigation report issues, Enterprise Risk Management (ERM) highlights, risks and trend report, and the Ethics Hotline Report. This presentation was received for information.
- E. Ethics Officer Quarterly Reports –Walette Stanford, Ethics Officer and Director, Workforce Strategies, provided an update regarding ethics inquiries and the FY17/18 gift registry. Ms. Stanford highlighted March as National Ethics Awareness Month and stated JEA’s company-wide Business Ethics training begins March 1, 2018 for 100% completion no later than March 31, 2018. Ms. Stanford highlighted the Ethical Conduct Guidelines was updated on January 19, 2018 and the JEA Business Ethics pages has been revamped on Sharepoint. This presentation was received for information.
- F. Treasury
 - 1. Electric System and Water and Sewer System Reserve Fund Quarterly Report – Joe Orfano, Treasurer, reviewed the Electric System and Water and Sewer System Reserve Fund Quarterly Report, which was received for information.
 - 2. Recap of Recent JEA Water and Sewer System and Electric System Fixed Rate Debt Refunding Delegated Transactions – Joe Orfano, Treasurer, presented that at the November 28, 2017 JEA Board Meeting, Board Members adopted Resolution No. 2017-38, 2017-39, 2017-40 and 2017-41, relating to the Electric System Senior and Subordinated Revenue Bonds and on December 12, 2017 adopted Resolutions No. 2017-42, 2017-43, 2017-44, and 2017-45, which modified certain parameters in the December 2016 Resolutions, relating to the Water and Sewer System Senior and Subordinated Revenue Bonds, respectively, which provided the Managing Director/CEO the authorization to price and execute a fixed rate advance refunding bond transaction within stated parameters. Pursuant to the Delegation Resolutions, JEA staff priced approximately \$437.2 million in Water and Sewer System bonds on December 12, 2017 and approximately \$383.8 million in Electric System Bonds on December 13, 2017. Mr. Orfano recognized Wells Fargo/Citigroup and Goldman Sachs, who served as the senior manager, and Nixon Peabody LLP, who served as JEA’s bond counsel and Public Financial Management, who served as JEA’s financial advisor for the refunding transaction. This presentation was received for information.
- G. JEA Energy Market Risk Management Policy Report – Mike Brost, Vice President/General Manager, Electric Systems, reviewed the Energy Market Risk Management Policy Report, which was received for information.
- H. Announcements
 - 1. The next Finance and Audit Committee meeting will be held on May 7, 2018, at 8:00 AM.
- I. Committee Discussion Sessions
 - 1. Ernst & Young – At 9:49 AM, Committee Chair Flanagan dismissed staff and the Committee held a general conversation with Russ Jeans.
 - 2. Director, Audit Services – At 9:59 AM, Committee Chair Flanagan and the Committee held a general conversation with Steve Tuten, Director, Audit Services.
 - 3. Council Auditor’s Office – The Council Auditor’s Office was not in attendance.

Closing Considerations

With no further business claiming the attention of this Committee, the meeting was declared adjourned at 10:02 AM.

APPROVED BY:

Kelly Flanagan, Committee Chair

Date: _____

Submitted by:

La'Trece Bartley
Executive Assistant

DRAFT

VI. A. 2.

FY2019 Budget Presentation

April 23, 2018

SUBJECT:	FY2019 BUDGET PRESENTATION
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Purpose:	☒ Information Only	☐ Action Required	☒ Advice/Direction
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Issue: Obtain feedback and direction from the Finance and Audit Committee regarding the FY2019 Budget prior to submittal to the Board at the June meeting.

Significance: High: The budget is the plan and basis for appropriating revenues and expenses, as well as capital expenditures and debt financing.

Effect: The budget affects customers and the City of Jacksonville, and is integral to JEA's strategic planning, financial performance and resulting metrics, and regulatory accounting.

Cost or Benefit: The budget process benefits from the Committee providing feedback and direction regarding the key strategic issues, risks, major challenges, and assumptions for the FY2019 Budget covering: revenue; fuel revenue and expense; O&M expense levels; interest rates and the resulting financial metrics; capital expenditures and related financing plan; and regulatory accounting items.

Recommended Board action: Staff recommends that the Finance and Audit Committee provide feedback and direction regarding the key strategic issues and major budget assumptions used in preparing the FY2019 operating and capital budgets including revenue, O&M expense levels, interest rates and debt structure, financial metrics, and regulatory accounting items. Staff also recommends that the Finance and Audit Committee provide feedback and direction, in its report or staff presentation to the Board, at the May 2018 meeting for final Board approval at the June 2018 meeting.

For additional information, contact: Ryan Wannemacher

Submitted by: AFZ/RFW/KMQ



Commitments to Action

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

INTER-OFFICE MEMORANDUM

April 23, 2018

SUBJECT: FY2019 BUDGET PRESENTATION

FROM: Aaron F. Zahn, Interim Managing Director/CEO

TO: JEA Finance and Audit Committee

Kelly Flanagan, Chair
Husein Cumber

BACKGROUND:

Annually, JEA staff recommends and, after the JEA Board's review and action, transmits JEA's recommended Electric System, Water and Sewer System, and District Energy System operating and capital budgets to the Jacksonville City Council for final action. By law, JEA must submit its proposed budget to the City Council by July 1, 2018.

DISCUSSION:

Staff will present key strategic initiatives and major budget assumptions for the FY2019 operating and capital budgets. Budget assumptions include: no rate adjustments for Electric or Water and Sewer systems; and financial metrics that are within Pricing Policy goals. The proposed budgets include considerable internal funding for the capital program in an effort to support the "pay-go" philosophy for all recurring capital expenditures. The proposed budgets address key strategic initiatives to support the quality of service delivery, climate change, Total Water Resource Plan, regulatory compliance, workforce readiness, communications, conservation, sewer resiliency, septic tank phase-out, and customer satisfaction initiatives. In addition, the budget includes a record high contribution to the City of Jacksonville General Fund in the amount of \$118.0 million. The operating and capital budget schedules that will be transmitted to the City Council upon JEA Board approval are attached as Schedules A and B. As required by the City of Jacksonville, JEA transmits its Five-Year Capital Improvement Program during the annual budget process and is attached as Schedule C.

The proposed budgets include the following:

1. Consolidated Operating Budget and Capital Budget Schedules

The proposed budgets include considerable internal funding for the capital program in an effort to support the "pay-go" philosophy for all recurring capital expenditures.

2. Electric System

There are no planned rate increases in FY2019. The FY2019 operating budget includes a \$17.8 million increase from FY2018. Budget assumptions include a \$5.1 million increase in Fuel and Purchased Power and a decrease of \$11.8 million in Non-Fuel Purchased Power. Debt service coverage is stable and debt service decreased \$24.9 million from FY2018.

3. Water and Sewer System

There are no planned rate increases in FY2019. The FY2019 operating budget includes an \$11.6 million increase from FY2018. Operating expenses increased due to investments in storm generator leases, storm resiliency assessments, septic tank phase out commitments with the City

of Jacksonville and staffing for 24x7 coverage. Debt service coverage is stable and debt service decreased \$1.0 million from FY2018.

4. Government Transfers

The budget includes a record high contribution to the City of Jacksonville General Fund in the amount of \$118.0 million.

5. Regulatory Accounting

In connection with the Pricing Policy, the budget was prepared using the Utility Basis, resulting in the inclusion of regulatory accounting items such as Pension, Demand-side Management (DSM)/Conservation, Debt Management, Environmental, Fuel, Purchased Power and Self-Funded Health Plan.

Under the terms of the St. Johns River Power Park (SJRPP) Joint Ownership Agreement (JOA), the co-owners share the cost of constructing, operating, maintaining, and decommissioning the two coal-fired units. The JEA Board approves the annual operating budget for JEA's ownership interest in SJRPP. The total SJRPP budget is approved by the SJRPP Executive Committee representing the two co-owners. The SJRPP budget is not approved by the City Council. JEA's share of the SJRPP budget is a component of fuel and purchased power expense in JEA's Electric System Operating budget. Schedule D, attached, summarizes JEA's share of the proposed FY2019 operating budget for SJRPP, which includes no capital expenditures, SJRPP railcar repair expenses, and debt service costs.

JEA owns a 23.64 percent interest in Unit 4 of the Robert W. Scherer Electric Generating Plant (Scherer Unit 4). As with SJRPP, JEA's share of the operating and capital budgets for this unit is a component of the JEA Electric System fuel and purchased power expense. Decisions regarding the operation of Unit 4 are made by majority vote of the co-owners. The JEA Board approves JEA's share of the annual budget for Scherer Unit 4, but the City Council does not review or approve the Plant Scherer budget. Schedule D, attached, summarizes JEA's share of the FY2019 operating and capital budgets for Plant Scherer. Note that this budget is subject to approval by the other co-owners.

RECOMMENDATION:

Staff recommends that the Finance and Audit Committee provide feedback and direction regarding the key strategic issues and major budget assumptions used in preparing the FY2019 operating and capital budgets including revenue, O&M expense levels, interest rates and debt structure, financial metrics, and regulatory accounting items. Staff also recommends that the Finance and Audit Committee provide feedback and direction, in its report or staff presentation to the Board, at the May 2018 meeting for final Board approval at the June 2018 meeting.

Aaron F. Zahn, Interim Managing Director/CEO

AFZ/RFW/KMQ

II. A.
5/07/2018

VI. A. 2.
05/15/2018

JEA
CONSOLIDATED OPERATING BUDGET
FISCAL YEAR 2019

	Electric System	Water & Sewer System	District Energy System	Total
FUEL RELATED REVENUES & EXPENSES:				
FUEL REVENUES:	\$ 422,782,362	\$ -	\$ -	\$ 422,782,362
Total Net Revenues	<u>\$ 422,782,362</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 422,782,362</u>
FUEL EXPENSES:				
Fuel & Purchased Power	<u>\$ 422,782,362</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 422,782,362</u>
FUEL SURPLUS/(DEFICIT)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
BASE RELATED REVENUES & EXPENSES				
BASE OPERATING REVENUES:				
Base Rate Revenues	\$ 812,153,353	\$ 428,955,188	\$ 9,256,655	\$ 1,250,365,196
Environmental Charge Revenue	8,039,817	28,360,500	-	36,400,317
Conservation Charge & Demand Side Revenue	1,000,000	-	-	1,000,000
Other Revenues	28,263,290	40,244,423	-	68,507,713
Natural Gas Pass Through Revenue	2,464,374	-	-	2,464,374
Total Base Related Revenues	<u>\$ 851,920,834</u>	<u>\$ 497,560,111</u>	<u>\$ 9,256,655</u>	<u>\$ 1,358,737,600</u>
BASE OPERATING EXPENSES:				
Operating and Maintenance	\$ 221,286,372	\$ 157,495,854	\$ 5,127,648	\$ 383,909,874
Environmental	8,039,817	4,346,266	-	12,386,083
Conservation & Demand-side Management	7,590,014	-	-	7,590,014
Natural Gas Pass Through Expense	2,418,255	-	-	2,418,255
Non-Fuel Purchased Power	73,564,702	-	-	73,564,702
Non-Fuel Uncollectibles & PSC Tax	1,437,598	685,974	-	2,123,572
Emergency Reserve	5,000,000	1,000,000	-	6,000,000
Total Base Related Expenses	<u>\$ 319,336,758</u>	<u>\$ 163,528,094</u>	<u>\$ 5,127,648</u>	<u>\$ 487,992,500</u>
BASE OPERATING INCOME:	<u>\$ 532,584,076</u>	<u>\$ 334,032,017</u>	<u>\$ 4,129,007</u>	<u>\$ 870,745,100</u>
NON-OPERATING REVENUE:				
Investment Income	11,600,594	6,318,534	-	17,919,128
Transfer To/From Fuel Recovery	-	-	-	-
Capacity Fees	-	24,500,000	-	24,500,000
Total Non Operating Revenues	<u>\$ 11,600,594</u>	<u>\$ 30,818,534</u>	<u>\$ -</u>	<u>\$ 42,419,128</u>
NON-OPERATING EXPENSES:				
Debt Service	203,668,843	120,135,545	3,020,449	326,824,837
Total Non Operating Expenses	<u>\$ 203,668,843</u>	<u>\$ 120,135,545</u>	<u>\$ 3,020,449</u>	<u>\$ 326,824,837</u>
BASE INCOME BEFORE TRANSFERS	<u>\$ 340,515,827</u>	<u>\$ 244,715,006</u>	<u>\$ 1,108,558</u>	<u>\$ 586,339,391</u>
City Contribution Expense	93,201,130	24,810,239	-	118,011,369
Interlocal Payments	-	-	-	-
Renewal and Replacement Fund	65,500,000	24,904,610	443,117	90,847,727
Operating Capital Outlay	181,814,697	155,085,923	665,441	337,566,061
Environmental Capital Outlay	-	15,414,234	-	15,414,234
Capacity Fees	-	24,500,000	-	24,500,000
Operating Contingency	-	-	-	-
Total Non-Fuel Expenses	<u>\$ 340,515,827</u>	<u>\$ 244,715,006</u>	<u>\$ 1,108,558</u>	<u>\$ 586,339,391</u>
SURPLUS/(DEFICIT)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
TOTAL REVENUES	<u>\$ 1,286,303,790</u>	<u>\$ 528,378,645</u>	<u>\$ 9,256,655</u>	<u>\$ 1,823,939,090</u>
TOTAL APPROPRIATIONS	<u>\$ 1,286,303,790</u>	<u>\$ 528,378,645</u>	<u>\$ 9,256,655</u>	<u>\$ 1,823,939,090</u>
BUDGETED EMPLOYEE POSITIONS	1,553	599	6	2,158
BUDGETED TEMPORARY HOURS	104,000	20,800	0	124,800

II. A.
5/07/2018

JEA
CONSOLIDATED CAPITAL BUDGET
FISCAL YEAR 2019

VI. A. 2.
05/15/2018

	Electric System	Water & Sewer System	District Energy System	Total
CAPITAL FUNDS:				
Renewal & Replacement Deposits	\$ 65,500,000	\$ 24,904,610	\$ 443,117	\$ 90,847,727
Operating Capital Outlay	181,814,697	155,085,924	665,441	337,566,062
Environmental Capital Outlay	-	15,414,234	-	15,414,234
Capacity Fees	-	24,500,000	-	24,500,000
Debt Proceeds	-	-	-	-
Other Proceeds	87,273,303	28,556,232	3,999,442	119,828,977
Total Capital Funds	<u>\$ 334,588,000</u>	<u>\$ 248,461,000</u>	<u>\$ 5,108,000</u>	<u>\$ 588,157,000</u>
CAPITAL PROJECTS:				
Generation Projects	\$ 113,000,000	\$ -	\$ -	\$ 113,000,000
Transmission & Distribution Projects	137,221,000	-	-	137,221,000
District Energy Projects	-	-	5,108,000	5,108,000
Water Projects	-	71,300,000	-	71,300,000
Sewer Projects	-	144,657,000	-	144,657,000
Other Projects	84,367,000	32,504,000	-	116,871,000
Total Capital Projects	<u>\$ 334,588,000</u>	<u>\$ 248,461,000</u>	<u>\$ 5,108,000</u>	<u>\$ 588,157,000</u>

II. A.
5/07/2018

JEA
Five Year Capital Improvement Program
Fiscal Years 2019-2023
(\$000'S Omitted)

VI. A. 2.
05/15/2018

Project Title	FY2019	FY2020	FY2021	FY2022	FY2023	Project Total
Electric System Generation	113,000	61,892	168,112	264,414	145,535	752,953
Electric System Transmission and Distribution	137,221	121,728	72,985	62,094	66,286	460,314
Electric System Other	84,367	76,078	40,186	30,536	33,267	264,434
Total	\$334,588	\$259,698	\$281,283	\$357,044	\$245,088	\$1,477,701
Water Treatment and Distribution	71,300	58,421	67,876	59,436	76,785	333,818
Sewer, Wastewater, and Reclaimed	144,657	165,715	152,799	159,584	127,528	750,283
Other Capital	32,504	25,441	26,947	23,941	26,477	135,310
Total	\$248,461	\$249,577	\$247,622	\$242,961	\$230,790	\$1,219,411
District Energy System	\$5,108	\$1,350	\$1,783	\$1,350	\$1,350	\$10,941

JEA
ST. JOHNS RIVER POWER PARK (SJRPP)
AND PLANT SCHERER (SCHERER)
OPERATING AND CAPITAL BUDGET
FISCAL YEAR 2019

	SJRPP	SCHERER
OPERATING BUDGET:		
Revenue:		
Operating Revenue from JEA	\$ 29,189,038	\$ 68,791,930
Expenses:		
Fuel and O & M	\$ 1,554,666	\$ 47,958,293
Transmission	-	5,500,000
Debt Service	24,563,886	9,484,637
Renewal & Replacement	3,070,486	5,849,000
Total Expenses	\$ 29,189,038	\$ 68,791,930
CAPITAL BUDGET :	\$ -	\$ 5,849,000

MWHs Purchased by JEA Electric System	0	1,523,200
Employee Positions	0	

Notes: all Plant Scherer employees are Georgia Power Co. employees.
SJRPP was decommissioned as of January 5, 2018.

FY2019 Budget

Finance & Audit Committee

May 7, 2018

Agenda

Budget Process Summary

JEA Budget Summary and Consolidated Schedules

Electric System

Water and Sewer System

District Energy System

Rate Stabilization Funds

Summary

Supplemental Schedules

Budget Process Summary

Background

JEA Budget development is a continuous process where the annual Budget is constructed for the following fiscal year beginning each fall, a full year prior to the Budget being in effect. The annual Budget development process follows the timeline displayed below.

Task	Timeline	Ongoing Activities
Five Year Financial Plan	October - December	Monthly purchased power meetings, monthly forecast meetings, quarterly debt and investment meetings, enterprise risk management, annual risk assessments, integrated resource plan, cost of service studies
Capital Investment Program	December – January	
Operating Budget Preparation	February – June	
JEA Board Approval	June – August	
Submission to City Council	July	
Annual Resource Master Plans	August - September	

JEA's CEO, CFO, Legislative Affairs and the Director of Financial Planning and Analysis meet individually with the Council Finance Committee members to review JEA's Financial Plan and proposed JEA Board approved Budget.

Budget Process Summary

Five-Year Financial Plan is based on integrated ten-year financial projection and rate models for each utility System (Electric, Water/Wastewater/Reclaim, and District Energy) which utilize input variables including projected unit sales and revenues, fixed expenditures such as Debt Service, City Contribution, and Renewal and Replacement (R&R) funding required by bond covenants along with variable expenditures such as Fuel, O&M, and Other Capital Outlay.

Capital Investment Program - JEA's Five-Year Capital Improvement Plan (CIP) is transmitted to either the City Planning Department or Budget Department as requested each year after the JEA Board approves the annual Budget, and accompanying Five-Year CIP schedule . All capital projects greater than \$200,000 are itemized requiring project definitions to include scope, justification, process design, schedule, project delivery methodology, and cost estimates prior to approval. The Capital Core Team reviews the project requests, prioritizes and formulates the annual Capital Program of itemized projects such that the targeted expenditures are within the allocation of funding based on the prior Five-Year Financial Plan.

Operating Budget Preparation

Each spring begins with the input variables of unit sales, revenue, fuel, O&M expenses, interest rates and debt service, and capital expenditure assumptions based on the prior Five-Year Financial Plan and then updated with the most current information and results which are monitored and reported on a continuous basis during monthly financial forecast meetings.

Budget Process Summary

The business units' O&M expenses line item totals \$384 million or 21% of the \$1.8 billion proposed FY2019 JEA Consolidated Budget consisting of \$262 million of payroll expenses and the remaining \$122 million is in material and supplies, other services and charges, insurance payments, succession planning and other expenses. The FY2019 budgeted salary lapse is 7.00% for the Electric System and 5.00% for the Water and Sewer System, which are representative of recent year's activity.

JEA Board Review and Approval formation of the annual Operating and Capital Budgets for JEA Board approval prior to submission to the City Council by July 1st, having been reviewed by the Board in March and May.

City Council Review and Approval process formally begins each year with the JEA budget transmittal letter and Consolidated Operating and Capital Budget schedules from JEA's Board Chair to the incoming City Council President by July 1st.

Annual Resource Master Plan provides long term investment plans for non-recurring investments in major assets such as electric generation or transmission, water / wastewater / reclaim production or transmission, distribution, system reliability and regulatory needs, and serve as the direct input of non-recurring projects into to the five-year and ten-year Capital Plans and Annual Budget.



Agenda

Budget Process Summary

JEA Budget Summary and Consolidated Schedules

- FY2019 Proposed Budget Summary
- Government Transfers

Electric System

Water and Sewer System

District Energy System

Rate Stabilization Funds

Summary

Supplemental Schedules

Proposed FY2019 Budget Summary

Electric System

<u>Revenue</u>	<u>FY2019B</u>	<u>FY2018B</u>	<u>Δ</u>	<u>FY18F</u>
(in millions)	\$1,286	\$1,269	\$17	\$1,213

Unit Sales Growth

- 1.2% increase to system sales from FY2018B
- 5.0% weather contingency

<u>COJ Transfer</u>	<u>FY07</u>	<u>FY16</u>	<u>FY17</u>	<u>FY18F</u>	<u>FY19P</u>
Total (\$ in millions)	\$121	\$192	\$192	\$195	\$197

O&M

- Increases by \$5.0m or 2.3% versus prior year's budget
- Generating Unit Outages, \$16.2m vs. \$12.2m in FY2018
- Includes bargaining unit increases per contractual agreements
- Includes funding for strategic initiatives and enterprise asset management

<u>Capital (millions)</u>	<u>FY18F</u>	<u>FY19*</u>	<u>FY20</u>	<u>FY21</u>
Depreciation	\$193	\$188	\$197	\$207
Expenditures	\$195	\$335	\$260	\$281

<u>Funding</u>	<u>FY18F</u>	<u>FY19*</u>
R&R	\$66	\$66
OCO	\$79	\$182
Prior	\$50	\$87
Debt	<u>\$0</u>	<u>\$0</u>
	\$195	\$335

*FY19 Budget Includes 10% contingency

<u>Metrics</u>	<u>FY19B</u>	<u>Pricing Policy</u>
Coverage	2.9x	≥ 2.2x
Debt to Asset	63%	≤ 53.5%
Days of Liquidity	271	150-250 days
Total Debt	\$2.30bn	--
Change in Debt	(\$282m)	--

Water and Sewer System

<u>Revenue</u>	<u>FY2019B</u>	<u>FY2018B</u>	<u>Δ</u>	<u>FY18F</u>
(in millions)	\$528	\$517	\$11	\$498

Unit Sales Growth

- No change to system sales from FY2018B
- 5.0% weather contingency

<u>COJ Transfer</u>	<u>FY07</u>	<u>FY16</u>	<u>FY17</u>	<u>FY18F</u>	<u>FY19P</u>
Total (\$ in millions)	\$27	\$47	\$49	\$51	\$51

O&M

- Increases by \$5.7m or 3.8% versus over prior year's budget
- Includes bargaining unit increases per contractual agreements
- Includes funding for strategic initiatives and enterprise asset management

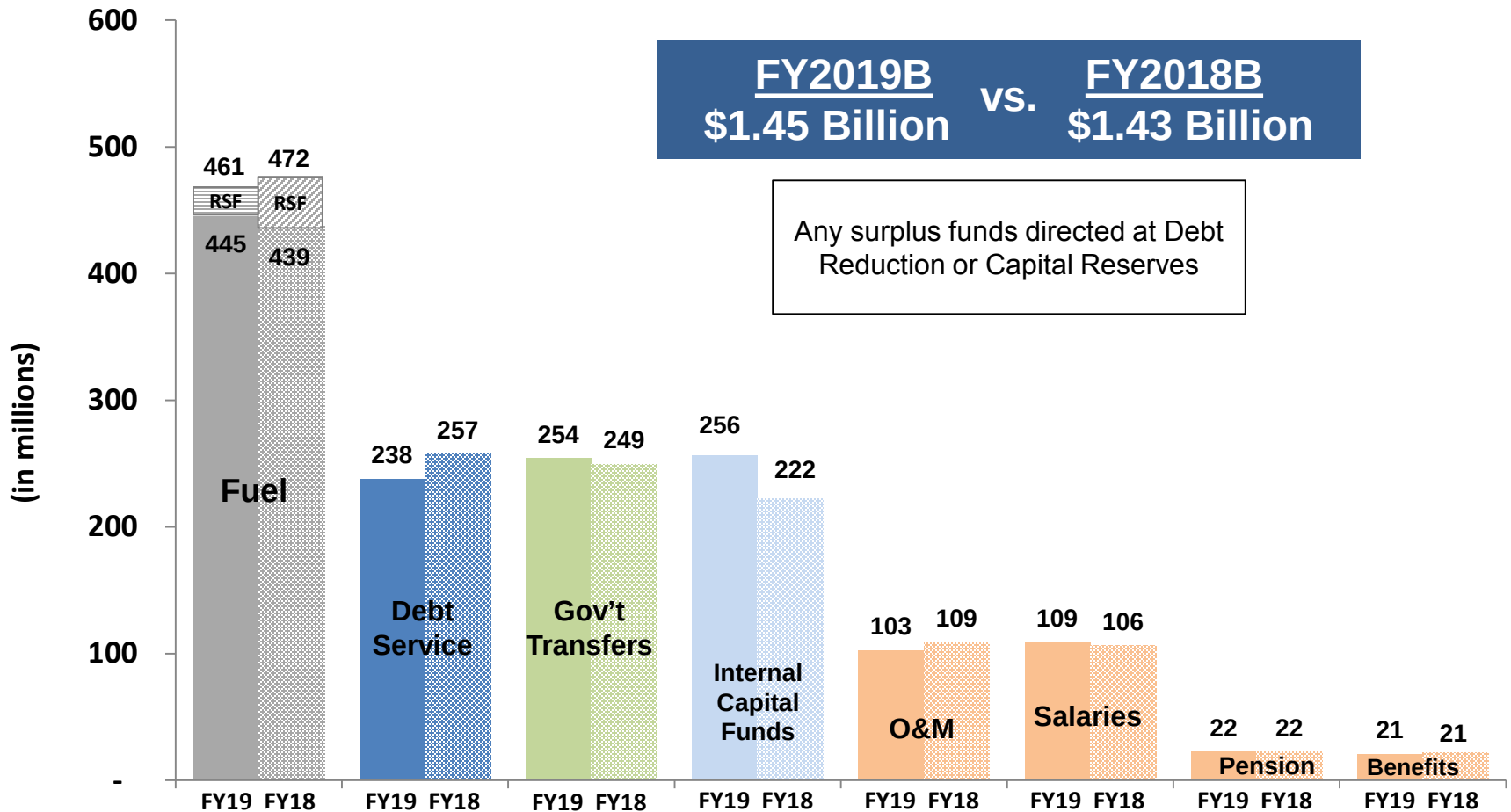
<u>Capital (millions)</u>	<u>FY18F</u>	<u>FY19*</u>	<u>FY20</u>	<u>FY21</u>
Depreciation	\$140	\$141	\$145	\$151
Expenditures	\$215	\$248	\$250	\$248

<u>Funding</u>	<u>FY18F</u>	<u>FY19*</u>
R&R	\$24	\$25
OCO/Capacity	\$164	\$174
Environmental	\$11	\$15
Prior	\$16	\$34
Debt	<u>\$0</u>	<u>\$0</u>
	\$215	\$248

*FY19 Budget Includes 10% contingency

<u>Metrics</u>	<u>FY19B</u>	<u>Pricing Policy</u>
Coverage	3.0x	≥ 1.8x
Debt to Asset	45%	≤ 49%
Days of Liquidity	310	150-250 days
Total Debt	\$1.48bn	--
Change in Debt	(\$81m)	--

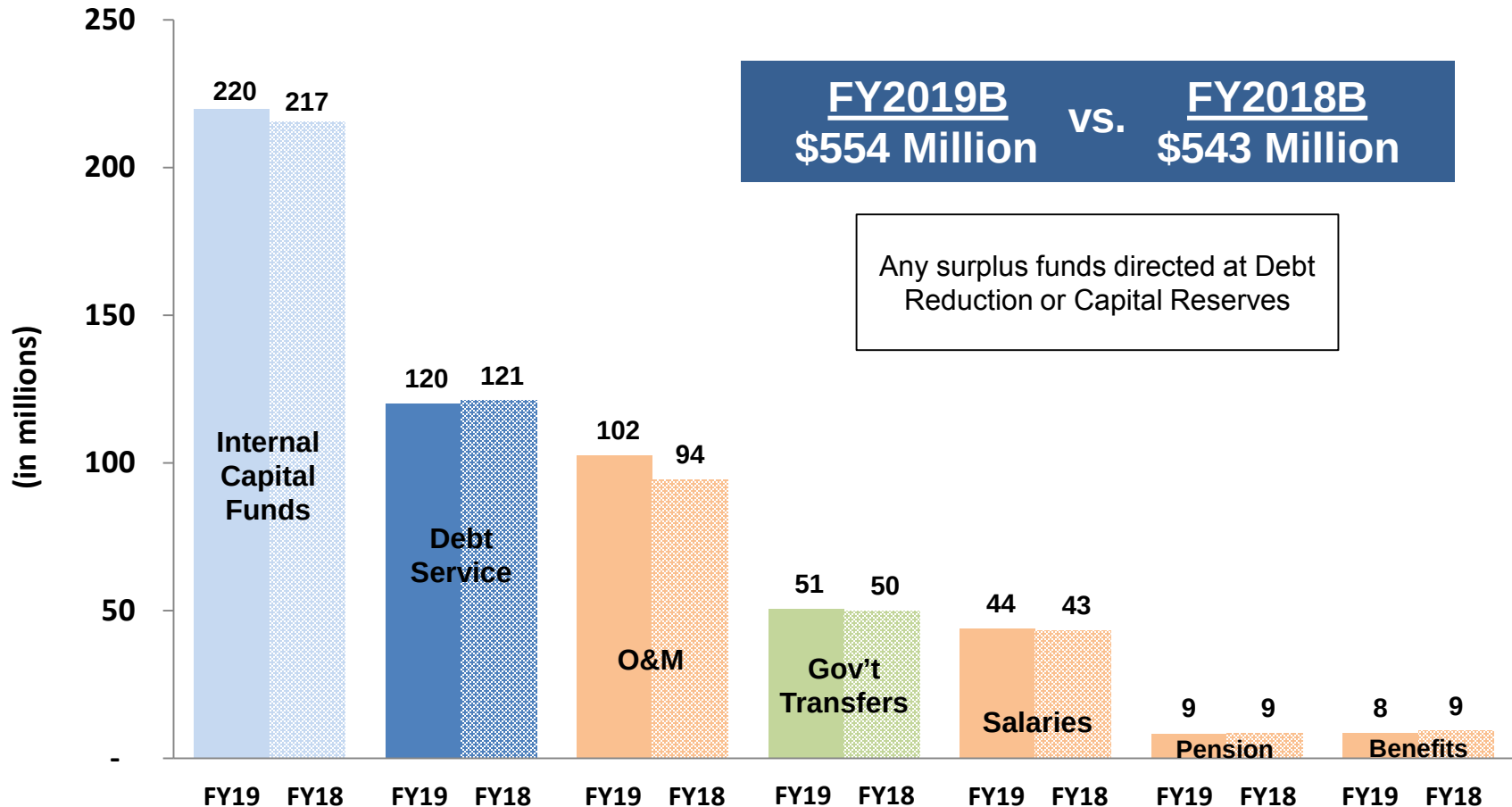
FY2019 Budget: Customer Electric Bill by Expense Category



Notes:

1. Fuel includes Scherer transmission and capacity expenses
2. SJRPP and Scherer non-fuel purchase power expenses included in Debt Service and Internal Capital. Scherer also included in O&M
3. Government Transfers include City Contribution, COJ Public Service Tax, COJ Franchise Fee, State Gross Receipt Tax, and State and COJ Sales Tax (Commercial customers only)
4. O&M Salaries, Benefits, and Pension are net of capital
5. FY2019 O&M includes \$2.4M Natural Gas retail sale operations
6. Internal Capital Funds include JEA Electric System R&R and OCO, SJRPP R&R, and Scherer R&R, no new debt is required
7. Lower principal and interest due to debt restructuring in FY2017
8. Internal capital funds for FY2019 are greater than annual depreciation but less than the estimated budget for FY2019 of \$335m

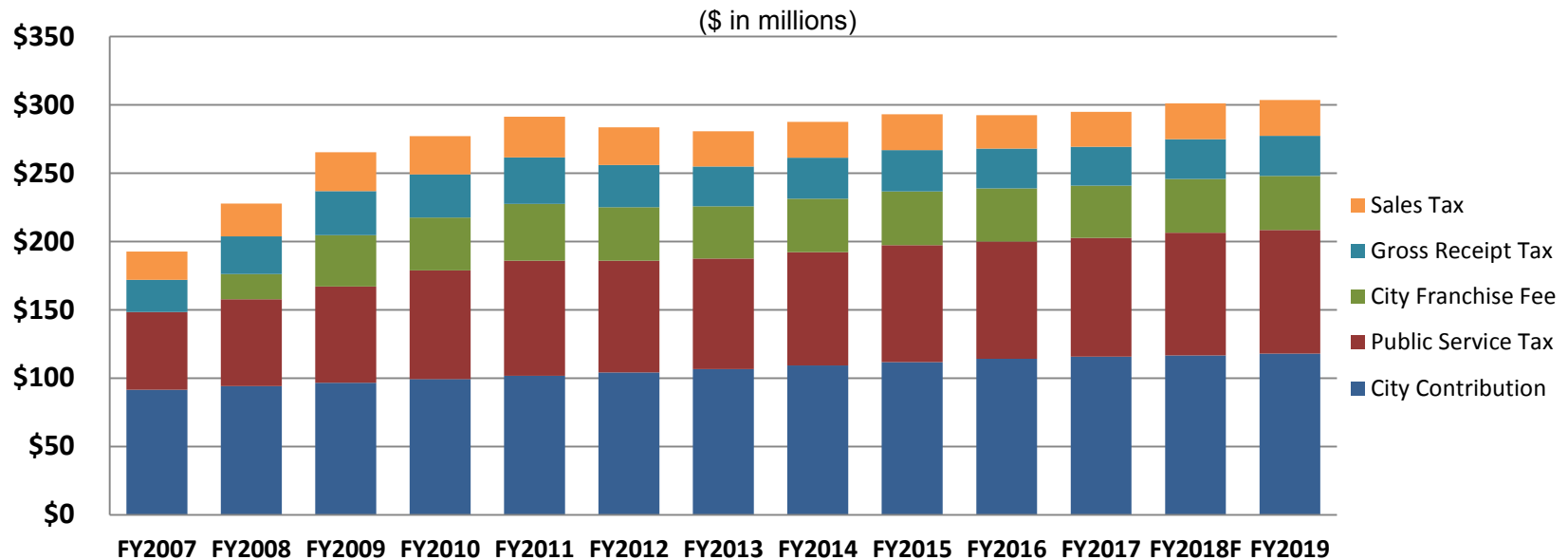
FY2019 Budget: Customer Water and Sewer Bill by Expense Category



Notes:

1. Government Transfers include City Contribution, COJ Public Service Tax, and COJ Franchise Fee
2. O&M Salaries, Benefits, and Pension are net of capital
3. The FY2019 capital program is funded by Internal Capital, no new debt is required
4. FY2019 Debt Service decrease reflects lower interest payments
5. Internal capital funds for FY2019 are greater than annual depreciation but less than the estimated budget for FY2019 of \$248

Government Transfers via the JEA Bill



Description	Paid To	FY07	FY08	FY09	FY15	FY16	FY17	FY18F	FY19
City Contribution	COJ	\$91.4	\$94.2	\$96.7	\$111.7	\$114.2	\$115.8	\$116.6	\$118.0
Public Service Tax	COJ	56.9	63.6	70.5	85.6	85.8	86.9	89.9	90.5
City Franchise Fee	COJ	-	18.3	37.5	39.4	38.9	38.3	39.3	39.5
Gross Receipt Tax	State	23.7	27.6	32.1	30.2	29.8	28.4	29.2	29.3
Sales Tax	State and COJ	20.6	24.1	28.5	26.4	26.0	25.6	26.3	26.4
Total		\$192.6	\$227.8	\$265.3	\$293.3	\$294.7	\$294.9	\$301.3	\$303.7
Percent increase from FY2007			18%	38%	52%	53%	53%	56%	58%

\$248
COJ

JEA transfers to the City of Jacksonville have increased to \$248 million

FY2019 Electric System Budget: Non-Fuel Purchased Power

SJRPP (Shut down 1/5/18)	FY2018	FY2019	Variance	Explanation
O&M	\$6,250,000	-	(\$6,250,000)	SJRPP Decommissioned 1/5/2018
Debt Service	18,940,373	24,563,886	5,623,513	Scheduled principal maturities
R&R	(4,395,310)	3,070,486	7,465,796	Second resolution/No funding from FPL
Subtotal SJRPP	\$20,795,063	\$27,634,372	\$6,839,309	
Scherer	FY2018	FY2019	Variance	Explanation
O&M	\$11,960,608	\$8,230,693	(\$3,729,915)	
Debt Service	9,942,757	9,484,637	(458,120)	
R&R	21,569,627	5,849,000	(15,720,627)	Decreased Capital Program
Transmission	5,300,000	5,500,000	200,000	
Subtotal Scherer	\$48,772,992	\$29,064,330	(\$19,708,662)	
Other	FY2018	FY2019	Variance	Explanation
Other Capacity	\$15,804,000	\$16,866,000	\$1,062,000	PPA for additional power
Vogle Debt Service	11,744,583	14,327,360	2,582,777	Planned D/S payment
Rate Stabilization	(11,744,583)	(14,327,360)	(2,582,777)	
Subtotal Other	\$15,804,000	\$16,866,000	\$1,062,000	
Total Non-Fuel Purchased Power	\$85,372,055	\$73,564,702	(\$11,807,353)	

Total JEA Labor Costs

(\$ in millions)	FY2017	Budget FY2018	Budget FY2019	Budget FY2019 vs FY2018
Payroll Expense ²	\$179.4	\$182.2	\$190.5	4.5%
Benefits	34.5	36.2	35.7	(1.4%)
Subtotal	\$213.9	\$218.4	\$226.2	3.6%
Pension	50.5	35.1	36.1	2.8%
Subtotal	\$264.4	\$253.5	\$262.2	3.4%

Current JEA Salary Adjustment Summary ³						
Unit	General Increase – Prior Period			General Increase – Current Contract		
	FY14	FY15	FY16	FY17	FY18	FY19
IBEW	0%	3%	2%	4.5%	4.5%	4.5%
JSA	0%	0%	2%	3.0%	3.0%	3.0%
LIUNA	0%	2%	2%	4.5%	4.5%	4.5%
AFSCME	0%	0%	1.5%	2.5%	2.5%	3.0%
M&C	0%	0%	2%	3.0%	3.0%	TBD
PEA	0%	0%	3%	5.0%	5.0%	3.0%
Appointed	0%	0%	0%-6%, avg 2%	0%-5%, avg 3%	0%-4.3%, avg 3%	TBD

Discussion and Analysis

- Base payroll expense for FY2019 increases 4.5% vs FY2018
- The current pension payment is expected to increase slightly due to additional budgeted defined contribution

Notes

1) Includes Bargaining Unit adjustments in 2018-2019 per new contracts

2) Payroll expense includes salary, wages, temporary and contract for the Electric, Water and DES systems. Does not include Succession Planning of \$3.1m FY2016; and \$3.6m in FY2017 through FY2019

3) Total JEA salary adjustments are for both Electric and Water and Sewer Systems, appointed adjustments per market study

Agenda

Budget Process Summary

JEA Budget Summary and Consolidated Schedules

JEA Electric System

- Operating Budget
- Capital Budget
- Fuel Rate
- O&M
- Capital Plan
- Debt Service
- Financial Metrics and Ratios

Water and Sewer System

District Energy System

Rate Stabilization Funds

Summary

Supplemental Schedules

JEA
ELECTRIC SYSTEM
OPERATING BUDGET

	FY 2019 Budget	FY 2018 Budget	Change	FY 2018 Forecast
FUEL RELATED REVENUES & EXPENSES:				
FUEL REVENUES:	422,782,362	\$ 417,649,053	\$ 5,133,309	\$ 398,121,846
Transfer To/From Fuel Recovery	-	-	-	(10,575)
Total Net Revenues	<u>422,782,362</u>	<u>417,649,053</u>	<u>\$ 5,133,309</u>	<u>\$ 398,111,271</u>
FUEL EXPENSES:				
Fuel & Purchased Power	<u>422,782,362</u>	<u>\$ 417,649,053</u>	<u>\$ 5,133,309</u>	<u>\$ 398,111,271</u>
FUEL SURPLUS/(DEFICIT)	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
BASE RELATED REVENUES & EXPENSES				
BASE OPERATING REVENUES:				
Base Rate Revenues	\$ 812,153,353	\$ 802,292,405	\$ 9,860,948	\$ 768,635,157
Environmental Charge Revenue	8,039,817	7,942,200	97,617	7,573,764
Conservation Charge & Demand Side Revenue	1,000,000	1,000,000	-	974,735
Other Revenues	28,263,290	30,551,894	(2,288,604)	28,183,487
Natural Gas Pass Through Revenue	2,464,374	2,383,913	80,461	1,393,173
Total Base Related Revenues	<u>851,920,834</u>	<u>\$ 844,170,412</u>	<u>\$ 7,750,422</u>	<u>\$ 806,760,316</u>
BASE OPERATING EXPENSES:				
Operating and Maintenance	\$ 221,286,372	\$ 216,333,938	\$ 4,952,434	\$ 211,592,588
Environmental	8,039,817	7,942,200	97,617	7,573,764
Conservation & Demand-side Management	7,590,014	7,510,000	80,014	7,221,580
Natural Gas Pass Through Expense	2,418,255	2,290,414	127,841	1,486,620
Non-Fuel Purchased Power	73,564,702	85,372,055	(11,807,353)	128,774,274
Non-Fuel Uncollectibles & PSC Tax	1,437,598	1,210,993	226,605	1,050,730
Emergency Contingency	5,000,000	5,000,000	-	5,000,000
Total Base Related Expenses	<u>319,336,758</u>	<u>\$ 325,659,600</u>	<u>\$ (6,322,842)</u>	<u>\$ 362,699,556</u>
BASE OPERATING INCOME:	\$ 532,584,076	\$ 518,510,812	\$ 14,073,264	\$ 444,060,760
NON-OPERATING REVENUE:				
Investment Income	11,600,594	6,714,534	4,886,060	8,149,847
Transfer To/From Fuel Recovery	-	-	-	10,575
Total Non Operating Revenues	<u>11,600,594</u>	<u>\$ 6,714,534</u>	<u>\$ 4,886,060</u>	<u>\$ 8,160,422</u>
NON-OPERATING EXPENSES:				
Debt Service	203,668,843	228,558,551	(24,889,708)	216,502,228
Total Non Operating Expenses	<u>203,668,843</u>	<u>\$ 228,558,551</u>	<u>\$ (24,889,708)</u>	<u>\$ 216,502,228</u>
BASE INCOME BEFORE TRANSFERS	\$ 340,515,827	\$ 296,666,795	\$ 43,849,032	\$ 235,718,954
City Contribution Expense	93,201,130	91,471,795	1,729,335	91,471,795
Interlocal Payments	-	-	-	-
Renewal and Replacement Fund	65,500,000	64,537,408	962,592	65,608,800
Operating Capital Outlay	181,814,697	140,657,592	41,157,105	78,638,359
Contingencies & Working Capital	-	-	-	-
Total Non-Fuel Expenses	<u>340,515,827</u>	<u>\$ 296,666,795</u>	<u>\$ 43,849,032</u>	<u>\$ 235,718,954</u>
SURPLUS/(DEFICIT)	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
TOTAL REVENUES	<u>\$ 1,286,303,790</u>	<u>\$ 1,268,533,999</u>	<u>\$ 17,769,791</u>	<u>\$ 1,213,032,009</u>
TOTAL APPROPRIATIONS	<u>\$ 1,286,303,790</u>	<u>\$ 1,268,533,999</u>	<u>\$ 17,769,791</u>	<u>\$ 1,213,032,009</u>
BUDGETED EMPLOYEE POSITIONS	1,553	1,553	-	1,554
BUDGETED TEMPORARY HOURS	104,000	104,000	-	104,000

ELECTRIC SYSTEM
CAPITAL BUDGET

	FY 2019 Budget	FY 2018 Budget	Change	FY 2018 Forecast
CAPITAL FUNDS:				
Renewal & Replacement Deposits	\$ 65,500,000	\$ 64,537,408	\$ 962,592	\$ 65,608,800
Operating Capital Outlay	181,814,697	140,657,592	41,157,105	78,638,359
Environmental Capital Outlay	-	-	-	-
Debt Proceeds	-	-	-	-
Construction Fund Investment Income	-	-	-	-
Other Proceeds	87,273,303	-	87,273,303	9,342,520
Total Capital Funds	\$ 334,588,000	\$ 205,195,000	\$ 129,393,000	\$ 153,589,679
CAPITAL PROJECTS:				
Generation Projects	\$ 113,000,000	\$ 27,585,000	\$ 85,415,000	\$ 27,832,273
Transmission & Distribution Projects	137,221,000	102,012,000	35,209,000	81,202,148
Other Projects	84,367,000	75,598,000	8,769,000	42,308,099
Total Capital Projects	\$ 334,588,000	\$ 205,195,000	\$ 129,393,000	\$ 151,342,520

Operating Variance Analysis (\$ millions)	Budget FY2019	Budget FY2018	Change	Percent Chg
MWh sales	13,180,028	13,020,000	160,027	1.2%
Fuel Revenues ¹	\$422.78	\$417.65	\$5.13	1.2%
Variable Fuel Rate per MWh	\$32.50	\$32.50	\$0.00	0.0%
Fuel (excluding reserve adj & discounts) ²	\$438.93	\$450.45	(\$11.52)	-2.6%
Gas & Oil per MWh produced	23.77	\$25.26	(\$1.49)	-5.9%
Solid Fuel per MWh produced	30.74	\$29.70	\$1.04	3.5%
Base Revenues ³	\$812.15	\$802.29	\$9.86	1.2%
Electric O&M (see O&M schedule)	\$221.29	\$216.33	\$4.96	2.3%
Non-Fuel Purchased Power ⁴	\$73.56	\$85.37	(\$11.81)	-13.8%
Scherer O&M and R&R ⁴	\$14.08	\$33.53	(\$19.45)	
SJRPP R&R	3.07	(\$4.40)	\$7.47	
Debt Service	\$203.67	\$228.56	(\$24.89)	-10.9%
Renewal & Replacement ⁵	\$65.50	\$64.54	\$0.96	1.5%
Operating Capital Outlay ⁵	\$181.81	\$140.66	\$41.15	29.3%
City Contribution	\$93.20	\$91.47	\$1.73	1.9%
Capital Budget Variance Analysis				
Capital Funds ⁶	\$334.59	\$205.20	\$129.39	63.1%
Capital Projects ⁷	\$334.59	\$205.20	\$129.39	63.1%
(1) Fuel Rate \$32.50 (2) See fuel rate detail sheet (3) Base Rate \$61.62 (4) Lower Scherer capital expenses. Higher SJRPP debt service due to scheduled principal maturities. SJRPP decommissioned January 5, 2018 (5) The FY19 R&R is based on FY18 forecasted revenues. The FY19 OCO is the remaining amount to fully fund the FY19 capital expenses (6) FY19 Capital Fund Sources are from Current Year Internal Funding and prior year balances (7) Includes Management target of \$304.2 million plus a 10% contingency				

Electric System Revenues

Revenue Line Items (000's Omitted)	FY2019B	FY2018B
Base Revenue	\$812,153	\$802,292
Variable Fuel Revenue	422,782	417,649
Environmental Revenue	8,040	7,942
Transmission Revenue	7,918	7,909
Investment Revenue	11,601	6,715
Pole Attachment Revenue	5,080	4,980
Wireless Colocation Revenue	2,303	3,050
Joint Dispatch Revenue	0	2,791
Natural Gas Revenue	2,464	2,384
Dark Fiber Revenue	2,516	1,754
Conservation/DSM Revenue	1,000	1,000
Other Revenue ¹	10,447	10,068
Total	\$1,286,304	\$1,268,534



¹ Includes late fees, connection fees, and other utility operating income.

Electric System Capital Budget

Budget Line Items (000's Omitted)	FY2019B	FY2018B
Electric System Generation Projects	\$113,000	\$27,585
Electric System Transmission and Distribution projects	137,221	102,012
Electric System Other Projects	84,367	75,598
Total	\$334,588	\$205,195



Note: Detailed FY2019 project list is included in the CIP Schedules within the Supplemental section

Variable Fuel Rate per MWh	FY2017	FY2018F	FY2019B	FY2020
Fuel Rate Budgeted per \$/MWh	\$32.50	\$32.50	\$32.50	\$32.50
Reserve as a % of Target Expense	21%	12%	9%	7%
Annual Fuel Cost (millions)	\$443	\$454	\$439	\$438

Discussion and Analysis

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

FY2019 Electric System Budget: Operating Expenses

(\$ in millions)	FY2018 Budget ¹	FY2019 Budget ¹	Variance	Explanation
Salaries & Benefits	\$176.7*	\$180.1*	\$3.4	Step increases, market adjustments and bargaining unit agreements
Other Services	108.9	114.6	5.7	Outages , Electrification
Materials & Supplies	16.2	17.1	0.9	
Other	18.5	18.9	0.4	Insurance premium increase
Credits – Shared Services	(51.7)	(53.9)	(2.2)	Increase in shared expenses allocated to Water
Credits – Capitalization	(37.2)	(40.3)	(3.1)	Higher capitalization
Credits – Other	(15.1)	(15.2)	(0.1)	
Total	\$216.3	\$221.3	\$5.0	

2.3%

Key Strategic Issues Included in Budget

FY2018		FY 2019	
Generating Unit Outages	\$12.2	Generating Unit Outages	\$16.2
Succession Planning Staffing Risks	2.6	Succession Planning Staffing Risks	2.6
Climate Change	1.0	Climate Change	1.0
Enterprise Asset Management	5.0	Enterprise Asset Management	3.0
Net Pension Decrease	(12.8)		
Compensation	*	Compensation	*
Total	\$8.0	Total	\$22.8

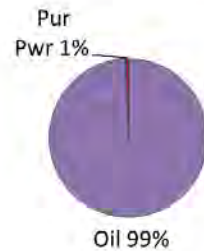
¹Excludes Customer Benefit, Environmental, and Retail Natural Gas

Historical Fuel Mix

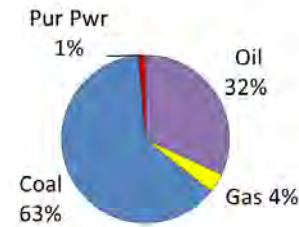
1970



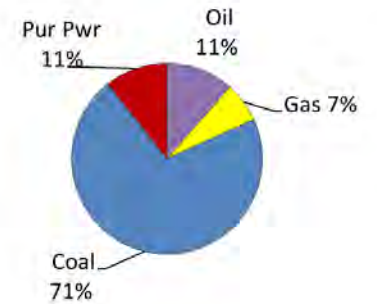
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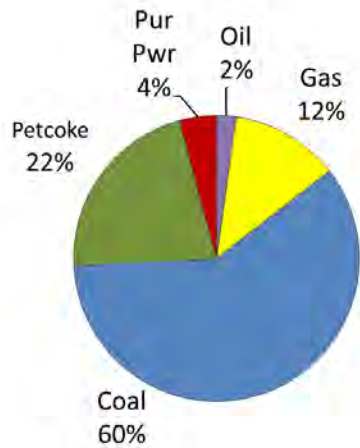
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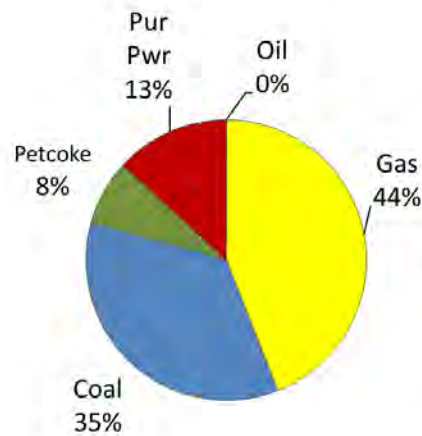
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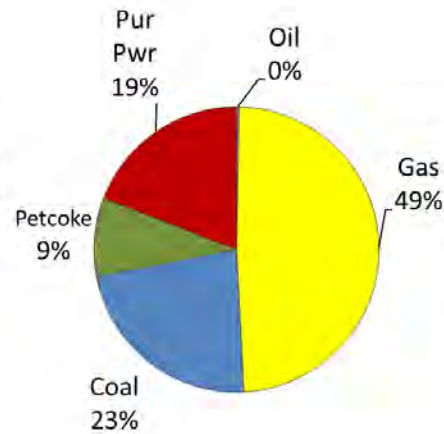
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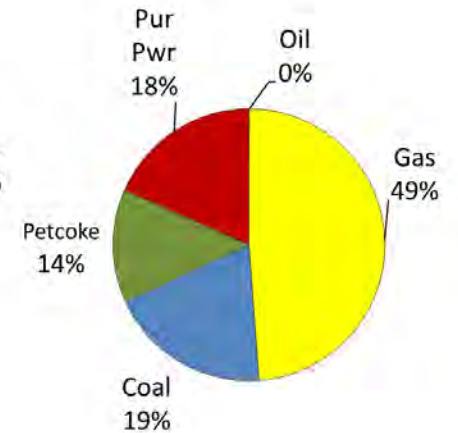
2017



2018 (Forecast)



2019 (Budget)





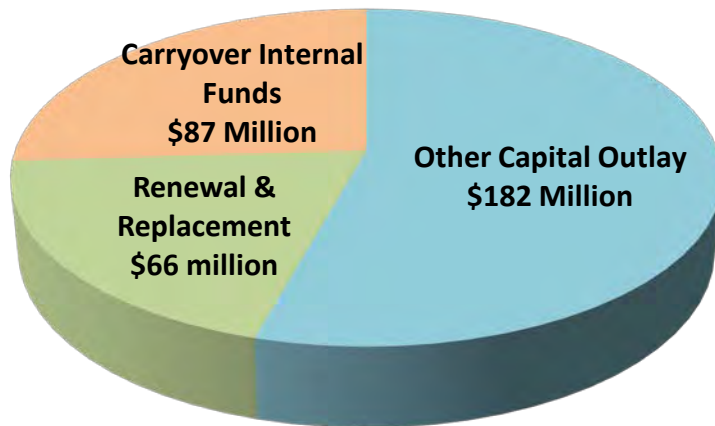
No New
Debt!

Electric System: Capital Funding

FY2019 – Electric System Capital Budget: \$335 Million

System Maintenance: \$234 Million	System Expansion: \$101 Million
- Renewal and Replacement	- New or Expanded Generation
- Distribution	- New Transmission Lines
- Facilities, Fleet, Technology	- New or Expanded Substations

Source of Capital Funding



Discussion & Analysis

- FY2019 capital funding plan utilizes existing capital cash balances to fund the “long-term eligible funds” qualified projects, resulting in no new debt issuance for FY2019
- FY2018 capital plan budget was \$205 million, current forecast is \$195 million
- December 2017 rating agency FY2019 capital program was projected to be \$253 million
- Focus on FY2019 key initiatives related to technology with a \$20 million 2-Way Meter Conversion and a \$55 million Brandy Branch upgrade to increase capacity by 84 MW

FY2019 Electric System Budget: Debt Service

	FY2018 Budget	FY2019 Budget	Budget Variance	Explanation
Debt Service – Principal	\$124.2	\$116.2	(\$8.0)	Debt Restructuring from FY2017
Debt Service – Prepayment	---	---	---	
Debt Service – Interest	94.3	87.4	(6.9)	Lower Debt Balance
Total¹	\$218.5	\$203.6	(\$14.9)	

Debt Service Coverage	2.4x	2.9x	0.5x	
Debt to Asset %	60%	63%	3%	New Moody's calculation and closure of SJRPP

Variable Rate Debt %				
Gross	23.2%	25.7%	2.5%	Paydown of Fixed Rate Debt
Net of Swaps	7.3%	8.0%	0.7%	
Variable Interest Rate %	3.0%	3.0%	---	

Liquidity – Days Cash²	257	173	(84)	Utilization of Fuel Rate Stabilization and Capital Fund withdrawal of \$87m
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¹ Includes scheduled interest and principal payments to bondholders, variable rate financing costs, and swap payments

² Includes Renewal and Replacement

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JEA Water and Sewer System

- Operating Budget
- Capital Budget
- O&M
- Capital Plan
- Debt Service
- Financial Metrics and Ratios

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JEA
WATER AND SEWER SYSTEM
OPERATING BUDGET

	FY2019 Budget	FY2018 Budget	Change	FY2018 Forecast
BASE RELATED REVENUES & EXPENSES				
BASE OPERATING REVENUES:				
Base Rate Revenues	\$ 428,955,188	\$ 428,490,220	\$ 464,968	\$ 409,681,956
Environmental Charge Revenue	28,360,500	28,360,500	-	25,891,360
Other Revenues	40,244,423	34,091,486	6,152,937	33,683,025
Total Base Related Revenues	<u>\$ 497,560,111</u>	<u>\$ 490,942,206</u>	<u>\$ 6,617,905</u>	<u>\$ 469,256,341</u>
BASE OPERATING EXPENSES:				
Operating and Maintenance	\$ 157,495,854	\$ 151,804,759	\$ 5,691,095	\$ 146,517,533
Environmental CUP - DSM	4,346,266	1,589,300	2,756,966	1,051,918
Non-Fuel Uncollectibles & PSC Tax	685,974	685,277	697	617,861
Emergency Contingency	1,000,000	1,000,000	-	1,000,000
Total Base Related Expenses	<u>\$ 163,528,094</u>	<u>\$ 155,079,336</u>	<u>\$ 8,448,758</u>	<u>\$ 149,187,312</u>
BASE OPERATING INCOME:	\$ 334,032,017	\$ 335,862,870	\$ (1,830,853)	\$ 320,069,029
NON-OPERATING REVENUE:				
Investment Income	6,318,534	4,854,301	1,464,233	5,633,474
Capacity Fees	24,500,000	21,000,000	3,500,000	23,202,376
Total Non Operating Revenues	<u>\$ 30,818,534</u>	<u>\$ 25,854,301</u>	<u>\$ 4,964,233</u>	<u>\$ 28,835,850</u>
NON-OPERATING EXPENSES:				
Debt Service	120,135,545	121,122,632	(987,087)	118,630,399
Total Non Operating Expenses	<u>\$ 120,135,545</u>	<u>\$ 121,122,632</u>	<u>\$ (987,087)</u>	<u>\$ 118,630,399</u>
BASE INCOME BEFORE TRANSFERS	\$ 244,715,006	\$ 240,594,539	\$ 4,120,467	\$ 230,274,480
City Contribution Expense	24,810,239	25,148,020	(337,781)	25,148,020
Interlocal Payments	-	-	-	346,727
Renewal and Replacement Fund	24,904,610	24,473,800	430,810	24,473,800
Operating Capital Outlay	155,085,923	151,801,519	3,284,404	140,815,335
Operating Capital Outlay - Environmental	15,414,234	18,171,200	(2,756,966)	16,288,222
Capacity Fees	24,500,000	21,000,000	3,500,000	23,202,376
Contingencies & Working Capital	-	-	-	-
Total Non-Fuel Expenses	<u>\$ 244,715,006</u>	<u>\$ 240,594,539</u>	<u>\$ 4,120,467</u>	<u>\$ 230,274,480</u>
SURPLUS/(DEFICIT)	\$ -	\$ -	\$ -	\$ -
TOTAL REVENUES	\$ 528,378,645	\$ 516,796,507	\$ 11,582,138	\$ 498,092,191
TOTAL APPROPRIATIONS	\$ 528,378,645	\$ 516,796,507	\$ 11,582,138	\$ 498,092,191
BUDGETED EMPLOYEE POSITIONS	599	599	0	599
BUDGETED TEMPORARY HOURS	20,800	20,800	0	20,800

JEA
WATER AND SEWER SYSTEM
CAPITAL BUDGET

	FY2019 Budget	FY2018 Budget	Change	FY2018 Forecast
CAPITAL FUNDS:				
Renewal & Replacement Deposits	\$ 24,904,610	\$ 24,473,800	\$ 430,810	\$ 24,473,800
Operating Capital Outlay	155,085,924	151,801,519	3,284,405	140,815,335
Environmental Capital Outlay	15,414,234	18,171,200	(2,756,966)	11,157,008
Capacity Fees	24,500,000	21,000,000	3,500,000	23,202,376
Debt Proceeds	-	-	-	-
Construction Fund Investment Income	-	-	-	-
Other Proceeds	28,556,232	21,064,481	7,491,751	32,927,789
Total Capital Funds	<u>\$ 248,461,000</u>	<u>\$ 236,511,000</u>	<u>\$ 11,950,000</u>	<u>\$ 232,576,308</u>
CAPITAL PROJECTS:				
Water Projects	71,300,000	56,551,000	14,749,000	55,583,623
Sewer Projects	144,657,000	153,488,000	(8,831,000)	151,080,462
Other Projects	32,504,000	26,472,000	6,032,000	25,912,223
Total Capital Projects	<u>\$ 248,461,000</u>	<u>\$ 236,511,000</u>	<u>\$ 11,950,000</u>	<u>\$ 232,576,308</u>

Operating Variance Analysis (\$ millions)	Budget FY2019	Budget FY2018	Change	Percent Chg
Water kGal Sales (in thousands)	42,000	42,000	-	0.0%
Base Rate Revenues ¹	\$428.96	\$428.49	0.47	0.1%
Other Revenues ²	\$40.24	\$34.09	6.15	18.0%
Operating and Maintenance (See O&M Schedule)	\$157.50	\$151.80	(\$5.70)	-3.8%
Debt Service ³	\$120.14	\$121.12	0.98	0.8%
Renewal & Replacement ⁴	\$24.90	\$24.47	(0.43)	-1.8%
Operating Capital Outlay ⁵	\$155.09	\$151.80	(\$3.29)	-2.2%
Environmental Capital Outlay ⁶	\$15.41	\$18.17	\$2.75	15.1%
Capacity Fees ⁷	\$24.50	\$21.00	3.50	16.7%
Capital Budget Variance Analysis (\$ millions)				
Capital Funds ⁸	\$248.46	\$236.51	11.95	5.1%
Capital Projects ⁸	\$248.46	\$236.51	11.95	5.1%
(1) No increase in total system sales, increase due to shift between water, sewer, and reclaimed revenues (2) Includes \$28.4m in prior year revenues to be used for Operating Capital Outlay (3) FY2019 Debt Service increase reflects lower P&I payments (4) FY2019 R&R is based upon forecasted FY18 total revenues (5) OCO is the remaining amount to fund the FY2019 capital expenses (6) Reduced environmental capital program for FY2019 (7) Adjusted to recent trends (8) Includes management budget of \$226m plus 10% contingency				

Water and Sewer System Revenues

Revenue Line Items (000's Omitted)	FY2019B	FY2018B
Sewer Revenue	\$247,952	\$245,530
Water Revenue	162,522	165,693
Environmental Revenue	28,361	28,361
Prior Year Surplus Revenue Utilization ¹	28,420	21,501
Capacity and Extension Fees	24,500	21,000
Reclaimed Revenue	18,482	17,267
Investment Income	6,319	4,854
Other Revenue ²	11,823	12,591
Total	\$528,379	\$516,797



¹ Prior year surplus will be used for Operating Capital Outlay

² Other Revenues include rental income, meter tap fees, connection fees, late fees, and other utility operating income

Water and Sewer System Capital Budget

Budget Line Items (000's Omitted)	FY2019B	FY2018B
Water Treatment and Distribution Projects	\$71,300	\$56,551
Wastewater and Reclaimed Revenues	144,657	153,488
Other Capital Projects	32,504	26,472
Total	\$248,461	\$236,511



Note: Detailed FY2019 project list is included in the CIP Schedules within the Supplemental section

FY2019 Water and Sewer System Budget: Operating Expenses

(\$ in millions)	FY2018 Budget ¹	FY2019 Budget ¹	Variance	Explanation
Salaries & Benefits	\$69.2*	\$74.2*	\$5.0	Employees for expanded capacity, development, and elevated 24x7 coverage
Other Services	28.5	31.8	3.3	Includes storm generator lease, water/sewer resiliency assessment
Materials & Supplies	13.5	14.6	1.1	
Shared Services	51.6	53.8	2.2	Increase to Water Billing Credit Expense
Other	3.4	3.6	0.2	Insurance premium increase
Credits – Capitalization	(13.9)	(20.0)	(6.1)	Higher capitalization
Credits – Fuel Handling	(0.5)	(0.5)	---	
Total	\$151.8	\$157.5	\$5.7	

3.8%

Key Strategic Issues Included in Budget

FY2018		FY 2019	
Water Purification	\$1.0	Integrated Water Resource Plan/Water Purification	\$0.8
Succession Planning Staffing Risks	1.0	Succession Planning Staffing Risks	1.0
Enterprise Asset Management	2.0	Enterprise Asset Management	1.0
Storm Generators	1.5	Storm Generators	1.5
Storm Resiliency Assessment	0.5	Storm Resiliency Assessment	1.6
Net Pension Decrease	(3.5)		
Compensation	*	Compensation	*
Total	\$2.5	Total	\$5.9

¹Excludes Customer Benefit and Environmental funding of Septic Tank Phase Out of \$1.8m



No New Debt!

Water and Sewer System : Capital Funding

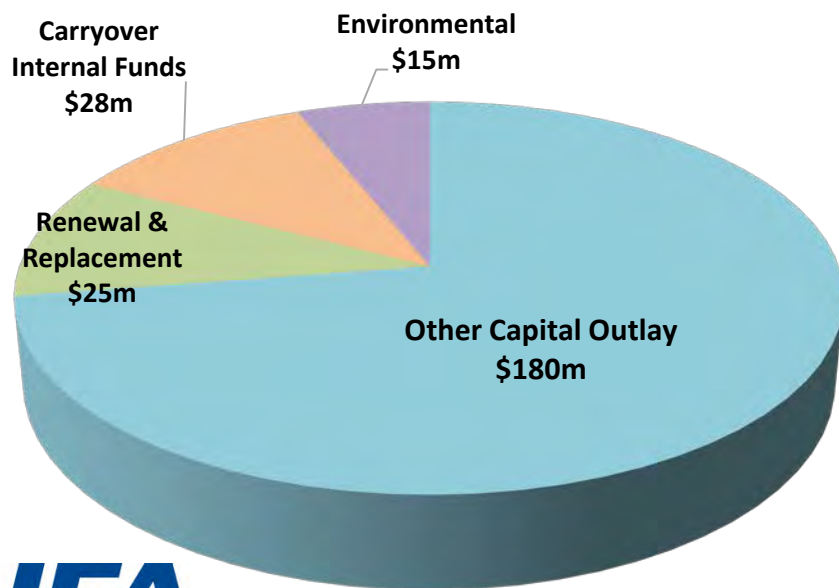
FY2019 – Water and Sewer System Capital Budget: \$248 Million

Environmental: \$16 Million	System Maintenance: \$185 Million	System Expansion: \$47 Million
- BMAP*/TMDL*/Reclaim	- Renewal and Replacement	- New or Expanded Treatment
- Total Water Management Plan	- Distribution	- New Transmission Lines
- Major Environmental Initiatives	- Facilities, Fleet, Technology	- New or Expanded Master Pump Stations

*Basin Management Action Plan

*Total Maximum Daily Limit of Nitrogen

Source of Capital Funding



Discussion & Analysis

- FY2019 capital funding plan utilizes existing capital cash balances to fund the “long-term eligible funds” qualified projects, resulting in no new debt issuance for FY2019
- FY2018 capital plan budget was \$236.5 million, current forecast is \$215 million
- December 2017 rating agency FY2019 capital program was projected to be \$210 million
- FY2019 \$50m in resiliency work which will include storm hardening improvements
- FY2019 78% of system expansion expense is in Duval County

FY2019 Water and Sewer System Budget: Debt Service

	FY2018 Budget	FY2019 Budget	Budget Variance	Explanation
Debt Service – Principal	\$51.7	\$54.7	\$3.0	Higher Scheduled Principal Payments
Debt Service – Prepayment	---	---	---	
Debt Service – Interest	69.4	65.4	(4.0)	Lower Debt Balance and FY2018 Refundings
Total¹	\$121.1	\$120.1	(\$1.0)	

Debt Service Coverage	2.7x	3.0x	0.3x	
Debt to Asset %	47.6%	45.4%	(2.2%)	New Moody's calculation

Variable Rate Debt %				
Gross	17.8%	18.3%	0.5%	
Net of Swaps	10.1%	10.4%	0.3%	
Variable Interest Rate %	3.0%	3.0%	---	

Liquidity – Days Cash²	513	404	(109)	Capital Fund withdrawal of \$34m, O&M Increase \$6m
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¹ Includes scheduled interest and principal payments to bondholders, variable rate financing costs, swap payments, and Revolving Credit Agreement payments

² Includes Renewal and Replacement

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DISTRICT ENERGY SYSTEM
OPERATING BUDGET

	FY2019 Budget	FY2018 Budget	Change	FY2018 Forecast
BASE RELATED REVENUES & EXPENSES				
BASE OPERATING REVENUES:				
Base Rate Revenues	\$ 9,256,655	\$ 9,125,828	\$ 130,827	\$ 8,862,341
Total Base Related Revenues	<u>\$ 9,256,655</u>	<u>\$ 9,125,828</u>	<u>\$ 130,827</u>	<u>\$ 8,862,341</u>
BASE OPERATING EXPENSES:				
Operating and Maintenance	\$ 5,127,648	\$ 5,139,991	\$ (12,343)	\$ 4,580,440
Total Base Related Expenses	<u>\$ 5,127,648</u>	<u>\$ 5,139,991</u>	<u>\$ (12,343)</u>	<u>\$ 4,580,440</u>
BASE OPERATING INCOME:	\$ 4,129,007	\$ 3,985,837	\$ 143,170	\$ 4,281,901
NON-OPERATING EXPENSES:				
Debt Service	3,020,449	3,019,084	1,365	3,019,084
Total Non Operating Expenses	<u>\$ 3,020,449</u>	<u>\$ 3,019,084</u>	<u>\$ 1,365</u>	<u>\$ 3,019,084</u>
BASE INCOME BEFORE TRANSFERS	\$ 1,108,558	\$ 966,753	\$ 141,805	\$ 1,262,817
City Contribution Expense	-	-	-	-
Renewal and Replacement Fund	443,117	440,362	2,755	438,606
Operating Capital Outlay	665,441	526,391	139,050	824,211
Total Non-Fuel Expenses	<u>\$ 1,108,558</u>	<u>\$ 966,753</u>	<u>\$ 141,805</u>	<u>\$ 1,262,817</u>
SURPLUS/(DEFICIT)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
TOTAL REVENUES	\$ 9,256,655	\$ 9,125,828	\$ 130,827	\$ 8,862,341
TOTAL APPROPRIATIONS	\$ 9,256,655	\$ 9,125,828	\$ 130,827	\$ 8,862,341
BUDGETED EMPLOYEE POSITIONS	6	6	0	6
BUDGETED TEMPORARY HOURS	0	0	0	0

JEA
DISTRICT ENERGY SYSTEM
CAPITAL BUDGET

	FY2019 Budget	FY2018 Budget	Change	FY2018 Forecast
CAPITAL FUNDS:				
Renewal & Replacement Deposits	\$ 443,117	\$ 440,362	\$ 2,755	\$ 438,606
Operating Capital Outlay	665,441	526,391	139,050	824,211
Construction Fund Investment Income	-	-	-	-
Other Proceeds	3,999,442	2,274,247	1,725,195	1,944,704
Total Capital Funds	<u>\$ 5,108,000</u>	<u>\$ 3,241,000</u>	<u>\$ 1,867,000</u>	<u>\$ 3,207,521</u>
CAPITAL PROJECTS:				
District Energy Projects	5,108,000	3,241,000	1,867,000	3,207,521
Total Capital Projects	<u>\$ 5,108,000</u>	<u>\$ 3,241,000</u>	<u>\$ 1,867,000</u>	<u>\$ 3,207,521</u>

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Rate Stabilization Funds

	FY2017	Forecast FY2018			Budget FY2019		
(\$ in thousands)	Ending Balance	Deposits	Withdrawals	Ending Balance	Deposits	Withdrawals	Ending Balance
<u>Electric System</u>							
DSM/Conservation	\$3,695	\$7,222	\$(6,830)	\$4,087	\$7,590	\$(8,039)	\$3,638
Debt Management	29,884	-	-	29,884	-	-	29,884
Environmental ¹	36,417	7,574	(1,274)	42,717	8,039	(1,936)	48,820
Fuel	131,716	-	(55,570)	76,146	-	(15,517)	60,629
Purchased Power	25,189	40,000	(11,603)	53,586	-	(14,327)	39,259
Self Funded Health Plan	9,214	29,800	(28,070)	10,944	29,800	(30,597)	10,147
<u>Water & Sewer System</u>							
Debt Management	\$14,209	\$ -	\$ -	\$14,209	\$ -	\$ -	\$14,209
Environmental ²	5,214	25,891	(20,805)	10,300	28,361	(28,361)	10,300

Notes

¹ FY19 Environmental rate stabilization withdrawals may increase due to SJRPP environmental remediation costs. The amount of funds to be withdrawn is under evaluation and the authorization to use these funds will be brought to the Board for approval at a later date

² Includes \$19.8 million in Environmental O&M and capital projects and \$8.6 million in funds repaid to the Water and Sewer System R&R fund

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Finance and Audit Committee Action

- Provide feedback and direction regarding the key strategic issues and risks for the FY2019 Budget specifically covering:
 - Revenue
 - O&M Expense Levels
 - Interest Rates and Debt Structure
 - Financial Metrics
- Provide feedback and direction for staff to present the Proposed Budget to the full Board

Staff

- Prepare Draft Budget, as well as related agenda items for review at the June Board Meeting
- Prepare budget package for approval at the June Board meeting
- Communicate with the Council Auditor
- Begin communication plan for other key stakeholders

Preliminary FY2019 Budget: FY2019 Electric System Fuel and Purchase Power Expense

Costs				
(\$ in millions)	FY19 Budget	FY18 Budget	Budget Variance	Budget % Change
Solid Fuel				
SJRPP	1.6	37.9		
Scherer	39.7	31.6		
NS 1&2	95.2	101.4		
Subtotal	136.5	170.9	(34.4)	-20.2%
Gas and Oil				
Gas	162.3	142.6		
Oil	0.9	1.1		
Diesel	0.9	0.6		
Subtotal	164.1	144.3	19.8	13.8%
Other Purchases	72.3	72.0		
Off System Sales	(2.3)	(2.9)		
By-Product Exp	15.1	18.8		
TEA Equity	(0.4)	(3.1)		
Other Expense	54.1	51.6		
Reserve Adjustment	(16.6)	(34.3)		
Rate Discount	5.7	5.9		
Total	428.5	423.2	5.3	1.2%
MWH Sales	13.18	13.02	0.16	1.2%
\$ per MWH Sold	\$32.50	\$32.50	-	0.0%
Fuel Rate	\$32.50	\$32.50	-	0.0%

Units Produced			
FY19 Budget	FY18 Budget	Budget Variance	Budget % Change
-	0.84	(0.84)	
1.52	1.21	0.31	
2.92	3.71	(0.79)	
4.44	5.76	(1.32)	-22.9%
6.89	5.70	1.19	
0.01	0.01	0.00	
0.00	0.00	0.00	
6.90	5.71	1.19	20.9%
2.44	2.16	0.28	12.7%
(0.09)	(0.12)	0.03	27.7%
13.69	13.51	0.18	1.3%

Cost Per Unit		
FY19 Budget \$/MWH	FY18 Budget \$/MWH	Budget % Change
	44.96	
26.08	26.04	0.1%
32.62	27.35	19.3%
30.74	29.70	3.5%
23.57	25.00	-5.7%
181.56	186.18	-2.5%
224.39	194.15	15.6%
23.77	25.26	-5.9%
29.66	33.31	-11.0%
26.64	24.60	8.3%
5.17	5.06	2.1%
\$31.32	\$31.30	0.1%

Discussion and Analysis

- FY2019 natural gas prices are based upon the current natural gas futures market
- FY2019 solid fuel prices are projected to decrease compared to FY2018 Budget. SJRPP was decommissioned January 5, 2018

Current Year: FY2018 Electric System Fuel and Purchase Power Expense

Costs				
(\$ in millions)	FY18 Forecast @ 4/6/18	FY18 Budget	Budget Variance	Budget % Change
Solid Fuel				
SJRPP	33.5	37.9		
Scherer	27.3	31.6		
NS 1&2	83.7	101.4		
Subtotal	144.5	170.9	(26.4)	-15.5%
Gas and Oil				
Gas	156.7	142.6		
Oil	4.3	1.1		
Diesel	3.3	0.6		
Subtotal	164.3	144.3	20.0	13.9%
Other Purchases	83.6	72.0		
Off System Sales	(1.2)	(2.9)		
By-Product Exp	13.1	18.8		
TEA Equity	(3.0)	(3.1)		
Other Expense	52.4	51.6		
Reserve Adjustment	(55.6)	(34.3)		
Rate Discount	5.9	5.9		
Total	404.0	423.2	(19.2)	-4.5%
MWH Sales	12.39	13.02	-0.63%	-4.8%
\$ per MWH Sold	\$32.61	\$32.50	\$0.11	0.3%
Fuel Rate	\$32.61	\$32.50	\$0.11	0.3%

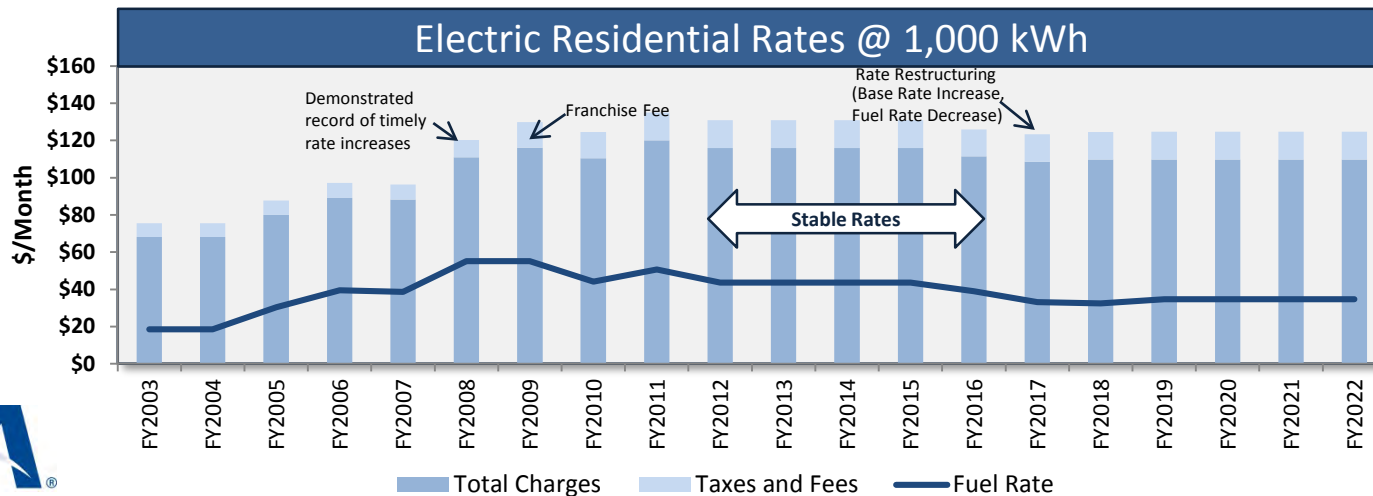
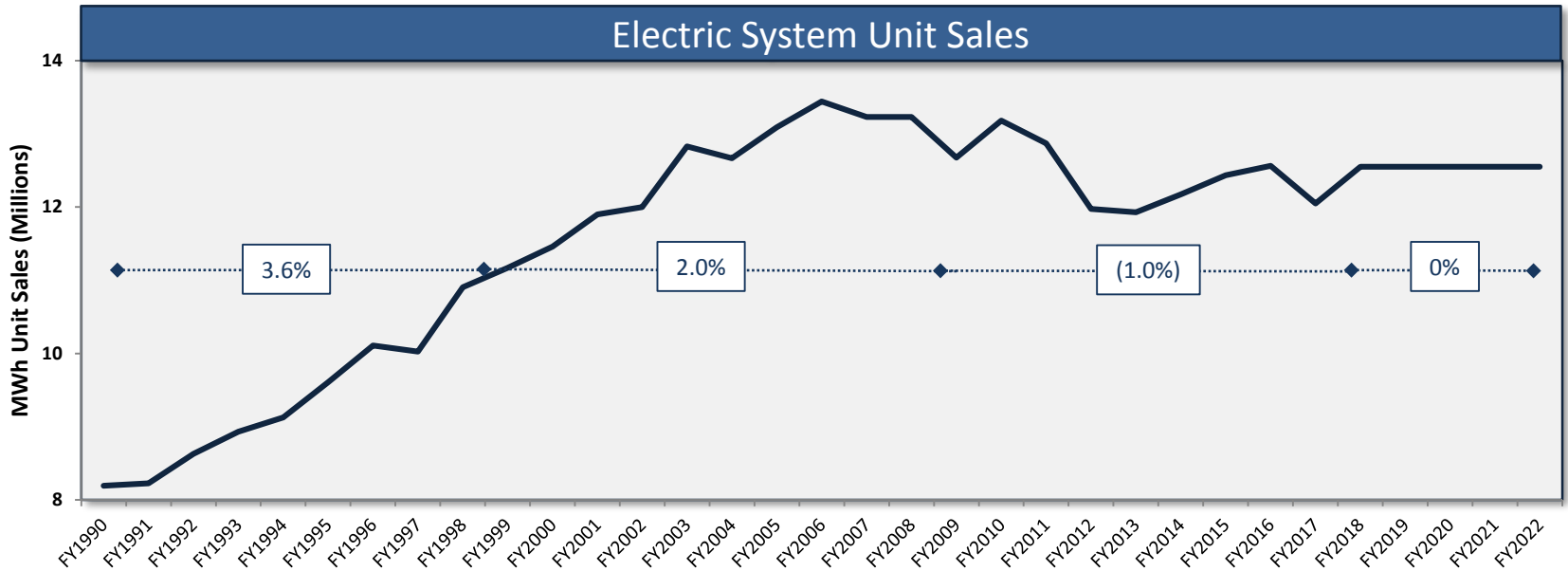
Units Produced			
FY18 Forecast @4/6/18	FY18 Budget	Forecast Variance	Budget % Change
0.54	0.84	(0.30)	
1.10	1.21	(0.11)	
2.45	3.71	(1.26)	
4.09	5.76	(1.67)	-29.2%
6.30	5.70	0.60	
0.02	0.01	0.01	
0.02	0.00	0.02	
6.34	5.71	0.63	11.0%
2.47	2.16	0.31	14.0%
(0.04)	(0.12)	0.08	58.0%
12.85	13.51	(0.66)	-4.9%

Cost Per Unit		
FY18 Forecast \$/MWH	FY18 Budget \$/MWH	% Change
\$61.99	\$44.96	37.9%
24.88	26.04	-4.5%
34.21	27.35	25.1%
35.37	29.70	19.1%
24.86	25.00	-0.6%
182.85	186.18	-1.8%
212.08	194.15	9.2%
25.91	25.26	2.6%
33.90	33.31	1.8%
30.82	24.60	25.3%
5.35	5.06	5.7%
\$31.43	\$31.30	0.4%

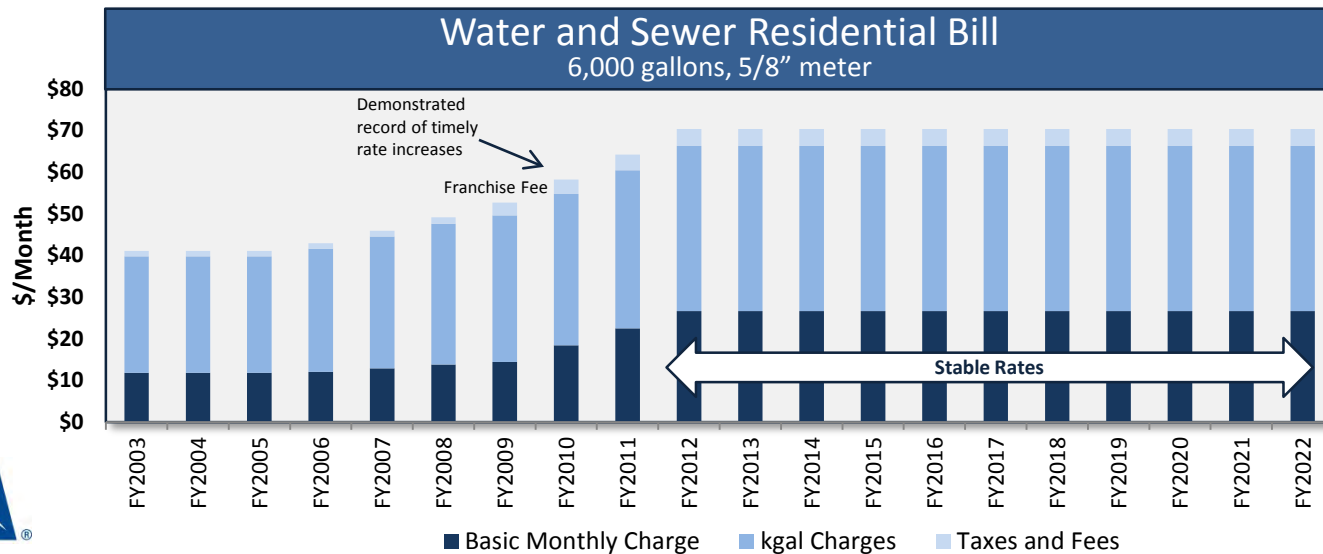
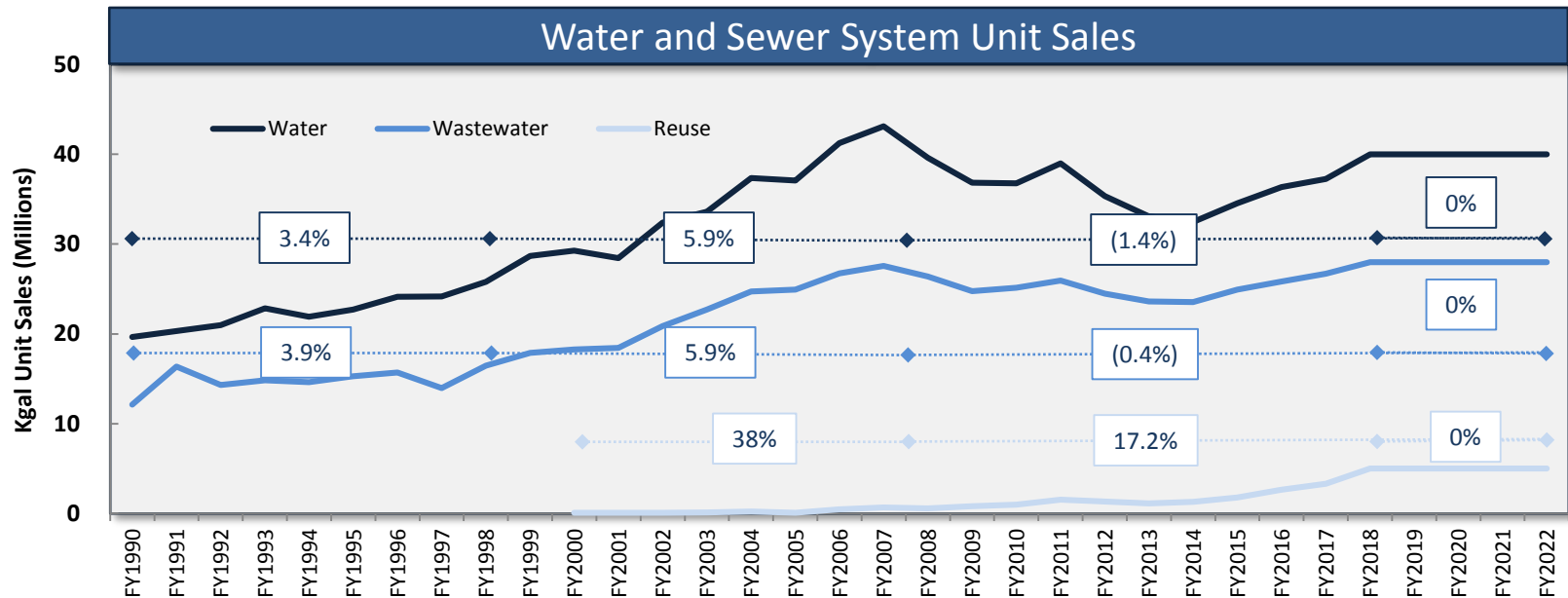
Discussion and Analysis

- FY2019 natural gas prices are based upon the current natural gas futures market
- FY2019 solid fuel prices are projected to decrease compared to FY2018 Budget. SJRPP was decommissioned January 5, 2018

Electric System Unit Sales and Rates



Water & Sewer System Unit Sales and Rates



FY2019 Budget: Electric System Capital Improvement Plan

Project Title	(in thousands)					
	FY19	FY20	FY21	FY22	FY23	FY19-23
GENERATION						
Unit B52 Advanced Gas Path Upgrade	27,798	0	0	0	0	27,798
Unit B53 Advanced Gas Path Upgrade	27,798	0	0	0	0	27,798
Brandy Branch - Advanced Gas Path Capital Improvements	8,419	0	0	0	0	8,419
Kennedy Combustion Turbine Unit 8 - Hot Gas Path Inspection	6,300	0	0	0	0	6,300
Brandy Branch - Units 2 and 3 Evaporator Replacement	5,766	0	0	0	0	5,766
Greenland 2X1 Combined Cycle Completion	5,000	10,000	150,000	250,000	118,000	533,000
Northside Generating Station - Unit 1 and 2 Boilers - Gas Lance Installation	4,744	1,221	0	0	0	5,965
Northside - Units 1, 2, and 3 Capital Improvement Projects	4,000	6,000	6,000	6,000	6,000	28,000
Northside Generating Station - Unit N36 Major Inspection FY2019	3,000	0	0	0	0	3,000
Northside Generating Station - Unit 3 Economizer Replacement	2,680	6,077	0	0	0	8,757
Steam Plant General Capital Improvements	2,000	2,000	2,000	2,000	2,100	10,100
Brandy Branch - Greenland Energy Center - General Capital Improvements	2,000	2,000	2,000	2,000	2,100	10,100
Brandy Branch - Unit B54 Heat Recovery Steam Generator - Transition Duct	1,923	0	0	0	0	1,923
Brandy Branch - Cooling Tower Fan Blades and Drift Eliminators - Replacement	1,000	0	0	0	0	1,000
Northside Generating Station - Units N01, N02 - EX2000 Digital Front End Upgrade	929	0	0	0	0	929
Brandy Branch - Unit B51 Exhaust Stack Silencer Replacement	823	0	0	0	0	823
Brandy Branch - Units B51, 52, 53 - Static Starter Digital Front End (DFE) Upgrade	773	0	0	0	0	773
Northside Generating Station - Units N01, N02 - Boiler Feed Pumps, Fans, Racks	694	0	0	0	0	694
Brandy Branch - Units B52, 53 - Main Steam Manual Gate Valve Replacement	650	0	0	0	0	650
Kennedy Unit 30 - Control Room Upgrade	618	20	0	0	0	638
Northside Generating Station - Unit 1 Circulating Water Piping Replacement	580	1,493	0	0	0	2,073
Northside Generating Station - Bed Ash Silos 1 and 2 Slurry Pump and Piping	557	0	0	0	0	557
Northside Generating Station - Unit N03 Condenser Inlet Valve Replacement	510	248	0	0	0	758
Brandy Branch - Units B51, 52, 53, 54 - EX2000 Digital Front End (DFE) Upgrade	500	0	0	0	0	500
Northside Generating Station - Units N33, N34, N35, N36 DCS Control System Upgrade	456	424	392	394	0	1,666
Northside Generating Station - Unit N00 Limestone Utilization Improvement	446	0	0	0	0	446
Northside Generating Station - Circulating Fluidized-Bed Boiler Simulator Replacement	444	848	0	0	0	1,292
Northside Generating Station - Unit N02 Cyclone Crossover Expansion Joint Repair	389	424	0	0	0	813
Kennedy Generating Station - Unit K30 - SUS-3 480V Switchgear Modernization	336	0	0	0	0	336
Northside Generating Station - Unit 3 Reliability Improvements	300	1,868	0	0	0	2,168
Kennedy Combustion Turbine Unit 7 - Hot Gas Path Inspection	250	5,318	0	0	0	5,568
Northside Generating Station - Units N33, N34, N35, N36 Electrical Upgrades	243	220	220	220	0	903
Northside Generating Station - Units N01, N02 Battery Charger Replacement	241	87	0	0	0	328
Northside Generating Station - Units N01, N02 Seal Pot Air to Intrex Damper Upgrade	210	54	0	0	0	264
Northside Generating Station - Unit N03 Instrument Upgrade	205	109	0	0	0	314
Northside Generating Station - Unit N00 Fire Alarm Control Panel Upgrade	202	0	0	0	0	202
Northside Generating Station - Unit N03 River Water Booster Pump Replacement	147	454	0	0	0	601
Brandy Branch - Units B52, B53 Selective Catalytic Reduction Catalyst - Replacement	55	882	0	0	0	937
Northside Generating Station - Unit N03 Condenser Waterbox Liner Replacement	14	1,145	0	0	0	1,159
Units B52, B53 Advanced Gas Path Upgrade - Spare Parts	0	20,000	0	0	0	20,000
Compression Upgrade to Baldwin-Brandy Branch	0	1,000	6,000	0	0	7,000
Potential Gas Line Capacity Upgrades	0	0	1,500	3,000	0	4,500
Greenland Combustion turbine Unit 1 - Hot Gas Path Inspection	0	0	0	300	5,845	6,145
Brandy Branch Combustion Turbine 2 - Hot Gas Path Inspection	0	0	0	250	5,745	5,995
Brandy Branch Combustion Turbine 3 - Hot Gas Path Inspection	0	0	0	250	5,745	5,995
GENERATION SUBTOTAL	113,000	61,892	168,112	264,414	145,535	752,953

FY2019 Budget: Electric System Capital Improvement Plan

Project Title	(in thousands)					
	FY19	FY20	FY21	FY22	FY23	FY19-23
TRANSMISSION AND DISTRIBUTION						
Electric Meters - 2-Way Meter Conversion	20,000	20,000	0	0	0	40,000
Electric Distribution Maintenance Capital Upgrades	12,500	12,500	13,000	13,500	14,000	65,500
Solar Farm Interconnects	10,500	10,000	0	0	0	20,500
System Average Interruption Duration Index (SAIDI) Improvement Plan	9,776	9,490	7,870	0	0	27,136
Dinsmore 230 - 26 kV Substation	8,826	2,869	0	0	0	11,695
New Electric Service Additions	8,600	8,600	9,100	10,000	10,500	46,800
GEC to Bartram 230 kV Circuit 909 Addition	7,888	1,692	0	0	0	9,580
Electric Development Driven Projects	7,000	6,500	6,500	6,500	6,500	33,000
Eagle 138 - 13.8 kV Substation	4,277	7,240	0	0	0	11,517
Substation Repair and Replace Project - Transformer Replacements	3,800	1,400	1,400	1,400	1,400	9,400
CEMI-5 Electric Distribution Betterment	3,000	3,000	3,000	3,000	3,000	15,000
Bartram 230 kV Bay and Breaker Addition for Circuit 909	2,836	0	0	0	0	2,836
Joint Participation Electric Relocation Projects	2,600	2,500	2,500	2,500	2,500	12,600
4kV Conversion - Fairfax and 21st and Hubbard	2,107	319	0	0	0	2,426
Nocatee 230 - 26 kV Substation	2,060	6,020	3,870	0	0	11,950
General Underground Network and Commercial Repair and Replace and Upgrades	1,900	1,900	1,900	1,900	1,900	9,500
500 kV Transmission Line Upgrades	1,800	1,800	0	0	0	3,600
Church St Feeders 181-186 13kV Reconductor from Substation to Riverside Ave	1,774	1,774	887	0	0	4,435
Pole Replacement Program	1,750	1,750	2,000	2,000	2,250	9,750
Electric Meters - Growth	1,649	1,679	1,740	1,709	1,709	8,486
Electric Distribution System Improvements	1,624	1,637	1,650	1,664	1,664	8,239
Kennedy Substation Control Cable and Protection System Replacement	1,475	720	0	0	0	2,195
Greenland Energy Center 230 kV Bay and Breaker Addition for Circuit 909	1,402	0	0	0	0	1,402
230kV Circuit 915 Partial Rebuild	1,142	0	0	0	0	1,142
Eagle 138 - 13.8 kV Substation - Protection and Controls	1,086	71	0	0	0	1,157
Automatic Recloser Deployment	1,040	235	235	235	235	1,980
Distribution System - Pole Removal	1,000	1,000	1,000	1,000	1,000	5,000
Transmission Lines Protection and Control Updates	900	900	0	0	0	1,800
230 KV 138KV 69 kV Pole Refurbishment	800	300	300	300	300	2,000
26kV Feeder Circuit Breaker Replacement	754	754	754	754	754	3,770
Ritter Park 429 Reconductor	725	71	0	0	0	796
General Substation Improvements	700	700	700	700	700	3,500
Energy Management System - Distribution Management System Integration	700	0	0	0	0	700
Transmission Capacitor Bank Controls Replacement	610	468	0	0	0	1,078
230KV 138KV 69 kV Insulator Refurbishment	600	500	500	500	500	2,600
Center Park Substation Protection Improvements	580	0	0	0	0	580
Dinsmore 230 - 26 kV Substation - Protection and Controls	568	0	0	0	0	568
26KV Reconductor Circuit 417 - 418 - Woodley Rd from New Kings Rd to Old Kings Rd	504	243	0	0	0	747
Underground Cable Replacement Program - Existing Developments	500	500	500	500	500	2,500
Dinsmore Distribution Feeders	475	228	0	0	0	703
Pipe-Type Cable Replacements - Kennedy Circuit 682 and Hunter Rd Circuit 688	430	0	0	0	0	430
Greenland Energy Center - 230 kV Circuit 909 Interconnect	400	9	0	0	0	409
Bartram 230 kV Circuit 909 Interconnect	396	0	0	0	0	396
Bartram 298: Feeder Extension in Right of Way from Substation to Bartram Park Blvd	395	0	0	0	0	395
Nocatee 230 - 26 kV Substation - Protection and Controls	385	376	289	0	0	1,050
Nocatee Substation Distribution Feeders	370	580	300	0	0	1,250
General Distribution Improvements	300	300	300	300	300	1,500

FY2019 Budget: Electric System Capital Improvement Plan

Project Title	(in thousands)					
	FY19	FY20	FY21	FY22	FY23	FY19-23
General Transmission Improvements	300	300	300	300	300	1,500
Electric Meters - Replacement	300	225	300	300	300	1,425
General Protection System Improvements Transmission	300	150	150	150	150	900
(Reimbursable) Joint Project - Twin Creeks - SR210 - Electric	275	0	0	0	0	275
Dinsmore 230 kV Circuit 937 Interconnect	240	206	0	0	0	446
Greenland Energy Center 230 kV Breaker for Circuit 909 - Protection and Controls	219	0	0	0	0	219
13kV Electric Distribution Network Improvements Placeholder	200	150	1,000	1,000	764	3,114
Capital Tools and Equipment - Electric	175	175	175	175	175	875
Energy Management System - EMS - Remote Terminal Units Upgrade Project	160	50	50	50	50	360
Distribution Photovoltaic Project	125	0	0	0	0	125
General Transmission Improvements	100	100	100	100	100	500
Capital Tools and Equipment - Electric 1	80	80	80	80	80	400
Eagle 138kV Circuit 847 Interconnect	60	408	0	0	0	468
Bartram 230 kV Bay and Breaker Addition for Circuit 909 - Protection and Controls	60	0	0	0	0	60
Electric Customer Service Response Tools and Equipment	55	55	55	55	55	275
Nocatee 230 kV Circuit 909 Interconnect	30	67	105	0	0	202
Nocatee 230 kV Circuit 917 Interconnect	28	67	105	0	0	200
Bartram 298: Feeder Extension to Bartram Park Blvd - Protection and Controls	10	0	0	0	0	10
Substation Repair and Replace Projects	0	3,000	3,000	3,000	3,000	12,000
Transmission Repair and Replace Projects	0	2,500	2,500	2,500	2,500	10,000
230kV Breaker Replacement	0	1,600	1,600	1,600	0	4,800
Park and King 4kV Substation Rebuild	0	1,000	1,000	1,000	0	3,000
4kV Rehabilitate – Distribution Projects	0	500	500	500	500	2,000
230kV Breaker Replacement - Protection and Controls	0	320	320	160	160	960
Park and King 4kV Substation Rebuild - Protection and Controls	0	100	100	200	0	400
Park and King 4kV Distribution Feeder Getaway Rebuild	0	50	100	50	0	200
St Johns 4kV Substation Rebuild	0	0	1,000	1,000	1,000	3,000
St Johns 4kV Substation Rebuild - Protection and Controls	0	0	100	100	200	400
St Johns 4kV Distribution Feeder Getaway Rebuild	0	0	50	100	50	200
Mayo Clinic 230 - 26kV Substation	0	0	0	1,000	6,000	7,000
Mayo Clinic 230 - 26kV Substation - Protection and Controls	0	0	0	150	700	850
Mayo Clinic Distribution Feeders	0	0	0	50	200	250
Mayo Clinic 230/26kV Substation Interconnects	0	0	0	12	290	302
TRANSMISSION AND DISTRIBUTION SUBTOTAL	137,221	121,728	72,985	62,094	66,286	460,314
ELECTRIC OTHER						
General Administration Office Building	28,604	20,477	0	0	0	49,081
TS - Projects - Electric	18,300	10,245	12,585	10,245	13,325	64,700
Capital Administrative Overhead- Electric	9,750	9,750	9,750	9,750	9,750	48,750
Fleet - Replacement - Electric	7,295	7,949	7,430	7,956	7,432	38,062
New Operations Center (South)	6,500	15,000	0	0	0	21,500
Streetlight Improvements - Phase 2	5,500	0	0	0	0	5,500
Westside Service Center - Administrative and Warehouse Space	2,627	0	0	0	0	2,627
Commonwealth Service Center - Interior and Roof Upgrades	2,000	3,000	0	0	0	5,000
Facilities Security - Electric	620	620	620	620	620	3,100
Facilities Roof Replacement - Electric	450	450	450	450	450	2,250
Facilities Heating, Ventilation, and Air - Electric	430	430	430	430	430	2,150
Facilities Improvements - Building Upgrades - Electric	425	425	200	200	200	1,450

FY2019 Budget: Electric System Capital Improvement Plan

Project Title	(in thousands)					
	FY19	FY20	FY21	FY22	FY23	FY19-23
Fleet - Expansion - Electric	251	0	0	0	0	251
Facilities - Paving and Site Improvements – Electric	250	250	250	250	250	1,250
Energy Management System - Base Upgrade Project	225	130	130	130	130	745
Facilities Improvements - Lighting - Electric	200	200	100	100	100	700
Facilities Improvements - Elevators - Electric	190	50	50	50	50	390
Facilities Generators - Electric	175	0	0	0	175	350
Westside Service Center - Paving Upgrades	135	0	0	0	0	135
Security - Fencing - Electric	130	130	130	130	130	650
Facilities Improvements, Plumbing and Fire System Upgrades - Electric	100	100	100	100	100	500
Northside Generating Station - Training Center	85	785	1,436	0	0	2,306
Laboratory Equipment Upgrades - Electric	75	75	75	75	75	375
Utility Locate Group - Capital Equipment - Electric	50	50	50	50	50	250
Streetlight Improvements - Phase 3	0	5,500	4,400	0	0	9,900
Commonwealth Service Center Drainage and Parking Issues	0	462	0	0	0	462
Southside Service Center - HVAC Safety Restroom and Door Upgrades	0	0	2,000	0	0	2,000
ELECTRIC OTHER SUBTOTAL	84,367	76,078	40,186	30,536	33,267	264,434
GRAND TOTAL	334,588	259,698	281,283	357,044	245,088	1,477,701

FY2019 Budget: Water System Capital Improvement Plan

Project Title	(in thousands)					
	FY19	FY20	FY21	FY22	FY23	FY19-23
WATER						
US1 South Water Repump Facility	6,785	1,850	0	0	0	8,635
Main St Water Treatment Plant - 1st St to Franklin St - Transmission	5,228	1,492	0	0	0	6,720
Water Delivery System Repair and Replacements	4,400	4,100	4,400	4,400	4,400	21,700
Blount Island Fire Protection System	4,300	0	0	0	0	4,300
Water Meter Replacement	3,400	3,200	3,200	6,500	6,500	22,800
E 1st St Main St to E 4th St - Raw Water - New	2,785	695	0	0	0	3,480
Greenland Water Treatment Plant - Expansion	2,610	2,225	0	0	0	4,835
Cecil Treatment Plant - Ground Storage Tank and High Service Pump	2,460	1,396	0	0	0	3,856
Lakeshore Water Treatment Plant - Reservoir Rehabilitation	2,271	1,401	0	0	0	3,672
Water Meter Growth	2,250	2,350	2,450	2,030	2,030	11,110
Woodmere Water Treatment Plant - Well No 3 and Storage Tank Replacement	2,033	0	0	0	0	2,033
Large Water Meter Replacement	1,820	1,925	2,030	0	0	5,775
Bartram - US1 - Old St Augustine Rd to US 1	1,791	3,670	0	0	0	5,461
Development Driven Projects - Water	1,667	500	500	500	500	3,667
Nassau Regional Water Treatment Plant - Well No 3	1,540	0	0	0	0	1,540
Ponte Vedra Blvd 6" Cast Iron Replacement	1,479	0	0	0	0	1,479
Well Rehabilitation and Maintenance - McDuff Wells	1,396	0	0	0	0	1,396
Otter Run Water Treatment Plant Renewal and Replacement	1,363	0	0	0	0	1,363
Joint Participation Projects - Water	1,300	700	700	700	700	4,100
Well Rehabilitation and Maintenance - Fairfax Wells	1,188	0	0	0	0	1,188
Joint Project - JTA - 8th St Water Main Replacement - Mt Herman St to Boulevard St	1,032	0	0	0	0	1,032
McDuff Water Treatment Plant - High Service Pump Replacement	1,007	1,167	0	0	0	2,174
Deerwood - Southside Blvd Intertie to Deerwood III Water Treatment Plant	1,000	3,700	7,500	8,000	7,350	27,550
Galvanized Pipe Replacement - Program	1,000	2,000	2,000	2,000	2,000	9,000
Lofton Oaks Water Treatment Plant Improvements	942	550	0	0	0	1,492
(Reimbursable) - COJ - Riverview Watermain Phase 2	932	0	0	0	0	932
Norwood Water Treatment Plant High Service Pump	897	735	0	0	0	1,632
South Grid Water Quality - Well Improvement	827	92	0	0	0	919
RiverTown - New Water Treatment Plant	760	3,600	6,207	1,424	0	11,991
Main Extensions and Taps – Water	750	750	750	750	750	3,750
Water Treatment Plant Reservoir Repair and Replace	700	100	100	100	100	1,100
Ponce De Leon Water Treatment Plant - Well No 2 Replacement	682	628	0	0	0	1,310
Integrated Water Supply Testing Evaluation and Rehabilitation (iWATER)	652	0	0	0	0	652
Water Treatment Plants - Sodium Hypochlorite Storage Tank Upgrades	640	440	440	440	440	2,400
Joint Project - COJ - Lower Eastside Drainage (First St - APR Blvd to Van Buren)	600	218	0	0	0	818
103rd St Water Main Replacement - Cecil Commerce Ctr Pkwy to Aviation Ave	590	3,300	1,200	0	0	5,090
Jammes Rd - Wilson Blvd to Harlow Blvd	512	4	0	0	0	516
Water Plant Capital Renewal and Replacement	500	1,000	1,000	1,000	1,000	4,500
Westlake Water Treatment Plant - Well No 4 and Reclaim Water Main	495	1,930	526	0	0	2,951
Emory Circle - From Cornell Rd along Rollins Ave and Tulane Ave to Emory Circle	488	95	0	0	0	583
Large Diameter Pipe Program - Palm Avenue Water Main Replacement	458	0	0	0	0	458

FY2019 Budget: Water System Capital Improvement Plan

Project Title	(in thousands)					
	FY19	FY20	FY21	FY22	FY23	FY19-23
Well Field Repair and Replace	450	450	700	700	700	3,000
Boulevard St Water Main Replacement - 7th St to 11th St	435	0	0	0	0	435
Julington Creek Water Treatment Plant - Storage Tank Rehabilitation	400	0	0	0	0	400
Joint Project - JTA - Alta Drive Roadway Improvements - Water	355	20	0	0	0	375
Main St Water Treatment Plant - Ozone Generator - Addition	312	1,640	1,000	0	0	2,952
Owens Rd - Ranch Rd to Max Leggett Pkwy - New - Water	288	1,272	0	0	0	1,560
King St and Shircliff Way Water Main Replacement	269	0	0	0	0	269
Main St Water Treatment Plant - Well No 15 - New Lower FI Aquifer Well	261	0	0	0	0	261
Grid - Cost Participation - New - Water	250	250	250	250	250	1,250
Pages Dairy Rd - Felmor Rd to Chester Ave - Transmission - Water Main	208	566	4,071	1,200	0	6,045
Large Diameter Pipe Program - Pepsi Place Water Main Replacement	187	0	0	0	0	187
St Johns River Water Managment District - Alternative Water Supply - Pilot Plant	100	2,700	4,200	0	0	7,000
Joint Project - FDOT - (SR111) Cassat Ave - Lenox Ave to Blanding Blvd - Water	57	0	0	0	0	57
Joint Project - FDOT - SR 200 (A1A) Rubin to O'Neil Scott - Section 3 - Water	55	0	0	0	0	55
St Johns Forest Wells	50	1,000	500	0	0	1,550
Mandarin Road Loop Connection - Transmission - New - Water Main	39	489	347	0	0	875
Joint Project - JTA - Collins Rd - Water	36	28	0	0	0	64
Joint Project - FDOT - SR 200 (A1A) I-95 to Still Quarters Rd - Section 1 - Water	9	3	0	0	0	12
Joint Project - FDOT - Pecan Park Rd - I-95 - Water	9	0	0	0	0	9
103rd St - Pressure Sustaining Valve - Addition	0	2,150	0	0	0	2,150
Large Diameter Pipe Program - Water Transmission Replacement	0	850	4,500	3,200	4,200	12,750
N Main St Dr - Setzer Rd to Gun Club Rd - Transmission - New - Water	0	280	1,100	2,382	0	3,762
Cisco Dr - Westlake Water Treatment Plant to Garden St - Transmission - New	0	220	850	1,895	0	2,965
Water Treatment Plant Large Capital Improvements	0	150	8,700	4,800	16,250	29,900
Trout River Blvd - US1 to Sibald Ave - Transmission - New - Water	0	150	580	1,296	0	2,026
Pritchard Rd - Old Plank Rd to Cisco Dr West - Transmission - New - Water	0	140	540	1,196	0	1,876
Greenland - Southside Blvd - Deerwood 3 to Greenland	0	50	3,000	7,540	7,450	18,040
Southeast Water Treatment Plant Ground Storage Tank	0	50	2,000	500	0	2,550
Beacon Hills Ground Storage Tank	0	50	750	0	0	800
Main St Water Treatment Plant - Wells 7 and 12 Lining	0	50	250	0	0	300
Westlake Water Treatment Plant - Expansion	0	50	150	500	2,000	2,700
US1 Booster Pump Station - Old St Augustine Rd to US1 Booster Pump Station	0	0	675	1,588	5,486	7,749
Ft. Caroline Rd - McCormick Rd to Fulton Rd - Distribution - New	0	0	210	805	1,785	2,800
Nocatee South Water Repump	0	0	200	800	3,000	4,000
Ridenour - Cortez to Ridenour Water Treatment Plant - New - Water	0	0	200	800	3,000	4,000
Oakridge Water Treatment Plant High Service Pump Expansion	0	0	50	300	1,500	1,850
Brierwood Water Treatment Plant High Service Pump Expansion	0	0	50	300	1,500	1,850
New World Av - Waterworks Ave to Chaffee Rd - Transmission - New - Water	0	0	0	500	500	1,000
Chaffee Rd - Westmeadows Dr S to Samaritan Wy - Transmission - New - Water	0	0	0	500	226	726
Jones Rd - Teague Rd to Prichard Rd - Transmission - New - Water	0	0	0	250	1,000	1,250
Oakridge - Saints Rd - Sewert Johns Bluff to Oakridge Water Treatment Plant	0	0	0	140	538	678
Southeast - T-Line to Southeast Water Treatment Plant - Water	0	0	0	50	1,290	1,340

FY2019 Budget: Water System Capital Improvement Plan

Project Title	(in thousands)					
	FY19	FY20	FY21	FY22	FY23	FY19-23
Royal Lakes Water Treatment Plant High Service Pump Expansion	0	0	0	50	300	350
Lovegrove High Service Pump and Building Replacement - Expansion	0	0	0	50	40	90
WATER SUBTOTAL	71,300	58,421	67,876	59,436	76,785	333,818
SEWER						
Resiliency - Pump Stations, Plants, Electrical Reliability	18,000	19,800	19,800	19,800	15,000	92,400
Bradley Road Pump Station Improvements	8,834	9	0	0	0	8,843
West Grid - Lenox to Timuquana - Force Main and Pump Station Improvements	7,905	100	0	0	0	8,005
Gate Pkwy - Glen Kernan to T-Line - Transmission - New	5,994	358	0	0	0	6,352
Buckman Biosolids Conversion - Process Facility	5,288	9,616	12,224	0	0	27,128
Argyle Forest Booster Station and Related Stations Upgrades	4,739	100	0	0	0	4,839
Blacks Ford Water Reclamation Facility - Expansion	4,000	0	0	0	0	4,000
Buckman Disinfection System Replacement	3,638	3,300	0	0	0	6,938
Large Diameter Pipe Program - Walnut St Trunkline Replacement	3,220	3,843	0	0	0	7,063
Wastewater Treatment Facilities - Capital Equipment Replacement	3,140	2,500	2,500	2,500	2,500	13,140
Sewer Collection System Repair and Replacements	2,800	2,500	2,800	2,800	2,800	13,700
Pumping Stations - Capital Equipment Replacement	2,600	2,500	2,500	2,500	2,500	12,600
T - Line - JTB to Town Center Pkwy - Transmission - New - Force Main	2,542	0	0	0	0	2,542
Greenland Wastewater Treatment Plant	2,522	20,000	27,000	30,000	0	79,522
Greenland - GEC to US-1 - Transmission - Force Main	2,215	0	0	0	0	2,215
Sewer Collection System - Trenchless Repair and Replace	2,000	2,000	2,000	2,000	2,000	10,000
Nassau Reclaim Water Main - Radio Av to Harts Rd - Transmission - Reclaim	1,968	0	0	0	0	1,968
Pumping Stations - Class I/II Station Rehabilitation	1,900	1,900	1,900	1,900	1,900	9,500
4511 Spring Park Rd Lift Station	1,831	1,000	0	0	0	2,831
Buckman Water Reclamation Facility - Blower System Improvements	1,800	1,500	0	0	0	3,300
Large Diameter Pipe Program - Gravity Sewer Replacement	1,800	1,400	1,800	1,600	2,000	8,600
District 2 - Robena Rd Booster Wastewater Pump Station	1,698	350	0	0	0	2,048
Nassau Regional Water Reclamation Facility - Expansion	1,653	9,616	12,211	12,211	4,600	40,291
Development Driven Projects - Reclaim	1,627	400	400	400	400	3,227
District 2 - Pulaski Rd Booster Wastewater Pump Station	1,617	750	0	0	0	2,367
Greenland - Burnt Mill Pump Station to Greenland Energy Center - Force Main	1,530	2,944	5,369	3,800	0	13,643
Arlington East Water Reclamation Facility - Secondary Clarifier Addition	1,519	0	0	0	0	1,519
Large Diameter CIPP - Program	1,500	1,500	1,500	1,500	1,500	7,500
Air Release Valve Replacement - Program	1,500	1,500	1,500	1,500	1,500	7,500
Buckman Water Reclamation - Aeration Basin Header & Diffuser Replacement	1,500	1,500	1,400	1,470	0	5,870
Southwest - 6217 Wilson Bv - Class III/IV	1,494	1,553	0	0	0	3,047
Development Driven Projects - Sewer	1,360	200	200	200	200	2,160
Supervisory Control Data Acquisition-Control Panel Upgrades	1,200	1,200	1,200	1,500	1,500	6,600
District 2 - T-Line to Busch Dr - Transmission - New - Force Main	1,143	0	0	0	0	1,143
Large Diameter Pipe Program - Bernita St Force Main Replacement	1,112	0	0	0	0	1,112
Biosolids Process Renewal and Replacement	1,100	800	800	740	740	4,180

FY2019 Budget: Water System Capital Improvement Plan

Project Title	(in thousands)					
	FY19	FY20	FY21	FY22	FY23	FY19-23
Southwest - 4881 Timuquana Rd - Class III/IV	1,083	1,101	0	0	0	2,184
Large Diameter Pipe Program - Infiltration and Inflow Analysis and Remediation	1,000	2,000	1,000	0	0	4,000
Sewer Pipeline CrossiNorthside Generating Station Resiliency - Program	1,000	1,000	1,000	1,000	1,000	5,000
Arlington East Water Reclamation Upgrades - Aeration Basin and Blowers	956	3,342	5,397	3,493	0	13,188
RG Skinner - 9B to Parcels 10A - 11 - Reclaim	914	0	0	0	0	914
Nocatee South RW Storage Tank and Booster PS - Reclaim	909	3,469	100	0	0	4,478
Tredinick Pkwy - Millcoe Rd to Mill Creek Rd - Transmission - Reclaim	883	0	0	0	0	883
District 2 - 11308 Harts Rd - Class III/IV	871	520	0	0	0	1,391
Nassau - Radio Av - Reclaim Water Storage Tank and Booster Pump Station	855	2,226	0	0	0	3,081
Southwest - 5104 118th St - Class III/IV	851	4,947	0	0	0	5,798
Buckman - 5307 Buffalo Ave - Class III/IV	837	1,818	1,000	0	0	3,655
RG Skinner - 9B to T-Line - Reclaim	826	0	0	0	0	826
Southwest Wastewater Treatment Plant Expansion	800	2,700	4,500	19,761	23,300	51,061
5th St W - Imeson Rd to Melson Ave - Transmission - New - Force Main	791	3,090	1,819	0	0	5,700
Large Diameter Pipe Program - Ductile Iron Force Main Replacement	780	1,020	500	3,000	3,000	8,300
Southwest Water Reclamation - Screening Conveyance & Grit Removal System	748	0	0	0	0	748
Main Extensions and Taps – Sewer	725	725	725	725	725	3,625
1638 Talleyrand Av - Class III/IV	717	0	0	0	0	717
Ponce De Leon Wastewater Treatment Facility - Package Treatment Plant	677	0	0	0	0	677
Twin Creeks Reclaim Water Storage Tank and Booster Pump Station - Reclaim	643	2,388	0	0	0	3,031
Large Diameter Pipe Program - Arlington East - Parallel Sludge Transfer Line	600	1,200	1,200	0	0	3,000
Buckman Biosolids Conveyor System Replacement	565	0	0	0	0	565
Julington Creek Wastewater Treatment Facility - Influent Structure Rehabilitation	554	0	0	0	0	554
CR210 - South Hampton to Ashford Mills - Transmission - Reclaim	551	50	0	0	0	601
Ponte Vedra Water Reclamation Facility - Filter Addition	536	322	0	0	0	858
Collins Rd, Whispering Pines Dr to Blanding Blvd - Force Main Replacement	515	0	0	0	0	515
7703 Blanding Bv - Class III/IV	512	512	0	0	0	1,024
Joint Project - COJ - Lower Eastside Drainage Improvements - Sewer	504	177	0	0	0	681
Large Diameter Pipe Program - South Shores Sub-Aqueous Force Main Rehab	500	3,700	3,750	0	0	7,950
Nassau - Radio Ave - Class III/IV - New Pumpstation	500	500	1,800	0	0	2,800
District 2 - 14491 Duval Rd - Class III/IV - Pump Upgrade	500	0	0	0	0	500
Bartram Repump Station Potable Water Storage Tank	497	0	0	0	0	497
Mandarin Water Reclamation Facility - Expansion Joint Replacement	491	1,303	0	0	0	1,794
Blacks Ford and Ponte Vedra Temporary Treatment Plant	481	1,025	0	0	0	1,506
Arlington East Water Reclamation Facility Upgrades - Odor Control	470	3,886	796	0	0	5,152
Large Diameter Pipe Program - Booster Pump Station and Force Main Cleaning	450	0	0	0	0	450
Nassau Regional Water Reclamation Facility - Tank 2 Membrane Replacement	450	0	0	0	0	450
Development Driven Projects - Pump Stations	435	750	750	750	750	3,435
Joint Participation Projects - Sewer	400	400	400	400	400	2,000
Julington Creek Wastewater Treatment Facility - Electrical Grounding	391	0	0	0	0	391
Arlington East Water Reclamation Facility Upgrades - Influent Structure	375	3,384	348	0	0	4,107

FY2019 Budget: Water System Capital Improvement Plan

Project Title	(in thousands)					
	FY19	FY20	FY21	FY22	FY23	FY19-23
Baymeadows Rd - Point Meadows Rd to Old Still - Transmission - Reclaim	355	0	0	0	0	355
District 2 Water Reclamation Facility - Hypochlorite Feed System Replacement	348	432	0	0	0	780
Gate Parkway to Burnt Mill Rd - Transmission - Reclaim	347	1,527	0	0	0	1,874
Large Diameter Pipe Program - McMillan & Kinlock Stations Force Main Upgrade	337	0	0	0	0	337
Buckman Water Reclamation Facility - Secondary MCC 19A/19B Replacement	331	0	0	0	0	331
US 1 - Greenland Water Reclamation Facility to CR 210 - Transmission	300	3,180	8,690	4,127	0	16,297
Turberculated Iron Gravity Pipe - Repair and Replacement	300	300	300	300	500	1,700
District II Water Reclamation Facility Primary Clarifier No. 2 and 3 Rehabilitation	296	2,332	253	0	0	2,881
Monterey - 3254 Townsend Rd - Class III/IV - Pump Upgrade	282	158	727	1,357	1,357	3,881
Ponte Vedra Reclamation Facility - Access Platform and Handrail Replacement	278	0	0	0	0	278
Monterey - 5838 Pompano - Class III/IV - Pump Upgrade	276	151	1,056	1,574	0	3,057
District 2 Water Reclamation Facility - Blowers and UV Emergency Power	266	2,272	0	0	0	2,538
Mandarin - 8331 Princeton Sq - Class III/IV - Pump Upgrade	250	250	1,000	0	0	1,500
Grid - Cost Participation - New - Reclaim	250	250	500	500	500	2,000
Grid - Cost Participation - New - Force Main	250	250	500	500	500	2,000
Wastewater Odor Control - All Plants and Pump Stations	250	250	250	250	250	1,250
Buckman Biosolids Conversion - Ops/Maint/Warehouse and Pump Shop Facility	207	163	524	2,104	1,500	4,498
Buckman Biosolids Conversion - Scrubber, Generator, Transformer, and Circuit	199	2,209	255	0	0	2,663
Joint Project - JTA - Alta Drive Roadway Improvements - Sewer	198	20	0	0	0	218
Mandarin - 8751 Bayleaf Dr - Class III/IV - Pump Upgrade	186	337	671	1,315	1,316	3,825
Arlington East Water Reclamation Facility - Replace Auto-Transfer Switch	184	0	0	0	0	184
Joint Project - JTA - Alta Drive Roadway Improvements - Reclaim	180	20	0	0	0	200
Mandarin - 9247 Baymeadows Rd - Class III/IV - Pump Upgrade	172	142	275	542	542	1,673
Supervisory Control and Data Acquisition (SCADA) Renewal and Replacement	150	150	150	150	150	750
Southwest Water Reclamation Facility - Upgrade Aeration Blowers	150	0	0	0	0	150
William Burgess Rd - SR200 to Harts Rd - Transmission - New - Force Main	104	0	0	0	0	104
Diesel-driven Backup Pump Repair and Replace	100	100	100	100	100	500
Waste Water Pumping Station Safety Improvements - Guard Rail Installation	100	100	100	100	100	500
Large Diameter Pipe Program - Herschel St Pump Station FM Replacement	80	0	0	0	0	80
Air Relief Valves Repair and Replace	70	70	70	70	50	330
Reuse Delivery Repair and Replace	50	50	50	50	50	250
Manhole-Supervisory Control and Data Acquisition (SCADA)-Repair and Replace	50	50	50	50	50	250
Reuse Facility - Capital Equipment Replacement	50	50	50	50	50	250
(Reimbursable) - William Burgess Rd (SR200 - Harts Rd) Trans/New/Reclaim	50	0	0	0	0	50
(Reimbursable) Monument Rd (Cancun Dr-Hidden Hills Ln) Trans/New/Reclaim	50	0	0	0	0	50
Joint Project - FDOT - SR 200 (A1A) I-95 to Still Quarters Rd - Section 1 - Sewer	39	3	0	0	0	42
8431 Springtree Rd - Class III/IV	38	438	0	0	0	476
District 2 - Main St to Pulaski Rd - Transmission - Force Main	38	0	0	0	0	38
Joint Project - FDOT - SR 200 (A1A) Rubin to O'Neil Scott - Section 3 - Sewer	30	0	0	0	0	30
Joint Project - FDOT - SR 9B - Duval - St Johns County Line to CR2209 - Reclaim	21	0	0	0	0	21
Joint Project - JTA - Collins Rd - Sewer	8	0	0	0	0	8

FY2019 Budget: Water System Capital Improvement Plan

Project Title	(in thousands)					
	FY19	FY20	FY21	FY22	FY23	FY19-23
District 2 - 10800 Key Haven Bv - Class III/IV	5	1,441	0	0	0	1,446
Ridenour WTP - Storage and Repump - Reclaim	0	2,000	1,460	2,040	0	5,500
District 2 Effluent Outfall Land Acquisition	0	1,100	0	0	0	1,100
Wastewater Treatment Plant Large Capital Improvements	0	500	1,050	2,980	18,845	23,375
T-Line - Park Ave to Pulaski Rd Master Pump Station - Easement Acquisitions	0	500	0	0	0	500
T-Line - Brandy Branch to Beaver St - Dist - New - Force Main	0	360	1,300	3,190	0	4,850
District 2 - New Berlin Rd - Yellow Bluff Rd to Eastport Rd - New - Force Main	0	330	1,260	2,784	0	4,374
(Reimbursable) - RG Skinner - North Rd - Transmission - Reclaim	0	300	1,080	1,620	0	3,000
Monterey - 7732 Merrill Rd - Class III/IV - Pump Upgrade	0	250	750	0	0	1,000
Monterey - 8043 Carlotta Rd - Class III/IV - Pump Upgrade	0	250	750	0	0	1,000
Mandarin - 4181 Lavista Cr - Class III/IV - Pump Upgrade	0	250	750	0	0	1,000
Southwest - 1060 Ellis Rd - Class III/IV - Pump Upgrade	0	250	500	0	0	750
Old Middleburg Rd - Transmission - New - Force Main	0	250	350	1,712	1,000	3,312
T-Line - Amelia Concourse to Amelia National - Transmission - Reclaim	0	144	510	146	0	800
St Johns Bluff Rd - UNF - Transmission - Rehabilitate Parallel Force Main	0	100	300	1,000	2,570	3,970
Deerwood Pk - Burnt Mill to JTB - Transmission - New - Force Main	0	80	310	712	0	1,102
RiverTown Water Treatment Plant - Reclaim - New Storage and Pumping System	0	50	400	1,000	2,500	3,950
Deercreek Club Rd - Distribution - New - Force Main	0	12	144	249	0	405
Old Middleburg Rd - Maynard Pl to Shindler Dr - New - Force Main	0	0	935	0	0	935
Mandarin - 106 Twin Creeks - Class III/IV - Pump Upgrade	0	0	500	0	0	500
Arlington East - 420 Tresca Rd - Class III/IV - Pump Upgrade	0	0	500	0	0	500
118th St - Kinkaid Rd to Ricker Rd - Transmission - New - Force Main	0	0	350	1,000	2,049	3,399
Veterans Pkwy - Longleaf Pine Pkwy to CR210 - Transmission	0	0	300	3,000	4,000	7,300
District 2 Water Treatment - Rapid Infiltration Basin - Transmission and Pumping	0	0	300	3,000	4,000	7,300
CR210 - Twin Creeks to Russell Sampson Rd - Transmission - Reclaim	0	0	300	1,080	1,620	3,000
CR210 - Longleaf Pine Pkwy to Ashford Mills Rd - Transmission - Reclaim	0	0	250	2,050	2,700	5,000
Greenbriar Rd - Transmission - Reclaim	0	0	200	1,320	1,980	3,500
Russell Sampson Rd - Sewert. Johns Pkwy to CR210 - Transmission - Reclaim	0	0	200	920	1,888	3,008
Large Diameter Pipe Program - District 2 - Transmission - Force Main	0	0	190	0	0	190
District 2 - 10340 Woodley Pump Station - Pump Modifications	0	0	100	0	0	100
SR200 - William Burgess Blvd to Police Lodge Rd - Transmission - Reclaim	0	0	0	300	2,100	2,400
Clay County Utility Authority - Southwest Wastewater - Transmission - Reclaim	0	0	0	300	1,400	1,700
District 2 - Yellow Bluff Rd - Transmission - New - Force Main	0	0	0	177	936	1,113
Lenox Ave - Fouraker Rd to Palisades Dr - Distribution - New - Force Main	0	0	0	115	461	576
CR210 - St Johns Pkwy to Leo Maguire Pkwy - Transmission - New - Reclaim	0	0	0	100	409	509
Station Creek Rd - Transmission - New - Reclaim	0	0	0	50	225	275
Bartram Trail High School - Longleaf Pine Pkwy - Transmission - New - Reclaim	0	0	0	50	195	245
Buckman Water Reclamation Facility - Bio-Nutrient Reduction - Phase 2	0	0	0	0	3,000	3,000
US-1 - Twin Creeks Master Pump Station - Transmission - Force Main	0	0	0	0	300	300
Large Diameter Pipe Program - Busch Dr - Transmission - Force Main	0	0	0	0	20	20
SEWER SUBTOTAL	144,657	165,715	152,799	159,584	127,528	750,283

FY2019 Budget: Water System Capital Improvement Plan

Project Title	(in thousands)					
	FY19	FY20	FY21	FY22	FY23	FY19-23
WATER OTHER						
Technology Services - Water	12,100	6,530	8,390	6,830	8,050	41,900
Capital Administrative Overhead - Water	5,200	5,200	5,200	5,200	5,200	26,000
Fleet - Replacement - Water	4,428	4,605	5,231	4,905	4,931	24,100
Buckman - New Administration Building	3,611	0	0	0	0	3,611
Facilities Generators - Water	2,310	2,435	4,835	3,715	4,505	17,800
Facilities Security - Water	635	635	635	635	635	3,175
Facilities Heating, Ventilation, and Air - Water	520	520	520	520	520	2,600
Buckman Water Reclamation Facility - Street Lighting and Paving Upgrades	500	0	0	0	500	1,000
JEA Tower - Building Renovations	500	0	0	0	0	500
Facilities Roof Replacement - Water	400	400	435	435	435	2,105
Facilities Improvements, Building Upgrades - Water	400	400	400	400	400	2,000
Facilities Improvements, Electric and Lighting Systems	300	400	400	400	400	1,900
Fleet - Expansion - Water	279	1	1	1	1	283
Facilities Improvements and Plumbing Upgrades	275	250	250	250	250	1,275
Facilities - Paving and Site Improvements - Water	250	250	250	250	250	1,250
Mandarin Water Reclamation Facility - Facility Parking and Storage Building	200	2,000	0	0	0	2,200
Southwest Water Reclamation Facility - Facility Buildings 1 and 3 Upgrades	196	1,415	0	0	0	1,611
Real Estate Services - Easement Location and Acquisitions	150	150	150	150	150	750
Security - Fencing - Water	100	100	100	100	100	500
Laboratory Equipment Upgrades - Water	100	100	100	100	100	500
Utility Locate Group - Capital Equipment - Water	50	50	50	50	50	250
OTHER SUBTOTAL	32,504	25,441	26,947	23,941	26,477	135,310
GRAND TOTAL	248,461	249,577	247,622	242,961	230,790	1,219,411

FY2019 Budget: DES Capital Improvement Plan

Project Title	(in thousands)					
	FY19	FY20	FY21	FY22	FY23	FY19-23
DES						
Springfield - Additional Back-up Generator	2,450	0	0	0	0	2,450
Downtown Development	2,000	0	0	0	0	2,000
Facilities - District Energy System (DES)	658	700	700	400	500	2,958
Springfield - Replace Chiller 1	0	650	0	0	0	650
Springfield - Replace Chiller 4	0	0	650	0	0	650
Hogan's Creek - Building Rehabilitation and Paint	0	0	300	0	0	300
DES - Downtown Plant - Tower Repair and Replace (Fill)	0	0	133	0	0	133
Springfield - Replace Chiller 3	0	0	0	650	0	650
San Marco - Replace Air Cooled Chiller with Liquid Cooled	0	0	0	300	0	300
Springfield - Replace Chiller 5	0	0	0	0	650	650
Downtown - Building Rehabilitation and Paint	0	0	0	0	200	200
DES SUBTOTAL	5,108	1,350	1,783	1,350	1,350	10,941
GRAND TOTAL	5,108	1,350	1,783	1,350	1,350	10,941

VI. A. 3.

Quarterly Audit Services Update

April 27, 2018

SUBJECT: QUARTERLY AUDIT SERVICES UPDATE

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

Issue: The Quarterly Audit Update provides the JEA Board of Directors with information on the current Internal Audit, Enterprise Risk Management and Ethics Investigations & Audit activities.

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

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

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

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

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

Submitted by: AFZ/TEH/svt



Commitments to Action

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

Audit Services Q2 FY18 Report

Steve Tuten - Director, Audit Services

Audit Services Q2 FY18 Report – Table of Contents

<u>Team</u>	<u>Pages</u>
• Internal Audit	3-5
• Enterprise Risk Management (ERM)	6-10
• Ethics Investigations & Audit	11-14

- **FY18 Internal Audit Plan** – The current timeline and details regarding the FY18 Plan, as of March 31, 2018, are shown on page 4. The primary schedule lists audits completed and in progress, with those yet to be scheduled listed in the footer. At mid-year, we remained on schedule to complete our Plan.
- **Open Audit and Investigation Report Issues** - As of 3/31/18, there were 53 open issues requiring management's corrective action plans. This represents a decrease of sixteen (16) open items since our last report. See page 5 for the distribution of these issues by issue rating and action plan due date.
- **FY19 Audit Planning** – Our annual survey process begins in May.

FY18 Internal Audit Plan – Completed and In Progress

Audit/Project	Auditor-in-Charge	Planning Memo Date	Status	FY 2018 Hours			Comments	Final Draft Report Date	Final Report Date (Sent to City)	Audit Report Rating
				Budgeted Hours (adjusted)	Actual Hours	Will Meet/Met Budget				
2017 Safety and Health	David Arnold	8/10/2017	Final Draft Issued	350	330	●	Slightly delayed due to Hurricane Irma.	2/1/2018	-	Satisfactory
2017 Customer Revenue - Branch	Rashid Brittain	9/27/2017	Final Report Issued	300	267	●	Slightly delayed due to Hurricane Irma.	12/20/2017	3/28/2018	Needs Improvement
2017 Permitting and Regulatory Conformance	Troy England / Andrew Shelley	11/3/2017	First Draft Issued	400	595	●	New auditor assigned to this audit.			Excellent
JEA/SJRPP Performance Pay Audit	TE	N/A	Completed	200	131	●	Incentive Pay Review memos issued on: (SJRP) - 11/8/2017 / (JEA) - 11/22/17	-	-	-
TEA Audit	Laurie Gaughan / RB	N/A	Completed	300	225	●	TEA Audit Report was presented to the TEA Board on February 27, 2018.	-	-	-
T&D Electric Transmission Planning	LG	12/5/2017	Final Draft Issued	450	442	●		4/5/2018	-	Satisfactory
Personnel Out Process (POP)	DA	12/11/2017	First Draft Issued	310	411	●	Complex audit with possible major issues. Currently adjusting draft report.	-	-	Needs Improvement
W/WW Project Engineering & Construction	TE/AS	2/27/2018	Testing	500	412	●				
Telecommunications & Support	RB	12/19/2017	Reporting	450	372	●				
Customer Experience Centers + Strategy Support	DA	TBD	Planning	400	57	●	Based on planning, there will be a need to review controls from the Customer Experience Strategy business unit. An increase in audit hours is probable.			
Transmission and Substation Maintenance	LG	4/2/2018	Testing	450	63	●				
New Auditor Training	AS		Completed	150	166	●				
FY2018 Action Plan Follow-Up	All Staff		Ongoing	625	359	●				
FY2019 Audit Plan	All Staff		Not Started	300	0	●				

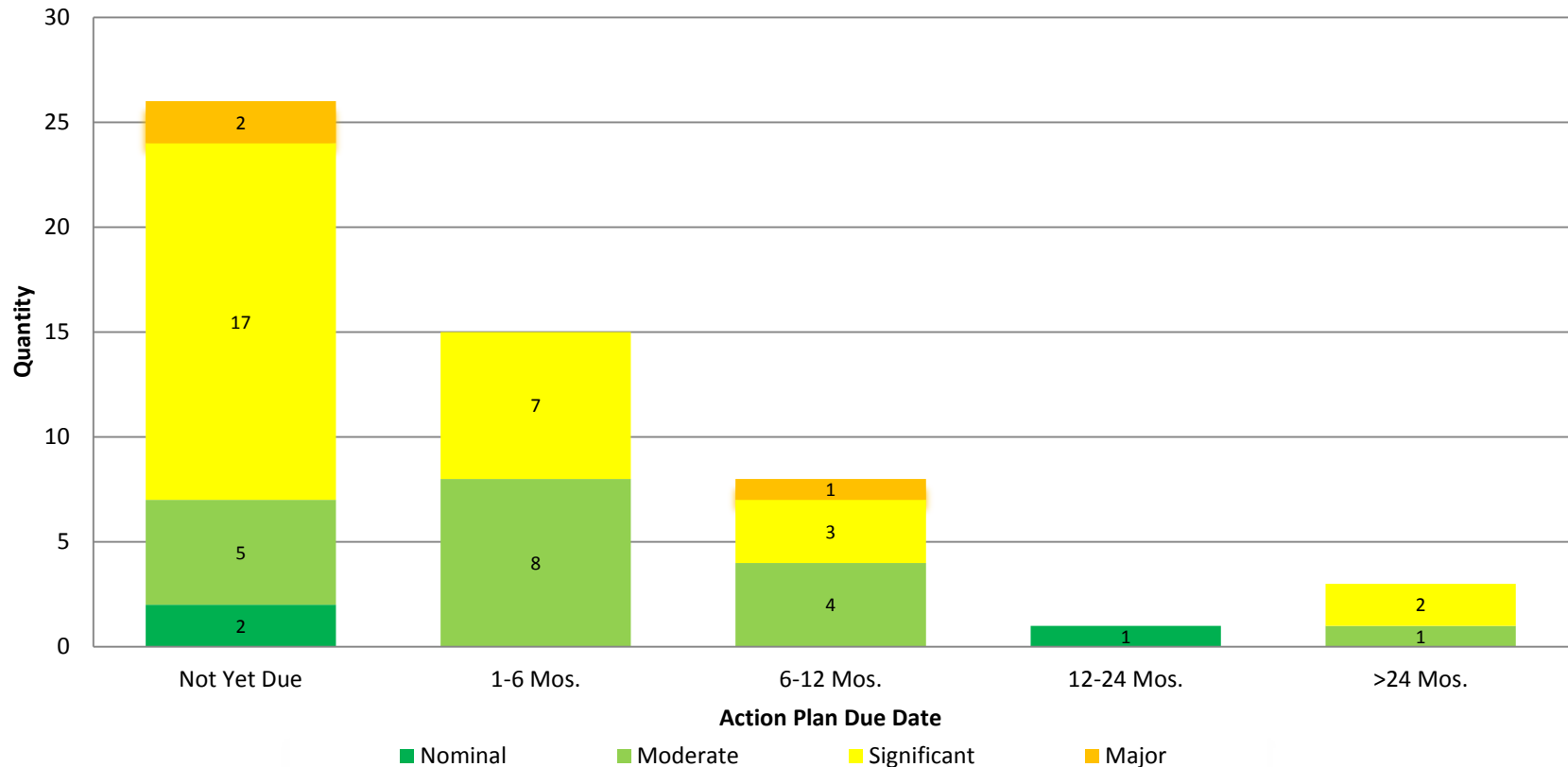
●	Audit will be/has been completed within estimated hours and due date.
●	Audit will be/has been completed slightly above estimated hours and due date. (No more than a 10% variance)
●	Audit will be/has been completed significantly above estimated hours and due date.

Audits to be scheduled: Benefits Services, Disaster Recovery follow-up, Electric Production Engineering and Outages, Information Security follow-up, Meter Operations follow-up, Response & Environmental Programs, Tax Administration, Technology Infrastructure, Utility Locate Services and W/WW Reuse and Treatment.



Open Audit and Investigation Report Issues

Open Action Plan (53) by Issue Rating and Action Plan Due Date



- Staffing Risk has been elevated from Tier 2 to Tier 1, based on a possible increase in the impact if JEA experiences the loss of key/critical staff. A summary of the updated Staffing Risk profile is provided on page 9.
- We continue to monitor any events that would impact the top corporate risks (TCRs), as well as the implementation and effectiveness of mitigations. The Tier 1 and Tier 2 TCRs are presented on pages 8 and 10, respectively.
- Open Mitigation Recap – There are currently 45 open mitigations designed to enhance controls and lower the impact/likelihood of the risk event occurring. Fifty-five (55) mitigations have been completed to date.
- Proof of concept is underway to assess and implement an application (SecureWatch) to automate and facilitate the tracking and reporting of Top Corporate Risks, Director-level risks and project risk assessments, as well as open and completed mitigations and internal controls.
- Expanding risk management training to include internal controls training and principles, as well as skills to identify, evaluate and mitigate risks within individual business functions. Class is mandatory for all appointed staff (Managers/Directors), but open to all. Required Risk Management CBT is also being developed for all JEA employees.

ERM Corporate Risk Heat Map

Top Corporate Risks		Score						Impact x Likelihood Score	
Tier 1		10-25							
Tier 2		5-9							
Tier 3		1-4							
Likelihood	Almost Certain >90%	5	5	10	15	20	25	15-25	Red
	Likely 65-90%	4	4	8	12	16	20	10-14	Orange
	Possible 35-65%	3	3	6	9	12	15	8-9	Yellow
	Unlikely 5-35%	2	2	4	6	8	10	4-6	Light Green
	Rare <5%	1	1	2	3	4	5	1-3	Dark Green
			1	2	3	4	5		
			Minor	Moderate	Significant	Major	Severe		
Impact									



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

ERM - Tier 1 Top Corporate Risk Trends (Q2 FY18)

Risk E= Electric, W= Water/Wastewater, F= Financial, H= Human Resources, T= Technology, C= Corporate-wide. Risks are in order by risk score within Business Function	FY16				FY17				FY18		Long Term Risk Exposure Trend (> 5 Years)	Change
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2		
E05 - Cooling Water Intake Structures 316(b)	10	10	10	20	20	20	20	20	20	20	↔ Stable	
H01 - Pensions	20	20	20	20	20	20	16	16	16	16	↔ Stable	
F01 - Revenues and Expenses Management	16	16	16	16	16	16	16	16	16	16	↑ Increasing	
E01 - Carbon Emission Mitigation - Clean Power Plan	25	25	25	25	25	25	20	15	15	15	↔ Stable	
E03 - Coal Combustion Residual Rule (CCR)	10	10	10	15	15	15	15	15	15	15	↔ Stable	
W01 - Water Supply Management/Long Term Planning	15	15	15	15	15	15	15	15	15	15	↑ Increasing	
C16 - Weather & Climate Change Impact		15	15	15	15	15	15	15	15	15	↑ Increasing	
H02 - Staffing	9	9	9	9	9	9	9	9	9	12	↑ Increasing	X
E04 - Adverse Electric Commodity Supply and Pricing	12	12	12	12	12	12	12	12	12	12	↔ Stable	
W03 - Sanitary Sewer Overflow Management	8	8	8	8	12	12	12	12	12	12	↓ Decreasing	
C01 - Customer Relationship Management	12	12	12	12	12	12	12	12	12	12	↔ Stable	
C02 - Physical Security (Facilities Infrastructure Security and Regulatory Compliance)	12	12	12	12	12	12	12	12	12	12	↑ Increasing	
C03 - New Technology	12	12	12	12	12	12	12	12	12	12	↑ Increasing	
E06 - Long-term Planning/Load Forecast - Electric	10	10	10	10	10	10	10	10	10	10	↑ Increasing	
E07 - Critical Infrastructure Protection (CIP) Compliance	10	10	10	10	10	10	10	10	10	10	↑ Increasing	

* Rationale for score change is noted on the Summary page (p13)

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

ERM – Staffing Risk

Staffing Risk was recently elevated from Tier 2 to Tier 1, based on a possible increase in the impact if JEA experiences the loss of key/critical staff. An excerpt from the risk profile is shown below.

Risk Title/ Risk Owner	Risk Description	Worst Credible Risk					Risk Summary Status
		Risk Timeframe	Risk Impact	Risk Likelihood	Total Risk Score	Long Term Risk Exposure Trend (>5 years)	
H02 - Staffing Angie Hiers	Adequate and qualified staff may not be in place to enable the organization to meet current and future basic utility objectives. The risk may be aggravated by the lack of a flexible staffing model that could maximize workforce skillsets, tight labor markets, job security, inadequate succession planning, increased personnel turnover driven by an aging workforce, non-competitive pay scale/benefits and/or lack of opportunities for professional growth. Inadequate staffing may result in the deterioration of assets and services, increased human resource costs, increased maintenance costs, dissatisfied customers, unsafe conditions for employees and customers, and regulatory non-compliance.		4	3	12	Increasing	Employee retention, recruitment and morale is being actively monitored. A number of initiatives have been or are in the process of being implemented to address this risk.

ERM – Tier 2 Top Corporate Risk Trends (Q2 FY18)

Risk E= Electric, W= Water/Wastewater. F= Financial, H= Human Resources, T= Technology, C= Corporate-wide. Risks are in order by risk score within Business Function	FY16				FY17				FY18		Long Term Risk Exposure Trend (> 5 Years)	Change
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2		
E10 - Nuclear Power Portfolio	8	8	8	8	8	9	9	9	9	9	↑ Increasing	
W02 - Operations Technology Management - Water/Wastewater Systems	9	9	9	9	9	9	9	9	9	9	↔ Stable	
C05 - Records Management	9	9	9	9	9	9	9	9	9	9	↔ Stable	
C06 - Fraud Risk Management	9	9	9	9	9	9	9	9	9	9	↑ Increasing	
T02 - Cyber Security Information Protection	9	9	9	9	9	9	9	9	9	9	↑ Increasing	
H03 - Public and Employee Safety	9	9	9	9	9	9	9	9	9	9	↔ Stable	
T05 - Technology Services Resource Optimization	9	9	9	9	9	9	9	9	9	9	↑ Increasing	
E02 - Effluent Limitation Guidelines	16	16	16	20	20	15	8	8	8	8	↔ Stable	
E09 - FERC/NERC (Section 693) O&P Reliability & Compliance	8	8	8	8	8	8	8	8	8	8	↔ Stable	
T01 - Technology Infrastructure Reliability	4	8	8	8	8	8	8	8	8	8	↔ Stable	
T03 - Cyber Security Business Disruption	8	8	8	8	8	8	8	8	8	8	↑ Increasing	
T04 - Technology Services Disaster Recovery/Business Continuity	8	8	8	8	8	8	8	8	8	8	↔ Stable	
C07 - Disaster Recovery/Business Continuity	8	8	8	8	8	8	8	8	8	8	↔ Stable	
C08 - Black Swan (High Impact - Low probability event)	8	8	8	8	8	8	8	8	8	8	↔ Stable	
C04 - External Influence on Policy	10	8	8	8	8	8	8	8	8	8	↔ Stable	
W06 - Water Quality Management			8	8	8	8	8	8	8	8	↔ Stable	
E08 - SJRPP	9	9	9	9	9	9	6	6	6	6	↓ Decreasing	
E11 - Infrastructure Maintenance - Electric Systems Assets	6	6	6	6	6	6	6	6	6	6	↔ Stable	
E20 - Operations Technology Management - Electric	6	6	6	6	6	6	6	6	6	6	↔ Stable	
E12 - By Product Management	6	6	6	6	6	6	6	6	6	6	↔ Stable	
E13 - Infrastructure Destruction Due to Severe Weather	6	6	6	6	6	6	6	6	6	6	↔ Stable	
W04 - Infrastructure Maintenance - Water/Waste Water Systems	6	6	6	6	6	6	6	6	6	6	↔ Stable	
F03 - Credit Availability/Cost	6	6	6	6	6	6	6	6	6	6	↔ Stable	
C09 - Other Regulatory Compliance	6	6	6	6	6	6	6	6	6	6	↔ Stable	
F04 - Counterparty Risk	5	5	5	5	5	5	5	5	5	5	↔ Stable	



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

Ethics Hotline (EHL) Case Statistics – Q2 FY18

Open Cases 12/31/2017	Cases Opened Q2 FY18	Cases Closed Q2 FY18	Open Cases 3/31/2017
16	7	9	14

Categories For Cases Opened During Q2 FY18	
Regulatory/Environmental	3
Fraud/Waste/Abuse	2
Discrimination/Harassment	1
General Inquiries	1
Total	7

Summary of Closed EHL Cases – Q2 FY18

Reporting Source	Allegation	Investigation Results
Internal	JEA-17-03-0002 – An employee alleged that co-workers were not working their reported timecard hours.	Timecard reporting inconsistencies and procedural violations were noted for all of the co-workers based on the data reviewed by the Investigators. Most of the co-workers did not warrant interviews by Law Enforcement. However, one employee had a significant discrepancy between hours worked and timecard hours, in addition to using a JEA-assigned vehicle for personal use. As a result, the employee was arrested for theft and document falsification charges. At the conclusion of the investigation, all co-worker procedural violations were reported to Management and Labor Relations for disposition.
Internal	JEA-17-05-0002 – In connection with an employee discipline issue involving a JEA vehicle, management discovered the employee may not be working hours as claimed on the employee's timecard.	Significant discrepancies were noted between the employee's timecard hours and data compiled by the JEA Investigator. Based on these discrepancies, law enforcement conducted a criminal investigation and concluded that when all the data, facts, history, and testimony were considered, the employee's activities did not meet the standard for criminal charges in the State of Florida. JEA policy violations were noted, one of which was the employee using JEA's vehicle for personal use. The employee was reprimanded and paid restitution for using the JEA vehicle on non-work days.
Internal	JEA-17-07-0002 – An employee reported the following concerning a JEA Manager: 1) There may have been an inappropriate business deal negotiated by the Manager with an outside contractor. 2) The Manager "forced" a group of employees to work a twelve-hour shift on a Saturday after the hurricane. The employees were directed by the Manager to charge a FEMA project code on this Saturday for regular work performed a week after the hurricane.	Our investigation resulted in no evidence to substantiate the allegation of inappropriate business dealings between the JEA manager and the contractor. Also, it was within the manager's discretion to require employees to work a twelve-hour shift after the storm. Relating to the FEMA storm project charges for this group of employees, we determined there were three days in question that could not be substantiated relating to how much time was storm-related or regular work. Accordingly, management reversed these employee charges for the three days in its FEMA reporting.

Summary of Closed EHL Cases – Q2 FY18 (continued)

Reporting Source	Allegation	Investigation Results
EHL	JEA-17-10-0002 – An employee reported being denied for an interview based on not receiving credit for certain work experience. The employee alleged this was an ethics violation.	Based on the results of the interviews conducted and a review of associated recruitment documentation, there was no evidence to substantiate unethical behavior by Recruitment Services in not considering the employee for an interview.
EHL	JEA-17-10-0003 – The caller reported that a Call Center contract employee gave a customer the name and phone number of the contract employee's brother, who was an electrician.	A review of the recorded conversation between the customer and contract employee substantiated the caller's allegations. The contract employee has since been terminated. Management agreed to update Call Center procedures to specifically prohibit personnel from recommending relatives/friends to perform work for customers.
EHL	JEA-17-10-0004 – The caller alleged a JEA foreman sent harassing and threatening emails to employees and instructed them to slow down and not work to their full potential so as to force a backlog of work to justify overtime.	We determined the foreman sent emails that were job-threatening and could be viewed as hostile to employees. The foreman was issued a Formal Letter of Counseling, and the employees have since been assigned to a different supervisor. No evidence was found to substantiate the allegation of instructing people to not work to their full potential. In fact, emails located were instructing employees to keep their production up.

Summary of Closed EHL Cases – Q2 FY18 (concluded)

Reporting Source	Allegation	Investigation Results
EHL	JEA-17-11-0001 – An anonymous caller reported observing an employee hugging individuals and being touched inappropriately by others.	Given the nature of the complaint, Labor Relations was contacted to assist with the investigation. Based on the information gathered, there was no evidence to support the ethics complaint or a violation of JEA's Harassment Policy.
EHL	JEA-17-12-0003 – An employee reported that supervisors knew electricity was in a bunker when the employee was sent to fix a pipe, after which the employee was almost electrocuted. In addition, the crew leader was not available for four hours after the incident. The employee also alleged retaliation because an assigned JEA truck was going to be taken away.	Because this case dealt with workplace retaliation and possible discrimination, a joint investigation was conducted with Labor Relations, but no evidence was found to support retaliation or discrimination based on the employee's claims. In addition, there was no evidence to conclude supervisors knew electricity was in the bunker and intentionally kept this information from the employee. The claim that the crew leader was not available after the incident was founded, but it was due to work activities. The crew leader arrived on-site after the accident in a timely manner, not four hours as alleged. As a result of this case, management agreed to conduct a review of the safety incident and develop procedures addressing hazard identification and awareness to reduce the likelihood of the safety incident occurring in the future.
EHL	JEA-18-02-0001 – An employee was made aware a dissatisfied customer followed the employee after leaving the customer's home. The employee alleged that because management was aware of the situation and did not inform the employee, this violated company policy regarding notification to Security, coworkers, and the potential victim when there is a threatening situation putting the employee's security at risk.	We determined Management was notified by the Call Center of a customer complaint. They reached out to the customer to resolve the issue, and in doing so found out the customer followed the employee to obtain a vehicle tag number to have the necessary information to report the complaint. We found no violation of JEA procedures by the manager not making the employee aware of the incident. It was determined by management, Security, Safety, and Labor Relations that this situation was not a threat to the employee's security.

VI. A. 4.

Ethics Officer Quarterly Report



AGENDA ITEM SUMMARY

April 23, 2018

SUBJECT:	ETHICS OFFICER QUARTERLY REPORT
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Purpose:	☒ Information Only	☐ Action Required	☐ Advice/Direction
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Issue: The Ethics Officer Quarterly Report provides the JEA Board of Directors with information on the current ethics inquiries and training.

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

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

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

Recommended Board action: This item is for information only.

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

Submitted by: AFZ/ARH/WMS



Commitments to Action

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

JEA

Ethics Officer Report

May 7, 2018

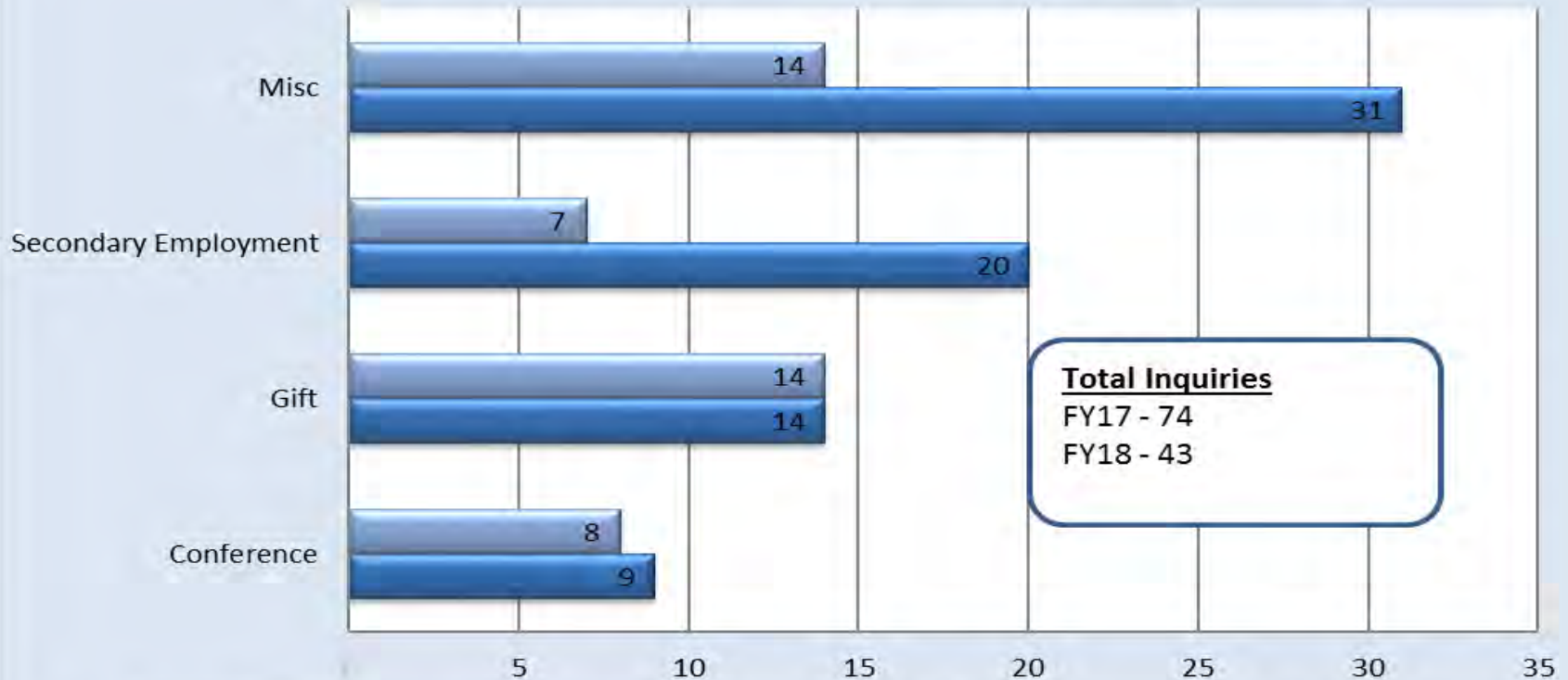
Creating an Ethical Culture

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

Walette Stanford, Ethics Officer

FY 17/FY18 Comparisons

Ethics Inquiries Comparison FY17/FY18



Total Inquiries

FY17 - 74

FY18 - 43

	Conference	Gift	Secondary Employment	Misc
FY18	8	14	7	14
FY17	9	14	20	31

Ethics Officer Cases - Five Years in Review



FY17/FY18 Gift Registry

FY17/FY18 GIFT ESTIMATES COMPARISON PER QUARTER



Food Items: Business lunches/dinners, event dinners & transportation

Promotional items: luggage set, gift baskets, golf shirts

Misc: Yeti cooler, tote bags, gift cards, mugs, chocolate gift basket, umbrellas

FY18 Business Ethics Training

- Training was sent out to 1972 JEA employees on March 1, 2018
- Survey Questions/Results:
 - **Overall, how satisfied were you with the knowledge you obtained in the Business Ethics Refresher?**
 - 74% Very Satisfied
 - 13% Somewhat Satisfied
 - 11% Neither
 - 1% Somewhat Dissatisfies
 - 1.5% Very Dissatisfied
 - **Overall, how satisfied were you with the Business Ethics Refresher E-Learning?**
 - 71% Very Satisfied
 - 17% Somewhat Satisfied
 - 11% Neither
 - 0% Somewhat Dissatisfies
 - 1% Very Dissatisfied
- Survey responses received was 296.



FY18 Business Ethics Training Comments

Survey Question/Responses: Please provide any additional comments or feedback regarding the training?

- The information was clear and well presented. I think the graphics made the presentation easy to follow.
- No specific comment except that I appreciate the information provided, and the continued updates. Good job!!
- Current climate in JEA does not seem to be modeling an environment rich in ethics in upper management.
- A status bar with time remaining would be helpful for planning.
- Concise presentation of information.
- Great refresher!
- It really helped me remember what I forgot.

Business Ethics Update and What's Next

- All JEA employees are provided training on Business Ethics during new hire orientation and refresher training, taken annually, was rolled out on March 1, 2018.
- Corporate Commitment Action is to have 100% compliance for employees completing the Ethics Training requirement within 90 days of the due date: to date 99% have taken the refresher.
- In conjunction with Aerotek, we developed an ethics training for their employees. Moving forward all external contractors will take our CBT training.
- Exploring a new platform to track ethics inquiries from employees.



*“ Whenever you do a thing, act as if all the world were watching”
- Thomas Jefferson (Third President of the United States)*

VI. A. 5.

Electric System and Water and Sewer System Reserve Fund Quarterly Report

April 23, 2018

SUBJECT:	ELECTRIC SYSTEM AND WATER AND SEWER SYSTEM RESERVE FUND QUARTERLY REPORT
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Purpose:	☒ Information Only	☐ Action Required	☐ Advice/Direction
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Issue: Electric System and Water and Sewer System Reserve Fund Quarterly Report as of March 31, 2018. 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: AFZ/RFW/JEO/BHG



Commitments to Action

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



INTER-OFFICE MEMORANDUM

April 23, 2018

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

FROM: Aaron F. Zahn, Interim 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 March 31, 2018.

RECOMMENDATION:

No action required; provided for information only.

Aaron F. Zahn, Interim Managing Director/CEO

AFZ/RFW/JEO/BHG

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

For the Fiscal Quarter Ending March 31, 2018
(In Thousands of Dollars)

	<u>Fiscal Year</u> <u>FY 2015</u>	<u>Fiscal Year</u> <u>FY 2016</u>	<u>Fiscal Year</u> <u>FY 2017</u>	<u>Fiscal Year</u> <u>FY 2018</u>	<u>Detail</u> <u>Page #</u>
Electric System					
Unrestricted					
Operations/Revenue Fund	\$ 46,624	\$ 56,665	\$ 54,815	\$ 60,473	
Self Insurance Reserve Fund					
• Property	10,000	10,000	10,000	10,000	3
• Employee health insurance	10,937	11,179	9,214	9,600	4
Rate Stabilization					
• Fuel	150,742	180,115	131,716	76,146	5
• DSM/conservation	2,886	3,515	3,695	4,087	6
• Environmental	23,430	29,975	36,417	42,717	7
• Debt Management	42,126	42,126	29,884	29,884	8
• Non-Fuel Purchased Power	38,000	34,400	25,189	53,586	9
Environmental	18,662	18,556	18,556	17,647	10
Customer Deposits	42,389	41,084	42,105	43,512	11
Total Unrestricted	385,796	427,615	361,590	347,652	
Days of Cash on Hand (2)	225	270	234	214	
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	196,412	14
Construction Funds	-	-	-	-	15
Total Restricted	345,233	388,993	429,037	417,341	
Total Electric System	\$ 731,029	\$ 816,608	\$ 790,627	\$ 764,993	
Water and Sewer System					
Unrestricted					
Operations/Revenue Fund	\$ 22,588	\$ 42,948	\$ 69,199	\$ 46,679	
Rate Stabilization					
• Debt Management	20,290	20,290	14,209	14,209	16
• Environmental		1,699	5,214	10,300	17
Customer Deposit	13,255	13,910	15,086	15,218	18
Total Unrestricted	56,133	78,847	103,708	86,406	
Days of Cash on Hand (2)	466	528	496	471	
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	88,325	21
• Capacity Fees/State Revolving Loans	90,912	103,411	95,620	60,499	22
• Environmental	19,245	2,659	1,839	1,420	23
Construction Funds	664	152	15	-	24
Total Restricted	363,410	355,738	341,869	334,821	
Total Water & Sewer System	\$ 419,543	\$ 434,585	\$ 445,577	\$ 421,227	

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

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

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

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

Funds Established Per the Bond Resolutions

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

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

Electric System Debt Management Reserve

For the Fiscal Quarter Ending March 31, 2018

Reserve/Fund Authorization: Debt Management Policy

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

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

	Actual as of 03/31/2018		Full Year			Projection		
	Current Quarter	Year -to-Date	2018 Forecast	2018 Budget	Prior Year Actual	2019	2020	2021
<i>(In Thousands)</i>								
Opening Balance	\$ -	\$ -	\$ -	N/A	\$ -	\$ -	\$ -	\$ -
Additions:								
Contributions				N/A	-			
Sub-total	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Withdrawals			-	N/A	-			
Sub-total	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Ending Balance	\$ -	\$ -	\$ -	N/A	\$ -	\$ -	\$ -	\$ -

	Historical					Statistical			
	2013	2014	2015	2016	2017	Low	Median	Mean	High
Opening Balance	\$ 12,257	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,451	\$ 12,257
Additions:									
Contributions	-	-	-	-	-	-	-	-	-
Sub-total	\$ -	\$ -	\$ -	\$ -	\$ -	-	-	-	-
Withdrawals	12,257					12,257	12,257	12,257	12,257
Sub-total	\$ 12,257	\$ -	\$ -	\$ -	\$ -	-	-	-	-
Ending balance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Observations:

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

Electric System Self Insurance - Property

For the Fiscal Quarter Ending March 31, 2018

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 03/31/2018		Full Year			Projection		
	Current Quarter	Year -to-Date	2018 Forecast	2018 Budget	Prior Year Actual	2019	2020	2021
<i>(In Thousands)</i>								
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 March 31, 2018

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

Metric: An actuary calculates amount annually

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

(In Thousands)	Actual as of 03/31/2018		Full Year			Projection		
	Current Quarter	Year -to-Date	2018 Forecast	2018 Budget	Prior Year Actual	<u>2019</u>	<u>2020</u>	<u>2021</u>
Opening Balance	\$ 9,113	\$ 9,214	\$ 9,214	N/A	\$ 11,179	\$ 9,600	\$ 9,600	\$ 9,600
Additions:								
Employee Contributions	1,589	3,083	6,155	N/A	5,862	6,463	6,786	7,125
Retiree & Other Contributions	1,384	3,311	6,830		6,443	7,239	7,674	8,134
Employer Contributions	4,627	9,278	18,556		19,004	19,798	21,540	23,441
Sub-total	\$ 7,600	\$ 15,672	\$ 31,541	\$ -	\$ 31,309	\$ 33,500	\$ 36,000	\$ 38,700
Deductions:								
Payments for Claims	5,422	13,104	28,829	N/A	30,994	31,105	33,533	36,159
Actuary & Other Payments	453	944	2,326		2,280	2,395	2,467	2,541
Sub-total	\$ 5,875	\$ 14,048	\$ 31,154	\$ -	\$ 33,274	\$ 33,500	\$ 36,000	\$ 38,700
Ending Balance	\$ 10,838	\$ 10,838	\$ 9,600	N/A	\$ 9,214	\$ 9,600	\$ 9,600	\$ 9,600

(In Thousands)	Historical					Statistical			
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	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 March 31, 2018

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.

(In Thousands)	Actual as of 03/31/2018		Full Year			Projection		
	Current Quarter	Year -to-Date	2018 Forecast	2018 Budget	Prior Year Actual	2019	2020	2021
Opening Balance	\$ 122,278	\$ 131,716	\$ 131,716	N/A	\$ 180,115	\$ 76,146	\$ 60,629	\$ 70,218
Additions:								
Contributions			-		2,845		9,589	
Sub-total	\$ -	\$ -	\$ -	\$ -	\$ 2,845	\$ -	\$ 9,589	\$ -
Withdrawals	39,517	48,955	55,570	32,800	51,244	15,517		1,009
Customer Fuel Rebate Credit				-	-			
Sub-total	\$ 39,517	\$ 48,955	\$ 55,570	\$ 32,800	\$ 51,244	\$ 15,517	\$ -	\$ 1,009
Ending Balance	\$ 82,761	\$ 82,761	\$ 76,146	N/A	\$ 131,716	\$ 60,629	\$ 70,218	\$ 69,209

	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 withdrawals on a gross basis. Forecast and projected numbers reflected on a net basis. The fuel recovery charge ended 12/31/11.

Electric System Rate Stabilization - Demand Side Management (DSM)

For the Fiscal Quarter Ending March 31, 2018

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 03/31/2018		Full Year			Projection		
	Current Quarter	Year -to-Date	2018 Forecast	2018 Budget	Prior Year Actual	2019	2020	2021
<i>(In Thousands)</i>								
Opening Balance	\$ 4,031	\$ 3,695	\$ 3,695	N/A	\$ 3,515	\$ 4,087	\$ 3,638	\$ 3,410
Additions:								
Contributions	1,742	3,295	7,222	7,515	6,685	7,590	6,871	6,871
Other								
Sub-total	\$ 1,742	\$ 3,295	\$ 7,222	\$ 7,515	\$ 6,685	\$ 7,590	\$ 6,871	\$ 6,871
Withdrawals	1,615	2,832	6,830	8,126	6,505	8,039	7,099	7,099
Sub-total	\$ 1,615	\$ 2,832	\$ 6,830	\$ 8,126	\$ 6,505	\$ 8,039	\$ 7,099	\$ 7,099
Ending Balance	\$ 4,158	\$ 4,158	\$ 4,087	N/A	\$ 3,695	\$ 3,638	\$ 3,410	\$ 3,182

	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 March 31, 2018

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 03/31/2018		Full Year			Projection		
	Current Quarter	Year -to-Date	2018 Forecast	2018 Budget	Prior Year Actual	2019	2020	2021
<i>(In Thousands)</i>								
Opening Balance	\$ 38,181	\$ 36,417	\$ 36,417	N/A	\$ 29,975	\$ 42,717	\$ 48,820	\$ 53,700
Additions:								
Contributions	1,733	3,503	7,574	7,942	7,384	8,039	7,320	7,320
Sub-total	\$ 1,733	\$ 3,503	\$ 7,574	\$ 7,942	\$ 7,384	\$ 8,039	\$ 7,320	\$ 7,320
Withdrawals	242	248	1,274	2,051	942	1,936	2,440	3,660
Sub-total	\$ 242	\$ 248	\$ 1,274	\$ 2,051	\$ 942	\$ 1,936	\$ 2,440	\$ 3,660
Ending Balance	\$ 39,672	\$ 39,672	\$ 42,717	N/A	\$ 36,417	\$ 48,820	\$ 53,700	\$ 57,360

	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 March 31, 2018

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 03/31/2018		Full Year			Projection		
	Current Quarter	Year -to-Date	2018 Forecast	2018 Budget	Prior Year Actual	<u>2019</u>	<u>2020</u>	<u>2021</u>
(In Thousands)								
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			
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	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 March 31, 2018

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 03/31/2018		Full Year			Projection		
	Current Quarter	Year -to-Date	2018 Forecast	2018 Budget	Prior Year Actual	2019	2020	2021
(In Thousands)								
Opening Balance	\$ 22,347	\$ 25,189	\$ 25,189	N/A	\$ 34,400	\$ 53,586	\$ 39,259	\$ 19,259
Additions:								
Contributions			40,000	-	-			
Sub-total	\$ -	\$ -	\$ 40,000	\$ -	\$ -	\$ -	\$ -	\$ -
Withdrawals	2,888	5,730	11,603	11,745	3,600	14,327	20,000	19,259
Sub-total	\$ 2,888	\$ 5,730	\$ 11,603	\$ 11,745	\$ 3,600	\$ 14,327	\$ 20,000	\$ 19,259
Ending Balance	\$ 19,459	\$ 19,459	\$ 53,586	N/A	\$ 30,800	\$ 39,259	\$ 19,259	\$ -

	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 Stabilization Fund began in FY 2014.

Electric System Environmental Reserve

For the Fiscal Quarter Ending March 31, 2018

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 03/31/2018		Full Year			Projection		
	Current Quarter	Year -to-Date	2018 Forecast	2018 Budget	Prior Year Actual	2019	2020	2021
<i>(In Thousands)</i>								
Opening Balance	\$ 17,647	\$ 17,672	\$ 17,672	N/A	\$ 18,556	\$ 17,647	\$ 17,647	\$ 17,647
Additions:								
Contributions			-	N/A	-			
Sub-total	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Withdrawals		25	25	N/A	884			
Sub-total	\$ -	\$ 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 March 31, 2018

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 03/31/2018		Full Year			Projection		
	Current Quarter	Year -to-Date	2018 Forecast	2018 Budget	Prior Year Actual	2019	2020	2021
<i>(In Thousands)</i>								
Opening Balance	\$ 42,603	\$ 42,105	\$ 42,105	N/A	\$ 41,084	\$ 43,512	\$ 43,512	\$ 43,512
Additions:								
Net Customer Activity	909	1,407	1,407	N/A	1,021			
Loan Repayment to ES Revenue Fund					-			
Sub-total	\$ 909	\$ 1,407	\$ 1,407	\$ -	\$ 1,021	\$ -	\$ -	\$ -
Net Customer Activity					-			
Loan to ES Revenue Fund				N/A	-			
Sub-total	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Ending Balance	\$ 43,512	\$ 43,512	\$ 43,512	N/A	\$ 42,105	\$ 43,512	\$ 43,512	\$ 43,512

	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 March 31, 2018

Reserve/Fund Authorization: Bond Resolution

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

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

(In Thousands)	Actual as of 03/31/2018		Full Year			Projection		
	Current Quarter	Year -to-Date	2018 Forecast	2018 Budget	Prior Year Actual	2019	2020	2021
Opening Balance	\$ 44,774	\$ 167,087	\$ 167,087	N/A	\$ 136,232	\$ 160,347	\$ 151,213	\$ 93,455
Additions:								
Revenue Fund Deposits	50,210	100,176	205,576		209,450	198,989	141,056	136,439
Bond funded interest					-			
Sub-total	\$ 50,210	\$ 100,176	\$ 205,576	\$ -	\$ 209,450	\$ 198,989	\$ 141,056	\$ 136,439
Principal and Int Payments	1,958	174,237	212,316	N/A	178,595	208,123	198,814	139,464
Sub-total	\$ 1,958	\$ 174,237	\$ 212,316	\$ -	\$ 178,595	\$ 208,123	\$ 198,814	\$ 139,464
Ending Balance	\$ 93,026	\$ 93,026	\$ 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 March 31, 2018

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 03/31/2018		Full Year Budget Amounts			Projection		
	Current Quarter	Year -to-Date	2018 Forecast	2018 Budget	Prior Year Actual	2019	2020	2021
(In Thousands)								
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 March 31, 2018

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 03/31/2018		Full Year			Projection		
	Current Quarter	Year -to-Date	2018 Forecast	2018 Budget	Prior Year Actual	2019	2020	2021
(In Thousands)								
Opening Balance	\$ 178,530	\$ 201,368	\$ 201,368	N/A	\$ 192,179	\$ 196,412	\$ 139,751	\$ 44,827
Additions:								
R&R/OCO Contribution	40,402	84,803	144,246		196,589	241,452	170,285	267,758
Loans betw Capital Fds				-	-			
Other	6,678	6,678	38,053	-	5,074	11,306		
Sub-total	\$ 47,080	\$ 91,481	\$ 182,299	\$ -	\$ 201,663	\$ 252,758	\$ 170,285	\$ 267,758
Deductions:								
Capital Expenditures	27,283	88,604	187,255		113,987	309,419	265,209	144,855
Transfers betw Capital Fds				-	37,200			
R&R/OCO Contribution								
Debt Defeasance				-	41,287			
Other	8,045	13,963						
Sub-total	\$ 35,328	\$ 102,567	\$ 187,255	\$ -	\$ 192,474	\$ 309,419	\$ 265,209	\$ 144,855
Ending Balance	\$ 190,282	\$ 190,282	\$ 196,412	N/A	\$ 201,368	\$ 139,751	\$ 44,827	\$ 167,730

	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 March 31, 2018

Reserve/Fund Authorization: Bond Resolution

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

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

(In Thousands)	Actual as of 03/31/2018		Full Year			Projection		
	Current Quarter	Year -to-Date	2018 Forecast	2018 Budget	Prior Year Actual	2019	2020	2021
Opening Balance	\$ 803	\$ -	\$ -	N/A	\$ -	\$ -	\$ -	\$ -
Additions:								
Bond Proceeds		805	805	-	429			150,000
Line of Credit				-	-			
Transfers b/w Capital Fds	-			-	-			
Other				-	-			
Sub-total	\$ -	\$ 805	\$ 805	\$ -	\$ 429	\$ -	\$ -	\$ 150,000
Deductions:								
Capital Expenditures	580	580			-	-	-	150,000
Bond Funded Interest				-	-			
Transfers b/w Capital Fds					-			
Other		2	805	-	429			
Sub-total	\$ 580	\$ 582	\$ 805	\$ -	\$ 429	\$ -	\$ -	\$ 150,000
Ending Balance	\$ 223	\$ 223	\$ -	N/A	\$ -	\$ -	\$ -	\$ -

(In Thousands)	Historical					Statistical			
	2013	2014	2015	2016	2017	Low	Median	Mean	High
Opening Balance	\$ 40,034	\$ 5,184	\$ 42	\$ 4	\$ -	\$ -	\$ 133	\$ 7,581	\$ 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 March 31, 2018

Reserve/Fund Authorization: Bond Resolution and Pricing Policy

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

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

	Actual as of 03/31/2018		Full Year			Projection		
	Current Quarter	Year -to-Date	2018 Forecast	2018 Budget	Prior Year Actual	2019	2020	2021
<i>(In Thousands)</i>								
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 March 31, 2018

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 03/31/2018		Full Year			Projection		
	Current Quarter	Year -to-Date	2018 Forecast	2018 Budget	Prior Year Actual	2019	2020	2021
<i>(In Thousands)</i>								
Opening Balance	\$ 8,518	\$ 5,214	\$ 5,214	N/A	\$ 1,699	\$ 10,300	\$ 10,300	\$ 10,300
Additions:								
Contributions	5,691	11,568	25,891		24,362			
Regulatory Receivable								
Sub-total	\$ 5,691	\$ 11,568	\$ 25,891	\$ -	\$ 24,362	\$ -	\$ -	\$ -
Deductions:								
Withdrawals	3,966	6,539	20,805		20,847			
Regulatory Receivable								
Sub-total	\$ 3,966	\$ 6,539	\$ 20,805	\$ -	\$ 20,847	\$ -	\$ -	\$ -
Ending Balance	\$ 10,243	\$ 10,243	\$ 10,300	N/A	\$ 5,214	\$ 10,300	\$ 10,300	\$ 10,300

	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 March 31, 2018

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 03/31/2018		Full Year			Projection		
	Current Quarter	Year -to-Date	2018 Forecast	2018 Budget	Prior Year Actual	2019	2020	2021
<i>(In Thousands)</i>								
Opening Balance	\$ 15,270	\$ 15,086	\$ 15,086	N/A	\$ 13,910	\$ 15,218	\$ 15,218	\$ 15,218
Additions:								
Allocated from Electric Loan Repayment		132	132	N/A	1,176			
Sub-total	\$ -	\$ 132	\$ 132	\$ -	\$ 1,176	\$ -	\$ -	\$ -
Deductions:								
Allocated from Electric Loan to W&S Operations	52		-	N/A	-			
Sub-total	\$ 52	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Ending Balance	\$ 15,218	\$ 15,218	\$ 15,218	N/A	\$ 15,086	\$ 15,218	\$ 15,218	\$ 15,218

	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 Loan Repayment	1,233		468	655	1,176	468	655	766	1,176
Sub-total	\$ 1,233	\$ -	\$ 468	\$ 655	\$ 1,176	-	-	-	-
Deductions:									
Allocated from Electric Loan to W&S Operations		1,073				-	-	-	-
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 March 31, 2018

Reserve/Fund Authorization: Bond Resolution

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

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

(In Thousands)	Actual as of 03/31/2018		Full Year			Projection		
	Current Quarter	Year -to-Date	2018 Forecast	2018 Budget	Prior Year Actual	<u>2019</u>	<u>2020</u>	<u>2021</u>
Opening Balance	\$ 23,375	\$ 82,208	\$ 82,208	N/A	\$ 65,410	\$ 81,727	\$ 85,952	\$ 86,527
Additions:								
Revenue fund deposits	28,274	56,751	117,032		114,873	119,748	120,110	120,310
Sub-total	\$ 28,274	\$ 56,751	\$ 117,032	\$ -	\$ 114,873	\$ 119,748	\$ 120,110	\$ 120,310
Deductions:								
Principal and interest payments	739	88,049	117,513	N/A	98,075	115,523	119,535	118,867
Sub-total	\$ 739	\$ 88,049	\$ 117,513	\$ -	\$ 98,075	\$ 115,523	\$ 119,535	\$ 118,867
Ending Balance	\$ 50,910	\$ 50,910	\$ 81,727	N/A	\$ 82,208	\$ 85,952	\$ 86,527	\$ 87,970

(In Thousands)	Historical					Statistical			
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	Low	Median	Mean	High
Opening Balance	\$ 81,675	\$ 80,317	\$ 75,019	\$ 67,720	\$ 65,410	\$ 223	\$ 71,370	\$ 61,727	\$ 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 March 31, 2018

Reserve/Fund Authorization: Bond Resolution

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

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

(In Thousands)	Actual as of 03/31/2018		Full Year			Projection		
	Current Quarter	Year -to-Date	2018 Forecast	2018 Budget	Prior Year Actual	2019	2020	2021
Opening Balance	\$ 102,850	\$ 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		598			
Sub-total	\$ -	\$ 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 March 31, 2018

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

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

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

(In Thousands)	Actual as of 03/31/2018		Full Year			Projection		
	Current Quarter	Year -to-Date	2018 Forecast	2018 Budget	Prior Year Actual	2019	2020	2021
Opening Balance	\$ 57,132	\$ 54,699	\$ 54,699	N/A	\$ 76,020	\$ 88,325	\$ 75,773	\$ 24,270
Additions:								
R&R/OCO Contribution	40,696	76,452	161,014	-	108,119	163,689	140,589	140,935
Transfer from Capital Fds				-	137			
Other	2,401	2,605	9,202	-	8,050	2,560	500	500
Sub-total	\$ 43,096	\$ 79,057	\$ 170,216	\$ -	\$ 116,306	\$ 166,249	\$ 141,089	\$ 141,435
Deductions:								
Capital Expenditures	25,718	59,246	136,590	-	132,588	178,151	191,942	189,388
Transfer to Capacity Fund				-	86			
Transfer to Construction Fund								
Other				-	4,953	650	650	
Sub-total	\$ 25,718	\$ 59,246	\$ 136,590	\$ -	\$ 137,627	\$ 178,801	\$ 192,592	\$ 189,388
Ending Balance	\$ 74,510	\$ 74,510	\$ 88,325	N/A	\$ 54,699	\$ 75,773	\$ 24,270	\$ (23,683)

	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 March 31, 2018

Reserve/Fund Authorization: Florida Statute and Rate Tariff

Metric: Tariff rate

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

(In Thousands)	Actual as of 03/31/2018		Full Year			Projection		
	Current Quarter	Year -to-Date	2018 Forecast	2018 Budget	Prior Year Actual	2019	2020	2021
Opening Balance	\$ 87,781	\$ 95,620	\$ 95,620	N/A	\$ 103,411	\$ 60,499	\$ 52,441	\$ 40,102
Additions:								
Capacity Fees	5,525	11,657	23,187	-	24,777	21,641	21,959	22,288
State Revolving Fd Loan				-	-			
Transfer from R&R/OCO Fund			18	-	-	650	650	
Other				-	-			
Sub-total	\$ 5,525	\$ 11,657	\$ 23,205	\$ -	\$ 24,777	\$ 22,291	\$ 22,609	\$ 22,288
Deductions:								
Capital Expenditures	6,121	20,092	58,302	-	32,654	30,349	34,948	52,043
Other				-	-			
	24	24	24	-	-			
Sub-total	\$ 6,145	\$ 20,116	\$ 58,326	\$ -	\$ 32,654	\$ 30,349	\$ 34,948	\$ 52,043
Ending Balance	\$ 87,161	\$ 87,161	\$ 60,499	N/A	\$ 95,534	\$ 52,441	\$ 40,102	\$ 10,347

(In Thousands)	Historical					Statistical			
	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 March 31, 2018

Reserve/Fund Authorization: Pricing Policy

Metric: Unit tariff rates times consumption

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

(In Thousands)	Actual as of 03/31/2018		Full Year			Projection		
	Current Quarter	Year -to-Date	2018 Forecast	2018 Budget	Prior Year Actual	<u>2019</u>	<u>2020</u>	<u>2021</u>
Opening Balance	\$ 616	\$ 1,839	\$ 1,839	N/A	\$ 2,659	\$ 1,420	\$ 1,000	\$ 1,000
Additions:								
Environmental Contributions	1,964	2,527	9,842	-	12,394	18,145	9,421	4,696
Loans betw Capital Fds				-	-			
Other				-	-			
Sub-total	\$ 1,964	\$ 2,527	\$ 9,842	\$ -	\$ 12,394	\$ 18,145	\$ 9,421	\$ 4,696
Deductions:								
Capital Expenditures	1,765	3,551	10,261	-	13,214	18,565	9,421	4,696
Septic Tank Phase Out				-	-			
Other	-			-	-			
Sub-total	\$ 1,765	\$ 3,551	\$ 10,261	\$ -	\$ 13,214	\$ 18,565	\$ 9,421	\$ 4,696
Ending Balance	\$ 815	\$ 815	\$ 1,420	N/A	\$ 1,839	\$ 1,000	\$ 1,000	\$ 1,000

(In Thousands)	Historical					Statistical			
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	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 March 31, 2018

Reserve/Fund Authorization: Bond Resolution

Metric: Capital expenditures per year minus internal funding available

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

(In Thousands)	Actual as of 03/31/2018		Full Year			Projection		
	Current Quarter	Year -to-Date	2018 Forecast	2018 Budget	Prior Year Actual	2019	2020	2021
Opening Balance	\$ 907	\$ 15	\$ 15	N/A	\$ 152	\$ -	\$ -	\$ -
Additions:								
Bond Proceeds		894	894	-	-			
Line of Credit			-	-	-			
Transfer from R&R/OCO Fund				-	-			
Other				-	-			
Sub-total	\$ -	\$ 894	\$ 894	\$ -	\$ -	\$ -	\$ -	\$ -
Deductions:								
Capital Expenditures	583	583		-	-			
Bond Proceeds				-	-			
Other		2	909	-	137			
Sub-total	\$ 583	\$ 585	\$ 909	\$ -	\$ 137	\$ -	\$ -	\$ -
Ending Balance	\$ 324	\$ 324	\$ -	N/A	\$ 15	\$ -	\$ -	\$ -

(In Thousands)	Historical					Statistical			
	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.

VI. A. 6.

JEA Energy Market Risk Management Policy Report



Building Community

AGENDA ITEM SUMMARY

April 17, 2018

SUBJECT: JEA ENERGY MARKET RISK MANAGEMENT POLICY REPORT

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

Issue: The JEA Board approved the Energy Market Risk Management (EMRM) Policy in March 2014. The Policy was developed to codify the risk, governance, limits, and criteria associated with managing energy market exposure, and to comply with requirements of the Dodd-Frank Wall Street Reform and Consumer Protection Act. The reporting section of the Policy requires a quarterly report on JEA's financial and physical fuel and power transactions. This report includes physical transactions greater than one year and all financial transactions.

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

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

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

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

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

Submitted by: AFZ/MJB/SGM



Commitments to Action

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

Energy Market Risk Management: Physical and Financial Positions

Summary as of 4/6/2018		
Projected FY18 Expense (Budget = \$431M)	\$454M	☹
Projected FY18 Fuel Fund Ending Balance	\$76M	☹
Proposed FY19 Budget	\$418	☺
EMRM Compliance	Yes	☺
Counterparty Credit Limit Exceptions	No	☺
Any Issues of Concern	No	☺

VI. A. 6.
05/15/2018

Table 1: Physical Counterparties (Contracts One Year or Greater) as of 4/1/2018

Generating Unit	Fuel Type	Supplier/Counterparty	Contract Type	Remaining Contract Value	Remaining Contract Term
Scherer 4	Coal	Contura Eagle Butte - 003	Fixed Price	\$1,843,687	9 months
Scherer 4	Coal	Peabody Caballo - 009	Fixed Price	\$1,289,506	9 months
Scherer 4	Coal	Buckskin - 010	Fixed Price	\$602,627	9 months
Scherer 4	Coal	CY19 Contura Eagle Butte - 001	Fixed Price	\$2,806,571	12 months
Scherer 4	Coal	CY19 Contura Eagle Butte - 004	Fixed Price	\$862,826	12 months
Scherer 4	Coal	CY19 Peabody Caballo -005	Fixed Price	\$2,334,578	12 months
Scherer 4	Coal	CY20 Contura Eagle Butte - 001	Fixed Price	\$3,018,716	12 months
NG Fleet	Natural Gas	Shell Energy	Index w/Fixed Price Option	\$197,523,734	3.17 years

Table 2: Financial Positions as of 4/1/2018

Year	Commodity	Physical Volume (mmBtu)	Hedged Volume (mmBtu)	Percent Hedged	Unhedged Cost (\$/mmBtu)	Hedge Type	Hedge Price	Mark-to-Market Value	Counter Party
FY18	Natural Gas	25,918,900	9,100,000	35.1%	\$ 2.76	Swap	\$ 2.65	\$ (1,048,320)	Wells Fargo
FY19	Natural Gas	52,297,400	5,460,000	10.4%	\$ 2.79	Swap	\$ 2.65	\$ (1,294,020)	Wells Fargo
FY20	Natural Gas	52,059,400	-	0.0%	\$ 2.77	-	-	\$ -	-

Table 3: Fuel Procurement as of 4/1/2018

Fuel Type	Natural Gas	Coal	Petcoke	Purchased Power	Oil/Diesel	Renewables
FY18 Remaining / Energy Mix	52%	16%	11%	19%	0%	2%
Expected Spend (\$)	83.6M	32.4M	26.0M	34.9M	0.5M	7.7M
% Procured	72%	94%	22%	59%	100%	100%
% Hedged	35%	94%	22%	6%	100%	100%
FY19 Budget / Energy Mix	49%	19%	14%	17%	0%	1%
Expected Spend (\$)	148.4M	76.2M	54.9M	58.3M	0.9M	13.5M
% Procured	53%	56%	8%	59%	100%	100%
% Hedged	10%	56%	8%	7%	100%	100%
FY20 Projection / Energy Mix	59%	18%	14%	8%	0%	1%
Expected Spend (\$)	177.6M	69.3M	57.6M	51.4M	3.9M	13.1M
% Procured	36%	45%	9%	24%	100%	100%
% Hedged	0%	45%	9%	3%	100%	100%

Supporting Notes:

- Renewable purchase power agreements are not included in Table 1
- Natural Gas Transportation is 100% fixed capacity and price
- Solid fuel procurement - annually and quarterly at Northside; CY2018-2020 for Scherer
- Table 3: FY Energy Mix based on MWH
- In Table 3, the procured percent relates to inventory on hand, or contracted and the percent hedged is inventory on hand or contracted with fixed pricing or financial hedges
- Renewables in Table 3 represent only signed agreements

GWh			
	2018 (remain.)	2019	2020
Coal	 1132	2535	2305
Petcoke	 769	1765	1834
Oil/Diesel	2	4.6	19.1
Purch Pwr	 1322	2259.5	1064
Nat Gas	 3615	6401	7761
Renew	 108	155.5	136
Total	6948	13120.6	13119.1
%			
Coal	 16%	19%	18%
Petcoke	 11%	14%	14%
Oil/Diesel	0%	0%	0%
Purch Pwr	 19%	17%	8%
Nat Gas	 52%	49%	59%
Renew	 2%	1%	1%
Total	100%	101%	100%

VI. A. 7.

Annual Disclosure Report – Open Discussion

There are no materials for this agenda item.

VI. B.

Compensation Committee Report



COMPENSATION COMMITTEE AGENDA

AMENDED 5/11/2018

DATE: May 14, 2018
TIME: 10:30 AM
PLACE: 21 W. Church Street
8th Floor

	Responsible Person	Action (A) Info (I)	Total Time
I. OPENING CONSIDERATIONS	Kelly Flanagan		
A. Call to Order			
B. Adoption of Agenda		A	
C. Approval of Minutes – November 27, 2017	Melissa Charleroy	A	
II. NEW BUSINESS			
A. Executive Contracts	Jody Brooks/ Aaron Zahn	A	15 mins.
B. Executive Search Firm Selection	Kelly Flanagan	A	15 mins.
C. Other New Business			15 mins.
D. Announcements			
1. Schedule Next Meeting as Appropriate			
E. Adjournment			

VI. B. 1.

Approval of Minutes – November 27, 2017

JEA COMPENSATION COMMITTEE MINUTES
November 27, 2017

The Compensation Committee of JEA met on Monday, November 27, 2017, in the 8th Floor Conference Room, JEA Plaza Tower, 21 W. Church Street, Jacksonville, Florida.

Agenda Item I – Opening Considerations

- A. Call to Order – Committee Member Petway called the meeting to order at 11:46 AM with Committee Member Kelly Flanagan in attendance, as well as Board Chair Alan Howard in observance. Committee Chair Delores Kesler was absent and excused. Also present were Paul McElroy, Angie Hiers, Melissa Dykes, Mike Hightower, Jody Brooks and Gerri Boyce.
- B. Adoption of Agenda – The Agenda was adopted on **motion** by Mr. Petway and second by Ms. Flanagan.
- C. Approval of Minutes – The January 6, 2017 minutes were approved on **motion** by Mr. Petway and second by Board Chair Howard.

Agenda Item II – New Business

- A. Fiscal Year 2017 Pay for Performance Program – Angie Hiers, Chief Human Resources Officer, reminded the Committee that in November 2016, the Board approved the Pay for Performance Program for 2017, which included corporate-wide stretch goals for the company. Ms. Hiers stated such programs as this assist in attracting, motivating and retaining high caliber employees. Ms. Hiers added JEA's program delivers an incentive when goals are achieved and O&M cost savings are realized to pay for the program. Ms. Hiers provided an overview of the FY17 final results for the following categories: Customer Satisfaction – JEA reached a new record performance level on the J.D. Power Residential Electric Customer Satisfaction survey in 2017. JEA's customers' overall satisfaction improved for the fifth consecutive year to a score of 747, the highest Overall Customer Satisfaction score since 2013. Customers scored JEA 44 points above the 2016 results. JEA also placed 1st Quartile for five of the six drivers of customer satisfaction. In the area of Safety, JEA achieved a final recordable incident rate of 2.01 for FY17, which did not meet the corporate safety goal for the fiscal year. In the area of Cost Control, JEA's total O&M savings for FY2017 was \$17.5 million. Ms. Hiers added the total possible payout to employees under the Pay for Performance Plan as authorized by the Board was \$6.7 million, if all metrics were exceeded. Based on the performance results, the actual payout to employees is \$4.7 million, or 3.2% of the total base salaries as of October 1, 2017. Upon **motion** by Mr. Petway and second by Board Chair Howard, the Committee recognized the excellent performance by the JEA team and approved the payout amounts of the FY2017 Pay for Performance Program. This item will be presented to the full Board for approval at the November 28, 2017 meeting.
- B. Fiscal Year 2017 CEO Performance – Jody Brooks, Chief Legal Officer, stated the Board approved the CEO FY2017 goals at the November 2016 meeting and finalized the scoring at the January 17, 2017 meeting. With Board direction and feedback, a prescriptive CEO scorecard was developed and approved. The Committee was presented with a final scorecard including goals, performance metrics, objectives and results. Ms. Brooks highlighted that Key Stakeholders is the only subjective factor requiring approval. Mr. McElroy reminded the Committee that Ms. Brooks works with JEA, but is employed by the Office of General Counsel, and all financials included within the scorecard are provided by a JEA staff analyst. On **motion** by Mr. Petway and second by Board Chair Howard, the Committee held discussions regarding the Key Stakeholders metric. On **motion** by Ms. Flanagan and second by Mr. Petway, the Committee held discussions and

approved the subjective Key Stakeholders metric score of 2.14. On **motion** by Mr. Petway and second by Board Chair Howard, the Committee approved an overall CEO evaluation score of 10.69%. This item will be presented to the full Board for approval at the November 28, 2017 meeting.

- C. Fiscal Year 2018 and Beyond Employee Compensation Discussion – Angie Hiers, Chief Human Resources Officer provided a handout on the FY18 Pay for Performance metrics. Mr. McElroy reminded the Committee that this item is being presented for discussion and provided the Committee with options on how to proceed with the Pay for Performance Plan in the future. Committee Members held discussions about past practices and a potential revision to the policy laying out how this program is to be approved in the future. This item was presented for information only.
- D. Fiscal Year 2018 and Beyond CEO Contract Discussion – Jody Brooks, Chief Legal Officer, stated Mr. McElroy's contract ends in September 2018. Ms. Brooks asked the Committee if they are prepared to review the discussion of revising Mr. McElroy's contract to eliminate the Performance Compensation Incentive and include directly into his base salary. Committee Members held discussions regarding the CEO contract. Mr. McElroy suggested revising the incentive from a 15% opportunity to a 10% fixed with an additional 3% increase each year. This item was received for information.
- E. Fiscal Year 2018 CEO Goals – This agenda item was deferred to a later date.
- F. Announcements – The next meeting will be scheduled as appropriate.
- G. Adjournment – With no further business claiming the attention of this Committee, the meeting was adjourned at 1:28 PM.

APPROVED BY:

Delores Kesler, Committee Chair

Date: _____

Submitted by:

Melissa Charleroy
Executive Assistant

VI. B. 2.

Executive Contracts

May 9, 2018

SUBJECT: EXECUTIVE CONTRACTS

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

Issue: On April 17, 2018, the Board provided direction to work on employment contracts for key executives including, but not limited to, the Interim Managing Director/Chief Executive Officer (“CEO”) and Chief Operating Officer (“COO”).

Significance: To have assurance that the CEO and COO will be engaged in providing the proper management and direction to JEA.

Effect: The JEA Board of Directors is tasked with appointing a CEO to operate the eighth largest community-owned electric utility company in the United States and the largest in Florida, with total assets of \$8.4 billion (2017), total revenue of \$1.8 billion (2017), and approximately 2000 employees (2017).

Cost or Benefit: The proposed Employment Agreements for the CEO and COO provide for certain provisions relative to: i) annual base salary; ii) benefits, iii) and other market standard employment terms consistent with Florida Statutes and for a period of one year.

Recommended Board action: Staff recommends that the JEA Board of Directors approve the CEO and COO Employment Agreements effective April 17, 2018 through April 30, 2019, unless sooner terminated in accordance with the terms of each agreement.

For additional information, contact: Aaron Zahn 665-4396

Submitted by: AFZ/AFZ



Commitments to Action

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

**EMPLOYMENT AGREEMENT
FOR INTERIM MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER**

THIS EMPLOYMENT AGREEMENT (the “Agreement”) is made and entered into in duplicate as of this 17th day of April 2018 (the “Effective Date”), by and between JEA, a body politic and corporate under the laws of the State of Florida and an independent agency of the Consolidated City of Jacksonville, hereinafter referred to as JEA (“JEA” or “Employer”), and Aaron F. Zahn, an individual currently residing in Neptune Beach, Florida, hereinafter referred to as Employee or Interim Managing Director & CEO.

WITNESSETH:

WHEREAS, JEA is a community-owned, not-for-profit utility providing electricity to more than 458,000 customers in Jacksonville and the surrounding areas in northeastern Florida;

WHEREAS, JEA, founded in 1968, manages an electric system that dates back to 1895, and now owns and operates an electric system with five generating plants, transmission and distribution facilities, including 745 miles of transmission lines and 6,625 miles of distribution lines; is part owner and full operator of a sixth generating plant; produces energy from two methane-fueled generating facilities and owns a 12.6-megawatt solar project placing JEA’s total generating capacity at approximately 3,757 megawatts;

WHEREAS, JEA also provides water and wastewater services to approximately 341,000 water customers, 9,000 reuse water customers and 264,000 wastewater customers;

WHEREAS, JEA’s water system consists of 136 artesian wells tapping the Floridian aquifer, distributing water through 37 water treatment plants and 4,352 miles of water lines and with a sewer system of more than 3,760 miles of collection lines and seven regional and seven non-regional sewer treatment plants;

WHEREAS, JEA owns and operates the District Energy System a separate utility system that provides chilled water to 13 locations in Jacksonville;

WHEREAS, the JEA governing body is made up of a seven-member Board of Directors (“Board”) appointed by the Mayor and confirmed by the City Council;

WHEREAS, the Board is tasked with appointing a Managing Director & CEO to operate the eighth largest community-owned electric utility company in the United States and the largest in Florida, with total assets of \$8.7 billion (2017), total equity of \$2.6 billion (2017), and approximately 2000 employees (2017);

WHEREAS, the former CEO/Managing Director resigned on April 8, 2018 and JEA is in the process of recruiting and filling the permanent position, but will need time to complete the recruitment;

WHEREAS, JEA is desirous of employing Employee as Interim Managing Director & Chief Executive Officer pursuant to the terms and conditions and for the consideration set forth in this

Agreement, and Employee is desirous of entering into the employ of JEA pursuant to such terms and conditions and for consideration.

NOW, THEREFORE, for and in consideration of the mutual promises, covenants, and obligations contained herein, JEA and Employee agree as follows:

SECTION I – EMPLOYMENT AND DUTIES:

- 1.1 **Engagement.** JEA agrees to employ Employee and Employee agrees to be employed by JEA, beginning as of April 17, 2018, and terminating, unless earlier terminated in accordance with this Agreement, as of April 30, 2019 (“Term”), subject to the terms and conditions of this Agreement.
- 1.2 **Terms and Duties.** Employee shall be employed as Interim Managing Director and Chief Executive Officer of JEA (hereinafter collectively “Interim Managing Director & CEO”). Employee agrees to serve in this position and to perform diligently Employee’s duties and services with the dedication and in manner of similarly situated executives and as required by such a position as determined by the JEA Board, as well as such duties that may from time to time be directed by the Board. Such duties include, but are not limited to, exercising the full authority, responsibility and duties commensurate with the laws establishing JEA to manage the affairs of JEA and to manage and direct staff, business, and operations of JEA.
- 1.3 **Compliance with Policies and Procedures.** Employee shall at all times comply with and be subject to such policies and procedures as the Board may establish.
- 1.4 **Diligence to Position.** Employee shall devote full business time, energy, and best efforts to the business of Employer with the dedication and in the manner of similarly situated executives; provided, however, that it is agreed that this obligation, shall not preclude Employee from engaging in appropriate civic, charitable or religious activities or, with the consent of the Board, from serving on the boards of directors of companies that are not competitors to JEA, as long as the activities do not materially interfere or conflict with Employee’s responsibilities to or Employee’s ability to perform your duties of employment at JEA, within the sole discretion of the Board. Subject to the foregoing, Employee may not engage, directly or indirectly, in any other business, investment, or activity that interferes with Employee’s performance of his duties, is directly contrary to JEA’s interests, or requires any significant portion of Employee’s business time. Employee’s authority, responsibilities and duties are generally described in the Position Profile for Managing Director and Chief Executive Officer which may be amended from time to time and which is attached hereto as Exhibit A and by reference made a part hereof; provided, however, that Employee may own less than two percent (2%) of the voting stock of a corporation listed for trading or traded over the counter on a recognized stock exchange in the United States.
- 1.5 **Fiduciary Obligations.** Employee acknowledges and agrees that during the Term, Employee owes a fiduciary duty of loyalty, fidelity, and allegiance to act at all times in the best interests of JEA, and to do no act which would intentionally injure the direct or indirect interests of JEA, or benefit from any outside activities, which interests might conflict with JEA, or upon

discovery thereof, allow such a conflict to continue. Moreover, Employee agrees to disclose to JEA, any facts which might involve a possible conflict of interest during the Term.

SECTION II – COMPENSATION AND BENEFITS:

- 2.1 **Annual Compensation.** Employee shall be paid a salary of Three Hundred Thirty Thousand Dollars Zero Cents (\$330,000.00) per annum (the “Annual Base Salary”), which shall be paid in accordance with JEA’s standard payroll practice, including deductions for all legally applicable taxes and withholdings, with accrual commencing April 17, 2018. The Board may, at its sole and absolute discretion, provide Employee the opportunity to participate in the JEA Pay for Performance Program established pursuant to the Board Policy Manual for the Fiscal Year 2017/18 and for applicable Pay for Performance Programs established thereafter during the Term of this Agreement.
- 2.2 **Vehicle.** Employee will have the use of an appropriately equipped JEA vehicle at the expense of JEA to supplement Employee’s personal vehicle. In lieu of having use of a JEA vehicle, Employee may, at Employee’s option, be provided a monthly automobile allowance of \$850, payable on the first bi-weekly pay period of each month subject to withholding. It is specifically intended and understood that this allowance shall be provided for unreimbursed expenses incurred by the Employee within the territorial limits of the JEA service territory and receipt of this allowance shall not prevent the Employee from claiming and being reimbursed for travel expenses resulting from travel by him outside the JEA service territory in the manner provided by the Ordinance Code the City of Jacksonville.
- 2.3 **Business Allowance.** Employee will be provided a monthly allowance in the amount of \$2,000 for general business expenses incurred in Employee’s efforts to promote and represent JEA beyond those identified in JEA employee policies. The business allowance shall be payable on the first bi-weekly pay period of each month, subject to withholding. Employee may expend the monthly allowance in such a manner, and in Employee’s sole discretion, as supports Employee’s ability to perform Employee’s function for JEA.
- 2.4 **Expenses.** Notwithstanding anything herein to the contrary, JEA shall reimburse Employee for telephone, travel, continuing education, and general business expenses incurred by Employee in accordance with JEA policies and procedures.
- 2.5 **Annual Leave.** Employee will be provided annual leave (“Leave”) in accordance with JEA’s existing policies and procedures. Without limiting the generality of the foregoing, Employee shall be entitled to 280 hours of Leave during each year of employment and 64 hours of such Leave shall fully accrue on the Effective Date.
- 2.6 **Fringe Benefits.** Employee shall be allowed to participate, on the same basis generally as other employees of JEA, in all general employee benefit plans and programs, including improvements or modifications of same, which on the effective date or thereafter are made available by JEA to all or substantially all of JEA’s executive employees. Such benefits, plans, and programs may include, without limitation, medical, health, and dental care, life insurance, disability protection, and the pension plans including JEA’s Supplemental Executive

Retirement Plan including any amendments thereto. Except as specifically provided herein, nothing in this Agreement is to be construed or interpreted to provide greater or lesser rights, participation, coverage, or benefits under the benefit plans or programs than provided to executive employees pursuant to the terms and conditions of such benefit plans and programs. JEA shall not by reason of this Section II be obligated to institute, maintain, or refrain from changing, amending, or discontinuing, any incentive compensation or employee benefit program or plan, so long as such actions are similarly applicable to covered employees generally.

SECTION III – TERMINATION AND EXTENSION:

- 3.1 **Termination.** Employee's employment with JEA shall be terminated (i) on April 30, 2019 unless earlier terminated or extended pursuant to this Section III and unless otherwise modified by mutual agreement between Employer and Employee, (ii) upon Employee's death or resignation, (iii) upon Employee's Disability, (iv) by either party, without cause, upon 30 days advance notice to the other party, or (v) immediately for cause as defined herein in Section 3.1.2.
- 3.1.1 If Employee's employment is terminated with or without cause, all future compensation to which Employee is otherwise entitled and all future benefits for which Employee is eligible shall cease and terminate as of the date of termination, except as specifically provided in this Section 3.1.1 or as provided by law. Upon (i) termination by JEA without cause, or (ii) termination by Employee for Good Reason, then (a) JEA shall pay Employee a lump sum payment equal to twenty (20) weeks of the current Annual Base Salary, less applicable taxes and deductions, and (b) Employee shall be entitled to, and JEA shall cover the cost of, Employee's continued participation in all employee benefit plans or programs in which Employee was participating on the date of termination for a period of 20 weeks following the end of the month in which the termination occurs.
- 3.1.2 No severance shall be due to Employee if Employee terminates his employment without cause, dies or becomes Disabled, or if Employee's employment is terminated by JEA for cause. For purposes of this Agreement, termination for "cause" shall include: (i) willful breach of material duties, obligations and policies of JEA which Employee fails to cure within ten (10) days after written notice from JEA identifying such breach; (ii) gross negligence or gross neglect of duties and obligations required in performance of Employee's duties; or willful misconduct, (iii) continued violation of written rules and policies of the Board after written notice of same and reasonable opportunity to cure; (iv) conviction of any criminal act which is a felony; (v) commission in a public or private capacity of theft, fraud, misappropriation of embezzlement of funds; or (vi) misconduct as defined in F.S. 443.036(29). Notwithstanding anything in this Agreement to the contrary, if Employee resigns his employment after a diminishment in Employee's role, responsibilities, compensation, benefits and/or title, Employee shall remain entitled to compensation as provided under Section 3.1.1. For purposes of the Agreement, termination "without cause" means any termination not explicitly defined as a termination for cause pursuant to this Agreement.

3.1.3 A termination of employment by Employee for Good Reason shall be effectuated by giving JEA written notice ("Notice of Termination for Good Reason") of the termination within 30 days after the event constituting Good Reason, setting forth in reasonable detail the specific conduct that constitutes Good Reason and the specific provisions of this Agreement on which Employee relies. JEA shall have 30 days from the receipt of such notice within which to (i) deny that an event of Good Reason has occurred, or (ii) correct, rescind or otherwise substantially reverse the occurrence supporting termination for Good Reason as identified by Employee. If JEA does not deny that an event of Good Reason has occurred and such event has not been cured within such 30-day period, the termination of employment by Employee for Good Reason shall be effective as of the expiration of such 30-day period. If the event of Good Reason is cured within such 30-day period, the Notice of Termination for Good Reason shall have no effect.

3.1.4 For purposes of this Agreement, "Good Reason" shall mean a material diminution in Employee's responsibilities, compensation, benefits and/or title without Employee's consent. For purposes of this Agreement, the term "Disability" shall mean: if JEA provides long-term disability insurance to its employees generally, the term "Disability" shall have the meaning set forth in such plan regarding eligibility for long-term disability insurance; otherwise, the term "Disability" means a physical or mental incapacity as a result of which Employee becomes unable to continue to perform Employee's essential job functions, with or without reasonable accommodation, for four (4) consecutive months.

3.2 **Extension and Amendment.** This Agreement may only be amended and / or modified by action of the Board along with Employee's concurrence, with the legal formalities accompanying the execution of this Agreement. The Board Chairman shall notify Employee of an intent to bring a request to the Employee and the Board to extend this Agreement. Such notification need not include terms, and need not be in writing.

3.3 **Transition.** If JEA hires a permanent CEO/Managing Director prior to April 30, 2019, the Employee shall be deemed terminated without cause.

SECTION IV – MISCELLANEOUS:

4.1 **Eligibility to Work in the United States.** Employee has provided previously to JEA the appropriate documentation to verify Employee's authorization to work in the United States.

4.2 **Governing Law; Binding Effect; Amendment.** This Agreement shall be interpreted and enforced in accordance with the laws of the State of Florida, with venue to lie in Duval County, and shall be binding on JEA's successors and assigns. No amendment or modification shall be effective unless in writing by the parties, including the approval by the Board.

4.3 **Savings Clause.** Employee's present benefits and rights are preserved, including but not limited to accrued service credits, accrued leave, and accrued incentive compensation carried forward in accordance with existing policies and procedures.

- 4.4 **Public Records and Open Meetings (Sunshine) Requirements.** Employee will become familiar, with the assistance of JEA's staff and JEA's legal counsel, with the unique obligations and parameters of the State of Florida's public records and sunshine act laws, in order that JEA maintain its record of compliance with such laws.
- 4.5 **Legal Counsel.** Employee shall be entitled to legal counsel from or approved by the Office of General Counsel, paid for by JEA in a prompt and current manner as provided in Section 111.07, Florida Statutes, as necessary if Employee is a defendant participant in a lawsuit against the JEA for actions that occurred during period of employment with JEA, excepting where a court has adjudicated Employee as having committed intentional tort or torts.
- 4.6 **Indemnification.** Pursuant to Section 768.28(9)(a), Florida Statutes, Employee is not personally liable in any action for any injury or damage suffered as a result of any act, event, or omission of action in the scope of her or his employment or function. JEA hereby agrees to indemnify, defend and hold Employee harmless from any and all claims arising out of the exercise of Employee's duties and responsibilities to JEA with respect to acts entitled to indemnification pursuant to Section 768.28(9)(a), Florida Statutes. Employee shall be entitled to the benefits and protections of this Section 4.6 notwithstanding (i) any provision in this Agreement to the contrary, (ii) termination of Employee for cause (unless such claim for indemnification arises out of the same facts giving rise to the termination for cause) or without cause, or (iii) the termination of this Agreement.
- 4.7 **Authority.** The person executing and delivering this Agreement on behalf of JEA is an authorized officer, director or agent of JEA with full power and authority to bind JEA. Upon execution and delivery of this Agreement by JEA, this Agreement shall constitute the legal, valid and binding obligation of JEA.
- 4.8 **Entire Agreement.** This Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof. This Agreement supersedes all prior agreements and understandings, both oral and written, between the parties with respect to the subject matter of this Agreement.

SIGNATURES APPEAR ON THE FOLLOWING PAGE

IN WITNESS WHEREOF, the parties hereto have duly executed this Employment Agreement on the day and year above first written.

ATTEST:

JEA

G. Alan Howard, Chairman

Date: _____

WITNESSES:

Aaron F. Zahn, Employee

Date: _____

I hereby certify that the expenditure contemplated by the foregoing Agreement has been duly authorized, and provision has been made for the payment of the moneys provided therein to be paid in respect of Fiscal Year 2017/2018.

Ryan Wannemaker, Interim Chief Financial

Officer
Approved:

Jody Brooks, Chief Legal Officer

Exhibit A – Position Profile for Managing Director and Chief Executive Officer

Vision, Strategy, Organization and Culture

- to lead, in conjunction with the Board, the development of the Company's strategy that outlines the long-term role of JEA in the Jacksonville metro area and the state;
- to lead and oversee the implementation of the Company's long and short-term plans in accordance with its strategy;
- to ensure the Company is appropriately organized and staffed and to have the authority to hire and terminate staff as necessary to enable it to achieve the approved strategy;
- to develop a culture within the Company that promotes employee safety, engagement, efficiency, productivity, flexibility and accountability;
- to ensure that the Company maintains high standards of corporate citizenship and social responsibility wherever it does business;

Management

- to ensure that expenditures of the Company are within the authorized annual budget of the Company;
- to assess the principal risks of the Company and to ensure that these risks are being monitored and managed;
- to ensure effective internal controls and management information systems are in place;
- to ensure that the Company has appropriate systems to enable it to conduct its activities both lawfully and ethically;
- to keep abreast of all material undertakings and activities of the Company and all material external factors affecting the Company and to ensure that processes and systems are in place to ensure that the CEO and management of the Company are adequately informed;
- to ensure the integrity of all public disclosure by the Company
- to abide by specific internally established control systems and authorities, to lead by personal example and encourage all employees; and
- to conduct their activities in accordance with all applicable laws and the Company's standards and ensure the Company's policies, including its environmental, safety and health policies are of the highest standard possible;

Major stakeholder affairs

- to act as a liaison between management and the Board;
- to act as a liaison between Company and the Jacksonville City Council;
- to act as a liaison between Company and the Jacksonville Mayor;
- to build consensus of the Board, City Council, and Mayor around the Company's strategy that outlines the long-term role of JEA as a financial asset of the City of Jacksonville and as a steward of the community and environment for the metro area of Northeast Florida and the State of Florida
- to ensure that the Board of Directors are properly informed and that sufficient information is provided to the Board to enable the Directors to form appropriate judgments;
- to communicate effectively with the financial community, employees, government authorities, other stakeholders and the public;
- in concert with the Chairman, to develop Board agendas;
- to request that special meetings of the Board be called when appropriate;
- in concert with the Chairman, to determine the date, time and location of the annual meeting of shareholders and to develop the agenda for the meeting.

**EMPLOYMENT AGREEMENT
FOR PRESIDENT & CHIEF OPERATING OFFICER**

THIS EMPLOYMENT AGREEMENT (the “Agreement”) is made and entered into in duplicate as of this 17th day of April 2018 (the “Effective Date”), by and between JEA, a body politic and corporate under the laws of the State of Florida and an independent agency of the Consolidated City of Jacksonville, hereinafter referred to as JEA (“JEA” or “Employer”), and Melissa H. Dykes, an individual currently residing in Jacksonville Beach, Florida, hereinafter referred to as Employee or President & Chief Operating Officer.

WITNESSETH:

WHEREAS, JEA is a community-owned, not-for-profit utility providing electricity to more than 458,000 customers in Jacksonville and the surrounding areas in northeastern Florida;

WHEREAS, JEA, founded in 1968, manages an electric system that dates back to 1895, and now owns and operates an electric system with five generating plants, transmission and distribution facilities, including 745 miles of transmission lines and 6,625 miles of distribution lines; is part owner and full operator of a sixth generating plant; produces energy from two methane-fueled generating facilities and owns a 12.6-megawatt solar project placing JEA’s total generating capacity at approximately 3,757 megawatts;

WHEREAS, JEA also provides water and wastewater services to approximately 341,000 water customers, 9,000 reuse water customers and 264,000 wastewater customers;

WHEREAS, JEA’s water system consists of 136 artesian wells tapping the Floridian aquifer, distributing water through 37 water treatment plants and 4,352 miles of water lines and with a sewer system of more than 3,760 miles of collection lines and seven regional and seven non-regional sewer treatment plants;

WHEREAS, JEA owns and operates the District Energy System a separate utility system that provides chilled water to 13 locations in Jacksonville;

WHEREAS, the JEA governing body is made up of a seven-member Board of Directors (“Board”) appointed by the Mayor and confirmed by the City Council;

WHEREAS, the Board is tasked with appointing a Managing Director & CEO to operate the eighth largest community-owned electric utility company in the United States and the largest in Florida, with total assets of \$8.7 billion (2017), total equity of \$2.6 billion (2017), and approximately 2000 employees (2017);

WHEREAS, JEA is desirous of employing Employee as President & Chief Operating Officer pursuant to the terms and conditions and for the consideration set forth in this Agreement, and Employee is desirous of entering into this Agreement pursuant to such terms and conditions.

NOW, THEREFORE, for and in consideration of the mutual promises, covenants, and obligations contained herein, JEA and Employee agree as follows:

SECTION I – EMPLOYMENT AND DUTIES:

- 1.1 **Engagement.** JEA agrees to employ Employee and Employee agrees to be employed by JEA, beginning as of April 17, 2018, and terminating, unless earlier terminated in accordance with this Agreement, as of April 30, 2019 (“Term”), subject to the terms and conditions of this Agreement.
- 1.2 **Terms and Duties.** Employee shall be employed as President & Chief Operating Officer of JEA (hereinafter collectively “President & Chief Operating Officer”). Employee agrees to serve in this position and to perform diligently Employee’s duties and services with the dedication and in manner of similarly situated executives and as required by such a position as determined by the JEA Board or Managing Director & CEO (or Interim Managing Director & CEO) of JEA (the “CEO”), as well as such duties that may from time to time be directed by the Board.
- 1.3 **Compliance with Policies and Procedures.** Employee shall at all times comply with and be subject to such policies and procedures as the Board may establish.
- 1.4 **Diligence to Position.** Employee shall devote full business time, energy, and best efforts to the business of Employer with the dedication and in the manner of similarly situated executives; provided, however, that it is agreed that this obligation, shall not preclude Employee from engaging in appropriate civic, charitable or religious activities or, with the consent of the CEO (or Interim CEO, as the case may be), from serving on the boards of directors of companies that are not competitors to JEA, as long as the activities do not materially interfere or conflict with Employee’s responsibilities to or Employee’s ability to perform your duties of employment at JEA, within the sole discretion of the CEO (or Interim CEO, as the case may be). Subject to the foregoing, Employee may not engage, directly or indirectly, in any other business, investment, or activity that interferes with Employee’s performance of his duties, is directly contrary to JEA’s interests, or requires any significant portion of Employee’s business time; provided, however, that Employee may own less than two percent (2%) of the voting stock of a corporation listed for trading or traded over the counter on a recognized stock exchange in the United States.
- 1.5 **Fiduciary Obligations.** Employee acknowledges and agrees that during the Term, Employee owes a fiduciary duty of loyalty, fidelity, and allegiance to act at all times in the best interests of JEA, and to do no act which would intentionally injure the direct or indirect interests of JEA, or benefit from any outside activities, which interests might conflict with JEA, or upon discovery thereof, allow such a conflict to continue. Moreover, Employee agrees to disclose to JEA, any facts which might involve a possible conflict of interest during the Term.

SECTION II – COMPENSATION AND BENEFITS:

- 2.1 **Annual Compensation.** Employee shall be paid a salary of Four Hundred Thousand Dollars Zero Cents (\$400,000.00) per annum (the “Annual Base Salary”), which shall be paid in accordance with JEA’s standard payroll practice, including deductions for all legally applicable taxes and withholdings, with accrual commencing April 17, 2018. In the event the initial Term of this Agreement is extended, JEA shall, not less than annually, conduct a performance review of Employee, including a review of Employee’s Annual Base Salary and shall discuss the results of such review with Employee. Employee shall be eligible to participate in the JEA Pay for Performance Program established pursuant to the Board Policy Manual for the Fiscal Year 2017/18 and for applicable Pay for Performance Programs established thereafter during the Term of this Agreement.
- 2.2 **Vehicle.** Employee will have the use of an appropriately equipped JEA vehicle at the expense of JEA to supplement Employee’s personal vehicle. In lieu of having use of a JEA vehicle, Employee may, at Employee’s option, be provided a monthly automobile allowance of \$850, payable on the first bi-weekly pay period of each month subject to withholding. It is specifically intended and understood that this allowance shall be provided for unreimbursed expenses incurred by the Employee within the territorial limits of the JEA service territory and receipt of this allowance shall not prevent the Employee from claiming and being reimbursed for travel expenses resulting from travel by him outside the JEA service territory in the manner provided by the Ordinance Code the City of Jacksonville.
- 2.3 **Business Allowance.** Employee will be provided a monthly allowance in the amount of \$700 for general business expenses incurred in Employee’s efforts to promote and represent JEA beyond those identified in JEA employee policies. The business allowance shall be payable on the first bi-weekly pay period of each month, subject to withholding. Employee may expend the monthly allowance in such a manner, and in Employee’s sole discretion, as supports Employee’s ability to perform Employee’s function for JEA.
- 2.4 **Expenses.** Notwithstanding anything herein to the contrary, JEA shall reimburse Employee for telephone, travel, continuing education, and general business expenses incurred by Employee in accordance with JEA policies and procedures.
- 2.5 **Annual Leave.** Employee will be provided annual leave (“Leave”) in accordance with JEA’s existing policies and procedures. Without limiting the generality of the foregoing, Employee shall be entitled to 280 hours of Leave during each year of employment.
- 2.6 **Fringe Benefits.** Employee shall be allowed to participate, on the same basis generally as other employees of JEA, in all general employee benefit plans and programs, including improvements or modifications of same, which on the effective date or thereafter are made available by JEA to all or substantially all of JEA’s executive employees. Such benefits, plans, and programs may include, without limitation, medical, health, and dental care, life insurance, disability protection, and the pension plans including JEA’s Supplemental Executive Retirement Plan including any amendments thereto. Except as specifically provided herein, nothing in this Agreement is to be construed or interpreted to provide greater or lesser rights, participation, coverage, or benefits under the benefit plans or programs than provided to executive employees pursuant to the terms and conditions of such benefit plans and programs.

JEA shall not by reason of this Section II be obligated to institute, maintain, or refrain from changing, amending, or discontinuing, any incentive compensation or employee benefit program or plan, so long as such actions are similarly applicable to covered employees generally.

SECTION III – TERMINATION AND EXTENSION:

- 3.1 **Termination.** Employee's employment with JEA shall be terminated (i) on April 30, 2019 unless earlier terminated or extended pursuant to this Section III and unless otherwise modified by mutual agreement between Employer and Employee, (ii) upon Employee's death or resignation, (iii) upon Employee's Disability, (iv) by either party, without cause, upon 30 days advance notice to the other party, or (v) immediately for cause as defined herein in Section 3.1.2.
- 3.1.1 If Employee's employment is terminated with or without cause, all future compensation to which Employee is otherwise entitled and all future benefits for which Employee is eligible shall cease and terminate as of the date of termination, except as specifically provided in this Section 3.1.1 or as provided by law. Upon (i) termination by JEA without cause, or (ii) termination by Employee for Good Reason, then (a) JEA shall pay Employee a lump sum payment equal to twenty (20) weeks of the current Annual Base Salary, less applicable taxes and deductions, and (b) Employee shall be entitled to, and JEA shall cover the cost of, Employee's continued participation in all employee benefit plans or programs in which Employee was participating on the date of termination for a period of 20 weeks following the end of the month in which the termination occurs.
- 3.1.2 No severance shall be due to Employee if Employee terminates her employment without cause, dies or becomes Disabled, or if Employee's employment is terminated by JEA for cause. For purposes of this Agreement, termination for "cause" shall include: (i) willful breach of material duties, obligations and policies of JEA which Employee fails to cure within ten (10) days after written notice from JEA identifying such breach; (ii) gross negligence or gross neglect of duties and obligations required in performance of Employee's duties; or willful misconduct, (iii) continued violation of written rules and policies of the Board and/or CEO after written notice of same and reasonable opportunity to cure; (iv) conviction of any criminal act which is a felony; (v) commission in a public or private capacity of theft, fraud, misappropriation of embezzlement of funds; or (vi) misconduct as defined in F.S. 443.036(29). Notwithstanding anything in this Agreement to the contrary, if Employee resigns her employment after a diminishment in Employee's role, responsibilities, compensation, benefits and/or title, Employee shall remain entitled to compensation as provided under Section 3.1.1. For purposes of the Agreement, termination "without cause" means any termination not explicitly defined as a termination for cause pursuant to this Agreement.
- 3.1.3 A termination of employment by Employee for Good Reason shall be effectuated by giving JEA written notice ("Notice of Termination for Good Reason") of the termination within 30 days after the event constituting Good Reason, setting forth in reasonable detail the specific conduct that constitutes Good Reason and the specific

provisions of this Agreement on which Employee relies. JEA shall have 30 days from the receipt of such notice within which to (i) deny that an event of Good Reason has occurred, or (ii) correct, rescind or otherwise substantially reverse the occurrence supporting termination for Good Reason as identified by Employee. If JEA does not deny that an event of Good Reason has occurred and such event has not been cured within such 30-day period, the termination of employment by Employee for Good Reason shall be effective as of the expiration of such 30-day period. If the event of Good Reason is cured within such 30-day period, the Notice of Termination for Good Reason shall have no effect.

3.1.4 For purposes of this Agreement, "Good Reason" shall mean a material diminution in Employee's responsibilities, compensation, benefits and/or title without Employee's consent. For purposes of this Agreement, the term "Disability" shall mean: if JEA provides long-term disability insurance to its employees generally, the term "Disability" shall have the meaning set forth in such plan regarding eligibility for long-term disability insurance; otherwise, the term "Disability" means a physical or mental incapacity as a result of which Employee becomes unable to continue to perform Employee's essential job functions, with or without reasonable accommodation, for four (4) consecutive months.

3.2 **Extension and Amendment.** This Agreement may only be amended and / or modified by action of the Board along with Employee's concurrence, with the legal formalities accompanying the execution of this Agreement. Unless earlier terminated in accordance with the terms hereof, the term of this Agreement will be automatically extended for successive one-year periods, on the same terms and conditions as in effect immediately prior to the then-current expiration date, unless either party gives the other notice of non-extension at least three months before the then-current expiration date.

SECTION IV – MISCELLANEOUS:

4.1 **Eligibility to Work in the United States.** Employee has provided previously to JEA the appropriate documentation to verify Employee's authorization to work in the United States.

4.2 **Governing Law; Binding Effect; Amendment.** This Agreement shall be interpreted and enforced in accordance with the laws of the State of Florida, with venue to lie in Duval County, and shall be binding on JEA's successors and assigns. No amendment or modification shall be effective unless in writing by the parties, including the approval by the Board.

4.3 **Savings Clause.** Employee's present benefits and rights are preserved, including but not limited to accrued service credits, accrued leave, and accrued incentive compensation carried forward in accordance with existing policies and procedures.

4.4 **Public Records and Open Meetings (Sunshine) Requirements.** Employee will become familiar, with the assistance of JEA's staff and JEA's legal counsel, with the unique obligations and parameters of the State of Florida's public records and sunshine act laws, in order that JEA maintain its record of compliance with such laws.

- 4.5 **Legal Counsel.** Employee shall be entitled to legal counsel from or approved by the Office of General Counsel, paid for by JEA in a prompt and current manner as provided in Section 111.07, Florida Statutes, as necessary if Employee is a defendant participant in a lawsuit against the JEA for actions that occurred during period of employment with JEA, excepting where a court has adjudicated Employee as having committed intentional tort or torts.
- 4.6 **Indemnification.** Pursuant to Section 768.28(9)(a), Florida Statutes, Employee is not personally liable in any action for any injury or damage suffered as a result of any act, event, or omission of action in the scope of her or his employment or function. JEA hereby agrees to indemnify, defend and hold Employee harmless from any and all claims arising out of the exercise of Employee's duties and responsibilities to JEA with respect to acts entitled to indemnification pursuant to Section 768.28(9)(a), Florida Statutes. Employee shall be entitled to the benefits and protections of this Section 4.6 notwithstanding (i) any provision in this Agreement to the contrary, (ii) termination of Employee for cause (unless such claim for indemnification arises out of the same facts giving rise to the termination for cause) or without cause, or (iii) the termination of this Agreement.
- 4.7 **Authority.** The person executing and delivering this Agreement on behalf of JEA is an authorized officer, director or agent of JEA with full power and authority to bind JEA. Upon execution and delivery of this Agreement by JEA, this Agreement shall constitute the legal, valid and binding obligation of JEA.
- 4.8 **Entire Agreement.** This Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof. This Agreement supersedes all prior agreements and understandings, both oral and written, between the parties with respect to the subject matter of this Agreement.

SIGNATURES APPEAR ON THE FOLLOWING PAGE

IN WITNESS WHEREOF, the parties hereto have duly executed this Employment Agreement on the day and year above first written.

ATTEST:

JEA

G. Alan Howard, Chairman

Date: _____

WITNESSES:

Melissa H. Dykes, Employee

Date: _____

I hereby certify that the expenditure contemplated by the foregoing Agreement has been duly authorized, and provision has been made for the payment of the moneys provided therein to be paid in respect of Fiscal Year 2017/2018.

Ryan Wannemaker, Interim Chief Financial

Officer
Approved:

Jody Brooks, Chief Legal Officer

VI. B. 3

Executive Search Firm Selection

May 11, 2018

SUBJECT:	EXECUTIVE SEARCH FIRM SELECTION
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Purpose:	☐ Information Only	☒ Action Required	☐ Advice/Direction
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Issue: An executive search firm should be engaged to assist the JEA Board of Directors in the process of recruiting and selecting a CEO.

Significance: N/A

Effect: The procurement and selection of an executive search firm will provide the JEA Board of Directors a wide network of prospective candidates.

Cost or Benefit: TBD – The cost of services could range from \$80K up to 30% of the selected CEO's first year's compensation (plus expenses).

Recommended Board action: It is recommended that the Compensation Committee select and approve a firm from the list of the three finalists.

For additional information, contact: Angelia Hiers (904) 665-4747

Submitted by: AFZ/ALH



Commitments to Action

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

VII. A. 1.

Dark Fiber Utility Services for the 21st Century Digital Utility

May 2, 2018

SUBJECT:	DARK FIBER UTILITY SERVICES FOR THE 21ST CENTURY DIGITAL UTILITY
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Purpose:	☐ Information Only	☒ Action Required	☐ Advice/Direction
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Issue: The JEA Board approved at the March 20, 2018 Board Meeting Resolution #2018-01 authorizing JEA to invest in expansion and enhancement of the existing fiber optic network with the intention to lease Dark Fiber. After further review and discussion, JEA Management is requesting that the Board rescind the previously approved resolution. It will be resubmitted at a subsequent Board Meeting after Management has an opportunity to submit a more complete recommendation as part of a broader JEA Strategic Plan.

Significance: Despite a significant increase in the number of customers served and due to the efficiencies JEA's customers have been achieving with JEA's traditional electric and water/wastewater services, JEA has seen flat sales volume growth over the past decade. Providing Dark Fiber, via partnerships with other entities is a way to grow revenues, profitability and ultimately overall enterprise value of JEA ("Growth"). JEA Management intends to submit a revised plan that will have a more substantial impact Growth for JEA.

Effect: JEA's limited telecommunication facility service allows carriers to "co-locate" on JEA towers and poles, and allows carriers and other customers to use excess fiber optic cables (Dark Fiber). If permitted to invest capital in expanding Dark Fiber services to commercial and government entities on a revenue recovery basis, JEA will develop a new revenue source that is poised for future growth.

Cost or Benefit: JEA will produce an updated business case with a more aggressive cash flow and return on investment that exceeds JEA's cost of capital.

Recommended Board action: Staff recommends that the Board rescind Resolution # 2018-01.

For additional information, contact: Paul Cosgrave, VP & Chief Information Officer

Submitted by: AFZ/MMD/PJC



Commitments to Action

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

III. A. Appendix A.

Special Board Meeting Minutes April 6, 2018

Return to
Agenda

JEA
SPECIAL BOARD MEETING MINUTES
April 6, 2018

The JEA Board met in special session on Friday, April 6, 2018, on the 19th Floor, 21 W. Church Street, Jacksonville, Florida. Present were Alan Howard, Husein Cumber, Frederick Newbill, and April Green. Kelly Flanagan attended telephonically.

Agenda Item I – Welcome

- A. The meeting was **called to order** at 3:00 PM by Chair Howard.
- B. A **Moment of Reflection** was observed by all.
- C. The **Pledge of Allegiance** was led by Chair Howard.
- D. **Adoption of Agenda** – The agenda was approved on **motion** by Vice Chair Cumber and second by Secretary Newbill.
- E. The **Safety Briefing** was given by Paul McElroy, Managing Director/Chief Executive Officer.
- F. **Sunshine Law/Public Records Statement** – Jody Brooks, Office of General Counsel (OGC), stated this Board Meeting is being held in compliance with Florida's Government in the Sunshine Law, §286.011. The complete statement can be found in section I. F. of the Board package.

Agenda Item II – Presentations and Comments

- A. **Comments from the Public** –
 - 1. James Taylor addressed the Board regarding Mr. McElroy's contract.
- B. **Council Liaison's Comments** – The Honorable Matt Schellenberg had no comments.
- C. **Office of the Mayor Liaison's Comment** – Dr. Johnny Gaffney was not in attendance.

Agenda Item III – For Board Consideration

A. Strategic Discussions/Action

- 1. CEO Contract Modification and Extension Discussion – Board Chair Howard yielded the floor to Paul McElroy, Managing Director/CEO. Mr. McElroy thanked all current and previous Board Members that he has had the honor of serving and the confidence in his leadership by offering a 2-year extension to his contract. Mr. McElroy added that over the past five months he has given careful consideration to a contract extension and has concluded that it is an appropriate time to begin the leadership transition process. Mr. McElroy thanked the senior leadership team and fellow JEA employees for their passion to service and their commitment to being vital partners in advancing our community. Mr. McElroy highlighted JEA's accomplishments over the last 5 ½ years including:
 - JEA's contribution to the City's general fund is at an all-time high
 - Customer bills are significantly lower
 - Residential Customer Satisfaction is up 74 percentage points, approximately 1,800%

- Business Customer Satisfaction is up, placing JEA #1 in the country in 2016
- CO₂ emissions will be down 45% in 2024, our strategy of working diligently and opportunistically to change our power supply system is paying off (natural gas, energy efficiency, SJRPP, solar and Vogtle).
- St. Johns River is healthier, with plans to make it even healthier
- Debt is down by \$2.0 billion, and our credit ratings are better
- All systems are more reliable, including jea.com and our mobile applications
- We successfully recovered from two major hurricanes, within 12 months.

Mr. McElroy added that he will work with the Board, at their request and direction, to assist in the transition. On behalf of the Board, Chair Howard offered appreciation for Mr. McElroy's leadership and grace. Chair Howard stated Mr. McElroy's contract calls for him to serve through September 30, 2018. At the Chair's request, Mr. McElroy previously met with the Office of General Counsel to discuss and formulate a Transition Services Agreement for Mr. McElroy to be available to the Board and the Senior Leadership Team for the balance of his contract. Chair Howard distributed a Transition Services Agreement that was drafted by the Office of General Counsel and vetted by Paul McElroy and his attorney, along with his current contract. The Board took a pause to allow Board Members time to review the Transition Services Agreement. Chair Howard stated the Transition Services Agreement has four provisions: 1) Cleans up references to Mr. McElroy's duties, 2) By September 1, 2018, JEA shall have made all reasonable efforts to complete all actuarial and tax calculations necessary for the City of Jacksonville General Employees Pension Plan and the JEA Pension Restoration/Supplemental Plan, 3) Mr. McElroy retains the eligibility to receive annual Performance Compensation based on the fiscal year 2017/2018 criteria established by JEA, pro-rated through April 6, 2018 if a bonus is awarded for the 2017/2018 fiscal year, 4) is in alignment with Florida statute. On **motion** by Secretary Newbill and second by Vice Chair Cumber, Board Members held discussions regarding the proposed Transition Services Agreement, succession plan, interim CEO search, and delegation of authority. Board Members extended appreciation to Mr. McElroy for his service. On **motion** by Secretary Newbill and second by Mr. Cumber, the Board unanimously approved to amend the Transition Services Agreement to include a standard indemnification clause which would extend post his contract. Chair Howard recognized Daniel Bean, attorney that assisted Mr. McElroy with the Transition Services Agreement. Mr. Bean read the proposed amended language. On **motion** by Secretary Newbill and second by Vice Chair Cumber the Board approved the additional language related to provide indemnification for claims against Mr. McElroy personally, except in situations of intentional torts. The Board took a vote and approved the Transition Services Agreement to include the indemnification language. Ms. Flanagan did not register a vote, but all members present voted.

Board Members held discussions related to the delegation of authority. Jody Brooks, Chief Legal Officer stated there is not a delegation of authority listed in the Board Governance Manual. On **motion** by Ms. Green and second by Secretary Newbill, the Board unanimously approved Melissa Dykes as the Interim Managing Director/Chief Executive Officer until the Board Meeting on April 17, 2018.

Chair Howard requested the Board to think about the upcoming CEO search and hold discussions at the April 17, 2018 JEA Board Meeting.

2. Fiscal Year 2018 CEO Goals – This item was removed from discussions.

B. Open Discussion – There were no further discussions.

C. Other New Business – none

D. Old Business – none

Agenda Item IV – Reports

A. Chair’s Report – none

Agenda Item V – Closing Considerations

A. Announcements – Next Board Meeting – April 17, 2018

B. Adjournment

With no further business claiming the attention of the Board, Chair Howard adjourned the meeting at 3:46 PM.

APPROVED BY:

SECRETARY

DATE: _____

Board Meeting recorded by:

Melissa M. Charleroy
Executive Assistant

III. A. Appendix B

Board Meeting Minutes April 17, 2018

JEA
BOARD MINUTES
April 17, 2018

The JEA Board met in regular session on Tuesday, April 17, 2018, on the 19th Floor, 21 W. Church Street, Jacksonville, Florida. Present were Alan Howard, Husein Cumber, Frederick Newbill and Kelly Flanagan. April Green attended telephonically.

Agenda Item I – Welcome

- A.** The meeting was **called to order** at 12:02 PM by Chair Howard.
- B.** A **Moment of Reflection** was observed by all.
- C.** The **Pledge of Allegiance** was led by Chair Howard.
- D.** **Adoption of Agenda** – The agenda was approved on **motion** by Ms. Flanagan and second by Secretary Newbill.
- E.** The **Safety Briefing** was given by Melissa Dykes, Interim Managing Director/Chief Executive Officer.
- F.** **Sunshine Law/Public Records Statement** – Jody Brooks, Office of General Counsel (OGC), stated this Board Meeting is being held in compliance with Florida's Government in the Sunshine Law, §286.011. The complete statement can be found in section I. F. of the Board package.

Agenda Item II – Presentations and Comments

- A. Comments from the Public –**
 - 1. Andy Johnson addressed the Board regarding the potential sale of JEA.
 - 2. Randy Hilton addressed the Board regarding the potential sale of JEA and the Interim Managing Director/CEO selection.
 - 3. Jason Baber addressed the Board regarding the potential sale of JEA.
 - 4. Lisa Weatherby addressed the Board regarding the potential sale of JEA and the Interim Managing Director/CEO selection.
 - 5. Wayne Dunn addressed the Board regarding the potential sale of JEA.
- B. Council Liaison's Comments** – The Honorable Matt Schellenberg recognized former Council Liaison and current Council Member Greg Anderson.
- C. Office of the Mayor Liaison's Comment** – Dr. Johnny Gaffney was not in attendance.
- D. Recognition of JEA Employees** – Ms. Dykes recognized Andy Yeager, Manager Electric Systems Construction & Maintenance. Mr. Yeager presented a video highlighting activities from the Florida Municipal Electric Association's 18th Annual Florida Lineman Competition March 9-10, 2018. Mr. Yeager recognized Team 1, consisting of Robert Hess, Brian Gregg and Greg Johnson, who finished first place in all five events including best overall lineman team and 3rd place in the Hurtman Rescue. Team 2, consisting of Cody Stokes, Davey Hicken and Myles Hendrix, placed 2nd in the Hurtman Rescue. At the end of April, the team will compete in the national American Public Power Association (APPA) in Raleigh/Wake Forest, North Carolina. Mr. Yeager also presented on Saturday, March 10, 2018 the FMEA bestowed its annual "Restoring

Communities Awards” on JEA for restoration efforts in Florida and Puerto Rico following hurricanes Irma and Maria. This presentation was received for information.

Agenda Item III – For Board Consideration

A. Consent Agenda – used for items that require no explanation, discussion or presentation and are approved by one motion and vote. On **motion** by Ms. Flanagan and second by Secretary Newbill, items 1 through 3 on the Consent Agenda were unanimously approved and items 4 through 8 were received for information.

1. Approval of Board Meeting Minutes March 20, 2018 – approved
2. Approval of Workshop Minutes March 20, 2018 – approved
3. Approval of Nominating Committee Minutes March 12, 2018 – approved
4. March 20, 2018 Board Workshop Response – information
 - a. JEA Board Roles and Responsibilities Related to the Potential Sale of JEA
 - b. Jacksonville Small & Emerging Business (JSEB) Program
 - c. Utility Services Provided by Sources Other Than JEA
 - d. Water Products and Services Horizon Chart
 - e. Water Price to Earnings Chart
 - f. Forecast Methodology
 - g. Annual Budget Process
 - h. Possible Privatization Structure Term Sheet
 - i. Plant Vogtle and Power Purchases
5. Sole Source and Emergency Procurement/Procurement Appeals Board Report - information
6. Monthly JEA Financial Review & Statements – information
7. Monthly JEA Operations Report – information
8. Monthly FY18 Communications & Engagement Calendar and Plan Update – received for information

B. Strategic Discussions/Action

1. JEA FY2017 Annual Disclosure Reports – As a follow-up item to the March 20, 2018 Board Meeting, Melissa Dykes, Chief Financial Officer, advised the Board that amended draft annual disclosure reports are available for their review and comment. Updates relate to personnel changes including the resignation of Paul McElroy, Managing Director/CEO and Mr. Aaron Zahn’s resignation from the JEA Board of Directors. Additionally, updated interest swap valuation numbers and costs related to hurricane Irma are included. Additional revisions will be made prior to the submission to investors related to the outcome of the Board’s vote today on the matters of the Interim Managing Director/Chief Executive Officer. On **motion** by Ms. Flanagan and second by Secretary Newbill, Board Members held discussions related to language on Plant Vogtle. On **motion** by Ms. Flanagan and second by Secretary Newbill, the motion to approve the Annual Disclosure Reports was

withdrawn. Staff will circulate the language related to Plant Vogtle and bring this item before the Board at the May 15, 2018 meeting.

2. Monthly Operational and Financial Review – Melissa Dykes, Chief Financial Officer, presented the monthly review of JEA's operational and financial metrics for electric and water/wastewater services. This item was received for information.

C. Old Business – Board Chair Alan Howard requested the status of the dark fiber resolution going through City Council.

D. Other New Business –

1. CEO Search Firm – Angie Hiers, Chief Human Resources Officer stated at the direction of the Board, staff has commenced the exploration of a CEO search firm to assist in the search of a CEO. Firms contacted include firms JEA has conducted prior business with, recommended firms, and firms with whom Ms. Hiers has personally conducted prior business within her 30-year career in Human Resources. Ms. Hiers stated consistent concerns for the Board to consider: concern to provide quality candidates given the sensitivity regarding the subject of privatization conversations, type of CEO we will be seeking, whether JEA needs a CEO to lead a transition, or a CEO to build a long term strategy at JEA. JEA currently has a contract with executive search firm ZRG. Upon Board approval, staff can begin the process for the CEO search at the cost of approximately \$80,000. Upon **motion** by Ms. Flanagan and second by Secretary Newbill, Board Members held discussions regarding search firm ZRG, the role of search firms, timeline for hiring a CEO, and JEA's procurement code. On **motion** by Ms. Flanagan and second by Secretary Newbill, the motion was withdrawn to engage the search firm ZRG. On **motion** by Secretary Newbill and second by Vice Chair Cumber, the Board unanimously approved staff to work with Compensation Committee Chair Flanagan and engage search firms for the purposes of submitting an expedited RFQ for the award of a professional services agreement to begin the search for the permanent Managing Director/Chief Executive Officer. Staff will report back to the Board at the May 15, 2018 Board Meeting with a list of the interested search firms. The Board also approved the procurement code for response times to be waived for the requirements to accelerate the ability to locate qualified applicants. Board Members also held discussions around the characteristics of the potential of CEO candidates. At the May 15, 2018 Board Meeting, the Board will take action to select a search firm, as well as define a job description.

In regard to the Interim Managing Director/CEO position, Chair Howard stated JEA is fortunate to have two very talented individuals who are interested in the position, Ms. Melissa Dykes and Mr. Aaron Zahn. Chair Howard provided the process for today's selection. Chair Howard requested each candidate provide a brief presentation expressing their interest and qualifications in serving as Interim Managing Director/CEO as a basis for a decision by the Board. Because there is not a standard procedure within the JEA by-laws for a valid process, at the conclusion of the presentations, the Chair will request a motion for Ms. Dykes as the Interim Managing Director/CEO, which will require four votes for approval. If she fails to receive four votes for her candidacy, the Board will move to vote on Mr. Zahn for his candidacy. Ms. Dykes provided her presentation to the Board highlighting past experience in the utility sector, current roles as Chief Financial Officer, in JEA's strategic planning and in hurricane preparedness. Mr. Zahn provided a handout on transition management: overview of process and outcomes. Mr. Zahn stated that he

reached out to each Board Member individually to express interest in the role, provided his applicable experience, constructive observations of the current state of affairs and a vision for JEA's future. Board Chair Howard allowed Board Members time for questions of Ms. Dykes and Mr. Zahn.

At 1:36 PM, the Board recessed the meeting and reconvened at 1:43 PM.

Chair Howard reviewed the procedure Board Members will take to vote. On **motion** by Secretary Newbill and second by Ms. Flanagan to engage Ms. Dykes as Interim MD/CEO, the Board took a roll call vote: Vice Chair Cumber – No, Ms. Flanagan – No, Ms. Green – No, Secretary Newbill – Yes, Chair – Yes. The vote failed to carry due to the lack of four votes. On **motion** by Secretary Newbill and second by Ms. Flanagan to engage Mr. Zahn as Interim MD/CEO, Ms. Flanagan requested to make a friendly amendment to the motion and a second was received by Secretary Newbill to engage Mr. Zahn as Interim MD/CEO and retain Ms. Dykes as the CFO. Mr. Cumber proposed to retain Ms. Dykes, under contract, in a position to be determined, with compensation and terms to be negotiated at the May 15, 2018 Board Meeting. The Board took a roll call vote: Vice Chair Cumber – Yes, Ms. Flanagan – Yes, Ms. Green – Yes, Secretary Newbill – Yes, Chair – Yes. The vote carried unanimously.

On **motion** by Vice Chair Cumber and second by Secretary Newbill, Resolution #2018-02 was unanimously approved clarifying the authority provided to the Interim Managing Director and Chief Executive Officer of JEA and providing an effective date of April 17, 2018.

Chair Howard adjourned the meeting at 1:57 PM and reopened the meeting at 1:57 PM.

Upon Mr. Zahn's request for order of authority, the Chair informed him his term begins immediately.

- E. **Open Discussion** – none
- F. **Other New Business** – none
- G. **Old Business** – none

Agenda Item IV – Reports

- A. **Managing Director/CEO's Report** – none
- B. **Chair's Report** – none

Agenda Item V – Closing Considerations

- A. **Announcements** – Next Board Meeting – May 15, 2018
- B. **Adjournment**

With no further business claiming the attention of the Board, Chair Howard adjourned the meeting at 1:58 PM.

APPROVED BY:

SECRETARY

DATE: _____

Board Meeting recorded by:

Melissa M. Charleroy
Executive Assistant