Building Community

JEA Briefing

Consolidation Task Force

September 12, 2013

Building Community

Agenda

- Governance, Management, and Strategy
- Vision, Mission, and Strategy
- Economic Value
- Financial Metrics and Management Systems
  - Enterprise Risk Management – Best Practice, Industry Leader
  - Financial Management – Best Practice, Industry Leader
  - Asset Management – Best Practice
- Operating Systems: Electric, Water and Sewer, and District Energy
- Contribution History
- Success Stories
- General and Administrative Services
- Opportunities for Efficiency
- Summary
- Appendix
  - Asset Management Examples
  - Background on City Contribution and General Fund Transfers

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Agenda

Governance, Management, and Strategy

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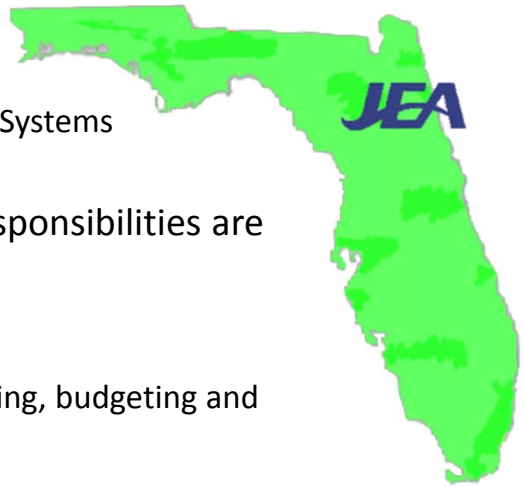
JEA Board of Directors

Municipal electric system since 1895 and independent agency of the City of Jacksonville, Florida since 1968

- Separate Electric, Water & Wastewater (since 1997), District Energy (since 2004) Systems
- Chartered to own and operate additional utility functions



JEA has a seven member independent Board of Directors whose primary responsibilities are policy, strategy and rate making

- Appointed by the Mayor, confirmed by City Council to four-year staggered terms
- Community leaders, professionals and business people
- Finance and Audit Committee oversees financial policy, financial reporting, auditing, budgeting and enterprise risk management

Name	Full biographies are provided in the Supplemental section	Term	
		Began	Ends
Mike Hightower, Chair	Vice President, Blue Cross and Blue Shield	07/06/07	02/28/15
Cynthia B. Austin, Vice Chair	Managing Director, Broad and Cassel Attorneys at Law	05/16/06	02/28/14
Helen H. Albee, Secretary(1)	Partner, Henrichsen Siegel P.L.L.C.	11/28/12	02/28/16
Ronald Townsend (1)	Retired President, Gannett Television Group	07/06/07	02/28/15
Lisa Strange Weatherby	First Vice President - Investments, Wells Fargo Advisors	04/26/12	02/28/16
Peter Bower (1)	President and CEO, Riverplace Capital Management, Inc.	12/12/12	2/28/14
Wyman Winbush (1)	U.S. Mid-Market Software Sales Leader , IBM	04/24/13	02/28/17
Bill Bishop	City Council Member, JEA Liaison	07/01/13	06/30/14

(1) Member Finance and Audit Committee

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Management Structure

Industry Leadership

Large Public Power Council
American Public Power Association
Florida Municipal Electric Association
American Water Works Association
North American Electric Reliability Corp.
American Public Works Association
Florida Water Environmental Association
Florida Reliability Coordinating Council
North American Transmission Forum
The Energy Authority
Colectric

Community Leadership

United Way
Community Health Charities
American Red Cross
Jacksonville Urban League
Jacksonville Community Council, Inc.
Girl Scouts of America
Take Stock in Children
Jacksonville Zoo
University of North Florida
Rotary International
Hospice of Northeast Florida
Leadership Florida/Jacksonville
Jacksonville Chamber of Commerce

JEA

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Senior Leadership Team

• Knowledge • Skills • Experience

Mike Brost, VP/GM, Electric Systems
Responsible for Electric System Planning, Engineering and Construction Services, Bulk Power Systems, Transmission & Distribution, Electric Service Response, Electric Generation, Fuels Purchase Power and Byproduct Services.

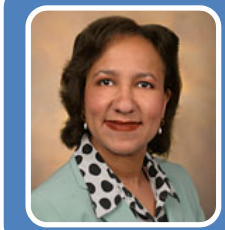
Brian Roche, VP/GM, Water/Wastewater Systems
Responsible for all water, wastewater and water reuse operations and facilities, system planning functions, interlocal and developer agreements, engineering and construction, system control, customer response, asset management and financial performance of the water/wastewater business unit.

Melissa Dykes, Chief Financial Officer
Responsible for the company's financial facilities and logistical operations to include budget, tax, accounting, rates, treasury, insurance activities, acquisition and growth activities, strategic alliances and procurement services, fuel services, real estate services, fleet management, and GIS services.

Monica Whiting, Chief Customer Officer
Responsible for JEA's call center and face-to-face customer service in branches, meter reading, billing, operations and maintenance, commercial customer business, Smart Grid program, Demand Side Management, and brand management.

Ted Hobson, Chief Compliance Officer
Responsible for JEA compliance programs including FERC/NERC operational and planning and critical infrastructure protection. He is also responsible for audit services, physical security, and risk management services including enterprise risk management.

Angie Hiers, Chief Human Resources Officer
Responsible for employment, orientation, workforce planning, compensation, rewards and recognition, employee learning and development, labor relations, EEO compliance, employee relations, payroll, benefits, safety and health, organizational and performance management.



Wanyonyi Kendrick, Chief Information Officer
Responsible for overall framework of JEA's networks, data information, sonet and other telecommunication infrastructures, monitoring systems, cyber systems, and e-commerce for all organizational communication layers of the business.

Bud Para, Chief Public Affairs Officer
Responsible for JEA's government relations at the local, state, and federal levels including acquisition of environmental permits, environmental compliance monitoring and reporting, and laboratory analyses.

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Strategy

Strategic Challenges

- Climate Change
- Health of the River
- Water Resource Management
- Workforce
- Customer Expectations
- Financial
  - Debt
  - Declining Sales

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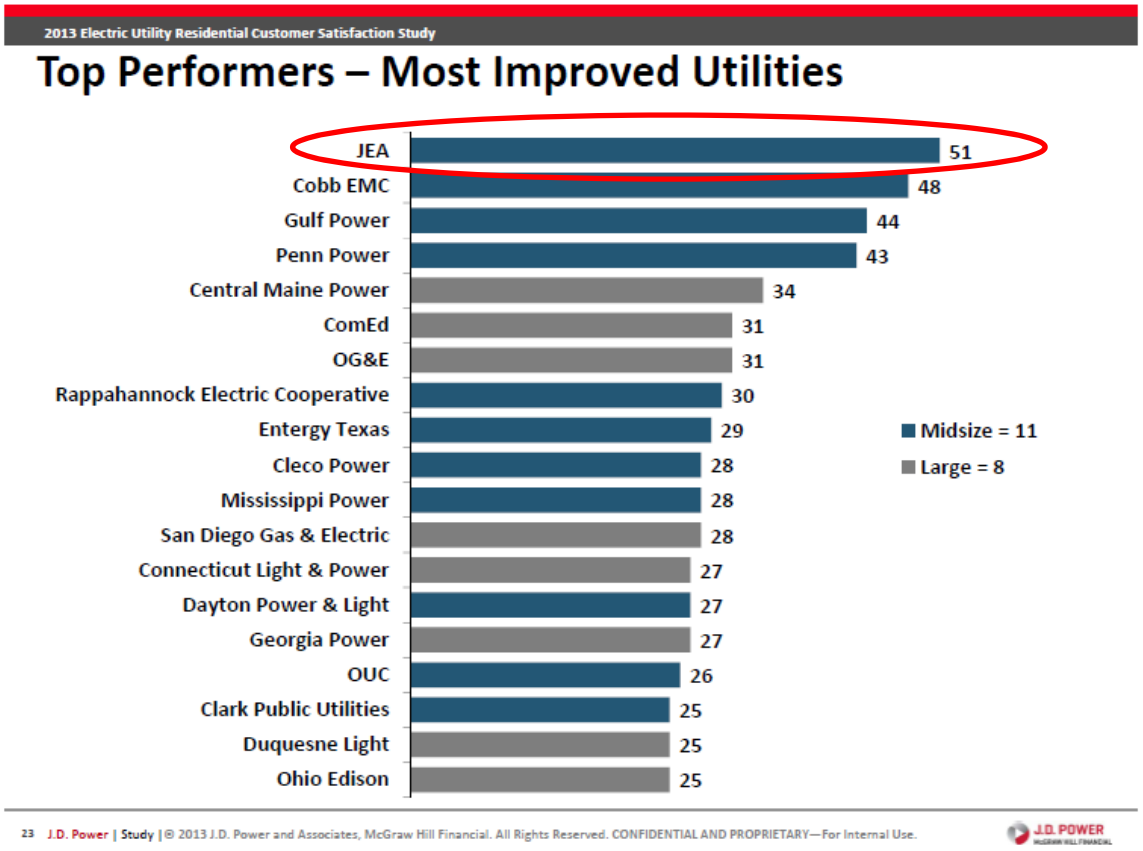
Critical Issues: Customer Loyalty

JEA	Units	FY2013	FY2013 Target	FY2012	FY2011
JD Power CSI	Quartile	**3rd**	3rd	4th	4th

- Most Improved Utility Nationally
- Moved 51 overall points; industry moved 14
- Performing above national average
- Moved from 116th to 60th in rank
- JEA has continued focus to further improve to 1st quartile



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Economic Value and Summary Financial Metrics

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JEA's Economic Value to Duval County

JEA's contribution to Duval County's Gross County Product (GCP) is 1.4%-1.5%*

JEA's contributions to the community:

GCP Output	**$860-$910 Million**
✓ Jobs (Direct and Indirect)	4,500-4,700
✓ Earnings/Personal Income	$206-310 Million
✓ City Contribution	$234 million

* The Northeast Florida Regional Council conducted an Economic Impact Analysis for JEA and calculated the annual economic impact and value of JEA on Duval's GCP

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Financial Metrics

JEA
COMPARISON OF BUDGETS
ELECTRIC AND WATER & SEWER AND DISTRICT ENERGY SYSTEM
APPROVED FY 2012/13 TO PROPOSED FY 2013/14
(000's)

	Electric Enterprise ($5.0 Billion)		Water & Sewer ($3.2 Billion)		District Energy ($47.5 Million)				
	Operating Budget	Capital Budget	Operating Budget	Capital Budget	Operating Budget	Capital Budget	Transfers In/Out	Total Budget	City Contribution
FY 2012/13 Budget	$ 1,398,969	$ 175,000	$ 411,718	$ 147,000	$ 8,975	$ 1,083	$ (258,708)	$ 1,884,037	$ 106,689
FY 2013/14 Proposed	$ 1,369,846	$ 124,000	$ 425,699	$ 126,040	$ 8,995	$ 1,250	$ (250,482)	$ 1,805,349	$ 109,188
$ Increase (Decrease)	$ (29,123)	$ (51,000)	$ 13,981	$ (20,960)	$ 20	$ 167	$ 8,227	$ (78,686)	$ 2,499
% Increase (Decrease)	(2.08%)	(29.14%)	3.40%	(14.26%)	0.22%	15.42%	3.18%	(4.18%)	2.34%

Employees

	Budget FY 2012/13	Proposed FY 2013/14	Increase (Decrease)
Electric System	1,641	1,597	(44)
Water & Sewer System	512	556	44
District Energy System	5	5	-
Total JEA Employees	2,158	2,158	-
SJRPP Joint Venture	302	253	(49)
Total JEA/SJRPP	2,460	2,411	(49)

City Contribution

	Budget FY 2012/13	Proposed FY 2013/14	Increase (Decrease)
Electric System	$ 83,969	$ 87,318	$ 3,349
Water & Sewer System	22,719	21,870	(849)
Totals	$ 106,688	$ 109,188	$ 2,500

Highlights of the FY2014 Budget are:

1. $15 million lower than current year budget
2. Electric System – No rate change
3. Water and Sewer System – No rate change
4. Record high COJ contribution and total transfer of $234M
5. Capital Budget – No new debt
6. $210 million scheduled debt reduction
7. Financial Metrics – Meet Pricing Philosophy targets and rating agency commitments

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Management Systems

Sophisticated Management Systems

- Enterprise Risk Management
- Financial Management
- Asset Management

JEA's three utilities continue to grow in complexity and are progressively subjected to increasingly stringent and intricate regulatory, legal, fiscal, and security policies and guidelines. JEA's management systems are designed to utilize best practices to effectively manage these challenges and reduce company risks.

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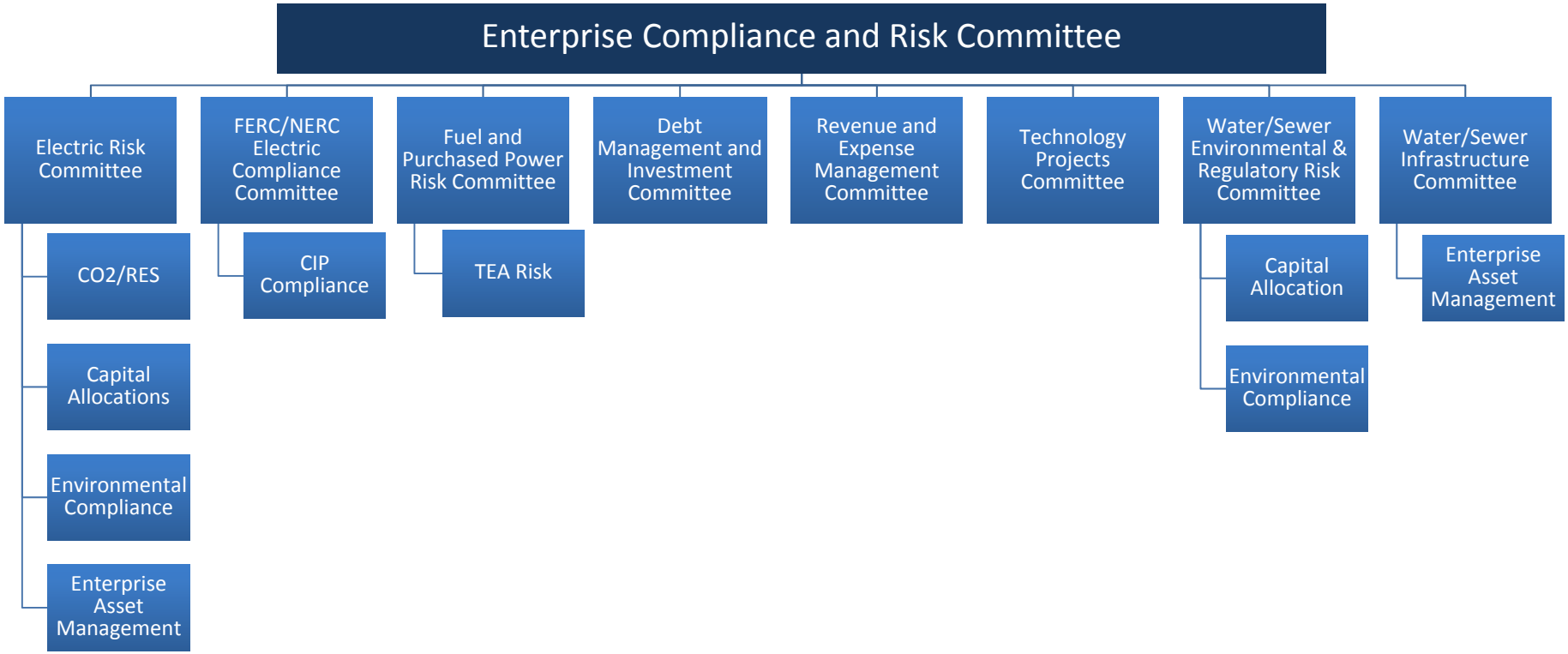
Enterprise Risk Management

Successful Best Practices ERM Program In Its Eighth Year



JEA employs an Enterprise Risk Management (ERM) policy that requires the identification, assessment, measurement, monitoring and active management of risk, including mitigation strategies and actions.

Successful ERM program based upon best practices, entering its eighth year, has evolved to a major corporate framework to effectively and efficiently manage the company and its risks.

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Top Corporate Risks

- All critical risks are identified and actively managed
- Top Corporate Risks are reviewed monthly by the Enterprise Compliance and Risk Committee
- Top Corporate Risks are reviewed with the Board quarterly

Risk	FY2009	FY2010				FY2011				FY2012				FY2013		
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Electric Risks																
E9 - Air Emissions Reduction Regulatory Initiatives					12	12	12	12	12	12	12	12	12	12	20	20
E4 - Coal Combustion Byproducts Designation		15	8	8	15	15	15	10	10	10	10	10	10	10	15	15
E11 - Mercury and Air Toxics Standards (MATS)																15
F2 - Adverse Electric Commodity Supply and Pricing	12	12	16	16	16	16	16	16	16	12	12	12	12	12	12	12
E8 - Effluent Guidelines for Steam Electric Units			5	5	5	5	5	5	8	8	8	8	8	8	12	12
E7 - Cooling Water Intake Structures 316(b)			5	5	15	15	15	16	16	16	16	16	12	12	12	10
R4 - Critical Infrastructure Protection (CIP) Compliance	12	12	12	12	12	12	12	12	10	10	10	10	10	10	10	10
Water/Wastewater Risks																
O1 - Water Supply Management	16	20	20	20	16	16	16	9	9	9	9	9	9	8	12	12
Corporate Wide Risks																
H1 - Staffing	16	16	16	16	16	16	16	16	16	16	16	16	16	16	16	16
H2 - Pensions	9	9	9	9	12	12	12	12	12	12	12	12	20	16	16	20
F1 - Revenues and Expenses Management	16	16	16	16	16	16	16	16	16	16	16	16	16	16	16	16
022 - External Stakeholder Relationship								9	12	12	12	12	12	12	12	12
T1 - Technology Effectiveness	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12

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Financial Management

Best Practices Framework

- Financial Management – Best Practices are woven into JEA's governance structure and operating model.
- Stakeholder consensus on fundamental, yet critical, principles and policies is essential.
- Staff's robust planning and performance management practices provide timely feedback to insure policy goals are achieved.

<table>
<tr><th>Principles and Policies</th><th colspan="2">Planning</th><th colspan="2">Performance Surveillance</th></tr>
<tr><td>Do all stakeholders support the principles and policies?</td><td colspan="2">Are processes robust enough to capture, plan for, and manage externalities?</td><td colspan="2">Are processes in place to capture upstream trends?</td></tr>
<tr><td rowspan="3"><u>Pricing Philosophy</u>
Scope, Goals, Objectives
Key Financial Metrics
Annual Pricing Plan
Revenue Requirements
Cost of Service, Rates
Pay-go Strategy</td><td><u>Strategic</u>
Market
Capacity
Operating
Environmental
Economic Analysis</td><td><u>Financial</u>
Ten Year
Five Year
Annual Budget
Monthly Forecast
Financial Analysis</td><td><u>Balance Sheet</u>
Liquidity
Investments
Asset Management
Credit Availability
Long-term Liabilities</td><td><u>Capital Program</u>
Prioritization process
Rigorous project definition
Project Management</td></tr>
<tr><td rowspan="2"><u>Debt and Investment Policy</u>
Scope, Goals and Objectives
Key Metrics, Parameters
Debt Affordability Model</td><td colspan="2" rowspan="2"><u>Stress Test and Contingency Planning</u>
Review Economic, Revenue and Expense Drivers and Trends
Develop Contingency Scenarios</td><td rowspan="2"><u>Revenues</u>
Unit Sales Activity
Number of Accounts
Charge-off, Theft
Consumption Trends</td><td rowspan="2"><u>Expenses</u>
Procurement Process
Unit prices
Bidding activity
Hedging
Fuel
Interest
Other</td></tr>
<tr><td><u>Risk Management Policy</u>
Enterprise-Wide Program
Internal Audit</td></tr>
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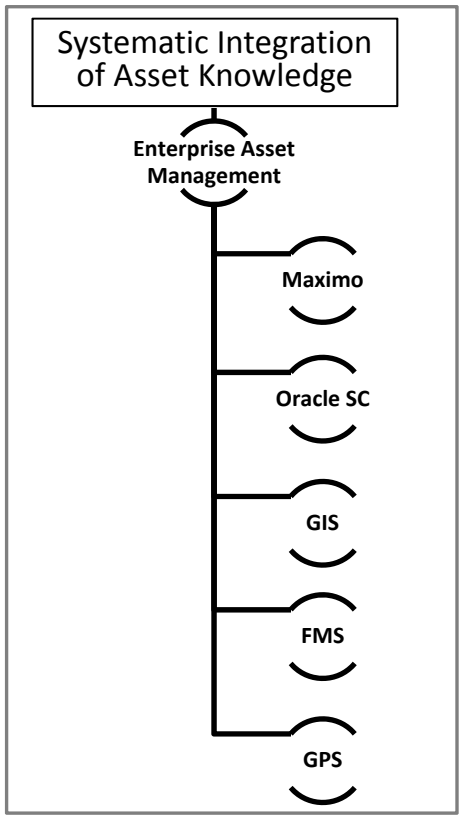
Enterprise Asset Overview

Enterprise Asset Management

"**Enterprise Asset Management (EAM)** will be a core business principle at JEA … It will become the way we do business…Much as we strive for improvement through our six sigma process, EAM will be an opportunity to continuously improve…we will have better knowledge of our assets, the costs of maintaining those assets and planning for the future replacement of those assets."
-***JEA Enterprise Asset Management Guidance Document*** – June 27, 2011



Electric System

- 422,314 customers
- 900 square miles of service area
- 6,543 miles distribution
- 733 miles transmission

Electric Capacity Resources

- St. Johns River Power Park
- Northside Generating Station
- Brandy Branch
- Kennedy
- Scherer
- Greenland Energy Center

3,749 MW net winter capacity
3,388 MW net summer capacity

District Energy System

- Three chilled water plants

16,460 tons installed chiller capacity

Water and Wastewater System

- 309,221 water customers
- 235,615 sewer customers
- 2,241 reuse customers
- 913 square miles of service area
- 4,268 miles water distribution
- 3,748 miles sewer & force main
- 167 miles reclaimed water distribution

Water and Wastewater Treatment Plants

- 18 major water plants
- 18 smaller water plants

298 MGD system max daily capacity

- 7 regional / 7 non-regional WWTFs

247 MGD system max daily capacity

- 11 of 14 WWTFs produce reclaimed water

29 MGD system average daily capacity

Operating Systems

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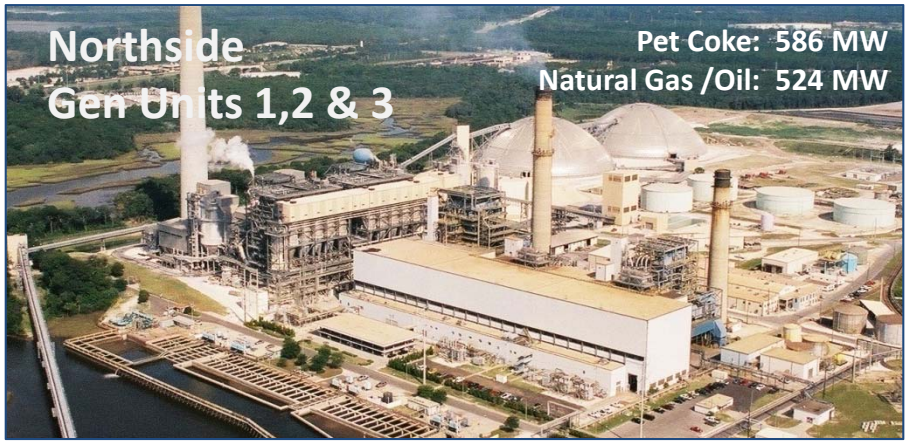
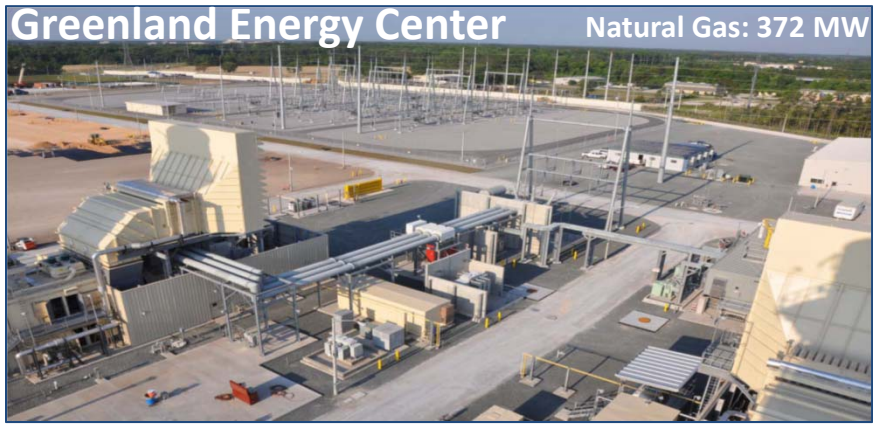
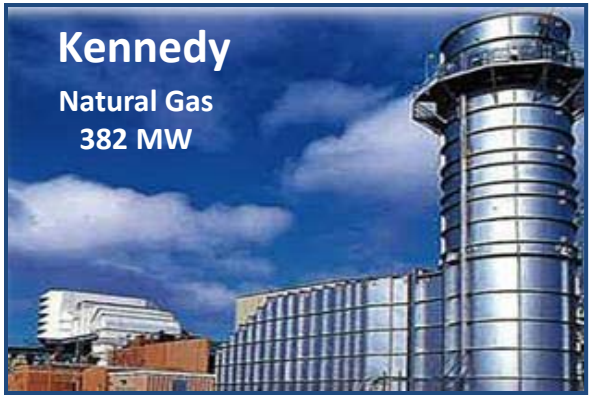
Electric System Capacity Planning

Existing Generation Capacity – 3749 MWs







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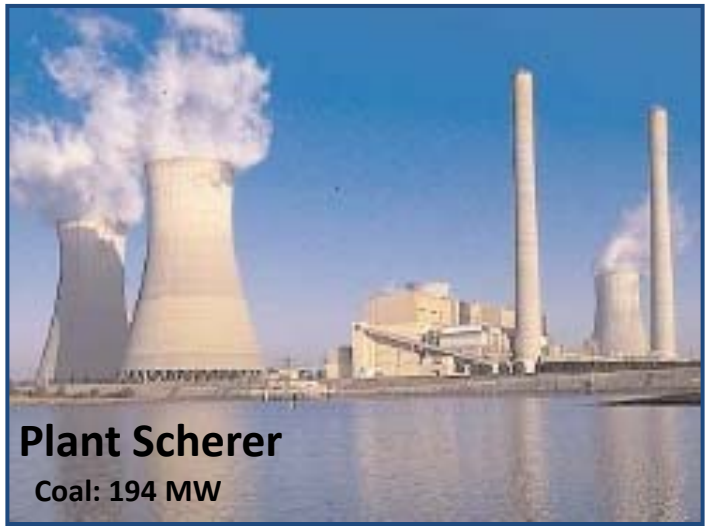
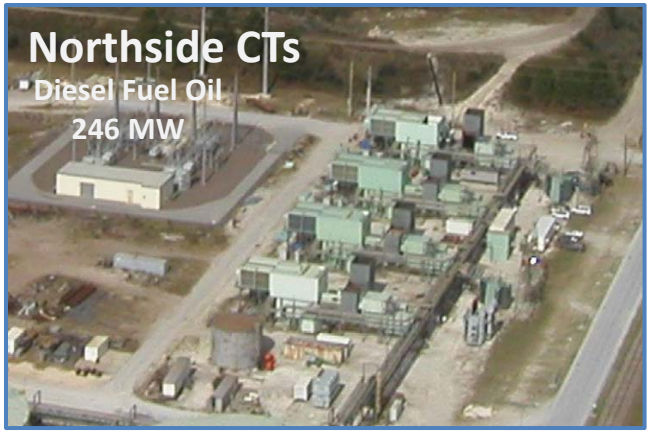
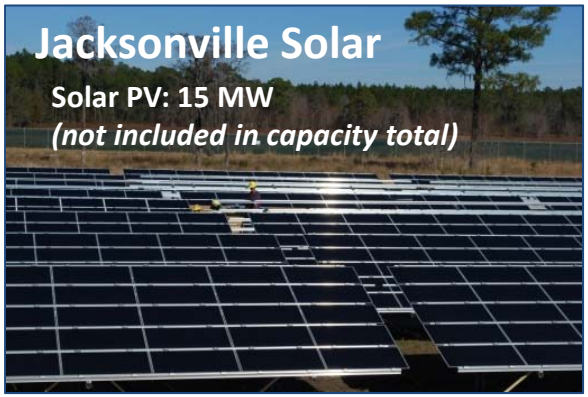
Electric System Capacity Planning

Existing Generation Capacity – 3749 MWs





The Energy Authority – TEA



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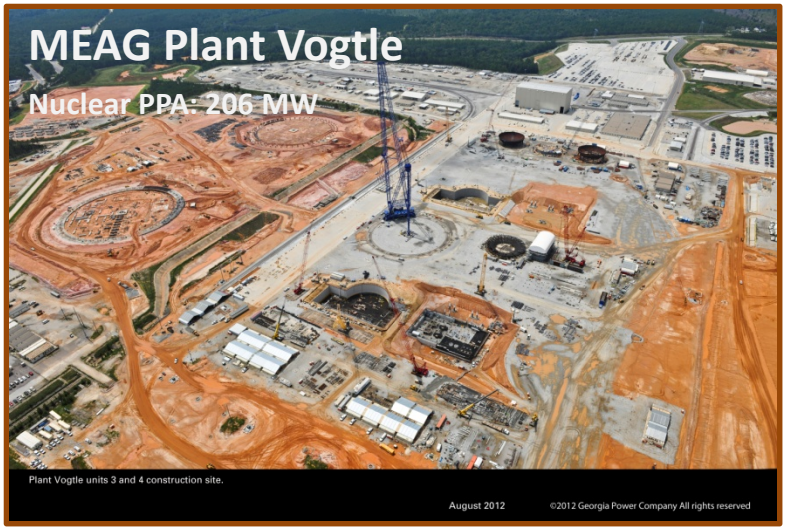
Electric System Capacity Planning

Committed Additions

- In the 2017-2019 time frame, JEA's sale to FPL will suspend, adding 383 MW.
- FPL's output will be reduced to its equity ownership percentage of 20%.

Upon completion of Plant Vogtle's Units 3 (2016) and 4 (2017), JEA has contracted to purchase a total of 206 MW of capacity and energy.



Future Renewables: Add where economically viable or mandated.

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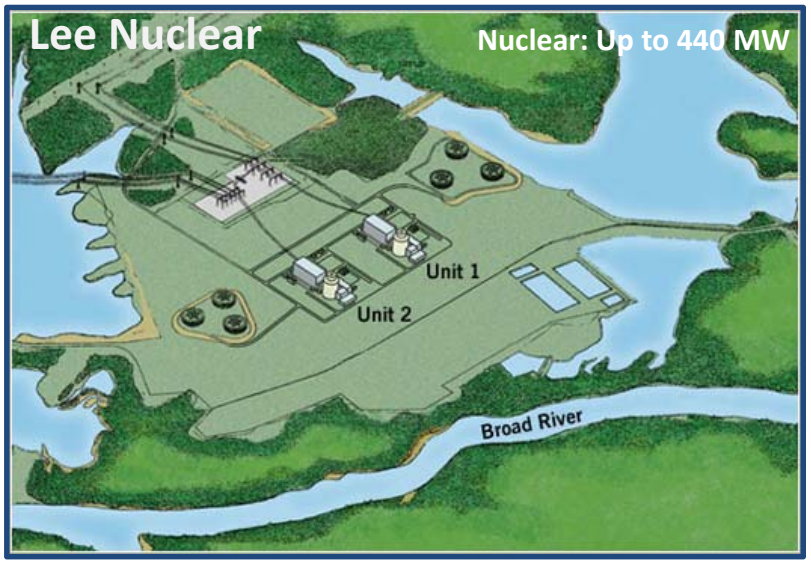
Electric System Capacity Planning

Generation Capacity Options – Beyond 2020

Greenland Energy Center was constructed with future expansion capacity of up to 1000 MW – through conversion of existing units and additional unit construction.



JEA has an option to purchase up to 20 percent of Duke Energy's William States Lee III Nuclear Station (440 MW), in Cherokee County, South Carolina.

Future Renewables: Add where economically viable or mandated.

Water System Capacity Planning

Main Street WTP

Cecil Commerce Center WTP

Water Transmission crossing the St. Johns River

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Wastewater System Capacity Planning

Arlington East WRF

Mandarin WRF

Buckman Water Reclamation Facility

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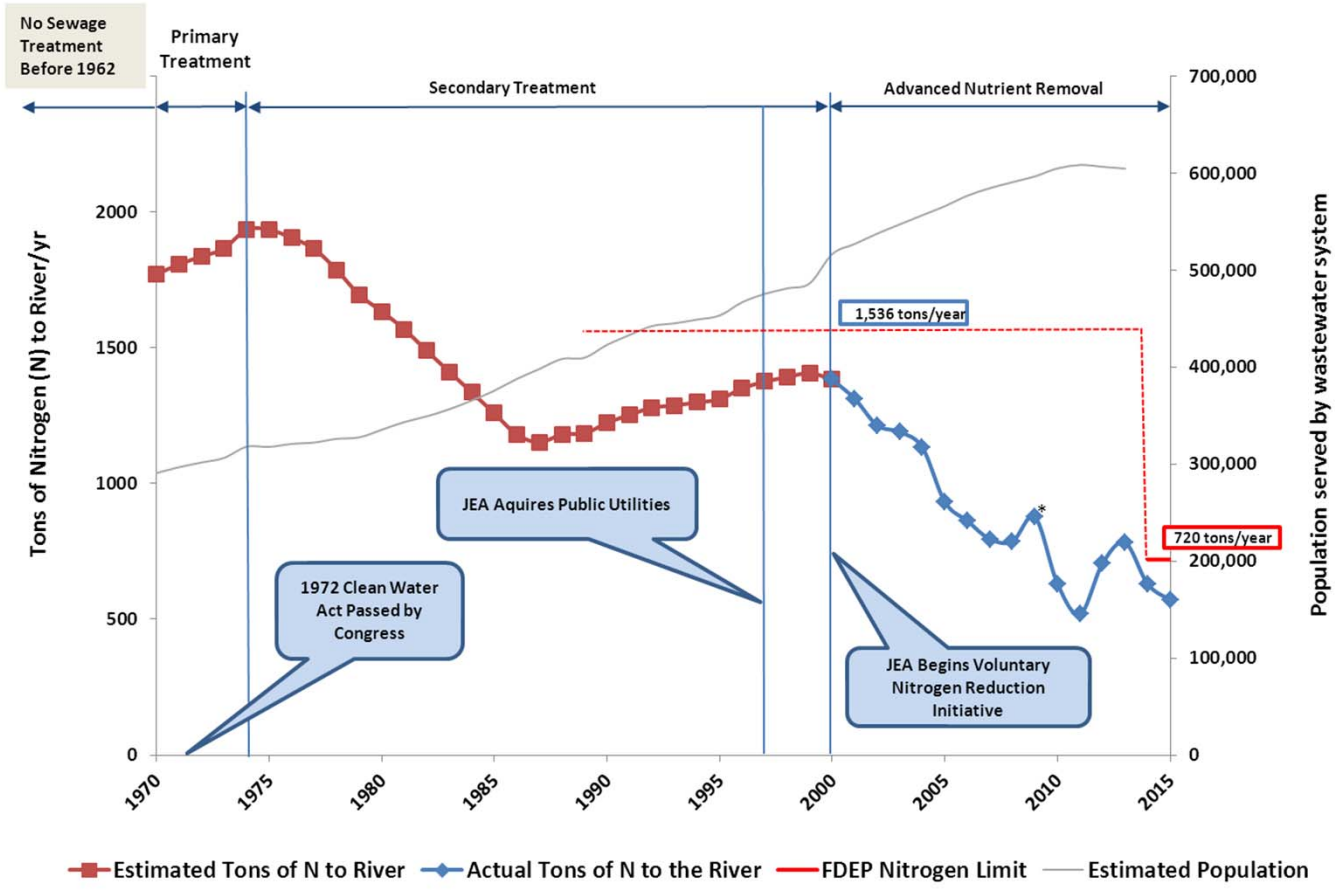
JEA's Nitrogen Reduction Initiative

- JEA began an aggressive voluntary nitrogen reduction program in 2000, aimed at reducing nitrogen by 50%
- In 2008 FDEP adopted the BMAP requiring JEA to cap nitrogen loading at 720 tons/yr by 2013
- JEA's current permit requires a total nitrogen limit of 720 tons in 2014 recently confirmed by EPA



* Temporary increase due to Buckman WWTP Construction (May 2013 Board Presentation)

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District Energy System Synergy

- JEA created the District Energy System effective October 1, 2004.
- JEA's three plants currently serve a variety of customers.

Downtown Facility serves the Library and Garage facilities, Jacksonville's new Courthouse, the JEA headquarters tower and other future downtown customers.

Hogan's Creek currently serves the Baseball Grounds and Arena, and has capacity to serve other customers, such as the EverBank Field, the Police Memorial Building and the Detention Center.

The Springfield Plant serves University of Florida's Proton Beam and Shands Healthcare, with a load capacity of 6,425 tons. The plant has expansion capability to over 10,000 tons.

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Success Stories

Electric System

- Caught in 1970's oil crisis – SJRPP, $1.6 Billion project
- 2000's growth and diversification need, led to $2.0 Billion repowering and expansion of natural gas capacity
- American Public Power Association Reliable Public Power Provider (RP^3)
- Northside Generation Station 2002 and 2012 Top Plant by Power Magazine

District Energy System and First Coast Radio System – JEA capital funding of $60 million

Water and Sewer System

Customer Impacts	1998	Today
Water Pressure	Routine System Wide Low Pressure	< 30 mins/month in isolated areas
Sanitary Sewer Overflows	120+ per year	< 30 per year
Street Cave-Ins	1,500 + cave-ins per year	< 200 per year
Nitrogen Discharge	> 1,500 tons per year	< 700 tons per year
Yearly Capital Investments	$20-$30 million per year	$100 million per w/o debt funding
EPA Standing	EPA Consent order at Buckman WRF	EPA's Best Secondary WRF in 2004

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City Contribution and Other Transfers

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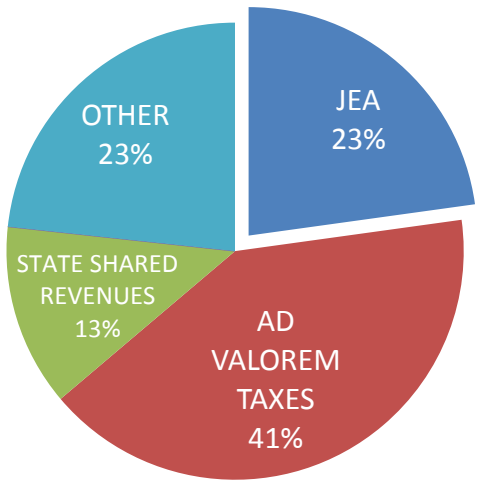
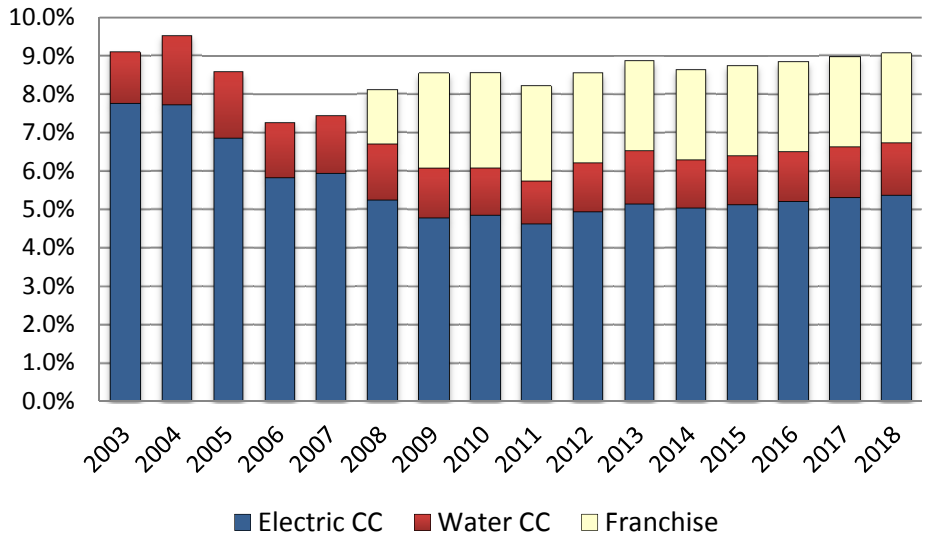
Jacksonville City Government

- JEA transfer payments and public service taxes represent a solid revenue source for the City and are not affected by property values
- COJ and JEA agreement governing transfer payments runs through 2016
- JEA transfer payments are stable and projected to remain over 8% of revenue
- Per Fitch, JEA transfer payments are in the top decile (highest) of AA rated municipal utilities

JEA Transfer Payments to COJ
Percent of City's General Fund Budget
(Includes Public Service Tax)



JEA Transfer Payments to COJ
Percent of Revenue
(Excludes Public Service Tax)



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City Contribution Facts and Figures

The Charter states:

- As consideration for the unique relationship between the City of Jacksonville and JEA, as a tax-exempt entity within the consolidated government, JEA shall pay the city a combined assessment.
- Notwithstanding the foregoing not-to-exceed amount for the combined assessment, JEA shall pay the city each fiscal year, from fiscal year 2008-2009 through fiscal year 2015-2016, an additional amount, if necessary, to ensure a minimum annual increase of $2,500,000, using the fiscal year 2007-2008 combined assessment of $94,187,538 as the base year.

Millage Rate			
Year	**Electric**	**Water**	**Annual Average Contribution**
1979-1983	4.500		$25.8M
1984-1988	4.760		$30.2M
1989-1993	5.000		$39.8M
1994-1998	5.250	1.750	$52.0M
1999-2003	5.500	1.750	$73.3M
2004-2008	5.513	2.149	$88.7M
2009-2013	5.513	2.149	$101.7M
2014	5.513	2.149	$109.2M

- Basis for the “City Contribution” agreement and formula dates back to 1979, currently in the seventh, multi year agreement.
- All agreements have run to natural termination and re-negotiation
- Rating agencies have taken comfort each time an agreement is settled
- S&P views our contribution as substantial
- Moody's’ penalizes JEA for its relatively high contribution (transfer), specifically by lowering JEA’s adjusted debt service
- Any increase, without an off-setting rate increase, will directly reduce liquidity

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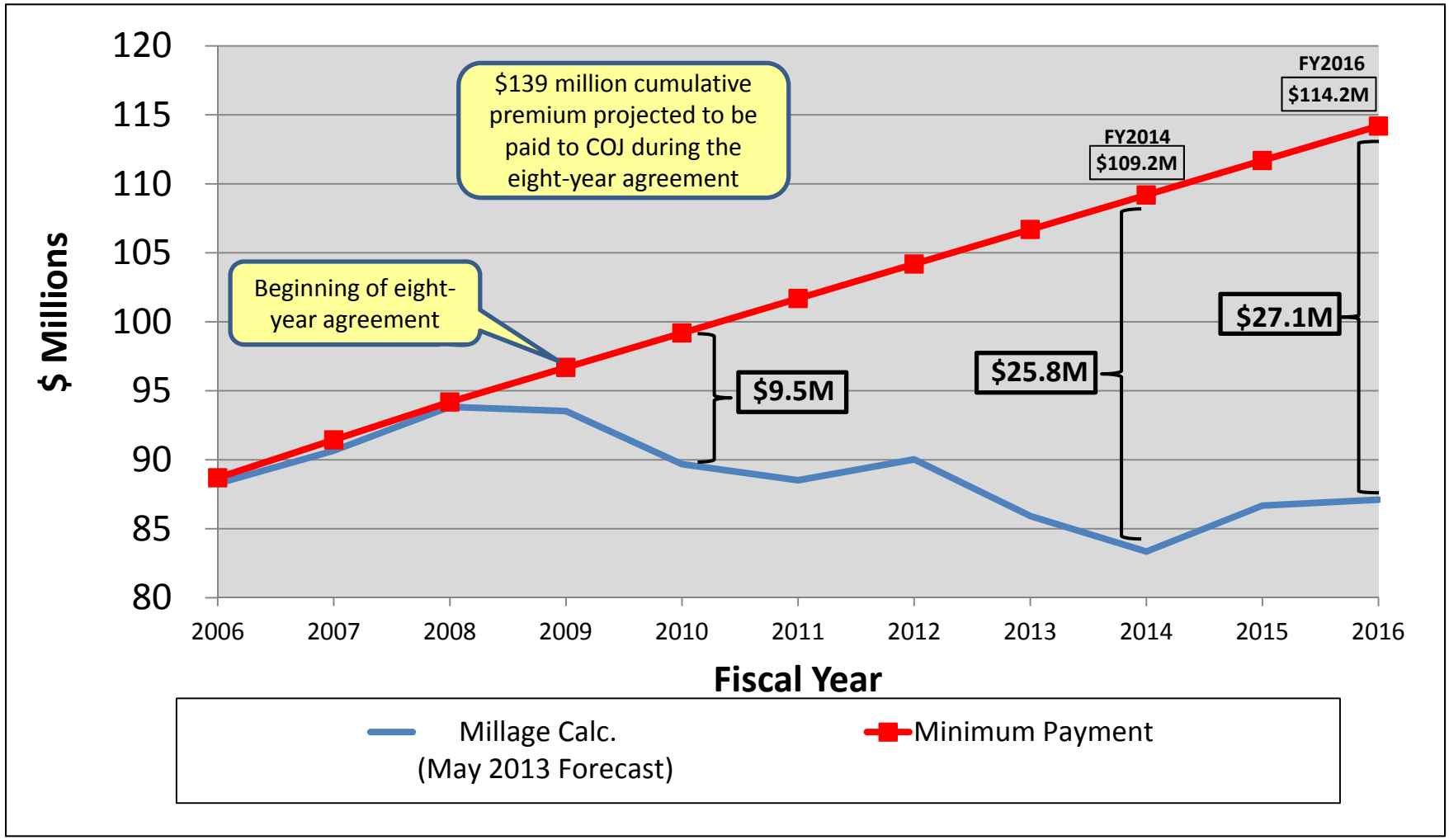
City Contribution
Formula Comparison of the Current $2.5M Minimum Increase vs. Millage Calculation



Current Millage Calculation assumes 0.5% annual kWh sales growth for FY2014 through FY2016

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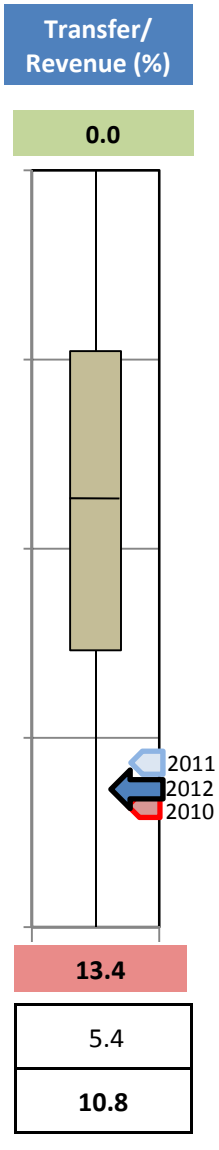
Electric Industry City Contribution

U.S. AA Category Utilities

Anaheim Electric Utilities
Austin Electric
Bountiful Electric System
Chattanooga Electric
Chelan Public Utility District
Colorado Springs Utilities
Concord Utility Funds
Dover Electric Revenue
Eugene Electric Board
Floresville Electric Light & Power
Gainesville Regional Utilities
Gallup Joint Utilities
Garland Electric
Georgetown Utility
Grant County Public Utility
Guadalupe Valley Electric
Heber Light & Power Company
Jacksonville Beach Combined Utility
JEA - Electric System
Kerrville Public Utility Board
Kissimmee Utility Authority
Lakeland Electric Authority
Lincoln Electric System
Los Angeles Department
Memphis Light, Gas & Water
Nashville Electric Service
New Braunfels Utilities
Ocala, FL Combined Utility
Orlando Utilities Commission
Pasadena Water and Power
Pedernales Electric Cooperative Inc.
Riverside Electric Utility
Rochester Public Utilities
San Antonio City Public Service
Snohomish County Public Utility
Springfield Public Utility
Tacoma Power
Tallahassee Electric
Winter Park Electric Services



Median	5.4
JEA	**10.8**

"When a transfer policy … represents a substantial portion of the utility's own revenues, this could have a **negative rating impact** if it produces uncompetitive electric rates or leaves limited internal funds available for utility operations, maintenance, and repairs."

- Moody's Investors Service

Moody's Scale

Aaa – Very limited General Fund transfers governed by policy
Aa – Conservative and well defined General Fund transfers governed by policy
A – Moderate General Fund transfers
Baa – Large General Fund transfer not governed by policy
Ba – Sizeable General Fund transfer not governed by policy

"The business profile reflects our assessment of the utility's competitive position, which low rates afford despite **substantial contributions to Jacksonville's general fund**."

- Standard & Poor's

2012 Financial Ratios are from the January 2013 Fitch Revenue Bonds New Issuer Report. 2011 and 2010 Financial Ratios are from the June 2012 Fitch Ratings U.S. Public Power Peer Study.

Building Community

Comparison of Contribution Models

How does the current level of what JEA collects from customers and transfers to the City compare with the other models?

- **American Public Power Association (APPA)**
  The results of the annual APPA survey places the amount JEA transfers in the top quartile.

- **Florida Municipal Electric Association (FMEA)**
  FMEA recently surveyed its members and found JEA's rates charged to the City, as well as the School Board, to be the lowest in the State. Additionally, no municipal electric utility is making any type of direct transfer to a school board.

- **Investor Owned Utilities (IOU)**
  In 2010 JEA transferred a higher percentage of revenue to local government than any individual Florida IOU. Further, when adding State and Federal tax payments to this analysis, JEA still transferred a higher percentage of revenue.

- **Rating Agencies**
  Standard and Poor's has assigned JEA a business profile of "3" on S&P's scale from "1" to "10", with 1 being the strongest. "The business profile reflects our assessment of the utility's competitive position, which low rates afford despite substantial contributions to Jacksonville's general fund."

- **Florida Investor Owned Utilities – Taxes Paid**
  In 2010 JEA paid a higher percentage of electric revenues for local taxes, which includes property tax, city contribution and franchise fees, than any individual Florida IOU.

Building Community

General and Administrative Shared Services

The diverse, complex, and expansive nature of JEA's operational environment creates a unique corporate requirement to fuse multiple shared service and operational business activities into a single service-oriented organization focused on promoting and sustaining operational excellence

Procurement

- Majority of procurement spend is for highly engineered systems and components that are unique to utility operations.
- Procurement processes are complex, JEA's process involves 18 different process elements streamlined to support quick turnaround times required for outages and emergencies.
- Procurement processes are strategic and provide significant savings to JEA customers. JEA leverages over $40 Million of its spend per year with other utilities to increase market size, and saves over $6 Million per year through these efforts.

Fleet

- Utility Fleets are complex, highly engineered and critical to sustaining and restoring Electric and Water operation.
- Maintenance is highly specialized and safety sensitive, (e.g. dielectric testing is required on all aerial components to prevent electrocution to JEA crews.
- JEA outsourced Fleet Maintenance from COJ since 2006, has improved serviced levels and is currently saving $438K per year over COJ prices from most recent solicitation.

Building Community

General and Administrative Shared Services

The diverse, complex, and expansive nature of JEA's operational environment creates a unique corporate requirement to fuse multiple shared service and operational business activities into a single service-oriented organization focused on promoting and sustaining operational excellence

Technology Services

- Utility technology architecture is complex, often real-time and requires significant built-in cyber security, while ensuring ease of design for our customers' use.
- Our customer utility billing and metering systems calculate and bill 20,000 bills daily and have more than fifty interfaces combined.
- Jea.com and the interactive-voice response systems provide an automated utility gateway into all our customer utility services including.

Human Resources

- Providing Safety & Health Services to a combined utility like JEA is highly specialized work requiring unique knowledge, skill, and experience to help protect JEA workers and the general public from the hazards of electricity and wastewater.
- Establishing and running multiple apprenticeship programs for utility workers – These are typically four-year programs designed to train a utility worker in the highly technical and potentially dangerous tasks.

Building Community

The "At Risk Investment"

Management, Technical & Professional
- Bachelors degree minimum

630 or 32.0%

Senior front-line leadership (non-mgt)
- Apprenticeship & 8+ years experience

234 or 11.9%

Journeymen or Specialty
- 4 year apprenticeship minimum

507 or 25.7%

Apprentices
- Successfully complete 4 year apprenticeship

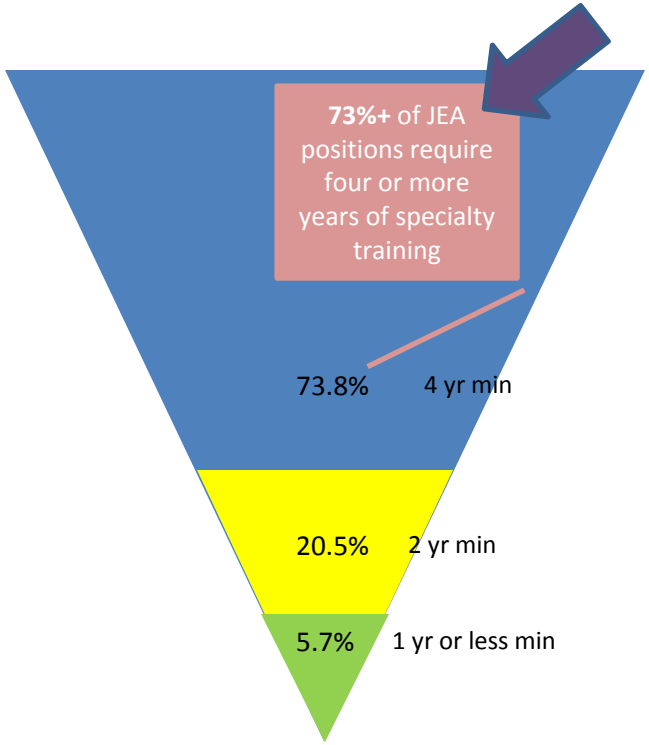
83 or 4.2%

Skilled Positions
2+ year training and/or experience

403 or 20.5%

Entry Level
1 year or less training and/or experience

113 or 5.7%



Employee Replacement Expense:

-Estimated average recruitment and on-boarding costs:
- -$7,700/Appointed Employee
- -$4,900/Civil Service Employee

-Estimated average cost to pay and train an apprentice to reach journeymen (4 year program)
- -$225,000 each

Updated as of 10/1/2012

Building Community

Opportunities for Efficiency

- Current charter requires all JEA employees to be members of the City of Jacksonville General Employees Pension Fund
  - Consider removing this requirement to facilitate instituting an agile employment and human resource model.
- Current charter requires “a civil service system for all” applicable “employees of the consolidated government.”
  - Consider removing this requirement to facilitate instituting an agile employment and human resource model.
- Delegate authority, with appropriate restrictions for bond refundings to the JEA Board of Directors.
- Screen ideas on the merits of proven performance and benchmark data.

Building Community

JEA is well positioned to meet challenges ahead

Comprehensive knowledge, engaged Board, team of industry experts, and disciplined planning and risk processes ensure **success of JEA**

Board Governance	Strategy	Management and Operations	Planning and Performance

- Principles and Policies
- Financial Oversight
- Risk Management
- Rate Making
	- Environmental
	- Water Resource
	- Health of St. Johns River
	- Workforce
	- Operational and Financial Excellence
	- Preserve Institutional Expertise
	- Customer and Community
		- Executive Team
		  - Industry Knowledge
		  - Experience
		  - System Performance
		- Capacity
		- Operational
		- Environmental
			- Best Practices
			- Pricing Philosophy
			- Projections (Coverage, Funding, Liquidity)
			- Actual Performance

Engaged Leadership	**Thought Leadership**	**Performance Driven**	**Predictable and Stable**

Building Community

Appendix

Enterprise Asset Management

Electric System

Building Community

Enterprise Asset Management is…

- a logical approach for maintaining, upgrading, and replacing assets based on life-cycle costs
- the rigorous link of databases to the financial aspects of ownership for long-term and short-term planning
- an operations and reliability risk management system

Formally Introduced at JEA in 2009

Publicly Available Specification-55 (PAS-55) adopted by JEA as a Standard in 2011

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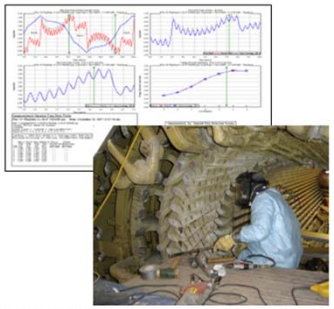
Electric System EAM Examples

Vibration data showed an increase in level. Infrared Imaging Technology was used to confirm the problem on a pump motor coupling.

The coupling was disassembled and showed severe wear. The coupling was replaced preventing further damage to the motor and pump.

Generator Condition Monitoring Program–diagnostic data used to indicate when it becomes necessary to rewind a generator to ensure future reliability.



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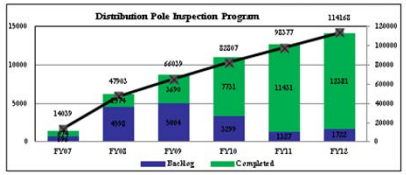
Electric System EAM Examples

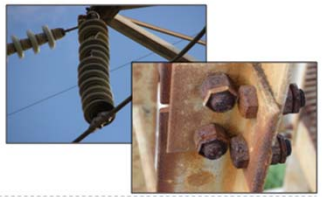
Distribution Poles

- An 8-yr recurring pole inspection program
- Last cycle, experienced a "bad pole" rate of 12%
- Spending around $2-4M per year



High Voltage Transmission Lines

- Over 700 circuit miles, inspected on a 2-yr recurring inspection cycle
- Perform on-going inspection/repair
- Spending around $1.5M per year on poles and insulators
- Corrosion Control
- Foundation Rehabilitation



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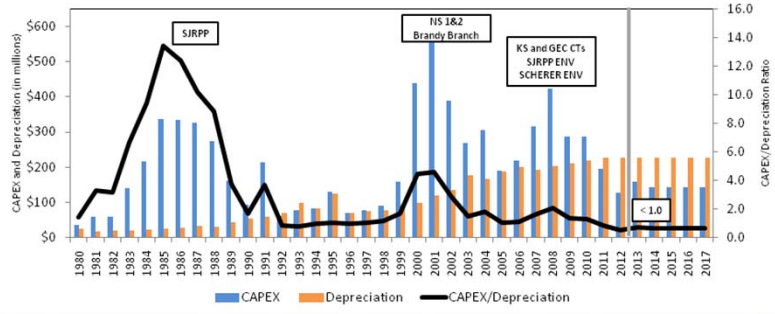
CAPEX/Depreciation Ratio

Electric System

Building Community



The CAPEX/Depreciation ratio is expected to be greater than 1.0 over the long term reflecting expansion of the system for new service connections and the expected increase in replacement costs of existing assets. JEA's Electric System's ratio is currently less than 1.0 reflecting a period of low growth requiring significantly less investment in new services and capacity, and a primary focus on replacing existing assets.

Note: SJRPP and Scherer debt funded CAPEX is included, and annual R&R expenses are not included

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JEA Building Community

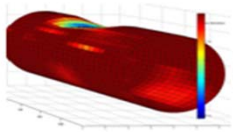
Enterprise Asset Management

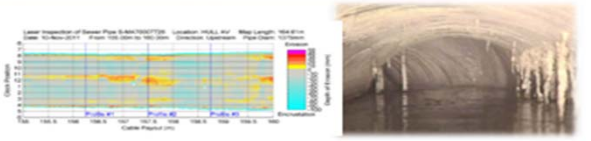
Water and Sewer System

Why Enterprise Asset Management?

- Utility assets are a major public investment and provide an essential customer service.
- A well run infrastructure is important to economic development.
- Proper operation and maintenance of the utility is essential for public health and safety.
- Enterprise Asset Management promotes efficiency and innovation in the operation of the system.
- Enterprise Asset Management provides direction for investing the right amount of money at the right place at the right time.

Large Diameter Trunk Sewer Assessments

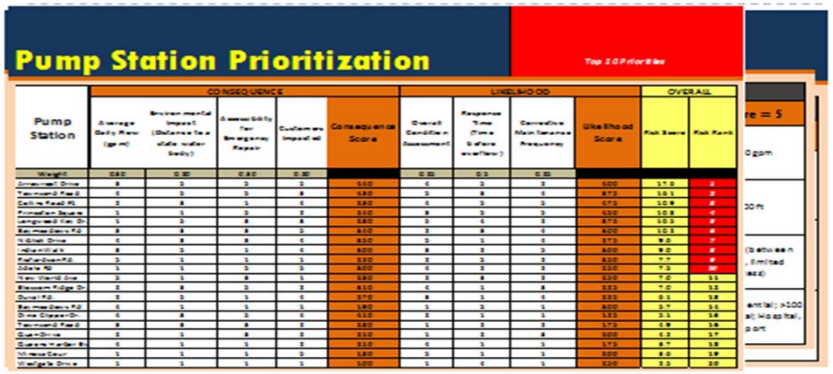




Granada Blvd to Utah Ave

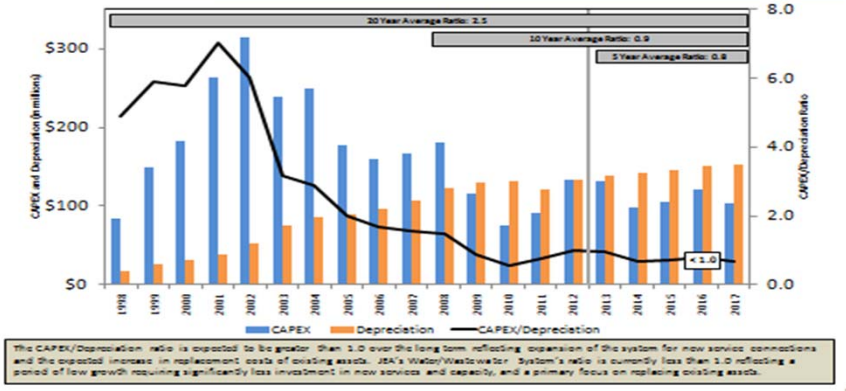
PROJECT	SEWER-GRID(S)	DATE	TRUNKLINE Footage Inspected	MANHOLES Number Inspected
Buckman: 16th St W	F6 - J7 and J8	9/28/2011	5,661 ft	7
Buckman: 16th St E	F6 - J9, J10, J11 and J12	11/29/2011	8,361 ft	13
Buckman: 13th St w	F6 - J4, J5, J6 and J7	12/13/2011	7,684 ft	14
2011 TOTALS			**4.11 Miles or 21,706 ft**	**TOTAL: 34**
Abess: F8 - N11	F8 - N10 and N11	5/1/2012	3,372 ft	11
Utah: Granada Blvd	G6 - B8, B9, C8, C9, D8, D9, E8, E9 and F8	4/9/2012	16,377 ft	63
Utah: G6 - B10	G6 - B10	6/22/2012	2,096 ft	6
Utah: G6 - B11	G6 - B11	7/21/2012	1,114 ft	6
Utah: G6 - A10	G6 - A10	6/11/2012	971 ft	3
Utah: G6 - A9	G6 - A9	5/21/2012	1,780 ft	14
Utah: G6 - A8	G6 - A8 (incomplete)	6/20/2012	1,704 ft	4
2012 Current TOTALS			**5.19 Miles or 27,414 ft**	**TOTAL: 107**
TRUNKLINE INSPECTION TOTALS			**9.30 Miles or 49,120 ft**	**TOTAL: 141**

Pump Station Risk Assessment and Rehabilitation Prioritization



CAPEX/Depreciation Ratio

Water Wastewater System



The CAPEX/Depreciation ratio is expected to be greater than 1.0 over the long term reflecting expansion of the system for new service connections and the expected increase in replacement costs of existing assets. JEA's Water/Wastewater System's ratio is currently less than 1.0 reflecting a period of low growth requiring significantly less investment in new services and capacity, and a primary focus on replacing existing assets.

What, how and how much does JEA collect from customers and transfer or pay to the City?

What?	How?	How Much in FY 2014?
City Contribution or Transfer As consideration for the unique relationship between the City of Jacksonville and JEA, as a tax-exempt entity within the consolidated government, and in recognition of the shared attributes with the consolidated City of Jacksonville …there shall be assessed upon JEA … an amount … generally referred to as the City Contribution or transfer to the General Fund…	5.513 mills x gross kilowatt hours delivered plus 2.149 mills x cubic feet of water and sewer but in no event less than the minimum annual increase of $2.5 million	$ 109.2 million This amount is constructed to grow based upon system unit sales growth
Public Service Tax …any State of Florida municipality may levy a public service tax on the purchase within such municipality of electricity and water, as well as other utility-type services… This tax may not exceed 10% of the payments received by the sellers of such public services from purchasers…	10% of payments received for electric and water services. Sewer services may not be taxed and much of the fuel component of the electric services billing is exempt.	$ 87.5 million projected
Franchise Fee- Implemented April 2008 Primarily in consideration for the exclusive right to serve and for use of public rights-of-way.	3% of the following rate revenues - base electric, fuel, water and sewer. The Mayor, along with two-thirds of City Council, may increase the Franchise Fee up to 6%.	$ 40.6 million projected This amount is constructed to grow based upon system revenue (think rates) growth.

Building Community

Property Tax Analysis

1. JEA would pay property tax of approximately $64,074,000 to the City and approximately $48,525,000to the School Board based on 2012 millage rates. However, it should be noted that the assessed values used to calculate the property taxes would be negotiated, if JEA had to pay property taxes.

2. FPL paid $2,787,000 as their payment in lieu of property tax for 2012. This represent 50% of the assessed value for Power Park.

3. Based on Real Estate Tax Notices on the Property Appraiser's website Comcast property taxes to the City were approximately $1,191,000 and $638,315 to the School Board. ATT/Bellsouth property taxes to the City were approximately $4,851,000 and $2,624,000 to the School Board for 2012.

4. Jody Finklea at FMEA was not aware of other municipal utility in the state contributes to their respective school boards.

5. The discount rate for the school board is approximately 13.5% which amounts to $2.7 million.

Taxes paid during the year ($000's)
Fiscal Year 2010

	FPL	FPC	Gulf	TECO	IOU Avg	JEA
Gross Receipts Tax	250,611	114,381	33,011	50,753	112,189	31,715
Franchise	460,559	109,989	39,054	38,351	161,988	32,628
Property Tax	288,543	109,859	21,574	43,657	115,908	
City Contribution	-	-	-	-	-	79,007
Income Tax	291,018	(97,354)	17,718	109,526	80,227	
Total Payments	1,290,731	236,875	111,357	242,287	470,313	143,350
Operating Revenues	10,482,019	5,253,982	1,590,369	2,210,060	4,884,108	1,416,181
Electric Revenues	9,964,387	5,018,052	1,515,179	2,145,514	4,660,783	1,371,860
Net Mwh sales (1)	104,556,506	38,925,066	11,359,195	19,213,462	43,513,557	13,180,074
Total Mwh sold	107,434,726	42,615,979	15,471,156	19,728,981	46,312,711	13,571,633
Avg. # of customers	4,520,332	1,640,814	430,028	670,991	1,815,541	418,504
Prop Tax,CC,FF / Elec. Rev	7.52%	4.38%	4.00%	3.82%	5.96%	8.14%
Prop Tax,CC, FF per net MWH	7.16	5.65	5.34	4.27	6.39	8.47
Total payments/Electric Rev	12.95%	4.72%	7.35%	11.29%	10.09%	10.45%
Payments per net Mwh sold	12.34	6.09	9.80	12.61	10.81	10.88
Payments per Mwh sold	12.01	5.56	7.20	12.28	10.16	10.56
Payments per customer	285.54	144.36	258.95	361.09	259.05	342.53
Prop. Tax&CC/ElectricRev	2.90%	2.19%	1.42%	2.03%	2.49%	5.76%
Prop. Tax&CC per customer	63.83	66.95	50.17	65.06	63.84	188.78

(1) net of sales for resale