JETBLUE AIRWAYS CORP
Form 10-Q
October 27, 2017
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

þ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2017
or
o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from __________ to__________
Commission file number 000-49728
JETBLUE AIRWAYS CORPORATION
(Exact name of registrant as specified in its charter)

Delaware	87-0617894
(State of Other Jurisdiction of Incorporation)	(I.R.S. Employer Identification No.)
27-01 Queens Plaza North, Long Island City, New York	11101
(Address of principal executive offices)	(Zip Code)

(718) 286-7900
(Registrant’s telephone number, including area code)

N/A
(Former name, former address and former fiscal year,
if changed since last report)
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. þ Yes o No
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). þ Yes o No
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):
Large accelerated filer þ Accelerated filer o
Non-accelerated filer o (Do not check if a smaller reporting company)
Smaller reporting company o Emerging growth company o

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the

Exchange Act. o
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes o No þ
As of September 30, 2017, there were 320,646,948 shares outstanding of the registrant’s common stock, par value $.01.

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PART 1. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

JETBLUE AIRWAYS CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(unaudited, in millions, except per share data)

	September 30, 2017	December 31, 2016
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 394	$ 433
Investment securities	420	538
Receivables, less allowance (2017-$1; 2016-$5)	186	172
Prepaid expenses and other	323	260
Total current assets	1,323	1,403
PROPERTY AND EQUIPMENT		
Flight equipment	8,569	7,868
Predelivery deposits for flight equipment	230	223
Total flight equipment and predelivery deposits, gross	8,799	8,091
Less accumulated depreciation	2,047	1,823
Total flight equipment and predelivery deposits, net	6,752	6,268
Other property and equipment	1,017	972
Less accumulated depreciation	387	345
Total other property and equipment, net	630	627
Assets constructed for others	561	561
Less accumulated depreciation	201	185
Total assets constructed for others, net	360	376
Total property and equipment	7,742	7,271
OTHER ASSETS		
Investment securities	—	90
Restricted cash	60	62
Other	471	497
Total other assets	531	649
TOTAL ASSETS	$ 9,596	$ 9,323

See accompanying notes to condensed consolidated financial statements.

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JETBLUE AIRWAYS CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(unaudited, in millions, except per share data)

	September 30, 2017	December 31, 2016
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	$ 295	$ 242
Air traffic liability	1,262	1,120
Accrued salaries, wages and benefits	288	342
Other accrued liabilities	282	321
Current maturities of long-term debt and capital leases	224	189
Total current liabilities	2,351	2,214
LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS	1,031	1,195
CONSTRUCTION OBLIGATION	445	457
DEFERRED TAXES AND OTHER LIABILITIES		
Deferred income taxes	1,555	1,354
Other	75	90
Total deferred taxes and other liabilities	1,630	1,444
STOCKHOLDERS' EQUITY		
Preferred stock, $0.01 par value; 25 shares authorized, none issued	—	—
Common stock, $0.01 par value; 900 shares authorized, 417 and 414 shares issued and 321 and 337 shares outstanding at September 30, 2017 and December 31, 2016, respectively	4	4
Treasury stock, at cost; 96 and 77 shares at September 30, 2017 and December 31, 2016, respectively	(890)	(500)
Additional paid-in capital	2,100	2,050
Retained earnings	2,921	2,446
Accumulated other comprehensive income	4	13
Total stockholders' equity	4,139	4,013
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 9,596	$ 9,323

See accompanying notes to condensed consolidated financial statements.

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JETBLUE AIRWAYS CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited, in millions, except per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
OPERATING REVENUES				
Passenger	$1,623	$1,571	$4,724	$4,536
Other	190	161	535	455
Total operating revenues	1,813	1,732	5,259	4,991
OPERATING EXPENSES				
Aircraft fuel and related taxes	347	293	994	782
Salaries, wages and benefits	466	421	1,397	1,270
Landing fees and other rents	104	98	301	276
Depreciation and amortization	114	102	328	289
Aircraft rent	26	28	75	84
Sales and marketing	68	60	195	197
Maintenance materials and repairs	149	153	467	427
Other operating expenses	229	223	691	650
Total operating expenses	1,503	1,378	4,448	3,975
OPERATING INCOME	310	354	811	1,016
OTHER INCOME (EXPENSE)				
Interest expense	(23)	(28)	(72)	(85)
Capitalized interest	3	2	7	6
Interest income and other	3	2	5	5
Total other income (expense)	(17)	(24)	(60)	(74)
INCOME BEFORE TAXES	293	330	751	942
Income tax expense	114	131	276	355
NET INCOME	$179	$199	$475	$587
EARNINGS PER COMMON SHARE:				
Basic	$0.55	$0.61	$1.44	$1.81
Diluted	$0.55	$0.58	$1.43	$1.72

See accompanying notes to condensed consolidated financial statements.

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JETBLUE AIRWAYS CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(unaudited, in millions)

	Three Months Ended September 30,	
	2017	2016
NET INCOME	$179	$199
Changes in fair value of derivative instruments, net of reclassifications into earnings (net of $1 and $(4) of taxes in 2017 and 2016, respectively)	4	(6)
Total other comprehensive income	4	(6)
COMPREHENSIVE INCOME	$183	$193

	Nine Months Ended September 30,	
	2017	2016
NET INCOME	$475	$587
Changes in fair value of derivative instruments, net of reclassifications into earnings (net of $(7) and $8 of taxes in 2017 and 2016, respectively)	(9)	13
Total other comprehensive income	(9)	13
COMPREHENSIVE INCOME	$466	$600

See accompanying notes to condensed consolidated financial statements.

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JETBLUE AIRWAYS CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited, in millions)

	Nine Months Ended September 30, 2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$475	$587
Adjustments to reconcile net income to net cash provided by operating activities:		
Deferred income taxes	207	204
Depreciation	283	248
Amortization	45	41
Stock-based compensation	22	18
Gains on sale of assets and debt extinguishment	—	(4)
Changes in certain operating assets and liabilities	58	235
Other, net	(24)	(12)
Net cash provided by operating activities	1,066	1,317
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(705)	(480)
Predelivery deposits for flight equipment	(90)	(118)
Purchase of held-to-maturity investments	(92)	(151)
Proceeds from the maturities of held-to-maturity investments	128	282
Purchase of available-for-sale securities	(223)	(507)
Proceeds from the sale of available-for-sale securities	395	345
Other, net	(6)	(1)
Net cash used in investing activities	(593)	(630)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of common stock	28	26
Repayment of long-term debt and capital lease obligations	(138)	(148)
Acquisition of treasury stock	(390)	(14)
Other, net	(12)	4
Net cash used in financing activities	(512)	(132)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(39)	555
Cash and cash equivalents at beginning of period	433	318
Cash and cash equivalents at end of period	$394	$873

See accompanying notes to condensed consolidated financial statements.

Note 1—Summary of Significant Accounting Policies

Basis of Presentation

JetBlue Airways Corporation, or JetBlue, provides air transportation services across the United States, the Caribbean and Latin America. Our condensed consolidated financial statements include the accounts of JetBlue and our subsidiaries which are collectively referred to as “we” or the “Company.” All majority-owned subsidiaries are consolidated on a line by line basis, with all intercompany transactions and balances being eliminated. These condensed consolidated financial statements and related notes should be read in conjunction with our 2016 audited financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2016, or our 2016 Form 10-K.

These condensed consolidated financial statements are unaudited and have been prepared by us following the rules and regulations of the Securities and Exchange Commission, or the SEC. In our opinion they reflect all adjustments, including normal recurring items, that are necessary to present fairly the results for interim periods. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles in the U.S., or GAAP, have been condensed or omitted as permitted by such rules and regulations; however, we believe that the disclosures are adequate to make the information presented not misleading. Operating results for the periods presented herein are not necessarily indicative of the results that may be expected for other interim periods or the entire fiscal year.

Investment securities

Investment securities consist of available-for-sale investment securities and held-to-maturity investment securities. We use a specific identification method to determine the cost of the securities when they are sold.

Held-to-maturity investment securities. The contractual maturities of the corporate bonds we held as of September 30, 2017 were not greater than 24 months. We did not record any significant gains or losses on these securities during the three and nine months ended September 30, 2017 or 2016. The estimated fair value of these investments approximated their carrying value as of September 30, 2017 and December 31, 2016, respectively.

The carrying values of investment securities consisted of the following at September 30, 2017 and December 31, 2016 (in millions):

	September 30, 2017	December 31, 2016
Available-for-sale securities		
Time deposits	$ 150	$ 160
Commercial paper	10	60
Debt securities	3	—
Treasury bills	—	115
Total available-for-sale securities	163	335
Held-to-maturity securities		
Treasury notes	$ 205	$ 283
Corporate bonds	52	10
Total held-to-maturity securities	257	293
Total investment securities	$ 420	$ 628

Recent Accounting Pronouncements

During the first quarter of 2017, we adopted Accounting Standards Update, or ASU, 2015-17, Income Taxes, Balance Sheet Classification of Deferred Taxes topic of the FASB Codification, or Codification. This standard requires all deferred tax assets and liabilities to be classified as non-current on the balance sheet instead of separating deferred taxes into current and non-current amounts. In addition, valuation allowance allocations between current and non-current deferred tax assets are no longer required because those allowances also will be classified as non-current. Our condensed consolidated balance sheet as of December 31, 2016 reflects retrospective application. As a result of the adoption, $9 million of deferred tax liabilities previously included within other accrued liabilities and $164 million of deferred tax assets previously included within current assets have been moved to long-term liabilities on our December 31, 2016 balance sheet.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). Under ASU 2016-02, a lessee will recognize liabilities for lease payments and right-of-use assets representing its right to use the underlying asset for the lease term. While we are still evaluating the full impact of adopting the amendments on our consolidated financial statements and disclosures, we have determined that it will impact our accounting for leased aircraft and other leasing agreements. The amendments are effective for fiscal years beginning after December 15, 2018 and include interim periods within those fiscal years. Early adoption is permitted, and companies are required to use a modified retrospective approach at the earliest period presented.

In November 2016, the FASB issued ASU 2016-18, Statement of Cash Flows (Topic 230), Restricted Cash. The amendments clarified how entities should present restricted cash and restricted cash equivalents in the statement of cash flows. ASU 2016-18 requires entities to show the changes in the total of cash, cash equivalents, restricted cash and restricted cash equivalents in the statement of cash flows. As a result, entities will no longer present transfers between cash and cash equivalents and restricted cash and restricted cash equivalents in the statement of cash flows. The amendments are effective for fiscal years beginning after December 15, 2017 and include interim periods within those years. Early adoption is permitted.

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers, which supersedes existing revenue recognition guidance. Under the new standard, a company will recognize revenue when it transfers goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled to in exchange for those goods or services. The standard allows for either full retrospective or modified retrospective adoption and is effective for interim and annual reporting periods beginning after December 15, 2017. JetBlue will adopt ASU 2014-09 effective January 1, 2018 and expects to use the full retrospective method.

While we are evaluating the full impact of ASU 2014-09 on our consolidated financial statements, we have determined that the most significant impact of the standard will be on the accounting for our TrueBlue® Loyalty Program. The standard eliminates the incremental cost method for loyalty program accounting which the Company currently uses and will require us to re-value the liability for points earned on qualifying JetBlue purchases using a relative fair value approach. We currently estimate that applying a relative fair value approach would increase air traffic liability by approximately $250 million to $350 million as of the beginning of the retrospective reporting period, depending on various assumptions made at the time of measurement.

In addition, we currently have a liability for outstanding points that were earned in conjunction with our previous co-branded credit card agreement. Those points had been recorded using the residual method. The new standard does not permit the usage of the residual method for this contract and instead the transaction price will be allocated to the performance obligations on a relative selling price basis. This change in accounting methodology will decrease the relative value allocated to the transportation performance obligation and will result in a decrease to the liability, for which we are in the process of quantifying the impact.

Currently, passenger revenue from unused tickets or passenger credits is recognized at expiration. Under the new standard, revenue will be recorded in proportion to flown revenue based on estimates of expected expiration.

We also expect this standard to result in a change in the timing and classification of our revenue recognition for certain ancillary fees directly related to passenger tickets. We expect that these revenues, which were approximately $425 million for 2016, will be reclassified from other revenue in the current presentation to passenger revenue after adoption.

Note 2—Long Term Debt, Short Term Borrowings, and Capital Lease Obligations

During the nine months ended September 30, 2017, we made scheduled principal payments of $138 million on our outstanding long-term debt and capital lease obligations.

We have pledged aircraft, engines, other equipment and facilities with a net book value of $2.4 billion at September 30, 2017 as security under various loan agreements. As of September 30, 2017, we owned, free of encumbrance, 74 Airbus A320 aircraft, 36 Airbus A321 aircraft and 37 spare engines. At September 30, 2017, scheduled maturities of all of our long-term debt and capital lease obligations were $55 million for the remainder of 2017, $194 million in 2018, $215 million in 2019, $179 million in 2020, $164 million in 2021 and $448 million thereafter.

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(unaudited)

The carrying amounts and estimated fair values of our long-term debt at September 30, 2017 and December 31, 2016 were as follows (in millions):

	September 30, 2017		December 31, 2016	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Public Debt				
Fixed rate special facility bonds, due through 2036	$42	$ 45	$42	$ 45
Non-Public Debt				
Fixed rate enhanced equipment notes, due through 2023	169	178	188	197
Floating rate equipment notes, due through 2025	157	163	171	179
Fixed rate equipment notes, due through 2026	761	824	843	915
Total(1)	$1,129	$ 1,210	$1,244	$ 1,336

(1) Total excludes capital lease obligations of $126 million for September 30, 2017 and $140 million for December 31, 2016

The estimated fair values of our publicly held long-term debt are classified as Level 2 in the fair value hierarchy. The fair values of our enhanced equipment notes and our special facility bonds were based on quoted market prices in markets with low trading volumes. The fair value of our non-public debt was estimated using a discounted cash flow analysis based on our borrowing rates for instruments with similar terms and therefore classified as Level 3 in the fair value hierarchy. The fair values of our other financial instruments approximate their carrying values. Refer to Note 7 for an explanation of the fair value hierarchy structure.

We have financed certain aircraft with Enhanced Equipment Trust Certificates, or EETC, as one of the benefits of this structure is being able to finance several aircraft at one time, rather than individually. The structure of EETC financing is that we create pass-through trusts in order to issue pass-through certificates. The proceeds from the issuance of these certificates are then used to purchase equipment notes which are issued by us and are secured by our aircraft. These trusts meet the definition of a variable interest entity, or VIE, as defined in the Consolidations topic of the Codification, and must be considered for consolidation in our condensed consolidated financial statements. Our assessment of our EETCs considers both quantitative and qualitative factors including the purpose for which these trusts were established and the nature of the risks in each. The main purpose of the trust structure is to enhance the credit worthiness of our debt obligation through certain bankruptcy protection provisions, liquidity facilities and lower our total borrowing cost. We concluded that we are not the primary beneficiary in these trusts because our involvement in them is limited to principal and interest payments on the related notes, the trusts were not set up to pass along variability created by credit risk to us and the likelihood of our defaulting on the notes. Therefore, we have not consolidated these trusts in our condensed consolidated financial statements.

Short-term Borrowings

Citibank Line of Credit

As of September 30, 2017, we had an Amended and Restated Credit and Guaranty Agreement, or the Amended and Restated Facility, with Citibank, N.A. as the administrative agent for up to approximately $425 million. The term of the Amended and Restated Facility runs through April 6, 2021. Borrowings under the Amended and Restated Facility bear interest at a variable rate equal to LIBOR, plus a margin and are secured by Slots at John F. Kennedy International Airport, LaGuardia Airport and Reagan National Airport as well as certain other assets. Slots are rights to take-off or land at a specific airport during a specific time period during the day and are a means by which airport capacity and congestion can be managed. The Amended and Restated Facility includes covenants that require us to maintain certain minimum balances in unrestricted cash, cash equivalents, and unused commitments available under all revolving credit facilities. In addition, the covenants restrict our ability to, among other things, dispose of certain collateral, or merge, consolidate, or sell assets. As of and for the periods ended September 30, 2017 and December 31, 2016, we did not have a balance outstanding or borrowings under this line of credit.

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(unaudited)

Morgan Stanley Line of Credit
We have a revolving line of credit with Morgan Stanley for up to approximately $200 million. This line of credit is secured by a portion of our investment securities held by Morgan Stanley and the amount available to us under this line of credit may vary accordingly. This line of credit bears interest at a floating rate based upon LIBOR, plus a margin. As of and for the periods ended September 30, 2017 and December 31, 2016, we did not have a balance outstanding under this line of credit.

Note 3—Earnings Per Share
The following table shows how we computed basic and diluted earnings per common share (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Numerator:				
Net Income(1)	$179	$199	$475	$587
Effect of dilutive securities:				
Interest on convertible debt, net of income taxes and profit sharing	—	1	—	2
Net income applicable to common stockholders after assumed conversions for diluted earnings per share	$179	$200	$475	$589
Denominator:				
Weighted average shares outstanding	326.1	323.7	330.8	322.8
Effect of dilutive securities:				
Employee stock options, restricted stock units and stock purchase plan	1.7	1.9	1.6	2.2
Convertible debt	—	17.6	—	17.6
Adjusted weighted average shares outstanding and assumed conversions for diluted earnings per share	327.8	343.2	332.4	342.6

(1) We early adopted ASU 2016-09, Improvements to Employee Share-Based Payment Accounting, during the fourth quarter of 2016. The adoption of this standard resulted in the recognition of $8 million of excess tax benefits to the income tax provision for the year ended December 31, 2016. Net income and shares outstanding data for the three months and nine months ended September 30, 2016 are presented as if the ASU was adopted at the beginning of 2016.
We have no convertible debt outstanding as of September 30, 2017. During the three and nine months ended September 30, 2016, there were no shares excluded from earnings per share upon assumed conversion of our convertible debt.
On March 6, 2017, JetBlue entered into an accelerated share repurchase, or ASR, agreement with Barclays Bank PLC, or Barclays, paying $100 million for an initial delivery of approximately 4.1 million shares. The term of the Barclays ASR concluded on April 24, 2017 with Barclays delivering approximately 0.8 million additional shares to JetBlue on April 27, 2017. A total of 4.9 million shares, at an average price of $20.23 per share, were repurchased under the agreement. The total number of shares repurchased by JetBlue was based on the volume weighted average price of JetBlue's common stock during the term of the Barclays ASR agreement.
On April 27, 2017, JetBlue entered into an ASR agreement with Goldman, Sachs & Co., or GS&Co., paying $150 million for an initial delivery of approximately 5.4 million shares. The term of the GS&Co. ASR concluded on July 24, 2017 with GS&Co. delivering approximately 1.4 million additional shares to JetBlue on July 27, 2017. A

total of 6.8 million shares, at an average price of $21.99 per share, were repurchased under the agreement. The total number of shares repurchased by JetBlue was based on the volume weighted average price of JetBlue's common stock during the term of the GS&Co. agreement.

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JETBLUE AIRWAYS CORPORATION
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(unaudited)

On September 11, 2017, JetBlue entered into an ASR agreement with Morgan Stanley & Co. LLC, or Morgan Stanley, paying $130 million for an initial delivery of approximately 5.4 million shares. The term of the Morgan Stanley ASR concluded on September 26, 2017 with Morgan Stanley delivering approximately 1.5 million additional shares to JetBlue on September 28, 2017. A total of 6.9 million shares, at an average price of $18.86 per share, were repurchased under the agreement. The total number of shares repurchased by JetBlue was based on the volume weighted average price of JetBlue's common stock during the term of the Morgan Stanley agreement.

Note 4—Crewmember Retirement Plan and Profit Sharing

We sponsor a retirement savings 401(k) defined contribution plan, or the Plan, covering all of our employees, who we refer to as Crewmembers, where we match 100% of our Crewmembers' contributions up to 5% of their eligible wages. The contributions vest over 5 years and are measured from a Crewmember's hire date. Crewmembers are immediately vested in their voluntary contributions.

Another component of the Plan is a Company discretionary contribution of 5% of eligible non-management Crewmember compensation, which we refer to as Retirement Plus. Retirement Plus contributions vest over 3 years and are measured from a Crewmember's hire date.

For years of service prior to 2017, our non-management Crewmembers were also eligible to receive profit sharing, calculated as 15% of adjusted pre-tax income before profit sharing and special items with the result reduced by Retirement Plus contributions. Beginning with 2017, non-management Crewmembers are eligible to receive profit sharing, calculated as 10% of adjusted pre-tax income before profit sharing and special items up to a pre-tax margin of 18%. If JetBlue's resulting pre-tax margin exceeds 18%, non-management Crewmembers will receive 20% profit sharing above an 18% pre-tax margin. The result is reduced by Retirement Plus contributions and Crewmembers may elect to have their profit sharing contributed directly to the Plan.

Certain Federal Aviation Administration, or FAA-licensed Crewmembers, receive an additional contribution of 3% of eligible compensation, which we refer to as Retirement Advantage. Total 401(k) company match, Retirement Plus, profit sharing and Retirement Advantage expensed for the three months ended September 30, 2017 and 2016 was $49 million and $74 million, respectively, while the total amount expensed for the nine months ended September 30, 2017 and 2016 was $143 million and $221 million, respectively.

Note 5—Commitments and Contingencies

Flight Equipment Commitments

As of September 30, 2017, our firm aircraft orders consisted of 25 Airbus A320 new engine option (neo) aircraft, 17 Airbus A321 aircraft, 60 Airbus A321neo aircraft, 24 Embraer 190 aircraft and 10 spare engines scheduled for delivery through 2024. Committed expenditures for these aircraft and related flight equipment, including estimated amounts for contractual price escalations and predelivery deposits, will be approximately $343 million for the remainder of 2017, $814 million in 2018, $1.0 billion in 2019, $1.4 billion in 2020, $1.5 billion in 2021 and $2.6 billion thereafter.

Other Commitments

As part of the 2014 sale of LiveTV, LLC, or LiveTV, formerly a wholly owned subsidiary of JetBlue, to Thales Holding Corporation a $3 million liability relating to Airfone, a former subsidiary of LiveTV, was assigned to JetBlue under the purchase agreement with Thales. Separately, prior to the sale of LiveTV, JetBlue had an agreement with ViaSat Inc. through 2020 relating to in-flight broadband connectivity technology on our aircraft. That agreement stipulated a $20 million minimum commitment for the connectivity service and a $25 million minimum commitment for the related hardware and software purchase. As part of the sale of LiveTV, these commitments to ViaSat Inc. were assigned to LiveTV and JetBlue entered into two new service agreements with LiveTV pursuant to which LiveTV will provide in-flight entertainment and connectivity services to JetBlue for a minimum of seven years.

As of September 30, 2017, we had approximately $29 million in assets serving as collateral for letters of credit relating to a certain number of our leases. These are included in restricted cash and expire at the end of the related lease terms. Additionally, we had approximately $27 million pledged related to our workers compensation insurance policies and other business partner agreements which will expire according to the terms of the related policies or agreements.

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Legal Matters

Occasionally we are involved in various claims, lawsuits, regulatory examinations, investigations and other legal matters arising, for the most part, in the ordinary course of business. The outcome of litigation and other legal matters is always uncertain. The Company believes it has valid defenses to the legal matters currently pending against it, is defending itself vigorously and has recorded accruals determined in accordance with GAAP, where appropriate. In making a determination regarding accruals, using available information, we evaluate the likelihood of an unfavorable outcome in legal or regulatory proceedings to which we are a party and record a loss contingency when it is probable a liability has been incurred and the amount of the loss can be reasonably estimated. These subjective determinations are based on the status of such legal or regulatory proceedings, the merits of our defenses and consultation with legal counsel. Actual outcomes of these legal and regulatory proceedings may materially differ from our current estimates. It is possible that resolution of one or more of the legal matters currently pending or threatened could result in losses material to our consolidated results of operations, liquidity or financial condition.

To date, none of these types of litigation matters, most of which are typically covered by insurance, has had a material impact on our operations or financial condition. We have insured and continue to insure against most of these types of claims. A judgment on any claim not covered by, or in excess of, our insurance coverage could materially adversely affect our financial condition or results of operations.

Note 6—Financial Derivative Instruments and Risk Management

As part of our risk management techniques, we periodically purchase over the counter energy derivative instruments and enter into fixed forward price agreements, or FFPs, to manage our exposure to the effect of changes in the price of aircraft fuel. Prices for the underlying commodities have historically been highly correlated to aircraft fuel, making derivatives of them effective at providing short-term protection against sharp increases in average fuel prices. We also periodically enter into jet fuel basis swaps for the differential between heating oil and jet fuel, to further limit the variability in fuel prices at various locations. We do not hold or issue any derivative financial instruments for trading purposes.

Aircraft fuel derivatives

We attempt to obtain cash flow hedge accounting treatment for each fuel derivative that we enter into. This treatment is provided for under the Derivatives and Hedging topic of the Codification which allows for gains and losses on the effective portion of qualifying hedges to be deferred until the underlying planned jet fuel consumption occurs, rather than recognizing the gains and losses on these instruments into earnings during each period they are outstanding. The effective portion of realized fuel hedging derivative gains and losses is recognized in aircraft fuel expense in the period during which the underlying fuel is consumed.

Ineffectiveness occurs, in certain circumstances, when the change in the total fair value of the derivative instrument differs from the change in the value of our expected future cash outlays for the purchase of aircraft fuel. Ineffectiveness is recognized immediately in interest income and other. If a hedge does not qualify for hedge accounting, the periodic changes in its fair value are also recognized in interest income and other. When aircraft fuel is consumed and the related derivative contract settles, any gain or loss previously recorded in other comprehensive income is recognized in aircraft fuel expense. All cash flows related to our fuel hedging derivatives are classified as operating cash flows.

Our current approach to fuel hedging is to enter into hedges on a discretionary basis without a specific target of hedge percentage needs. We view our hedge portfolio as a form of insurance to help mitigate the impact of price volatility and protect us against severe spikes in oil prices, when possible.

The following table illustrates the approximate hedged percentages of our projected fuel usage by quarter as of September 30, 2017 related to our outstanding fuel hedging contracts that were designated as cash flow hedges for accounting purposes.

	Jet fuel swap agreements	Jet fuel collar agreements	Heating oil collar agreements	Total
Fourth Quarter 2017	10 %	—%	—%	10 %

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The table below reflects quantitative information related to our derivative instruments and where these amounts are recorded in our financial statements (dollar amounts in millions):

Fuel derivatives	September 30, 2017	December 31, 2016
Asset fair value recorded in prepaid expense and other[1]	$ 6	$ 22
Longest remaining term (months)	3	12