

JEA Finance and Audit Committee Agenda

March 12, 2021 • 9:00 AM – 11:00 AM

JEA 21 West Church Street, Jacksonville, FL 32202



I.	OPENING CONSIDERATIONS	
	A.	Call to Order
	B.	Adoption of Agenda (Action)
	C.	Safety Briefing and Moment - Anthony Long, Director, Health & Safety Services and Steve Tuten, Director, Audit Services
D.	Approval of Minutes – December 11, 2020 (Action)	

Item(s)		Speaker/Title	Action (A) Info (I)
A.	Rates and Fees Update	Juli Crawford, Director, Financial Planning & Analysis	I
	1. Fuel Charge		
	2. Electric Rates		
	3. Water and Wastewater Capacity Fees		
B.	FY2022 Budget Assumptions	Juli Crawford, Director, Financial Planning & Analysis	I
C.	Quarterly Audit Services Update	Steve Tuten, Director, Audit Services	I
D.	Ethics Officer Quarterly Report	Walette Stanford, Ethics Officer	I
E.	Treasury		
	1. Electric System and Water and Sewer System Reserve Fund Quarterly Report	Joe Orfano, Interim VP Financial Services	I
	2. JEA Variable-Rate Debt Analysis	Joe Orfano, Interim VP Financial Services Michael Mace, PFM Financial Advisors LLC	I
F.	JEA Energy Market Risk Management Policy		
	1. Quarterly Report	Ricky Erixton, VP Electric Systems	I
	2. Approval of Revisions to Policy	Ricky Erixton, VP Electric Systems	A
G.	Announcements		
	1. Next Meeting, May 14, 2021, 9:00 – 11:00am		
H.	Committee Discussion Sessions		
	1. Ernst & Young	John DiSanto, Ernst & Young	I
	2. Director, Audit Services	Steve Tuten, Director, Audit Services	I
	3. Council Auditor's Office	Jeff Rodda, Council Auditor	I
I.	Adjournment		

III.	UPCOMING FINANCE AND AUDIT AGENDA ITEMS	
	Item(s)	
	A.	FY2022 Budget Presentation
	B.	Rates and Fees Update
	C.	Financial Statements Presentation
	D.	Quarterly Audit Services Update
	E.	Ethics Officer Quarterly Report
	F.	Electric System and Water and Sewer System Reserve Fund Quarterly Report
G.	JEA Energy Market Risk Management Policy Quarterly Report	

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.



SAFETY MOMENT AND BRIEFING

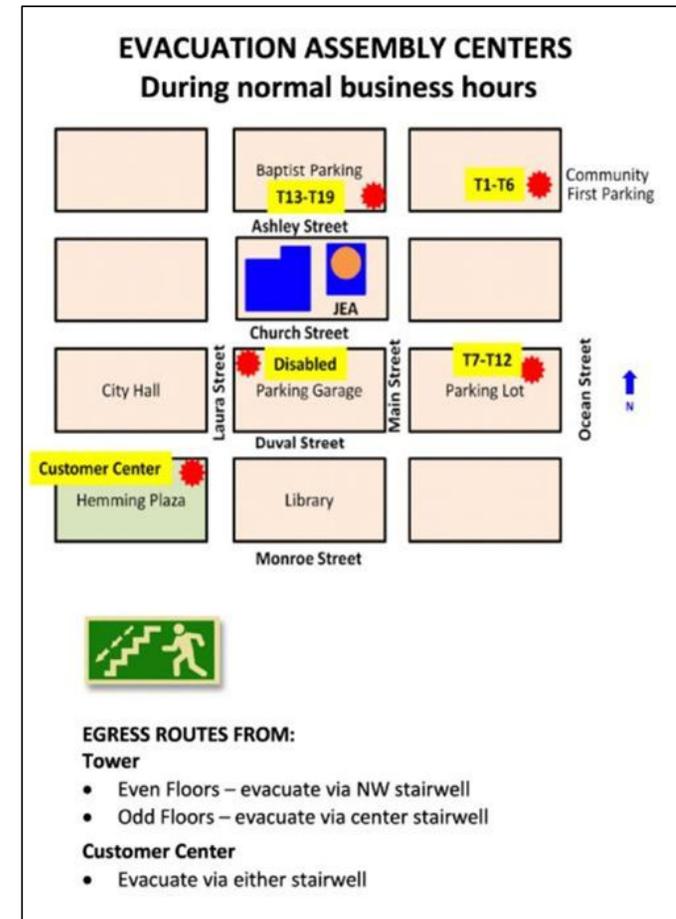
*Tony Long
Director, Safety and Health Services*

*Steven Tuten
Director, Audit Services*



Safety Briefing

- In the event of an emergency, call 9-911 and alert others
- Emergency Evacuation Route (use stairwell)
- Assembly Location: Baptist Parking Garage (corner of Ashley & Main St.)
- Safety Partner (person to your right)
- Medical Conditions / CPR
- Hazard & Situational Awareness
- Cell Phone Etiquette

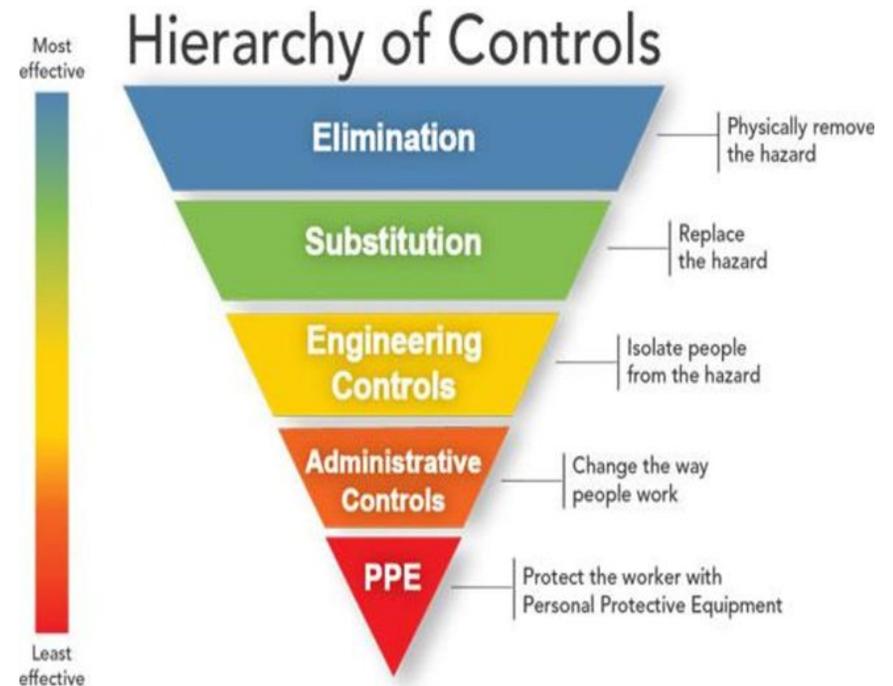


Safety Moment

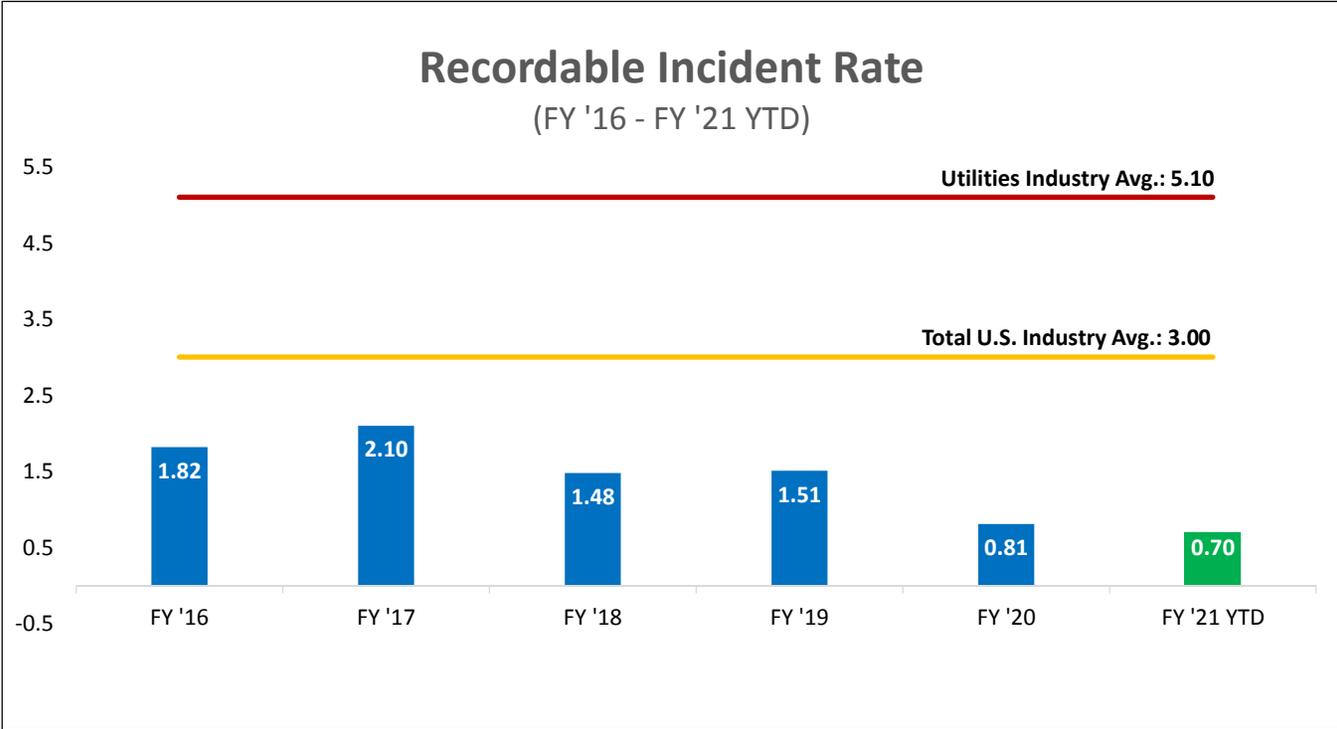
Hierarchy of Controls

- Elimination (most effective)
- Substitution (e.g., use safer equipment / tools)
- Engineering Controls (e.g., machine guarding)
- Administrative Controls (e.g., job rotation)
- PPE (least effective)

Next Month's Safety Moment: Fall Protection



Safety Performance Update



Recordable Incident Rate = [No. of OSHA Recordable Injuries ÷ Hours Worked] x 200,000



JEA FINANCE & AUDIT COMMITTEE MINUTES
December 11, 2020

The Finance & Audit Committee of JEA met on Friday, December 11, 2020 on the 19th Floor, 21 W. Church Street, Jacksonville, Florida. Pursuant to City of Jacksonville Emergency Proclamation, attendees were required to wear masks, CDC guidelines and social distancing were required at the physical location, and the meeting was also accessible via WebEx. In attendance physically were Marty Lanahan, John Baker, and Bobby Stein. Also in attendance physically was Jody Brooks, Office of General Counsel. Joseph DiSalvo, Dr. Leon Haley, and Zachary Faison joined via WebEx, as well as Jay Stowe.

Agenda Item I – Opening Considerations

- A. Call to Order** – Chair Marty Lanahan called the meeting to order at 10:02 a.m. Committee members John Baker (Board Chair) and Bobby Stein were in attendance physically which constituted a quorum. Jody Brooks provided a **Safety Briefing** for those in attendance physically after the meeting was called to order.
- B. Adoption of Agenda** – On *motion* by John Baker and seconded by Bobby Stein the agenda was adopted.
- C. Approval of Minutes** – On *motion* by Bobby Stein and seconded by John Baker, the Minutes of the August 14, 2020 Committee meeting were approved.

** Due to technical difficulties there was a 10 minute recess. The meeting stopped at 10:10am and resumed at 10:20am. **

Agenda Item II – New Business

- A. Ernst & Young FY2020 External Audit Report** – John DiSanto, Ernst & Young, presented an overview of the 2020 Audit Report. Copies of the presentation, along with draft copies of the Audited Financials, were provided to Committee Members in advance of the meeting for review. Mr. DiSanto and Committee Chair Lanahan commended the JEA team and the Ernst & Young team for their work on the audit.

This presentation was received for information only.

- B. JEA Identity Theft Protection Program Annual Risk Assessment** – Dan Mishra, Director, CIP Compliance provided the annual report to the Committee, mandated by federal regulations concerning identity theft. Mr. Mishra stated the regulations address the protection of Personally Identifiable Information (PII) of customers, employees, agents and contractors in JEA’s possession. Mr. Mishra reviewed the program metrics, operational metrics, 2019 identity theft summary results, data loss prevention exposure, process improvement, risk mitigation and long-term improvement proposals.

Committee Chair Lanahan requested a further deep dive in future Finance and Audit Committee meetings.

This presentation was received for information only.

- C. Ethics Officer Quarterly Report** – Walette Stanford, Ethics Officer, provided an update regarding the FY21 ethics strategy, ethical integration, ethics officer inquiries and categories, the Ethical Leadership workshops, workshop action plan and what’s next for Business Ethics.

This presentation was provided for information only.

- D. JEA Code of Conduct and Code of Ethics** – Walette Stanford, Ethics Officer, presented the JEA Code of Conduct and Code of Ethics by providing a summary of both documents. Ms. Stanford stated JEA previously used ethical guidelines and also stated this is just a framework that can be updated. Ms. Stanford also stated The Code of Conduct and Code of Ethics will be rolled out to employees in FY21. A copy of the Code of Conduct and Code of Ethics was provided to the Committee in advance of the meeting for review.

On *motion* by Bobby Stein and seconded by John Baker, the Code of Conduct of Code of Ethics were approved unanimously.

- E. Enterprise Risk Management and Compliance Policy** – Steve Tuten, Interim Chief Compliance Officer, presented the updated Enterprise Risk Management Compliance Policy. Mr. Tuten explained that the updated policy proposes a greater reliance on the Risk Working Group that uses the Three Lines of Defense methodology. Management recommends the Committee approve the updated policy

On *motion* by John Baker and Bobby Stein the updated Enterprise Risk Management and Compliance Policy was approved unanimously

- F. Audit Services – Quarterly Audit Services Update** – Steve Tuten, Interim Chief Compliance Officer presented the Quarterly Audit Services update. Mr. Tuten announced the start of a ERM analyst and acknowledged the Lab Services for having no audit issues in their area. Referencing material provided to the Committee in advance of the meeting, Mr. Tuten focused on the summary of the closed cases for FY20 and then concluded the presentation.

This presentation was received for information only.

G. Rates

1. Water/Wastewater Capacity Fees – Brian Roche, Interim Chief Financial Officer, provided a presentation on capacity fees, providing the background, cost recovery structure and FY21 forecast. Mr. Roche requested feedback from the Committee on the timeline review as to if they preferred staff to come back the F&A committee before going to the full Board for a public rate hearing, in which the Committee replied yes. Mr. Roche resumed the presentation by reviewing current pricing, cost of service methodologies, benchmarks, other water & sewer items, economic development and next steps.

This presentation was provided for information only.

2. Irrigation and 10” Metered Service Water Rates – Referenced in the Capacity Fees presentation.

3. Economic Development Rates – Referenced in the Capacity Fees presentation.

H. 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.

This presentation was received for information only.

2. Bond Refunding Delegation Resolutions – Joe Orfano, Treasurer, presented the Bond Refunding Resolutions (2020-12, 2020-13, 2020-14, 2020-15, 2020-16) and recommends the Resolutions, as well as related forms be taken to full Board for approval. All Resolutions and related forms were provided to the Committee prior to the meeting for review.

On *motion* Bobby Stein and seconded by John Baker the recommendation was approved unanimously.

3. Update on JEA Unhedged Variable Rate Debt Portfolio – Joe Orfano, Treasurer, provided an update on the unhedged variable rate debt portfolio. Mr. Orfano stated the Staff will engage JEA’s financial advisor and provide an analysis on the variable rate portfolio to be presented to the Committee at a later meeting.

This presentation was received for information only.

I. Announcements – Next meeting, March 12, 2021 9:00am – 11:00am

J. Committee Discussions

At 12:06 P.M., Ms. Lanahan asked the Committee to enter into Executive Session. All meeting participants were excused excluding JEA Board Members, John DiSanto, Steve Tuten, Jody Brooks and Madricka Jones.

1. Ernst & Young: At 12:06 P.M., Mr. DiSanto engaged the Committee.
2. Director, Audit Services: At 12:10 P.M., Mr. Tuten engaged the Committee.
3. Council Auditor’s Office: No Council Auditor representative was in attendance.

Adjournment

With no further business requiring the attention of the Committee, the meeting was declared adjourned at 12:13 P.M.

APPROVED BY:

Marty Lanahan, Committee Chair
Date: _____

Submitted by:

Madricka Jones
Executive Staff Assistant



INTER-OFFICE MEMORANDUM

March 2, 2021

SUBJECT: RATES AND FEES UPDATE

FROM: Jay Stowe, Managing Director/CEO

TO: JEA Finance and Audit Committee

Marty Lanahan, Chair
John Baker
Robert Stein

BACKGROUND:

JEA has an ongoing plan to review, update, and where possible, expand its rate options to provide customers more rate choices for their utility services. Staff presented an analysis of Water and Wastewater capacity fees at the December Finance and Audit Committee meeting, and is continuing the discussion in addition to other rate items.

DISCUSSION:

Staff continues to evaluate the need and timing of rate action in multiple areas:

Fuel Charge:

Staff proposes reducing the Fuel Charge from \$32.50/MWh to \$30.50/MWh effective October 1, 2021

Electric Rates:

Staff proposes raising the Energy Charge \$2/MWh for all classes effective October 1, 2021

Water and Wastewater Capacity Fees:

Staff proposes adjusting Water and Wastewater capacity fees in addition to evaluating other water pricing effective October 1, 2021

RECOMMENDATION:

Staff is providing this presentation for the Committee's consideration and requests feedback and direction regarding JEA rates and fees.

Jay Stowe, Managing Director/CEO

JCS/JEO/JEC



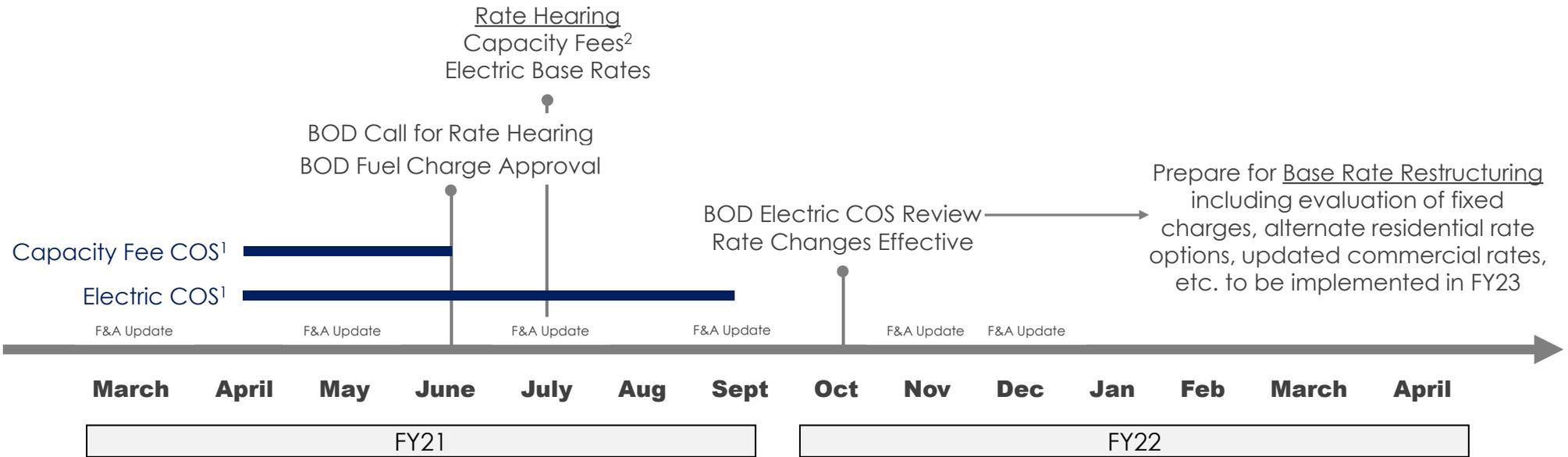
Rates & Fees Update

Finance & Audit Committee



March 12, 2021

Tentative Rate Action Timeline



DES Rate Adjustments not included

¹COS = Cost of Service

²Staff will present recommended adjustments to select commercial pricing and tap and meter fees with the capacity fee item

Fuel Charge

FY2022 Fuel & Purchased Power Costs

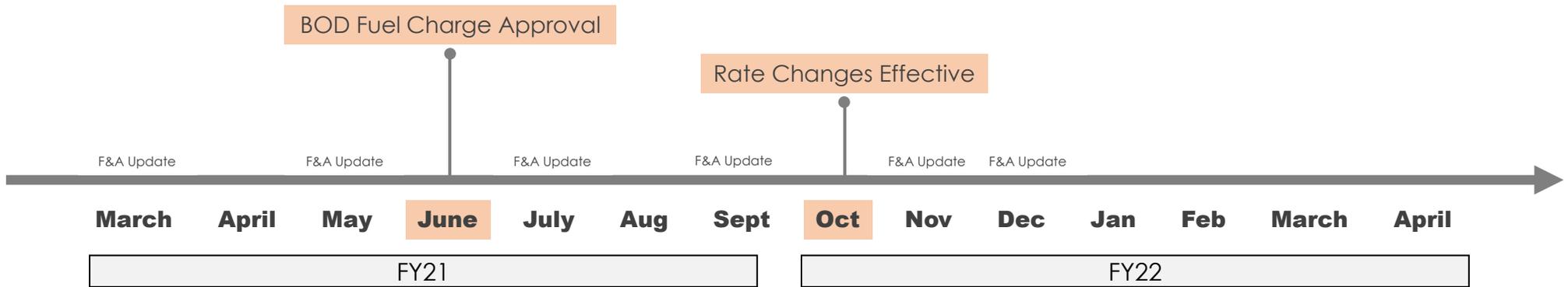
- ▶ FY22 projected fuel expenses include the new FPL Power Purchase Agreement that replaces the generation from Scherer 4's retirement, Vogtle Unit 3, and commencement of the 250 MW solar project.
- ▶ Pricing Policy annually sets Fuel Stabilization Fund balance target at 15% of the highest fuel expense over the past five fiscal years of \$455 million, currently \$68 million
- ▶ FY2022 year-end Fuel Stabilization Fund balance projected to be 20% of target expense utilizing the current \$32.50 fuel charge, exceeding the target range
- ▶ This leads to a recommendation of lowering the Fuel Charge to customers from \$32.50/MWh to \$30.50/MWh for FY 2022



Current \$32.50
fuel charge
represents 30%
of a typical
residential bill

	FY2019A	FY2020A	FY2021F	FY2022B
Fuel Charge Budgeted per \$/MWh	\$32.50	\$32.50	\$32.50	\$30.50
Fund as a % of Target Expense	9%	16%	16%	15%
Annual Fuel Cost (millions)	\$426	\$343	\$397	\$390

Tentative Rate Action Timeline



Electric Rates

Electric Base Rate

Electric Base Rate

Base Rate recovers expenditures necessary to operate and maintain the system, depreciation expense, capital required to maintain the system, the necessary contribution to the City, any special charges for programs and additional revenues required to maintain the financial integrity of the System.

November 2020 Plan	FY22
Residential Bill Change	0%
Base Rate Increase	4%

Recommendation	FY22
Residential Bill Change	0%
Base Rate Increase	3%

JEA has mitigated a portion of the Vogtle MEAG Power Purchase Agreement (PPA) expense with the following actions:

- SJRPP closure
- Agreement to replace Scherer Unit 4 with corresponding FPL PPA
- Utility scale solar PPA
- A significant amount of debt reduction

Total Non-Fuel Vogtle Payments (\$ in millions)			
FY22	FY23	FY24	FY25
\$106	\$161	\$169	\$171

Despite these actions, a base rate increase is necessary to recover expenses associated with the Vogtle MEAG PPA



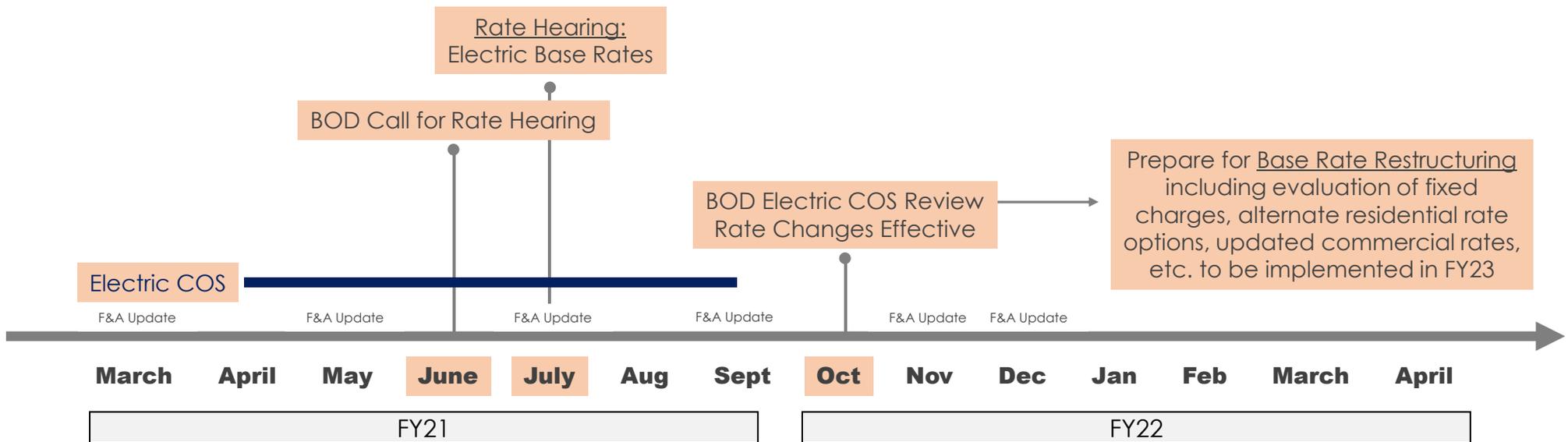
FY22 Residential Bill Impact

Current		FY22 Proposed	
Basic Monthly Charge	\$5.50	Basic Monthly Charge	\$5.50
Energy Charge	69.88	Energy Charge	71.88
Environmental Charge	0.62	Environmental Charge	0.62
Fuel Charge	32.50	Fuel Charge	30.50
Total <i>before taxes and fees</i>	\$108.50	Total <i>before taxes and fees</i>	\$108.50
Taxes and Fees	14.84	Taxes and Fees	15.04
Total <i>after taxes and fees</i>	\$123.34	Total <i>after taxes and fees</i>	\$123.54

Proposed bill reflects a fuel charge decrease of \$2/month and an energy charge increase of \$2/month

Average residential bill based on 1,000 kWh per month
Public Service Tax slightly higher on base charges

Tentative Rate Action Timeline



Water & Wastewater Capacity Fees

Water & Wastewater Capacity Fees

Water & Wastewater Capacity Project Costs and Customer Fees

Capacity fees and charges are one-time fees paid by builders or customers connecting to the system to recover the cost of capacity expansion. A large portion of our Capital Improvement Plan is driven by growth and providing additional water, wastewater, and/or reclaimed capacity. These projects are a direct indication of the cost to connect new customers.

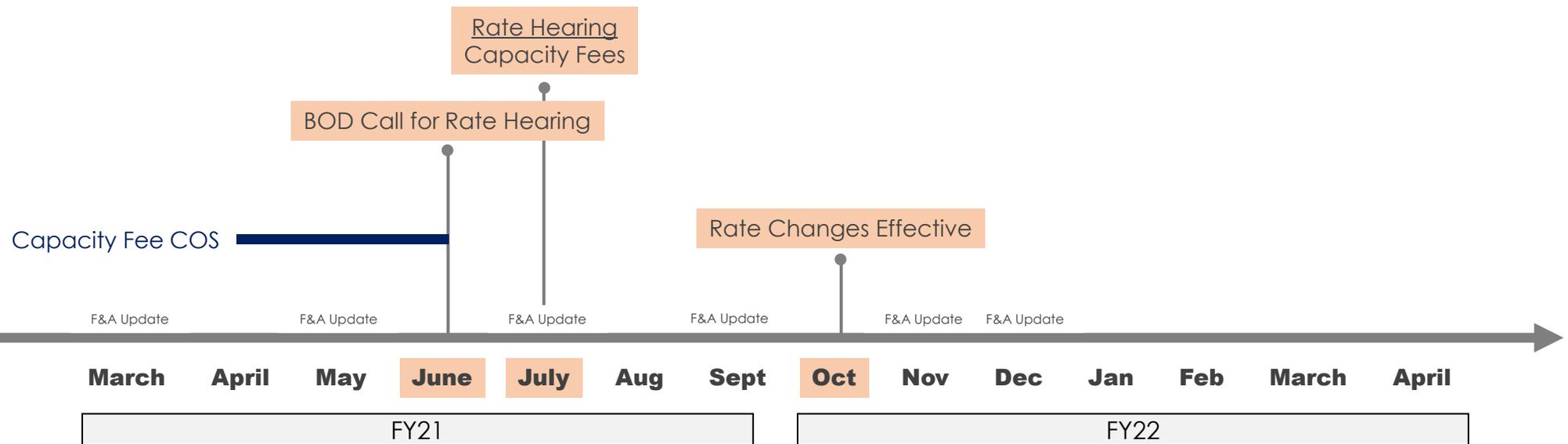
<p>Other Items to be Addressed:</p> <ul style="list-style-type: none"> Tap and Meter Fees 10" meter rate Irrigation rate 		Recommended ¾" Capacity Fee		Estimated Additional Annual Revenue¹
	Water	\$653 (Current Fee \$339.50)		\$11M
	Reclaimed	\$817 (Current Fee \$339.50)		\$5M
	Sewer	\$3,320 (Current Fee \$1,274)		\$49M

Staff recommends adjusting capacity fees effective October 1, 2021 following final recommendation from rate consultants
(Previous adjustment FY 2005)



¹ Based on FY20 New Connections

Tentative Rate Action Timeline



Questions?



INTER-OFFICE MEMORANDUM

February 23, 2021

SUBJECT: FY2022 BUDGET ASSUMPTIONS

FROM: Jay Stowe, Managing Director/CEO

TO: JEA Finance and Audit Committee

Marty Lanahan, Chair
John Baker
Robert Stein

BACKGROUND:

Budget assumptions are established to address strategic items and key assumptions for the upcoming fiscal year, and are presented to the JEA Finance and Audit Committee for feedback and direction.

DISCUSSION:

Staff will provide the FY2022 Budget assumptions for the JEA operating budget and the capital budget for both the Electric and Water and Wastewater systems.

Assumptions include:

- Revenue
- Fuel Charge Assumptions
- Operating Budget Components
- Capital Expenditures
- City Contribution

RECOMMENDATION:

Staff is providing this presentation for the Board's consideration and requests feedback and direction regarding the FY2022 Budget.

Jay Stowe, Managing Director/CEO

JCS/JEO/JEC



FY2022 Budget Assumptions

Finance & Audit Committee



March 12, 2021

FY2022 Budget Agenda



- Strategic Items
- Key Assumptions
- Electric Budget Assumptions
- Water Wastewater Budget Assumptions
- Government Transfers via the JEA Bill
- Budget Timeline and Action Items

FY2022 BUDGET STRATEGIC ITEMS

- **Continue to drive business excellence**
- **Remain focused on customer loyalty**
- **Communication and transparency**
- **Financial performance and flexibility**
- **Workforce readiness**
- **Future environmental constraints on electric generation**
- **Water resource management and health of the St. Johns River**

FY22 Specific Items

- COVID related expenses
- New Headquarters
- Scherer
- SJRPP
- Fuel Charge



Key Assumptions



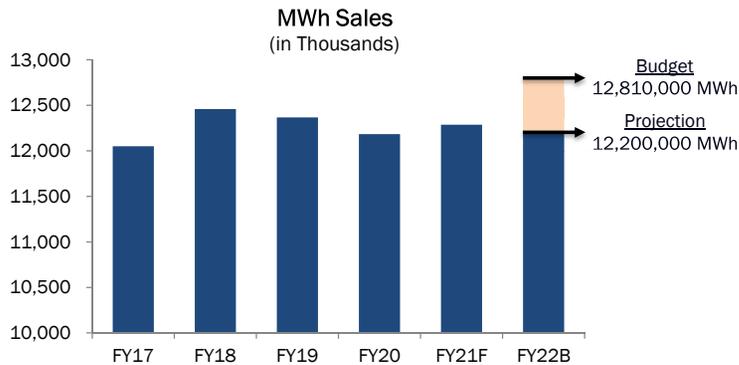
FY2022 Budget Key Assumptions

Revenue Projections

Budget sales will include a weather contingency of 5% to account for the possibility of an extreme weather year.

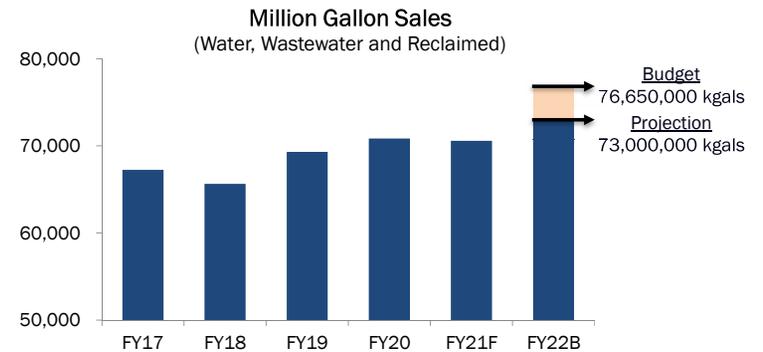
This provides appropriation for any additional revenues to be utilized for Capital or Debt Reduction

Electric System



This results in a **\$1.35 billion** budget for FY22 compared to a \$1.25 billion budget in FY21

Water & Wastewater System



This results in a **\$539 million** budget for FY22 compared to a \$512 million budget in FY21



- Budgeted revenues include \$100 million anticipated payment from FPL within Other Revenue
- Budgeted expenses include Scherer debt retirement of \$75 million and additional electric debt retirement of \$25 million

FY2022 Budget Key Assumptions Fuel & Purchased Power Costs



- ▶ FY22 projected fuel expenses include the new FPL Power Purchase Agreement that replaces the generation from Scherer 4's retirement, Vogtle Unit 3, and commencement of the 250 MW solar project.
- ▶ Pricing Policy annually sets Fuel Stabilization Fund balance target at 15% of the highest fuel expense over the past five fiscal years of \$455 million, currently \$68 million
- ▶ FY2022 year-end Fuel Stabilization Fund balance projected to be 20% of target expense utilizing the current \$32.50 fuel rate, exceeding the target range
- ▶ This leads to a recommendation of lowering the Fuel Charge to customers from \$32.50/MWh to \$30.50/MWh for FY 2022

	FY2019A	FY2020A	FY2021F	FY2022B
Fuel Charge Budgeted per \$/MWh	\$32.50	\$32.50	\$32.50	\$30.50
Fund as a % of Target Expense	9%	16%	16%	15%
Annual Fuel Cost (millions)	\$426	\$343	\$397	\$390

FY2022 Budget Key Assumptions Labor Costs



- ▶ Bargaining unit wages reflect negotiated contracts through FY2022
- ▶ Pension contribution is to be finalized in May, and it is expected to be budgeted above the FY21 level of approximately \$40 million
- ▶ Staffing risks mitigated with continuation of Workforce Readiness and Succession Planning initiative
- ▶ Includes Pay for performance estimated at 3% of total base salaries



Electric System Budget Assumptions



Electric System Operating Budget Components

Fuel and Purchased Power

Reflects higher purchased power expenses

O&M

Includes COVID expenses, new headquarters lease payments, generating unit outages

Non-Fuel Purchased Power

Includes Scherer debt defeasance, MEAG PPA payments, and completion of SJRPP remediation

Internal Capital Funds

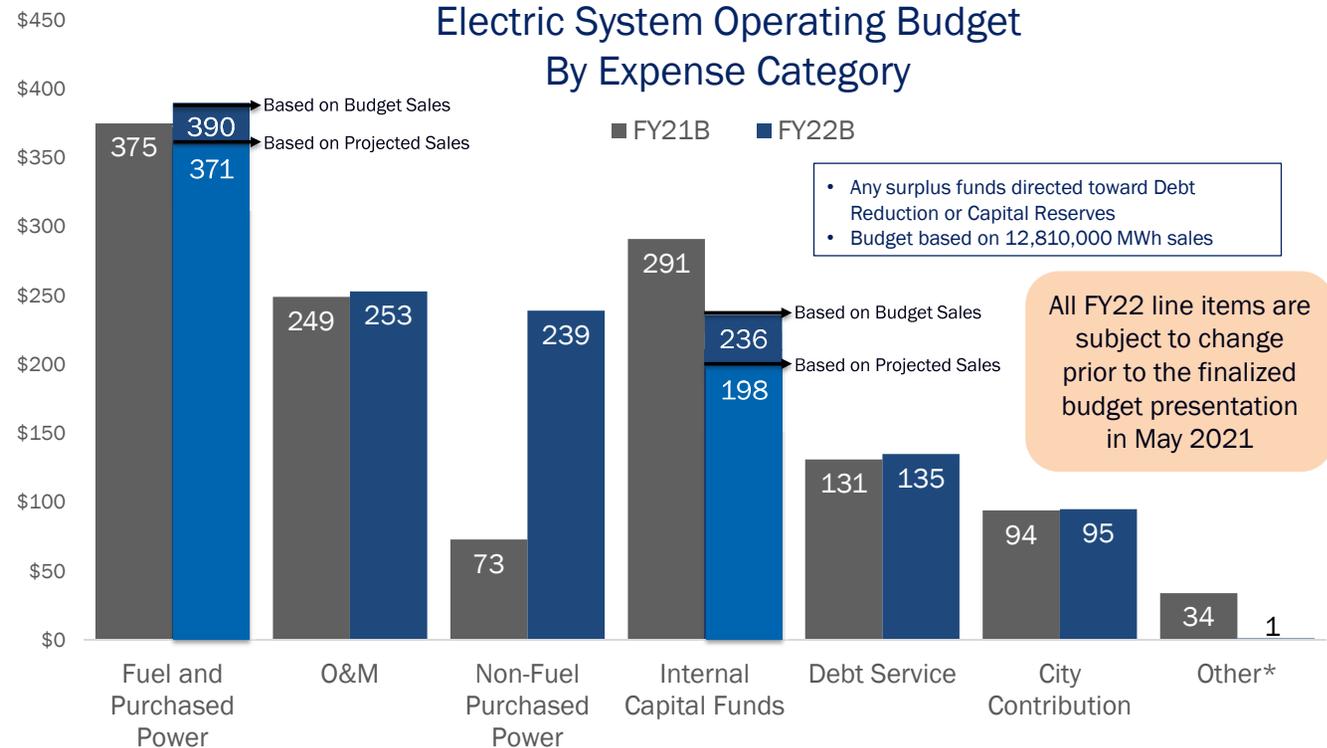
Fully funds the FY22 capital program utilizing current and prior year revenues

Debt Service

Projected to be slightly higher than FY21

City Contribution

Based on city contribution agreement extended to 2023



*Other includes Base Uncollectibles, Emergency Reserve funding, use of rate stabilization funds, and PSC fees. Change primarily due to a planned \$3 million stabilization withdrawal in FY22B compared to a \$36 million deposit in FY21B

FY2021B vs FY2022B
\$1.2 Billion vs \$1.3 Billion

Electric System FY2022 Capital Plan



FY2021 capital program is projected to be \$197 million



FY2022 key initiatives include \$23 million for the New JEA Headquarters, \$14 million for KGS CT7 Rotor Replacement, and \$10 million for an overhead transmission rebuild



FY2022 capital funding plan anticipated to utilize existing capital cash balances to fund qualifying projects, resulting in no new debt issuance for FY2022

FY2022 Capital Budget estimate: \$250 MILLION*

The team will continue to refine the project list through March and April and will have a final CIP budget to present at the May F&A Committee meeting

*Includes budget reserve



Water & Wastewater System Budget Assumptions



Water & Wastewater System Operating Budget Components

Internal Capital Funds

Funds two-thirds of the FY22 capital program

O&M

Includes salaries, benefits, materials, supplies, and funding other services and charges such as professional and industrial services

Debt Service

Projected to be slightly higher than FY21

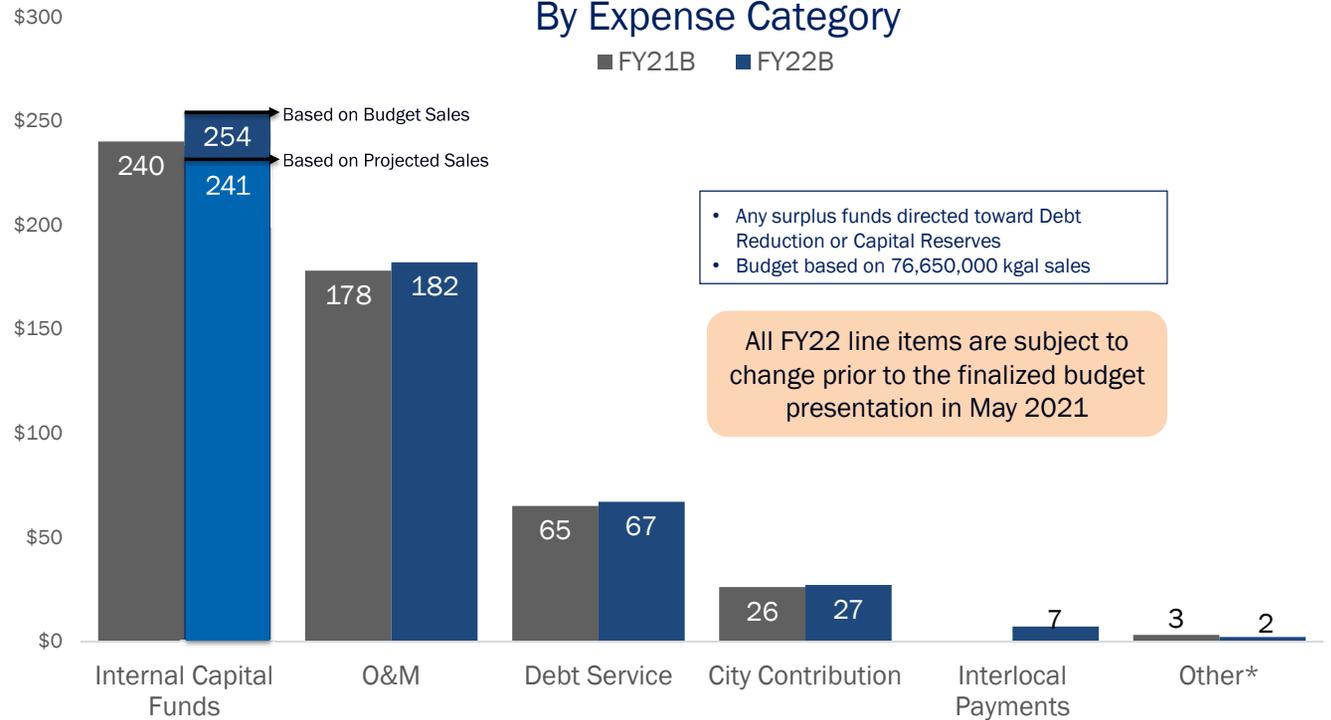
City Contribution

Based on city contribution agreement extended to 2023

Interlocal Payments

Includes a prepayment to Nassau County in addition to annual payments to Clay County and St. Johns County

Water & Wastewater System Operating Budget By Expense Category



- Any surplus funds directed toward Debt Reduction or Capital Reserves
- Budget based on 76,650,000 kgal sales

All FY22 line items are subject to change prior to the finalized budget presentation in May 2021

FY2021B vs **FY2022B**
\$512 million vs **\$539 million**

*Other includes Uncollectibles and Emergency Reserve funding

Water & Wastewater System FY2022 Capital Plan



FY2021 capital program is projected to be \$254 million



FY2022 key initiatives include \$37 million for the Buckman WRF BioSolids Conversion Process Facility, \$32 million for the Greenland WRF, and \$29 million for the Southwest WRF Expansion



FY2022 capital funding plan anticipated to utilize existing capital cash balances to fund qualifying projects. The robust capital program for FY2022 may require the use of our Revolving Credit Facility

FY2022 Capital Budget estimate: \$395 MILLION*

The team will continue to refine the project list through March and April and will have a final CIP budget to present at the May F&A Committee meeting

*Includes budget reserve



Government Transfers via the JEA Bill



Government Transfers via the JEA Bill

Paid to COJ:

- City Contribution
- Public Service Tax
- City Franchise Fee

Paid to State of Florida:

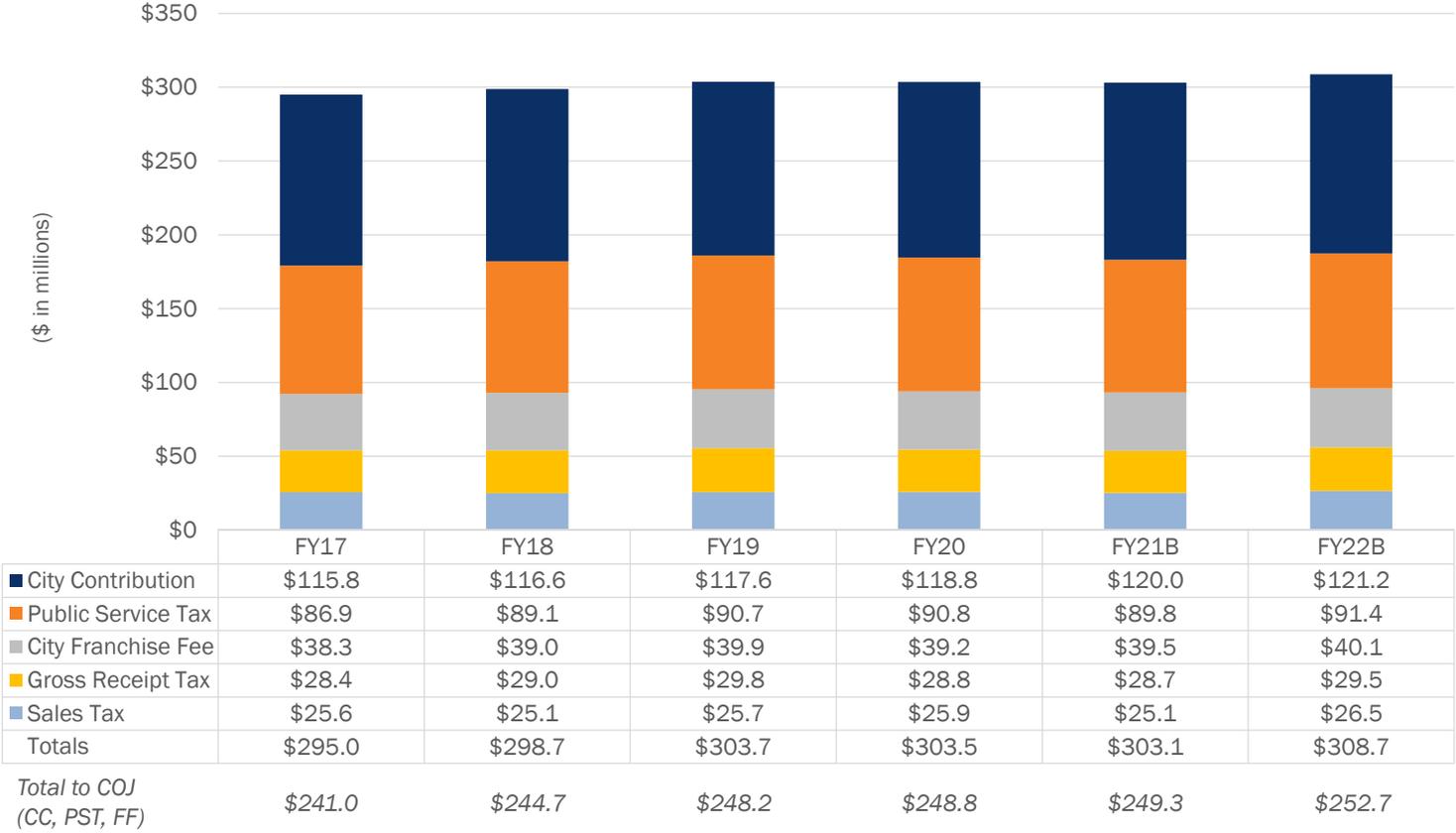
- Gross Receipt Tax

Paid to COJ & State:

- Sales Tax

Continues to increase based upon the agreement of the greater of 1% increase or millage basis

The City Contribution Agreement has been extended through FY2023





Budget Timeline & Action Items



Board Review and Approval Timeline



FY2022 Budget Action Items

F&A ACTION

Provide feedback and direction regarding the key strategic issues and risks for the FY2022 Budget and recommendations

STAFF

- Prepare Draft Budget, as well as related agenda items for review at the May Finance and Audit Committee meeting
- Prepare Draft Budget Summary for presentation at the May Board meeting
- Prepare budget package for approval at the June Board meeting
- Communicate with the Council Auditor
- Begin communication plan for other key stakeholders



INTER-OFFICE MEMORANDUM

February 24, 2021

SUBJECT: QUARTERLY AUDIT SERVICES UPDATE

FROM: Jay Stowe, Managing Director/CEO

TO: JEA Finance and Audit Committee

Marty Lanahan, Chair
John Baker
Robert Stein

BACKGROUND:

The Quarterly Audit Services Update provides the JEA Board of Directors with information on the current activities of the three groups within Audit Services: (1) Enterprise Risk Management; (2) Forensic Audit & Investigations; and (3) Internal Audit. JEA's Enterprise Risk Management program identifies, assesses, measures, monitors and actively manages risk. The Forensic Audit & Investigations Group conducts internal investigations of confidential reports into JEA's Hotline (HL) and from other sources. The Internal Audit Group reviews internal control processes and ensures that departments maintain compliance with operating procedures and regulations.

DISCUSSION:

This update will provide an assessment of how JEA is managing risk and monitoring controls to reduce and/or prevent adverse impact to its business operations.

RECOMMENDATION:

No action required, as this update is for information only.

Jay Stowe, Managing Director/CEO

JCS/SVT



Quarterly Audit Services Update

*Steve Tuten
Director of Audit Services*



March 12, 2021



Enterprise Risk Management (ERM)



ERM Goals - 2021 & Beyond

The primary focus will reinforce risk management principles and practices, and provide a systematic and effective approach to identify and mitigate significant risk that impact JEA, and integrate such practices with JEA's corporate processes, decision making, facilitate prioritization and enable management to achieve its objectives.

- Consolidating the previous various subordinate risk committees into one comprehensive Risk Working Committee (RWC), which will employ the “Three Lines of Defense” methodology. The RWC provides the mechanism to coordinate efforts between the risk owners, the ERM Team, and Internal Audit, and enhancing the Risk Management process to ensure the success of the RWC:
- Reinforcing “Tone at the Top” to assure proactive participation of the risk owners to fulfill their roles and responsibility in identifying, managing, and effectively mitigating risk within their business functions, and at an enterprise level.
- The Enterprise Compliance & Risk Committee (ECRC) meetings will be re-established to provide oversight and verify risk owners’ adherence to risk management requirements, assess risk prioritization, and the status of mitigation efforts.
- Establishing a process to coordinate risk management efforts with corporate strategies, goals, and capital allocations.

ERM Goals

- Provide incentives for risk owners to effectively manage risks
 - Establishing a corporate goal to reduce the impact and/or likelihood of the current risks.
 - Where applicable, management job descriptions will be modified to include the responsibility of effectively managing corporate risks.
 - Risk owners annual performance goals will include effectively managing their assigned risks.

- Provide risk owners the tools to effectively manage risks
 - Where applicable, develop Key Process and Key Risk Indicators (KPIs / KRIs), to evaluate the effectiveness of current mitigations and/or changes to external factors/variables.
 - Use an automated Governance, Risk and Control application (GRC) to streamline and enhance risk management processes, assessment and reporting functionalities, specifically relating to mitigation activities and KRI/KPI trends.
 - Review and confirm Risk Tolerance criteria to establish guidelines for the level of mitigations required.

ERM Goals

Provide training for employees and risk owners regarding practices, skills, tools for risk management and internal controls, as well as a better understanding of their respective responsibilities in managing JEA's risks.

- Risk Management/Internal Control Computer-Based Training (CBT)
 - Short course (20 minutes) required for all JEA employees that provides overview of key concepts.
- New Employee Risk Management Training
 - New employee orientation includes an introduction to risk management at JEA.
- Detailed Risk Management Training
 - Full-day class required for all Directors, Managers and selected appointed employees.
- Business Unit Risk Assessment Follow-Up (In Development)
 - Provides follow-up to verify business unit risk assessments were completed, risks identified and effectively mitigated.

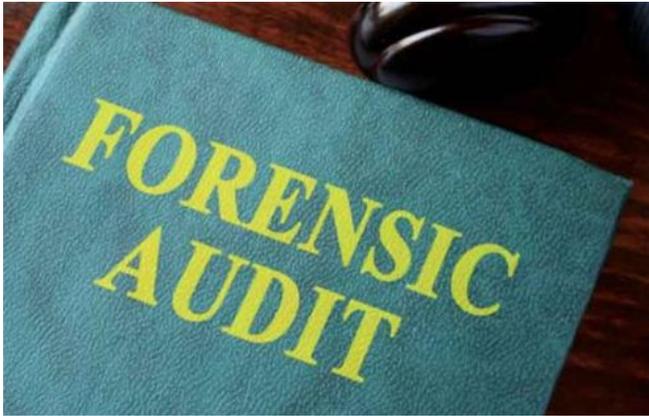
Current Top 10 Risks For JEA

Risk	Total Risk Score
E01 - Carbon Emission Mitigation/Renewable Energy Standards - A Carbon Tax implemented within next 5 years may accelerate the need to replace existing higher carbon emitting generation units with renewables; resulting in increased financial impact.	15
C03- Disruptive Technologies/Long-Term Planning - Customers have increased options for reducing energy and water usage; Investment in new technologies and existing infrastructure may have significant negative financial impact.	14
C19 – Surface Water Discharge Risk - May be negatively impacted by proposed State law changes requiring significant discharge reduction to surface waters, requiring higher reuse, resulting in increased costs.	13
C08 - Black Swan (High Impact - Low probability event) - Major negative impact if certain major catastrophic events occur which would result in the inability to maintain Electric and/or Water/Sewer service for an extended period of time.	11
C18 – Supply Chain Management - Long-term disruption in goods and services from critical vendors, and/or reliance on sole-source vendors may result in the inability to provide critical services or obtain equipment/parts.	11
E10 – Nuclear Power Portfolio - Decision to expand into nuclear power generation ownership and/or PPAs poses significant financial, reputational and regulatory risks.	10.
C16 - Weather & Climate Change Impact Resiliency Efforts - Weather patterns and/or short-term or seasonal extreme weather may negatively impact long-term planning, financial and reliability performance, reputation and decreased customer satisfaction	10
W01- Water Supply Management/Long Term Planning - Long-term water supply planning is becoming more complex due to the difficulty in predicting the impact of changing variables and meeting certain provisions of the Consumptive Use Permit (CUP).	10
E09 - FERC/NERC (Section 693) O&P Reliability & Compliance - A serious event could occur despite documented compliance with FERC/NERC regulatory requirements, stemming from insufficient event response/operational training, unenforced processes, inadequate resources, and inadequate internal control infrastructure, monitoring, and self assessment processes.	9
E05- Cooling Water Intake Structures 316(b) - An EPA rule may require a costly modified water intake structure and/or cooling tower upgrades. The upgrades necessary will be determined by a peer review panel and federal agencies.	9
Total Financial Impact	

These represent the current Top Corporate Risks based on their Financial and Reputational Impact, as well as their potential to negatively impact reliability and operational effectiveness. These were last presented to the Board in April 2020, so there is definitely an opportunity to review and revise these rankings.



FAI Highlights



- Susan Bowen joined the FAI Team as a Senior Forensic Auditor on March 1st. Susan previously served as a Lieutenant with the JSO, and also has experience in advertising, education, and as a gym franchise owner. Susan is a graduate of UNF, with a Bachelor's of Arts degree.
- The other Senior Forensic Auditor position remains open, as another selected candidate declined our offer.
- We are in the final project phase of upgrading our Ethics Hotline (EHL) from strictly a telephone-based system to one that includes a Web intake method. The new EHL platform will go live in early March. Legacy case data will be transferred after the new system is up and running.

Investigation Case Statistics – Q1 FY21

Open Cases 9/30/2020	Cases Opened Q1 FY21	Cases Closed Q1 FY21	Open Cases 12/31/2020
9	2	0	11
Categories For Cases Opened During Q1 FY21			
Fraud/Theft/Abuse			1
General Inquiries			1
Total			2

Summary of Closed Cases – Q1 FY21

Closed Case Notes

- Ten cases were closed the previous quarter.
- Due primarily to the EHL upgrade project and staffing limitations, no cases were closed this quarter. However, two cases are ready for write-up and closure.



Internal Audit (IA)



IA Highlights

- The IA team completed the TEA Member Review; this was the final year of our three-year in-charge engagement. However, because of internal audit staffing challenges at City Utilities, the successor in-charge Member, we may serve a fourth year as the in-charge reviewer.
- The Quality Assessment Review (QAR) procurement is in process and we expect to have a contract in place during the next 60 days. The Institute of Internal Auditors (IIA) recommends a QAR every five years for mature internal audit groups. This will be the fourth QAR for JEA IA.
- A new Quality Assurance and Improvement Program procedure was created to elevate the quality of our audit work.



Summary of Completed Audits

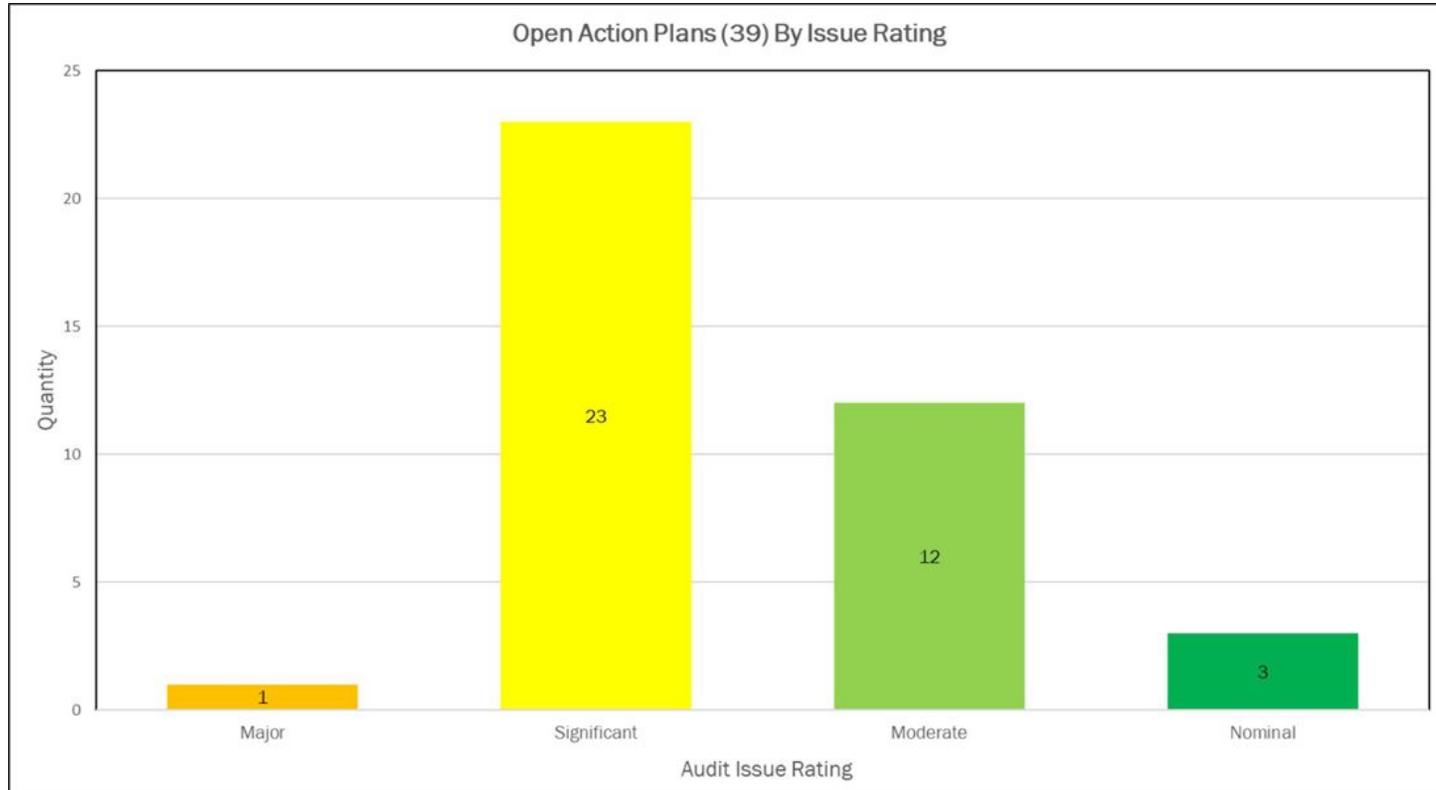
Audit Name	Report Rating	# of Issues	Description of Significant or Greater Issue(s)
TEA Member Review	Satisfactory	7	Opportunities for improvement include: <ul style="list-style-type: none">• Default Password Change and System Monitoring;• Annual Access Review for Dynamics;• Access Termination for Promoted or Transferred Employees; and• Access Revocation Date for Contractors

FY21 Audit Calendar

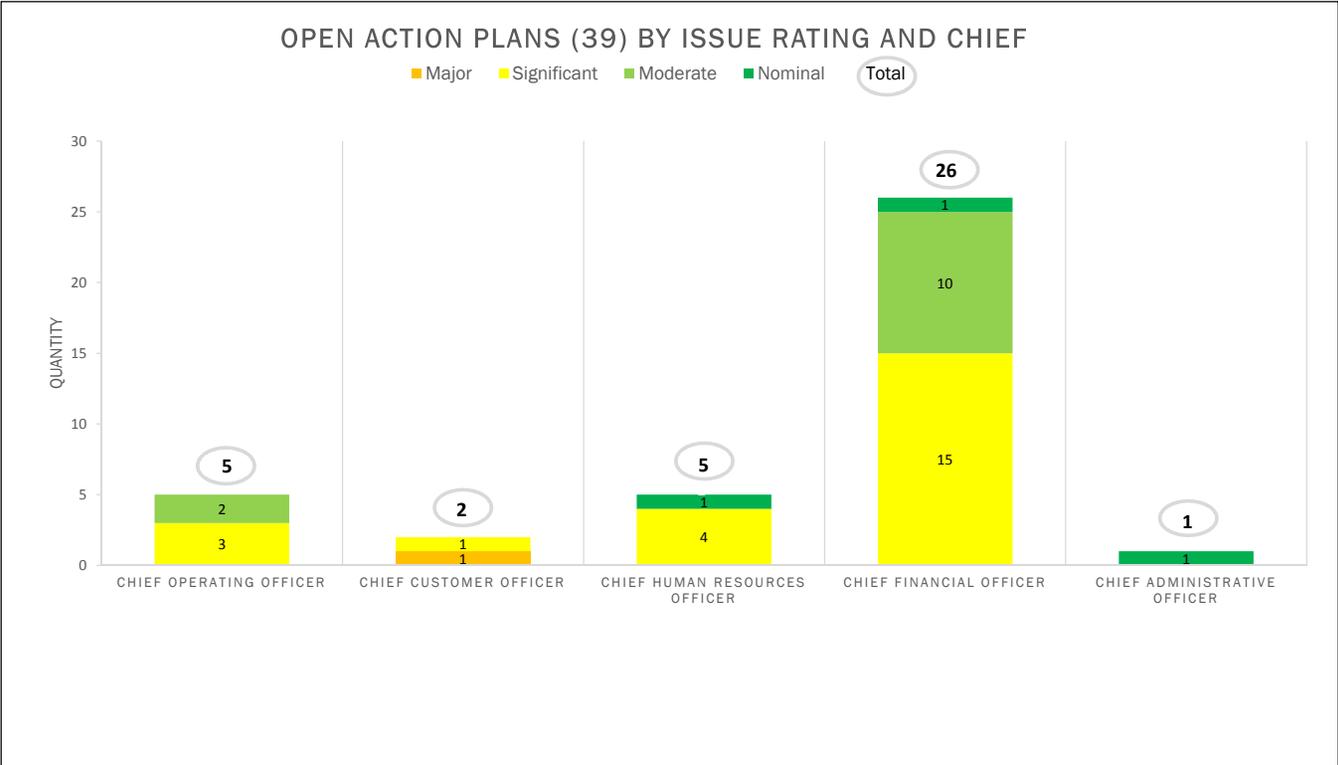
		1Q (Oct – Dec)		2Q (Jan – Mar)		3Q (Apr – Jun)		4Q (Jul – Sept)	
Internal Audits	W/WW Project Engineering & Construction	●		Safety & Health Services	●	W/WW Asset Management & Performance	●	Fleet Services	●
	Customer & Community Engagement	●		Identity & Access Management	●	Vogle Follow-Up	●	eAM Asset Management Follow-Up	●
	Investment Recovery Operations	●		Fuel Management Services	●	Cloud Computing	●	Receivables & Collections	●
				Treasury Cash & Investments	●	Procurement & Contracts	●	IT Staffing	●
				JEA Culture	●				
Special Projects	Cyber Program Assessment	●				FY 2022 Annual Risk Assessments	●		
	TEA Member Review	✓				Green-e Agreed-Upon Procedures Engagement	✗		
	JEA Performance Pay Audit	✗							
<div style="display: flex; justify-content: space-between; align-items: center;"> <div style="text-align: center;"> <p>Not Started</p> </div> <div style="text-align: center;"> <p>In Progress</p> </div> <div style="text-align: center;"> <p>Cancelled</p> </div> <div style="text-align: center;"> <p>Report in Draft</p> </div> <div style="text-align: center;"> <p>Final Report Issued</p> </div> </div>									



Open Audit and Investigation Report Issues

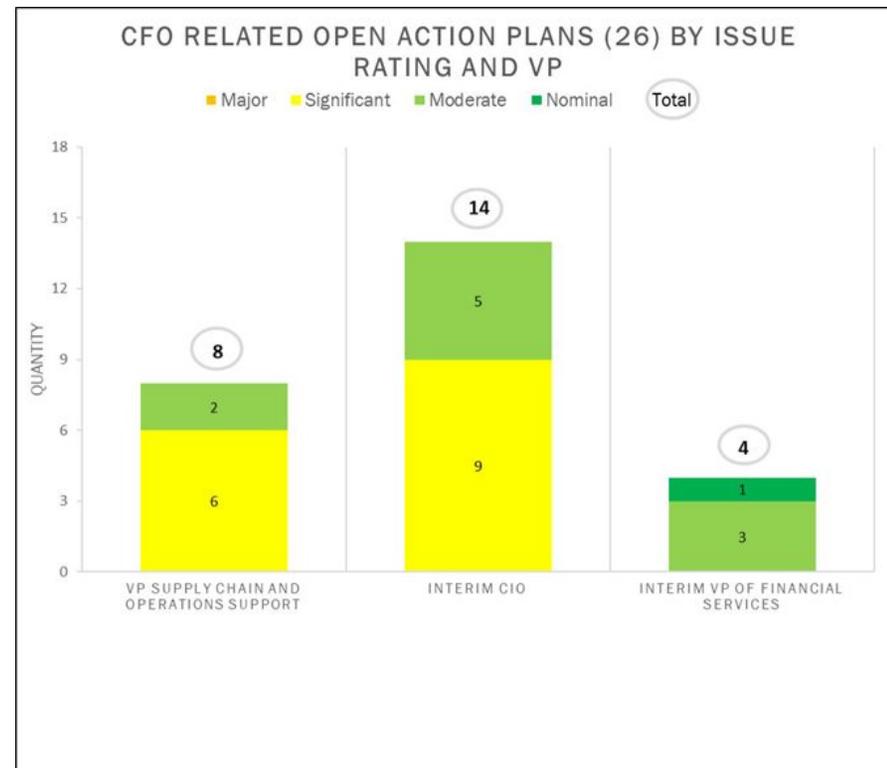


Open Audit and Investigation Report Issues



Open Audit and Investigation Report Issues - CFO

Due to the comparatively higher number of action plans assigned to the CFO, we have included this distribution of action plans across the Supply Chain/Ops Support, Technology and Financial Services areas.



Open Audit and Investigation Report Issues – Major Rating

VP/Chief	Director / (Audit Name)	Issue Observation	Action Plan	Current Due Date	Action Plan Status Comments
VP/GM, Customer	Director, Customer Field & Meter Services	Audit noted a lack of sewer flow meter standards, accurate count of current sewer flow meters and controls over customer installed meters.	Four phased approach to creating standards, counting meters and monitoring/documenting customer installed meters.	2/1/22	Meter Operations has completed the 1st phase of the sewer-flow improvement plan. The 2nd phase (Update Sewer-Flow Meter Requirements / Standards) is highly dependent on which 2-way AMI system JEA choses to adopt going forward.



INTER-OFFICE MEMORANDUM

February 24, 2021

SUBJECT: ETHICS OFFICER QUARTERLY REPORT

FROM: Jay Stowe, Managing Director/CEO

TO: JEA Finance and Audit Committee

Marty Lanahan, Chair
John Baker
Robert Stein

BACKGROUND:

Per Ordinance 2011-197-E, JEA is required to appoint an Ethics Officer to represent the agency on ethics matters and to participate in a city-wide Ethics Coordination Council. The Ethics Officer serves as the organization's internal control point for ethics and any improprieties, allegations, complaints and conflicts of interest. The Finance and Audit Committee will receive a quarterly update from the Ethics Officer.

DISCUSSION:

JEA's Ethics Officer ensures information is shared and advice given regarding issues and questions. This role manages ethical concerns for the organization and ensures compliance with business and governmental regulations.

RECOMMENDATION:

This item is for information only.

Jay Stowe, Managing Director/CEO

JCS/SVT/WMS



FY21 – Ethics Quarterly Report

Walette Stanford, Ethics Officer/Director



March 12, 2021

Ethical Culture Tools

Tools for an Ethical Culture



Code of Conduct

Use our Code of Conduct as a guide in making ethical decisions. Read it, understand how it applies to your job, and refer to it -- often.



JEA Hotline

Report observed or potential violations of our Code of Conduct or JEA Code of Ethics or any laws to the Ethics Hotline.



Expert Advice

Consult an expert if you need advice that is more detailed. Regulatory and ethical issues can be complex. Our Ethics Officer is always available to help you untangle difficult or confusing situations.

JEA provides the tools to support our ethical culture.



Elevating the Ethical Culture

Ethics Officer



Seek Guidance

Training Topic for FY21



Practice Ethical Decision Making

Upgrade Hotline System



Report Possible Misconduct

Leading an Ethical Culture - New PRIDE Badge

JEA Ethics Badge

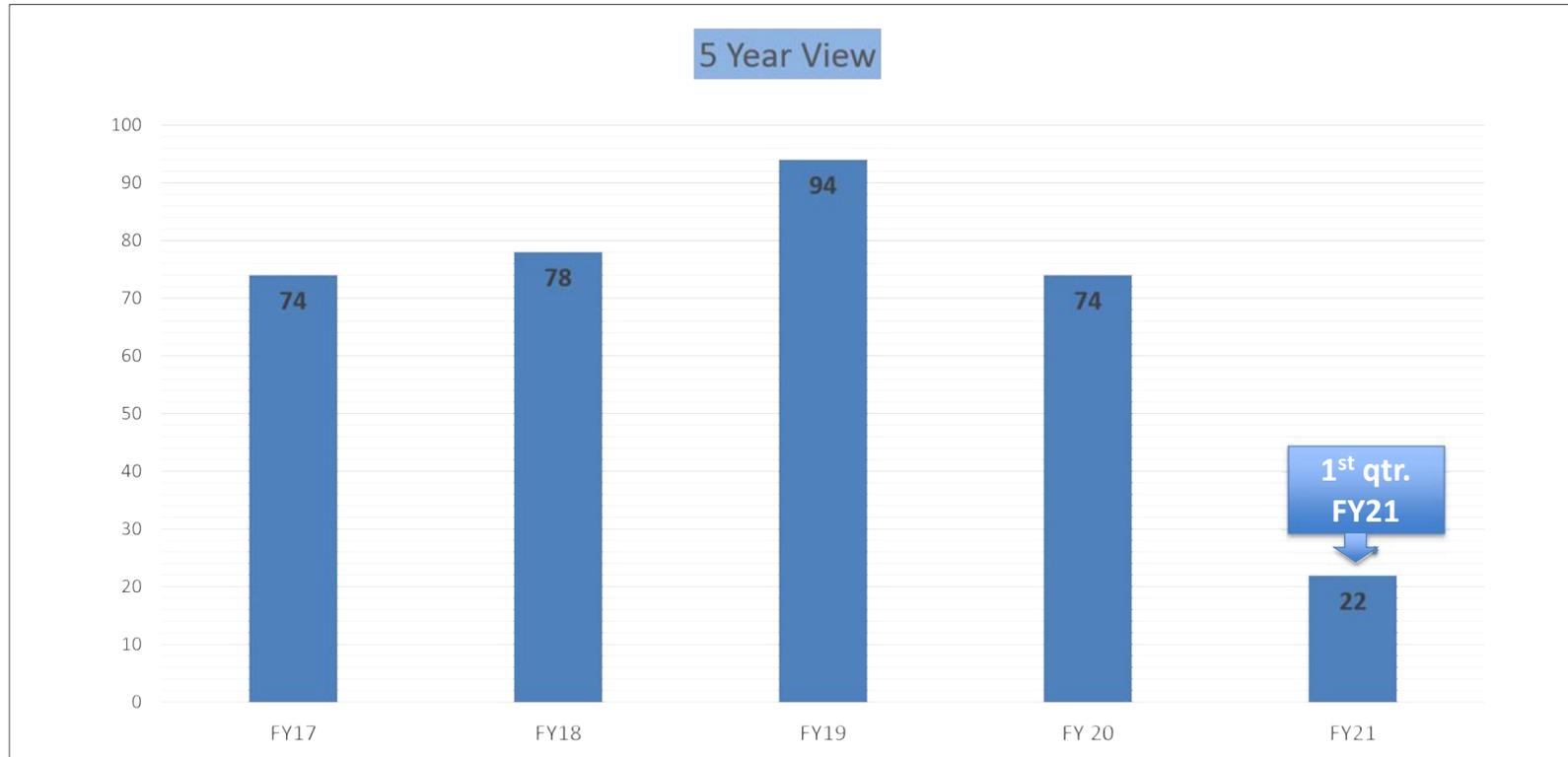
When you see someone fostering an ethical environment recognize them with the Ethics PRIDE badge.



People
Recognized
In Delivering
Excellence

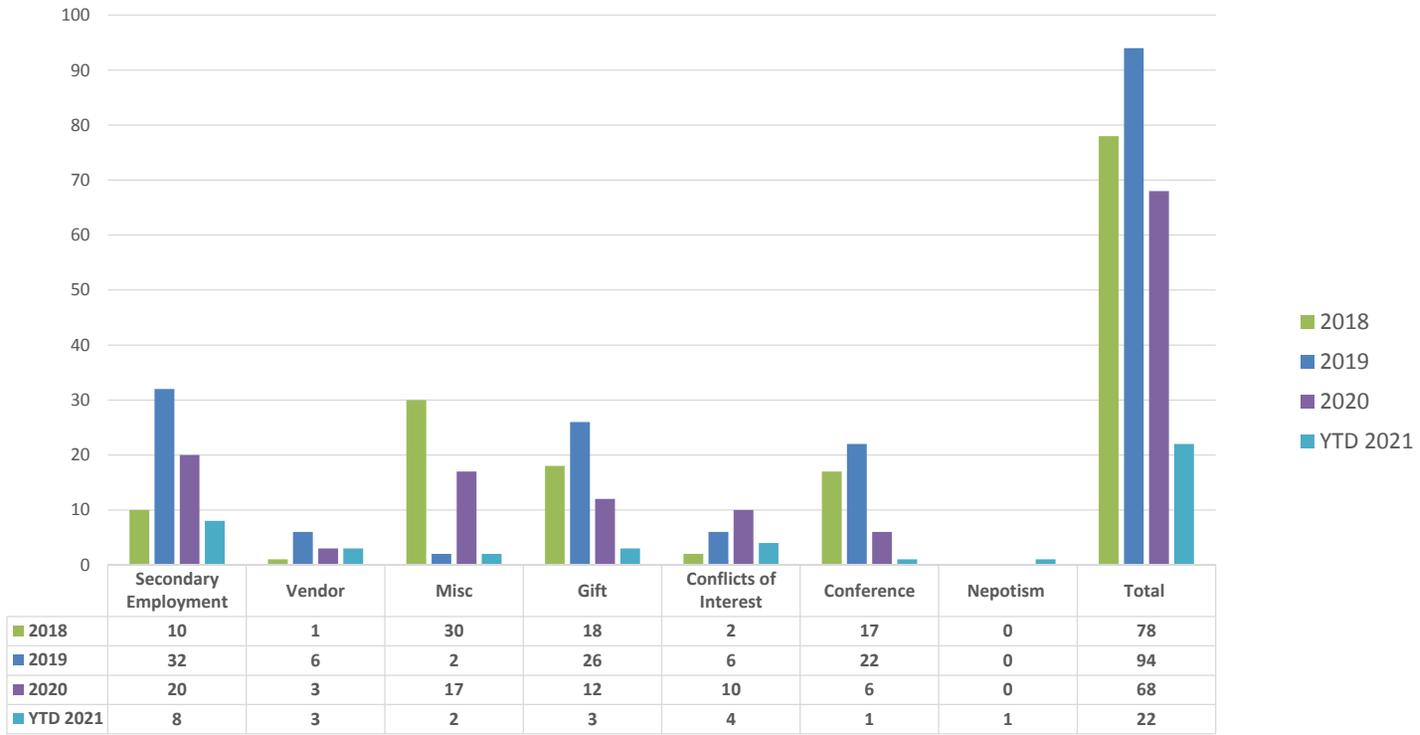


Ethics Inquiries by Year



Ethics Inquiries by Year

Inquiry Categories



Inquiry Case Samples

Inquiry Type	Question	Resolution
Conference	I was awarded an Utility Scholarship Award to attend an annual conference in Orlando. The scholarship includes conference registration fees, hotel accommodations and some food. Is this scholarship in violation of our Ethics Policy? I don't think it is, as I have received this scholarship several years ago and it wasn't in violation then. However, I wanted to check again in case any policy changes have been made.	Based on what I read about this scholarship, it does not violate any Ethics policies for you to accept it. Because this process was open to all, you are receiving the same benefits for all awardees.
Gift	A pecan snack basket was delivered to JEA, for an employee retiring. The basket is less than \$100 and I am going to place it out in the common area for everyone to enjoy. I reviewed the Ethics policy regarding gift giving and do not see a conflict (our area does currently have a contract with ETM for engineering services). I do not see where we have to 'log' gifts anymore, but I still wanted to bring to the Ethics Officer's attention.	The resolution suggested by employee was correct. The item can go in the common area for all employees to access and be considered a gift to JEA and it does not need to be logged.
Secondary Employment	If my co-worker has rental property do they have disclose it as secondary employment? Who has access to the form?	It depends on how the rental property is managed. Told employee to have their co-worker read the secondary employment policy and referred them to the ordinance on moonlighting. The form is reviewed by the employee's Director and Ethics Officer.
Vendor	I received a survey from a past vendor to complete a reference form for them in response to the appraiser's submittal on an RFQ where they listed me as a reference. Are there any considerations in this situation that would prevent me from responding?	Unfortunately, we do not have a JEA policy on reference checks and understand the legal ramifications. Based on my conversations with the COJ Ethics office and OGC, we recommend that you do not provide a reference. We feel this should be treated like an employment reference where you only give factual information (i.e....salary, timeframe of employment, job title). If the survey is asking for those type of things, then you can proceed. However, if they are asking for your opinion, quality of work or experience that cannot be supported with specific documentation then do not proceed.
Conflict of Interest	Employee contacted procurement to say they were planning on bidding on a JEA contract.	A JEA employee cannot bid on work at JEA while employed.



What's Next

- Finalize the Ethics Hotline system upgrade to EthicsPoint as the Project lead and develop communication plan for rollout.
- Roll out FY21 Business Ethics Refresher training for all employees.
- Develop 3rd Quarter Action Plan topic from Ethics Workshop for managers.
- Assist Procurement with an updated JEA Conflict of Interest form.





QUESTIONS





INTER-OFFICE MEMORANDUM

February 26, 2021

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

FROM: Jay Stowe, Managing Director and CEO

TO: JEA Finance and Audit Committee

Marty Lanahan, Chair
John Baker
Robert Stein

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 August 2012.

DISCUSSION:

Attached are the reserve fund schedules referenced above for the period ending December 31, 2020.

RECOMMENDATION:

No action required; provided for information only.

Jay Stowe, Managing Director and CEO

JCS/JEO/THM



Quarterly Reserve Report

**For the First Quarter Ending
December 2020**



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

For the Years Ending September 30

(In Thousands of Dollars)

Electric System

	<u>Actual</u> <u>Fiscal Year</u> <u>2018</u>	<u>Actual</u> <u>Fiscal Year</u> <u>2019</u>	<u>Actual</u> <u>Fiscal Year</u> <u>2020</u>	<u>Projected</u> <u>Fiscal Year</u> <u>2021</u>	<u>Detail</u> <u>Page #</u>
Unrestricted					
Operations/Revenue Fund	\$ 85,459	\$ 34,587	\$ 47,449	\$ 40,603	
Self Insurance Reserve Fund					
• Property	10,000	10,000	10,000	10,000	3
• Employee health insurance	8,139	11,210	10,890	10,766	4
Rate Stabilization					
• Fuel	74,376	47,152	73,347	71,054	5
• DSM/conservation	3,470	4,363	5,423	6,771	6
• Environmental	42,163	25,632	21,818	11,743	7
• Debt Management	29,884	29,884	-	-	8
• Non-Fuel Purchased Power	53,493	56,870	36,326	2,743	9
Environmental	16,818	16,568	16,568	16,568	10
Customer Deposits	44,242	44,242	43,641	44,136	11
Total Unrestricted	368,044	280,508	265,462	214,384	
Days of Cash on Hand (2)	218	146	183	148	
Days of Liquidity (3)	316	308	359	315	
Restricted					
Debt Service Funds (Sinking Funds)	159,656	145,520	82,525	79,569	12
Debt Service Reserve Funds	60,582	60,582	50,993	50,993	13
Renewal and Replacement Funds/OCO	189,922	81,964	137,643	139,402	14
Environmental Fund [Capital Projects]	-	-	301	1,059	15
Construction Funds	203	-	311	512	16
Total Restricted	410,363	288,066	271,773	271,535	
Total Electric System	\$ 778,407	\$ 568,574	\$ 537,235	\$ 485,919	

Water and Wastewater System

Unrestricted					
Operations/Revenue Fund	\$ 43,461	\$ 17,934	\$ 26,719	\$ 22,791	
Rate Stabilization					
• Debt Management	14,209	14,209	-	-	17
• Environmental	12,914	15,687	23,372	23,941	18
Customer Deposit	15,616	16,289	16,926	17,180	19
Total Unrestricted	86,200	64,119	67,018	63,912	
Days of Cash on Hand (2)	434	186	176	189	
Days of Liquidity (3)	527	334	353	353	
Restricted					
Debt Service Funds (Sinking Funds)	81,242	80,775	41,660	32,602	20
Debt Service Reserve Funds	102,850	63,441	58,228	58,664	21
Renewal and Replacement Funds	141,415	48,796	38,131	43,231	22
Environmental Fund [Capital Projects]	1,159	1,891	649	3,868	23
Construction Funds	284	28,968	25,541	21,171	24
Total Restricted	326,950	223,871	164,209	159,536	
Total Water & Sewer System	\$ 413,150	\$ 287,990	\$ 231,227	\$ 223,448	

(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) Days of Liquidity 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. Revolving credit facility is allocated between Electric and Water & Sewer Systems based on their portion of the Operating Expenses, net of Depreciation.

Funds Established Per the Bond Resolutions

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

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

Electric System Self Insurance - Property

For the First Quarter Ending December 31, 2020

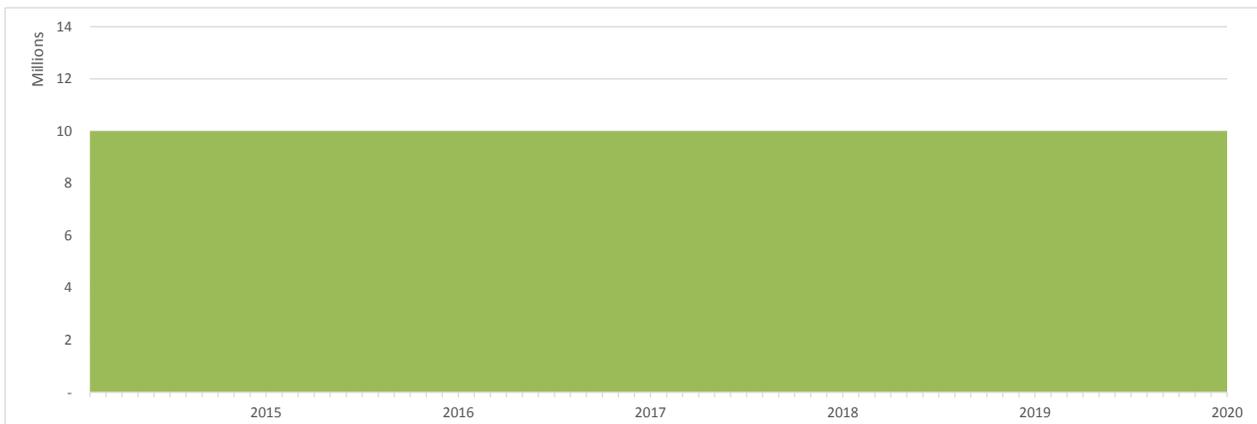
Definitions and Goals

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.

(In Thousands)	Current Activity		Projected Activity		
	Quarter-End	Year -to-Date	<u>2021</u>	<u>2022</u>	<u>2023</u>
Opening Balance	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000
Additions:					
Contributions					
Sub-total	\$ -	\$ -	\$ -	\$ -	\$ -
Withdrawals					
Ending Balance	<u>\$ 10,000</u>	<u>\$ 10,000</u>	<u>\$ 10,000</u>	<u>\$ 10,000</u>	<u>\$ 10,000</u>

Historical Activity

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Opening Balance	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000
Additions:					
Contributions	-	-	-	-	-
Sub-total	\$ -	\$ -	\$ -	\$ -	\$ -
Withdrawals					
Sub-total	\$ -	\$ -	\$ -	\$ -	\$ -
Ending balance	<u>\$ 10,000</u>				



Observations

- Reserve/Fund Authorization: Budget Appropriation.

Electric System Self Insurance - Employee Health Insurance

For the First Quarter Ending December 31, 2020

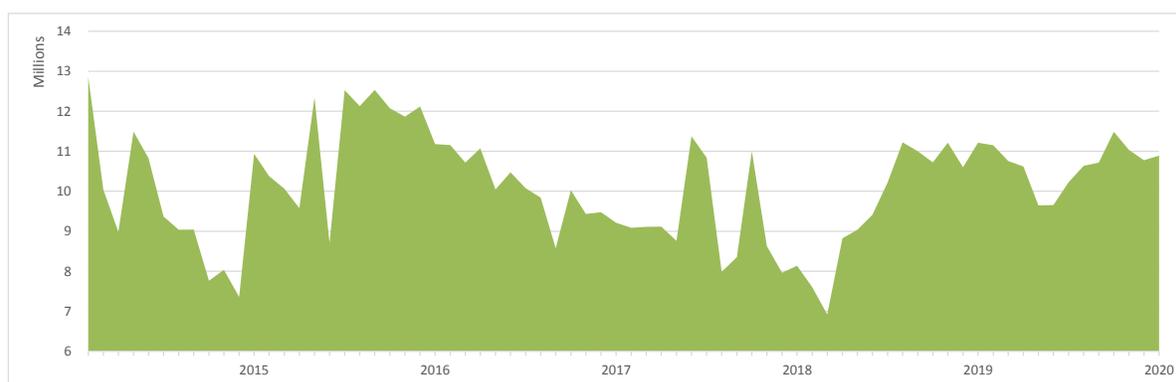
Definitions and Goals

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)	Current Activity		Projected Activity		
	Quarter-End	Year -to-Date	2021	2022	2023
Opening Balance	\$ 10,890	\$ 10,890	\$ 10,890	\$ 10,766	\$ 8,812
Additions:					
Employee Contributions	1,630	1,630	6,544	6,578	6,578
Retiree & Other Contributions	3,238	3,238	6,895	6,931	6,931
Employer Contributions	4,686	4,686	19,822	20,071	20,071
Sub-total	\$ 9,554	\$ 9,554	\$ 33,261	\$ 33,580	\$ 33,580
Withdrawals:					
Payments for Claims	7,759	7,759	30,704	32,853	35,153
Actuary & Other Payments	1,023	1,023	2,681	2,681	2,681
Sub-total	\$ 8,782	\$ 8,782	\$ 33,385	\$ 35,534	\$ 37,834
Ending Balance	\$ 11,662	\$ 11,662	\$ 10,766	\$ 8,812	\$ 4,558

Historical Activity

	2016	2017	2018	2019	2020
Opening Balance	\$ 10,937	\$ 11,179	\$ 9,214	\$ 8,138	\$ 11,210
Additions:					
Employee Contributions	5,460	5,862	6,158	6,423	6,534
Retiree & Other Contributions	5,694	6,443	7,273	8,270	6,914
Employer Contributions	24,231	19,004	18,378	20,662	18,900
Sub-total	\$ 35,385	\$ 31,309	\$ 31,809	\$ 35,355	\$ 32,348
Withdrawals:					
Payments for Claims	32,946	30,994	30,933	29,860	30,387
Actuary & Other Payments	2,197	2,280	1,952	2,423	2,281
Sub-total	\$ 35,143	\$ 33,274	\$ 32,885	\$ 32,283	\$ 32,668
Ending balance	\$ 11,179	\$ 9,214	\$ 8,138	\$ 11,210	\$ 10,890



Maximum Balance: 12,860
Minimum Balance: 6,922

Average Balance: 10,101

Observations

- Self Insurance for Employee Health Insurance began in July 2009.

Electric System Rate Stabilization - Fuel Management

For the First Quarter Ending December 31, 2020

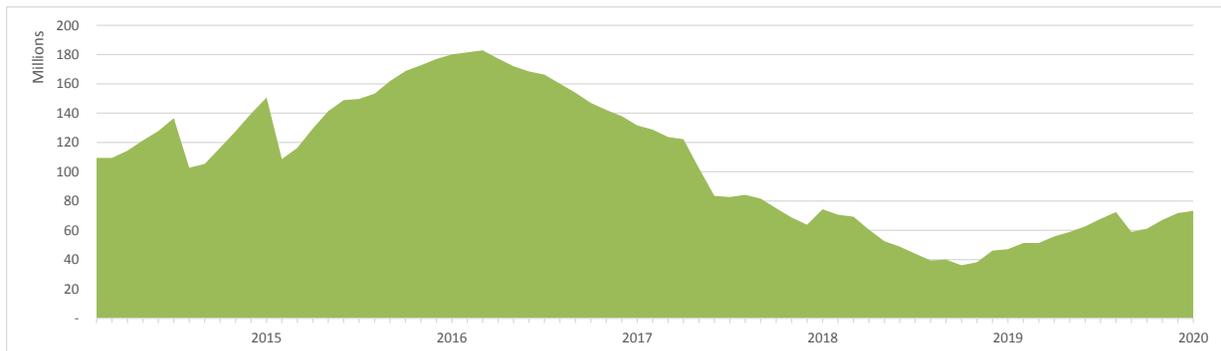
Definitions and Goals

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 (i) the maximum fiscal year fuel cost in the preceding five fiscal years or (ii) the projected fiscal year 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)	Current Activity		Projected Activity		
	Quarter-End	Year -to-Date	2021	2022	2023
Opening Balance	\$ 73,347	\$ 73,347	\$ 73,347	\$ 71,054	\$ 68,000
Additions:					
Contributions	3,372	3,372	5,480	12,895	12,895
Sub-total	\$ 3,372	\$ 3,372	\$ 5,480	\$ 12,895	\$ 12,895
Withdrawals:					
Withdrawals	898	898	7,773	15,949	12,895
Sub-total	\$ 898	\$ 898	\$ 7,773	\$ 15,949	\$ 12,895
Ending Balance	\$ 75,821	\$ 75,821	\$ 71,054	\$ 68,000	\$ 68,000

Historical Activity

	2016	2017	2018	2019	2020
Opening Balance	\$ 150,742	\$ 180,115	\$ 131,716	\$ 74,376	\$ 47,152
Additions:					
Contributions	85,979	2,845	-	11,597	44,553
Sub-total	\$ 85,979	\$ 2,845	\$ -	\$ 11,597	\$ 44,553
Withdrawals:					
Withdrawals		51,244	57,340	38,821	18,358
Fuel Rebate Credit	56,606				
Sub-total	\$ 56,606	\$ 51,244	\$ 57,340	\$ 38,821	\$ 18,358
Ending balance	\$ 180,115	\$ 131,716	\$ 74,376	\$ 47,152	\$ 73,347



Maximum Balance: 182,960 Average Balance: 106,001
 Minimum Balance: 36,191

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 First Quarter Ending December 31, 2020

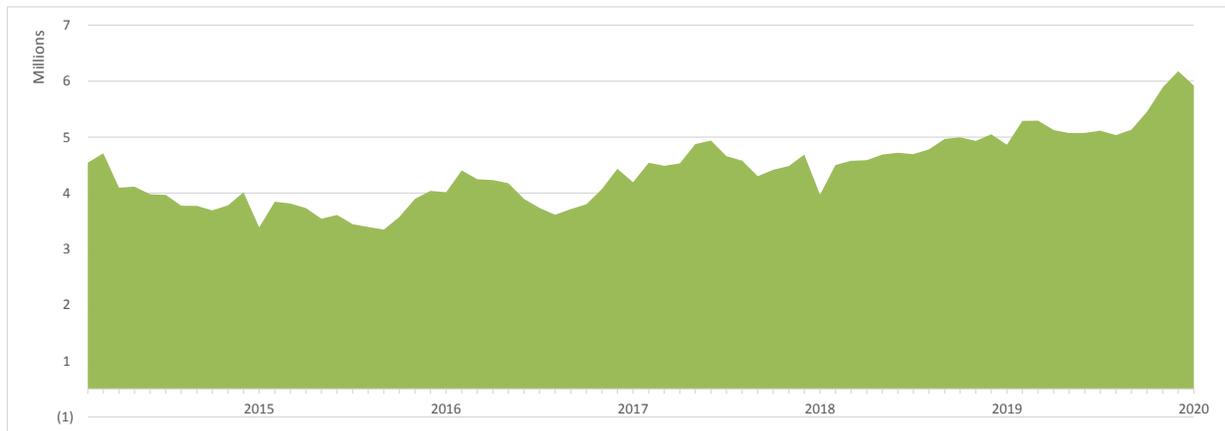
Definitions and Goals

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.

(In Thousands)	Current Activity		Projected Activity		
	Quarter-End	Year -to-Date	<u>2021</u>	<u>2022</u>	<u>2023</u>
Opening Balance	\$ 5,423	\$ 5,423	\$ 5,423	\$ 6,771	\$ 7,234
Additions:					
Contributions	1,610	1,610	6,873	6,732	6,732
Sub-total	<u>\$ 1,610</u>	<u>\$ 1,610</u>	<u>\$ 6,873</u>	<u>\$ 6,732</u>	<u>\$ 6,732</u>
Withdrawals:					
Withdrawals	894	894	5,525	6,269	6,457
Sub-total	<u>\$ 894</u>	<u>\$ 894</u>	<u>\$ 5,525</u>	<u>\$ 6,269</u>	<u>\$ 6,457</u>
Ending Balance	<u>\$ 6,139</u>	<u>\$ 6,139</u>	<u>\$ 6,771</u>	<u>\$ 7,234</u>	<u>\$ 7,509</u>

Historical Activity

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Opening Balance	\$ 2,886	\$ 3,515	\$ 3,695	\$ 3,470	\$ 4,363
Additions:					
Contributions	7,232	6,685	7,088	7,042	6,969
Sub-total	<u>\$ 7,232</u>	<u>\$ 6,685</u>	<u>\$ 7,088</u>	<u>\$ 7,042</u>	<u>\$ 6,969</u>
Withdrawals:					
Withdrawals	6,603	6,505	7,313	6,149	5,909
Sub-total	<u>\$ 6,603</u>	<u>\$ 6,505</u>	<u>\$ 7,313</u>	<u>\$ 6,149</u>	<u>\$ 5,909</u>
Ending balance	<u>\$ 3,515</u>	<u>\$ 3,695</u>	<u>\$ 3,470</u>	<u>\$ 4,363</u>	<u>\$ 5,423</u>



Maximum Balance:	5,678	Average Balance:	3,903
Minimum Balance:	2,848		

Observations

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

Electric System Rate Stabilization - Environmental

For the First Quarter Ending December 31, 2020

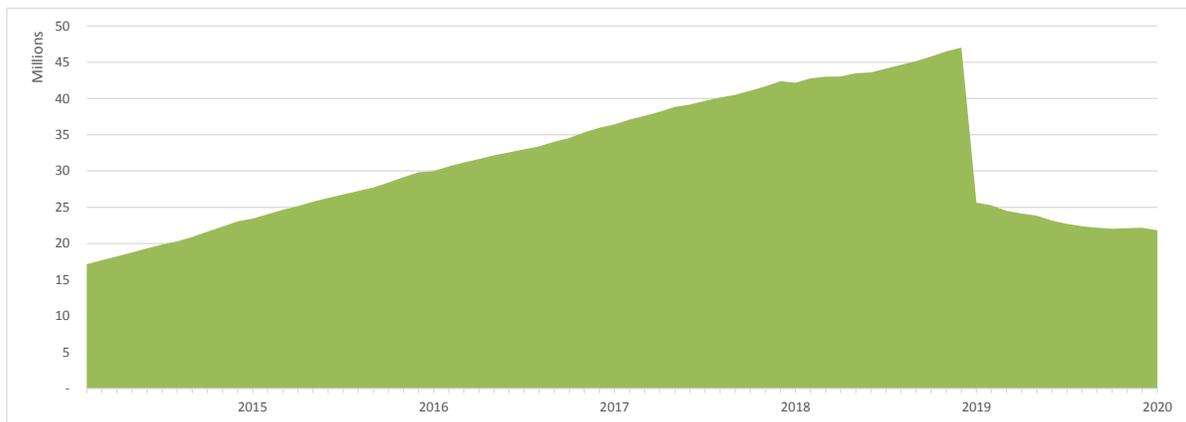
Definitions and Goals

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 are limited to potential environmental expenditures approved by the Board, and may include initiatives such as the cost of acquisition of renewable energy capacity. Costs directly required to operate and maintain the environmentally driven or regulatory required assets can also be funded from this revenue source.

(In Thousands)	Current Activity		Projected Activity		
	Quarter-End	Year -to-Date	2021	2022	2023
Opening Balance	\$ 21,819	\$ 21,819	\$ 21,819	\$ 11,743	\$ 12,097
Additions:					
Contributions	1,809	1,809	7,509	7,320	7,320
Sub-total	\$ 1,809	\$ 1,809	\$ 7,509	\$ 7,320	\$ 7,320
Withdrawals:					
Withdrawals	2,079	2,079	17,585	6,966	7,005
Ending Balance	\$ 21,549	\$ 21,549	\$ 11,743	\$ 12,097	\$ 12,412

Historical Activity

	2016	2017	2018	2019	2020
Opening Balance	\$ 23,430	\$ 29,975	\$ 36,417	\$ 42,163	\$ 25,632
Additions:					
Contributions	7,700	7,384	7,572	7,578	7,469
Sub-total	\$ 7,700	\$ 7,384	\$ 7,572	\$ 7,578	\$ 7,469
Withdrawals:					
Withdrawals	1,155	942	1,827	24,109	11,282
Sub-total	\$ 1,155	\$ 942	\$ 1,827	\$ 24,109	\$ 11,282
Ending balance	\$ 29,975	\$ 36,417	\$ 42,163	\$ 25,632	\$ 21,819



Maximum Balance: 47,018
Minimum Balance: 17,155

Average Balance: 31,083

Observations

- Rate Stabilization Fund for Environmental began in June 2010.

Electric System Rate Stabilization - Debt Management

For the First Quarter Ending December 31, 2020

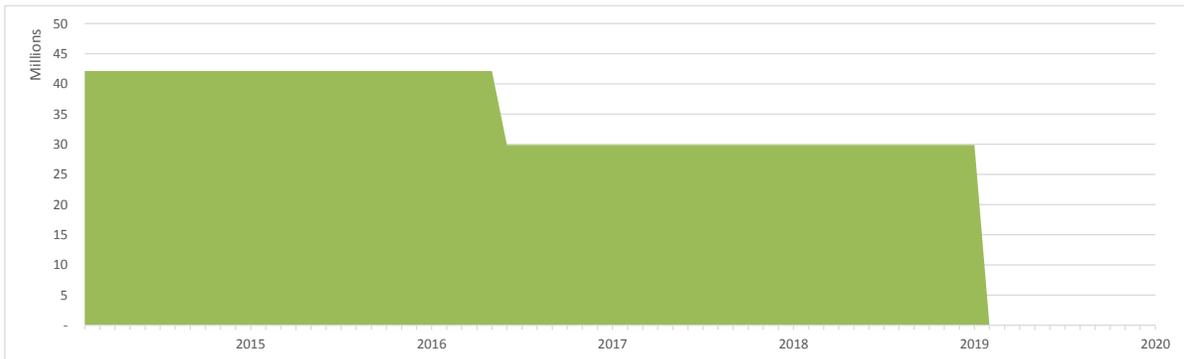
Definitions and Goals

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. 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. Funds used in October 2019 for defeasance of debt.

(In Thousands)	Current Activity		Projected Activity		
	Quarter-End	Year-to-Date	2021	2022	2023
Opening Balance	\$ -	\$ -	\$ -	\$ -	\$ -
Additions:					
Contributions	-	-			27,000
Sub-total	\$ -	\$ -	\$ -	\$ -	\$ 27,000
Withdrawals:					
Withdrawals	-	-	-	-	-
Sub-total	\$ -	\$ -	\$ -	\$ -	\$ -
Ending Balance	\$ -	\$ -	\$ -	\$ -	\$ 27,000

Historical Activity

	2016	2017	2018	2019	2020
Opening Balance	\$ 42,126	\$ 42,126	\$ 29,884	\$ 29,884	\$ 29,884
Additions:					
Contributions	-	-	-	-	-
Sub-total	\$ -	\$ -	\$ -	\$ -	\$ -
Withdrawals:					
Withdrawals	-	12,242	-	-	29,884
Sub-total	\$ -	\$ 12,242	\$ -	\$ -	\$ 29,884
Ending balance	\$ 42,126	\$ 29,884	\$ 29,884	\$ 29,884	\$ -



Maximum Balance: 42,126 Average Balance: 29,664
 Minimum Balance: -

Observations

- Rate Stabilization Fund for Debt Management began in May 2009. Funds used for defeasances in October 2019.

Electric System Rate Stabilization - Non-Fuel Purchased Power

For the First Quarter Ending December 31, 2020

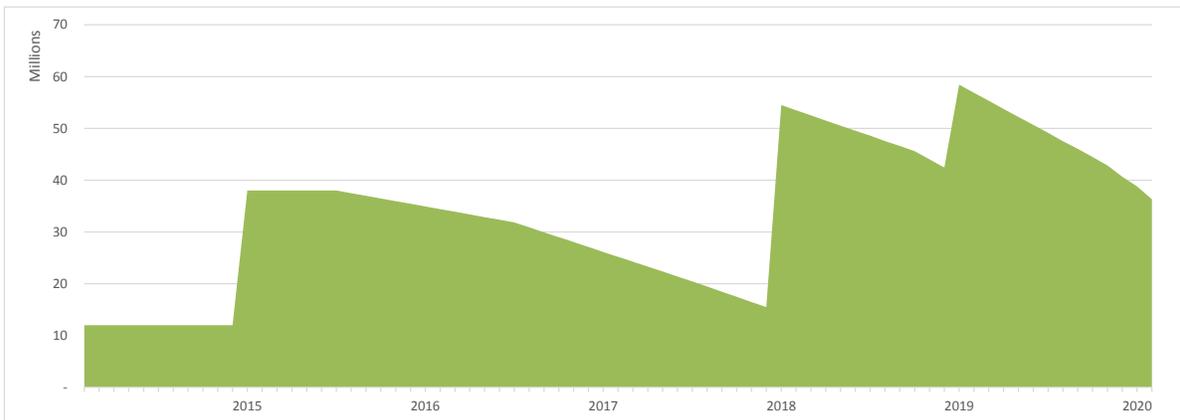
Definitions and Goals

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.

(In Thousands)	Current Activity		Projected Activity		
	Quarter-End	Year -to-Date	2021	2022	2023
Opening Balance	\$ 36,326	\$ 36,326	\$ 36,326	\$ 2,743	\$ -
Additions:					
Contributions	-	-			
Sub-total	\$ -	\$ -	\$ -	\$ -	\$ -
Withdrawals:					
Withdrawals	7,201	7,201	33,583	2,743	
Ending Balance	<u>\$ 29,125</u>	<u>\$ 29,125</u>	<u>\$ 2,743</u>	<u>\$ -</u>	<u>\$ -</u>

Historical Activity

	2016	2017	2018	2019	2020
Opening Balance	\$ 38,000	\$ 34,400	\$ 25,189	\$ 53,493	\$ 56,870
Additions:					
Contributions			40,000	17,566	-
Sub-total	\$ -	\$ -	\$ 40,000	\$ 17,566	\$ -
Withdrawals:					
Withdrawals	3,600	9,211	11,696	14,189	20,544
Sub-total	\$ 3,600	\$ 9,211	\$ 11,696	\$ 14,189	\$ 20,544
Ending balance	<u>\$ 34,400</u>	<u>\$ 25,189</u>	<u>\$ 53,493</u>	<u>\$ 56,870</u>	<u>\$ 36,326</u>



Maximum Balance:	58,436	Average Balance:	34,126
Minimum Balance:	12,000		

Observations

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

Electric System Environmental Reserve

For the First Quarter Ending December 31, 2020

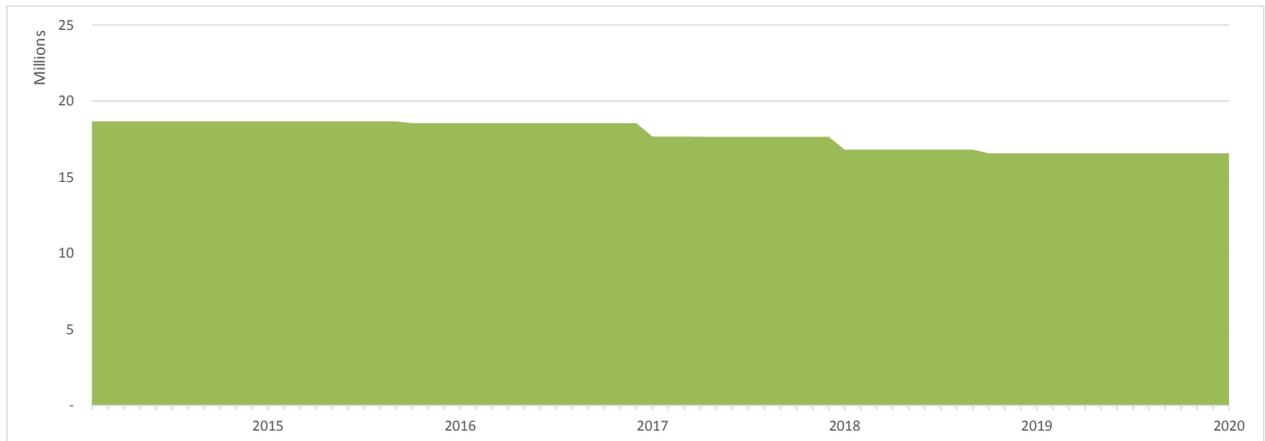
Definitions and Goals

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

(In Thousands)	Current Activity		Projected Activity		
	Quarter-End	Year -to-Date	<u>2021</u>	<u>2022</u>	<u>2023</u>
Opening Balance	\$ 16,568	\$ 16,568	\$ 16,568	\$ 16,568	\$ 16,068
Additions:					
Contributions		-			
Sub-total	\$ -	\$ -	\$ -	\$ -	\$ -
Withdrawals:					
Withdrawals		-	-	500	5,000
Ending Balance	<u>\$ 16,568</u>	<u>\$ 16,568</u>	<u>\$ 16,568</u>	<u>\$ 16,068</u>	<u>\$ 11,068</u>

Historical Activity

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Opening Balance	\$ 18,662	\$ 18,556	\$ 17,672	\$ 16,818	\$ 16,568
Additions:					
Contributions					
Sub-total	\$ -	\$ -	\$ -	\$ -	\$ -
Withdrawals:					
Withdrawals	106	884	854	250	
Sub-total	<u>\$ 106</u>	<u>\$ 884</u>	<u>\$ 854</u>	<u>\$ 250</u>	<u>\$ -</u>
Ending balance	<u>\$ 18,556</u>	<u>\$ 17,672</u>	<u>\$ 16,818</u>	<u>\$ 16,568</u>	<u>\$ 16,568</u>



Maximum Balance:	18,662	Average Balance:	17,775
Minimum Balance:	16,568		

Observations

- The Environmental Reserve began in FY 2008.

Electric System Customer Deposits

For the First Quarter Ending December 31, 2020

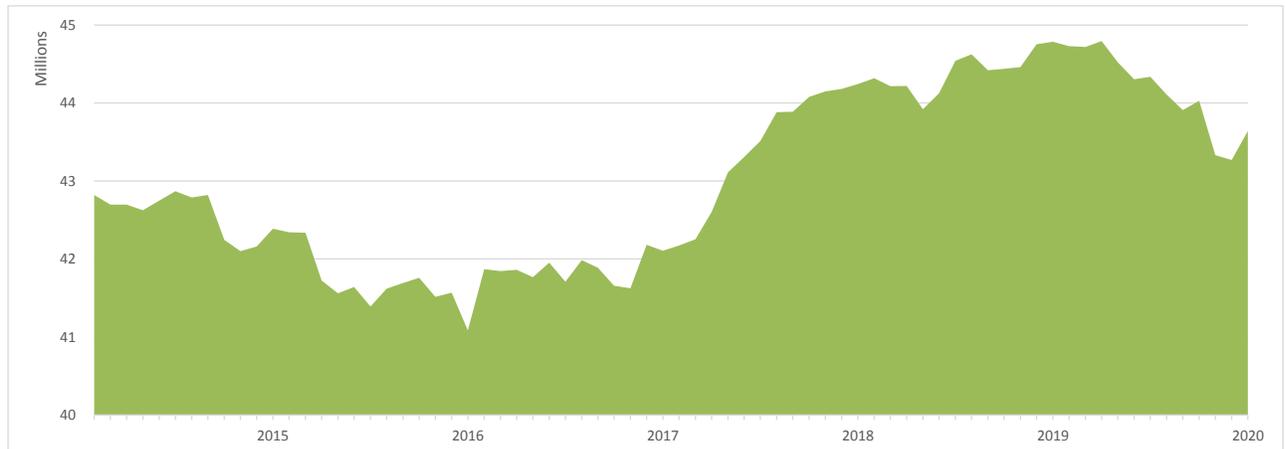
Definitions and Goals

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

(In Thousands)	Current Activity		Projected Activity		
	Quarter-End	Year -to-Date	<u>2021</u>	<u>2022</u>	<u>2023</u>
Opening Balance	\$ 43,641	\$ 43,641	\$ 43,641	\$ 44,136	\$ 44,304
Additions:					
Net Customer Activity	9	9	1,074	872	973
Sub-total	<u>\$ 9</u>	<u>\$ 9</u>	<u>\$ 1,074</u>	<u>\$ 872</u>	<u>\$ 973</u>
Withdrawals:					
Net Customer Activity	228	228	579	704	704
Ending Balance	<u><u>\$ 43,422</u></u>	<u><u>\$ 43,422</u></u>	<u><u>\$ 44,136</u></u>	<u><u>\$ 44,304</u></u>	<u><u>\$ 44,573</u></u>

Historical Activity

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Opening Balance	\$ 42,389	\$ 41,084	\$ 42,105	\$ 44,242	\$ 44,785
Additions:					
Net Customer Activity		1,021	2,137	543	596
Sub-total	<u>\$ -</u>	<u>\$ 1,021</u>	<u>\$ 2,137</u>	<u>\$ 543</u>	<u>\$ 596</u>
Withdrawals:					
Net Customer Activity	1,305				1,740
Sub-total	<u>\$ 1,305</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,740</u>
Ending balance	<u><u>\$ 41,084</u></u>	<u><u>\$ 42,105</u></u>	<u><u>\$ 44,242</u></u>	<u><u>\$ 44,785</u></u>	<u><u>\$ 43,641</u></u>



Maximum Balance: 44,795
Minimum Balance: 41,084

Average Balance: 43,022

Observations

Electric System Debt Service Sinking Fund

For the First Quarter Ending December 31, 2020

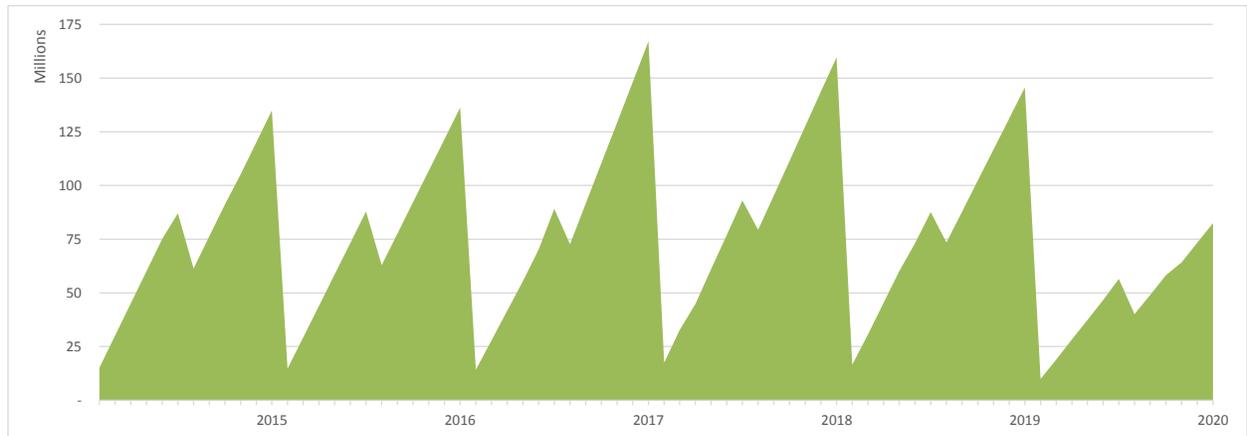
Definitions and Goals

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)	Current Activity		Projected Activity		
	Quarter-End	Year -to-Date	2021	2022	2023
Opening Balance	\$ 82,525	\$ 82,525	\$ 82,525	\$ 79,569	\$ 64,897
Additions:					
Revenue Fund Deposits	26,873	26,873	107,448	105,926	76,005
Sub-total	<u>\$ 26,873</u>	<u>\$ 26,873</u>	<u>\$ 107,448</u>	<u>\$ 105,926</u>	<u>\$ 76,005</u>
Withdrawals:					
Principal and Int Payments	82,840	82,840	110,404	120,598	104,784
Sub-total	<u>\$ 82,840</u>	<u>\$ 82,840</u>	<u>\$ 110,404</u>	<u>\$ 120,598</u>	<u>\$ 104,784</u>
Ending Balance	<u>\$ 26,558</u>	<u>\$ 26,558</u>	<u>\$ 79,569</u>	<u>\$ 64,897</u>	<u>\$ 36,118</u>

Historical Activity

	2016	2017	2018	2019	2020
Opening Balance	\$ 134,927	\$ 136,232	\$ 167,087	\$ 159,656	\$ 145,520
Additions:					
Revenue Fund Deposits	177,847	209,450	201,359	186,135	116,826
Sub-total	<u>\$ 177,847</u>	<u>\$ 209,450</u>	<u>\$ 201,359</u>	<u>\$ 186,135</u>	<u>\$ 116,826</u>
Withdrawals:					
Principal and Int Payments	176,542	178,595	208,790	200,271	179,821
Sub-total	<u>\$ 176,542</u>	<u>\$ 178,595</u>	<u>\$ 208,790</u>	<u>\$ 200,271</u>	<u>\$ 179,821</u>
Ending balance	<u>\$ 136,232</u>	<u>\$ 167,087</u>	<u>\$ 159,656</u>	<u>\$ 145,520</u>	<u>\$ 82,525</u>



Maximum Balance: 167,087
Minimum Balance: 9,945

Average Balance: 75,042

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).
- Projections are based on the debt outstanding as of September 30, 2020.

Electric System Debt Service Reserve Account

For the First Quarter Ending December 31, 2020

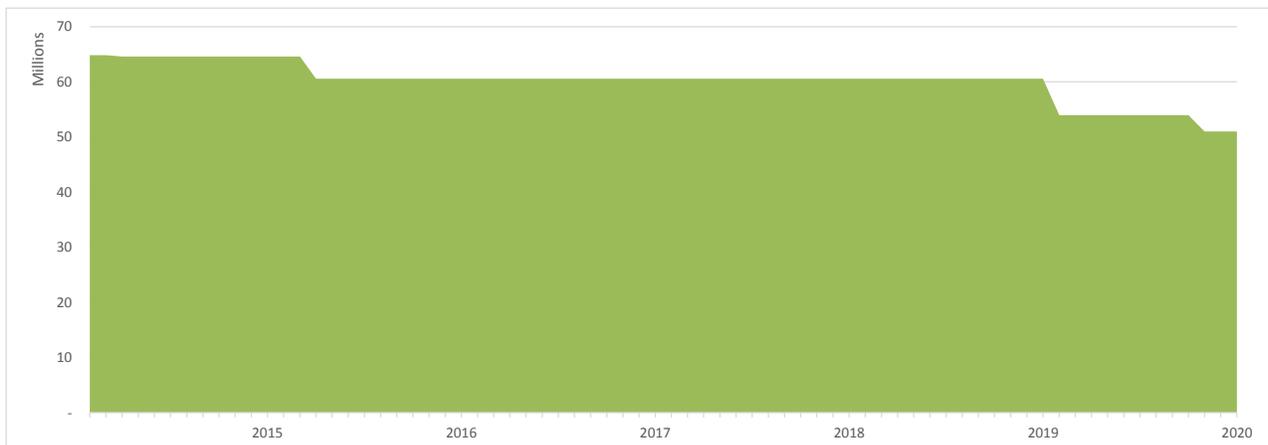
Definitions and Goals

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)	Current Activity		Projected Activity		
	Quarter-End	Year -to-Date	<u>2021</u>	<u>2022</u>	<u>2023</u>
Opening Balance	\$ 50,993	\$ 50,993	\$ 50,993	\$ 50,993	\$ 50,993
Additions:					
Proceeds from Bonds					
Sub-total	\$ -	\$ -	\$ -	\$ -	\$ -
Withdrawals:					
Ending Balance	<u>\$ 50,993</u>	<u>\$ 50,993</u>	<u>\$ 50,993</u>	<u>\$ 50,993</u>	<u>\$ 50,993</u>

Historical Activity

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Opening Balance	\$ 64,595	\$ 60,582	\$ 60,582	\$ 60,582	\$ 60,582
Additions:					
Proceeds from Bonds					
Sub-total	\$ -	\$ -	\$ -	\$ -	\$ -
Withdrawals:					
Release to Revenue Fund	4,013				2,956
Release for STAR Plan Defeasance					6,633
Sub-total	\$ 4,013	\$ -	\$ -	\$ -	\$ 9,589
Ending balance	<u>\$ 60,582</u>	<u>\$ 60,582</u>	<u>\$ 60,582</u>	<u>\$ 60,582</u>	<u>\$ 50,993</u>



Maximum Balance: 64,841
Minimum Balance: 50,993

Average Balance: 60,140

Observations

- This report does not include any Scherer debt service reserves.

Electric System Renewal and Replacement (R&R) / Operating Capital Outlay (OCO)

For the First Quarter Ending December 31, 2020

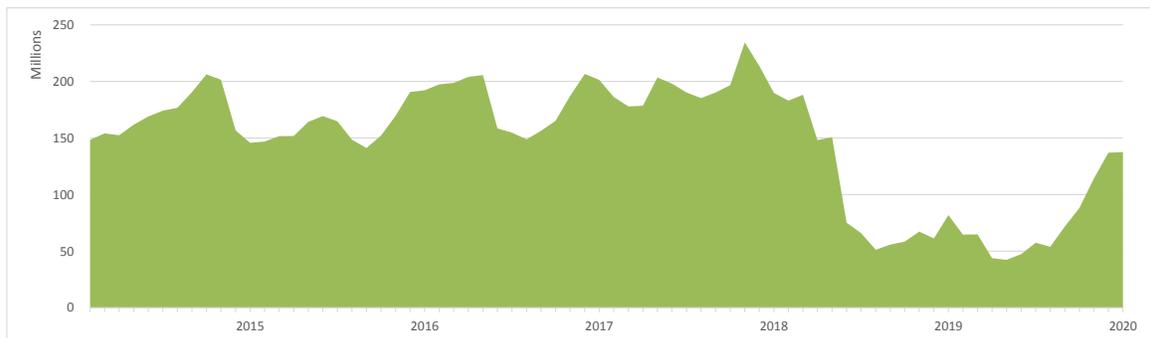
Definitions and Goals

Pursuant to the 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. In addition, as a portion of the base rate, JEA will recover from current revenue a formula driven amount for capital expenditures known 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.

	Current Activity		Projected Activity		
(In Thousands)	Quarter-End	Year -to-Date	2021	2022	2023
Opening Balance	\$ 137,643	\$ 137,643	\$ 137,643	\$ 139,402	\$ 135,072
Additions:					
R&R/OCO Contribution	73,636	73,636	288,520	215,123	173,969
Transfers betw Capital Fds					
Other	3,214	3,214	6,023	6,705	7,705
Sub-total	<u>\$ 76,850</u>	<u>\$ 76,850</u>	<u>\$ 294,543</u>	<u>\$ 221,828</u>	<u>\$ 181,674</u>
Withdrawals:					
Capital Expenditures	48,787	48,787	185,660	226,158	186,734
Transfers betw Capital Fds					
Debt Defeasance	-	-	107,124		41,455
Other					
Sub-total	<u>\$ 48,787</u>	<u>\$ 48,787</u>	<u>\$ 292,784</u>	<u>\$ 226,158</u>	<u>\$ 228,189</u>
Ending Balance	<u>\$ 165,706</u>	<u>\$ 165,706</u>	<u>\$ 139,402</u>	<u>\$ 135,072</u>	<u>\$ 88,557</u>

Historical Activity

	2016	2017	2018	2019	2020
Opening Balance	\$ 145,711	\$ 192,179	\$ 201,368	\$ 189,922	\$ 81,964
Additions:					
R&R/OCO Contribution	200,692	196,589	148,105	197,623	272,342
Loans betw Capital Fds					
Other	3,744	5,074	35,675	39,521	8,389
Sub-total	<u>\$ 204,436</u>	<u>\$ 201,663</u>	<u>\$ 183,780</u>	<u>\$ 237,144</u>	<u>\$ 280,731</u>
Withdrawals:					
Capital Expenditures	157,201	113,987	181,263	275,042	206,415
Transfers/loans b/w Capital Fds	765	37,200			
Debt Defeasance				70,000	18,637
Other	2	41,287	13,963	60	-
Sub-total	<u>\$ 157,968</u>	<u>\$ 192,474</u>	<u>\$ 195,226</u>	<u>\$ 345,102</u>	<u>\$ 225,052</u>
Ending balance	<u>\$ 192,179</u>	<u>\$ 201,368</u>	<u>\$ 189,922</u>	<u>\$ 81,964</u>	<u>\$ 137,643</u>



Observations

- Other includes Sale of Property and miscellaneous billings.

Water and Sewer System Rate Stabilization - Debt Management

For the First Quarter Ending December 31, 2020

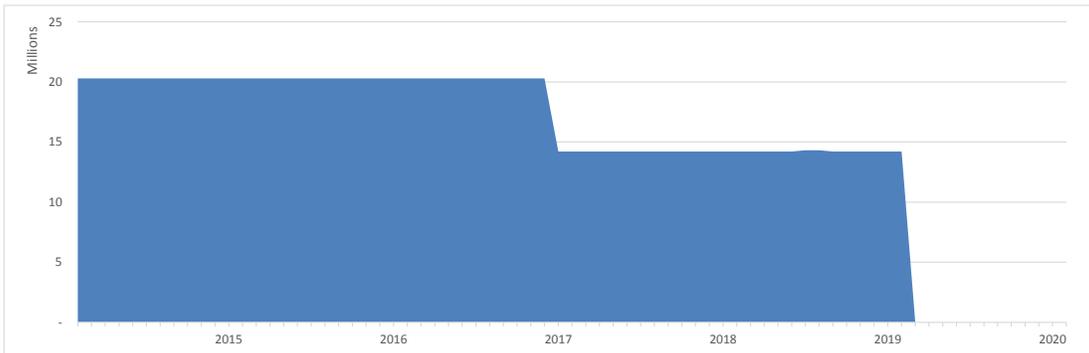
Definitions and Goals

The Water & Sewer System Bond Resolution authorizes the establishment of a Rate Stabilization Fund ("RSF") 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 RSF 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.

(In Thousands)	Current Activity		Projected Activity		
	Quarter-End	Year -to-Date	<u>2021</u>	<u>2022</u>	<u>2023</u>
Opening Balance	\$ -	\$ -	\$ -	\$ -	\$ -
Additions:					
Contributions					
Sub-total	\$ -	\$ -	\$ -	\$ -	\$ -
Withdrawals:					
Withdrawals	-	-	-	-	-
Sub-total	\$ -	\$ -	\$ -	\$ -	\$ -
Ending Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Historical Activity

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Opening Balance	\$ 20,290	\$ 20,290	\$ 14,209	\$ 14,209	\$ 14,209
Additions:					
Contributions					
Sub-total	\$ -	\$ -	\$ -	\$ -	\$ -
Withdrawals:					
Withdrawals		6,081			14,209
Sub-total	\$ -	\$ 6,081	\$ -	\$ -	\$ 14,209
Ending balance	<u>\$ 20,290</u>	<u>\$ 14,209</u>	<u>\$ 14,209</u>	<u>\$ 14,209</u>	<u>\$ -</u>



Maximum Balance:	20,290	Average Balance:	14,716
Minimum Balance:	-		

Observations

- Contributions began in June 2009. Funds used for defeasances in October 2019.

Water & Sewer System Rate Stabilization - Environmental

For the First Quarter Ending December 31, 2020

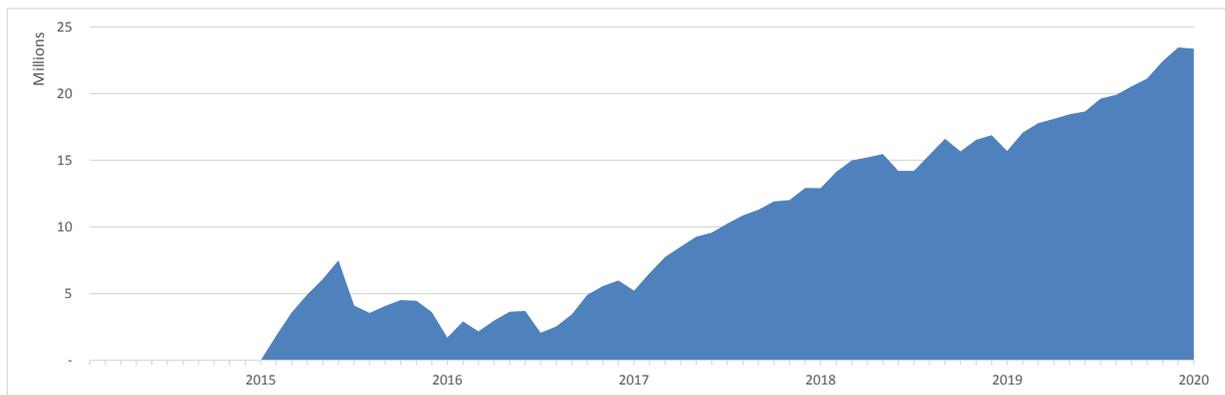
Definitions and Goals

The Water & Sewer System Bond Resolution authorizes the establishment of a Rate Stabilization Fund in which contributions or withdrawals shall be made as set forth in the current annual budget or an amount otherwise determined by an authorized officer of JEA. The Rate Stabilization Fund provides a means to minimize the year-to-year impact to customer charges and support financial metrics by providing consistent revenue collection for expenditures impacted by external factors such as debt management and regulatory requirements or initiatives.

(In Thousands)	Current Activity		Projected Activity		
	Quarter-End	Year -to-Date	2021	2022	2023
Opening Balance	\$ 23,372	\$ 23,372	\$ 23,372	\$ 23,941	\$ 23,941
Additions:					
Contributions	5,923	5,923	25,897	28,997	20,262
Sub-total	\$ 5,923	\$ 5,923	\$ 25,897	\$ 28,997	\$ 20,262
Withdrawals:					
Withdrawals	2,258	2,258	25,328	28,997	20,262
COJ Septic Tank Agreement			-		
Sub-total	\$ 2,258	\$ 2,258	\$ 25,328	\$ 28,997	\$ 20,262
Ending Balance	\$ 27,037	\$ 27,037	\$ 23,941	\$ 23,941	\$ 23,941

Historical Activity

	2016	2017	2018	2019	2020
Opening Balance	\$ -	\$ 1,699	\$ 5,214	\$ 12,914	\$ 15,687
Additions:					
Contributions	23,635	24,362	23,829	25,099	25,677
Sub-total	\$ 23,635	\$ 24,362	\$ 23,829	\$ 25,099	\$ 25,677
Withdrawals:					
Withdrawals	21,936	20,847	16,129	22,326	17,992
Sub-total	\$ 21,936	\$ 20,847	\$ 16,129	\$ 22,326	\$ 17,992
Ending balance	\$ 1,699	\$ 5,214	\$ 12,914	\$ 15,687	\$ 23,372



Maximum Balance:	23,461	Average Balance:	10,740
Minimum Balance:	1,699		

Observations

- Rate Stabilization Fund for Environmental began in June 2010.

Water and Sewer System Customer Deposits

For the First Quarter Ending December 31, 2020

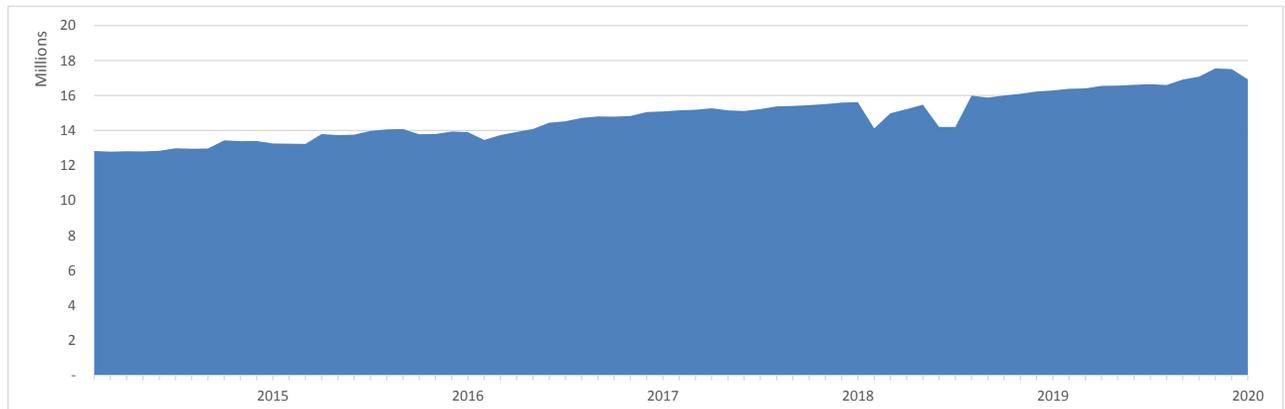
Definitions and Goals

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

(In Thousands)	Current Activity		Projected Activity		
	Quarter-End	Year -to-Date	<u>2021</u>	<u>2022</u>	<u>2023</u>
Opening Balance	\$ 16,926	\$ 16,926	\$ 16,926	\$ 17,180	\$ 17,837
Additions:					
Allocated from Electric			1,807	1,045	1,275
Sub-total	\$ -	\$ -	\$ 1,807	\$ 1,045	\$ 1,275
Withdrawals:					
Allocated from Electric	218	218	1,553	388	621
Sub-total	\$ 218	\$ 218	\$ 1,553	\$ 388	\$ 621
Ending Balance	\$ 16,708	\$ 16,708	\$ 17,180	\$ 17,837	\$ 18,491

Historical Activity

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Opening Balance	\$ 13,255	\$ 13,910	\$ 15,086	\$ 15,616	\$ 16,289
Additions:					
Allocated from Electric	655	1,633	730	888	1,318
Sub-total	\$ 655	\$ 1,633	\$ 730	\$ 888	\$ 1,318
Withdrawals:					
Allocated from Electric		457	200	215	681
Sub-total	\$ -	\$ 457	\$ 200	\$ 215	\$ 681
Ending balance	\$ 13,910	\$ 15,086	\$ 15,616	\$ 16,289	\$ 16,926



Maximum Balance:	17,549	Average Balance:	14,540
Minimum Balance:	12,619		

Observations

Water and Sewer System Debt Service Sinking Fund

For the First Quarter Ending December 31, 2020

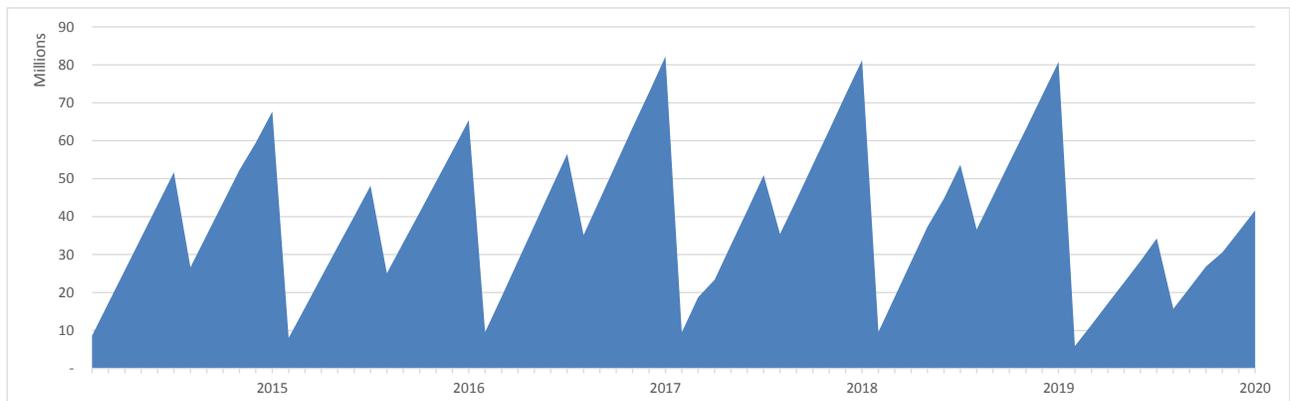
Definitions and Goals

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)	Current Activity		Projected Activity		
	Quarter-End	Year -to-Date	<u>2021</u>	<u>2022</u>	<u>2023</u>
Opening Balance	\$ 41,660	\$ 41,660	\$ 41,660	\$ 32,602	\$ 33,121
Additions:					
Revenue fund deposits	13,982	13,982	56,109	64,960	109,345
Sub-total	<u>\$ 13,982</u>	<u>\$ 13,982</u>	<u>\$ 56,109</u>	<u>\$ 64,960</u>	<u>\$ 109,345</u>
Withdrawals:					
Principal and interest payments	41,725	41,725	65,167	64,441	64,684
Sub-total	<u>\$ 41,725</u>	<u>\$ 41,725</u>	<u>\$ 65,167</u>	<u>\$ 64,441</u>	<u>\$ 64,684</u>
Ending Balance	<u>\$ 13,917</u>	<u>\$ 13,917</u>	<u>\$ 32,602</u>	<u>\$ 33,121</u>	<u>\$ 77,782</u>

Historical Activity

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Opening Balance	\$ 67,720	\$ 65,410	\$ 82,208	\$ 81,241	\$ 80,775
Additions:					
Revenue fund deposits	97,077	114,873	113,636	112,251	69,515
Sub-total	<u>\$ 97,077</u>	<u>\$ 114,873</u>	<u>\$ 113,636</u>	<u>\$ 112,251</u>	<u>\$ 69,515</u>
Withdrawals:					
Principal and interest payments	99,387	98,075	114,603	112,717	108,630
Sub-total	<u>\$ 99,387</u>	<u>\$ 98,075</u>	<u>\$ 114,603</u>	<u>\$ 112,717</u>	<u>\$ 108,630</u>
Ending balance	<u>\$ 65,410</u>	<u>\$ 82,208</u>	<u>\$ 81,241</u>	<u>\$ 80,775</u>	<u>\$ 41,660</u>



Maximum Balance:	82,208	Average Balance:	39,146
Minimum Balance:	5,890		

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).
- Projections are based on the debt outstanding as of September 30, 2020.

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

For the First Quarter Ending December 31, 2020

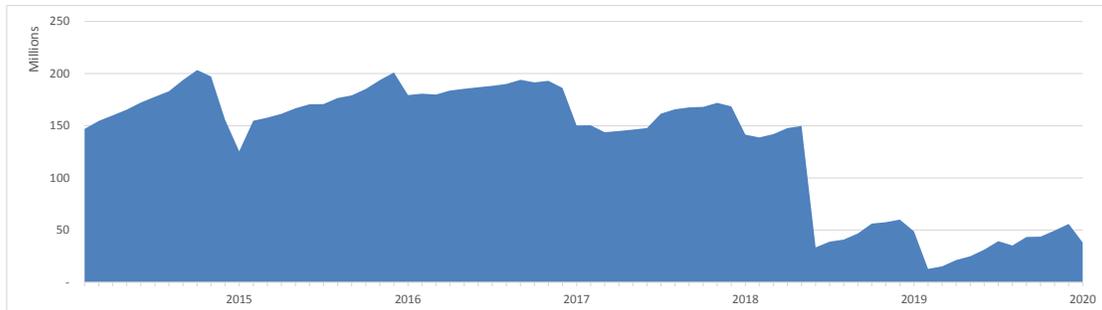
Definitions and Goals

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. 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 Thousands)	Current Activity		Projected Activity		
	Quarter-End	Year-to-Date	2021	2022	2023
Opening Balance	\$ 38,131	\$ 38,131	\$ 38,131	\$ 43,231	\$ 106,191
Additions:					
R&R/OCO Contribution	46,350	46,350	184,908	178,683	134,171
Capacity Fees	8,732	8,732	31,692	33,420	33,412
Transfer from Capital Fds			-	-	-
Other	3,708	3,708	9,621	9,201	9,201
Sub-total	\$ 58,790	\$ 58,790	\$ 226,221	221,304	176,784
Withdrawals:					
Capital Expenditures	48,468	48,468	221,121	158,344	169,934
Debt Defeasance			-		
Other					-
Sub-total	\$ 48,468	\$ 48,468	\$ 221,121	\$ 158,344	\$ 169,934
Ending Balance	\$ 48,453	\$ 48,453	\$ 43,231	\$ 106,191	\$ 113,041

Historical Activity

	2016	2017	2018	2019	2020
Opening Balance	\$ 128,249	\$ 179,431	\$ 150,319	\$ 141,415	\$ 48,796
Additions:					
R&R/OCO Contribution	124,574	108,119	153,372	150,171	166,107
Capacity Fees	21,995	24,777	28,002	29,389	32,857
Loans betw Capital Fds		137		268	
Other (incl septic tank)	31,041	8,050	6,383	16,390	12,654
Sub-total	\$ 177,610	\$ 141,083	\$ 187,757	\$ 196,218	\$ 211,618
Withdrawals:					
Capital Expenditures	126,322	165,242	196,637	189,626	191,087
Loan Repayment				99,189	31,196
Transfer to Constr. Fund	106				
Other (incl septic tank)	-	4,953	24	22	
Sub-total	\$ 126,428	\$ 170,195	\$ 196,661	\$ 288,837	\$ 222,283
Ending balance	\$ 179,431	\$ 150,319	\$ 141,415	\$ 48,796	\$ 38,131



Maximum Balance: 203,406
Minimum Balance: 12,847

Average Balance: 133,232

Observations

- Other includes the Septic Tank Phase-out project, Sale of Property, and the transfer of RSF - Environmental in FY 2016 - 2025.

Water and Sewer System - Environmental Fund [Capital Projects]

For the First Quarter Ending December 31, 2020

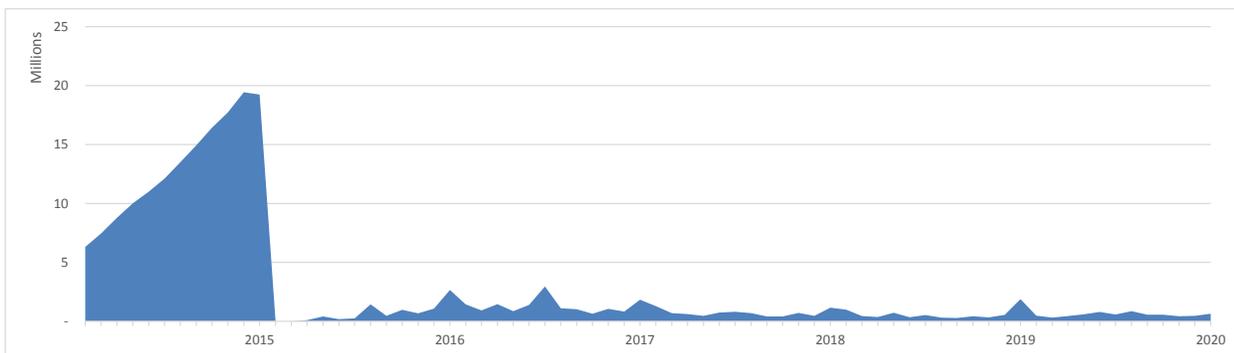
Definitions and Goals

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)	Current Activity		Projected Activity		
	Quarter-End	Year -to-Date	<u>2021</u>	<u>2022</u>	<u>2023</u>
Opening Balance	\$ 648	\$ 648	\$ 648	\$ 3,868	\$ 3,399
Additions:					
Environmental Contributions	523	523	15,132	28,528	21,713
Loans betw Capital Fds					
Other					
Sub-total	<u>\$ 523</u>	<u>\$ 523</u>	<u>\$ 15,132</u>	<u>\$ 28,528</u>	<u>\$ 21,713</u>
Withdrawals:					
Capital Expenditures	927	927	11,912	28,997	20,262
Other					
Sub-total	<u>\$ 927</u>	<u>\$ 927</u>	<u>\$ 11,912</u>	<u>\$ 28,997</u>	<u>\$ 20,262</u>
Ending Balance	<u>\$ 244</u>	<u>\$ 244</u>	<u>\$ 3,868</u>	<u>\$ 3,399</u>	<u>\$ 4,850</u>

Historical Activity

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Opening Balance	\$ -	\$ 2,659	\$ 1,839	\$ 1,159	\$ 1,891
Additions:					
Environmental Contributions	15,539	12,394	6,691	10,656	6,649
Loans betw Capital Fds					
Other					
Sub-total	<u>\$ 15,539</u>	<u>\$ 12,394</u>	<u>\$ 6,691</u>	<u>\$ 10,656</u>	<u>\$ 6,649</u>
Withdrawals:					
Capital Expenditures	12,880	13,214	7,370	9,924	7,892
Septic Tank Phase Out					
Other			1		
Sub-total	<u>\$ 12,880</u>	<u>\$ 13,214</u>	<u>\$ 7,371</u>	<u>\$ 9,924</u>	<u>\$ 7,892</u>
Ending balance	<u>\$ 2,659</u>	<u>\$ 1,839</u>	<u>\$ 1,159</u>	<u>\$ 1,891</u>	<u>\$ 648</u>



Maximum Balance: 19,439
Minimum Balance: -

Average Balance: 2,821

Observations

Water and Sewer System - Construction / Bond Fund

For the First Quarter Ending December 31, 2020

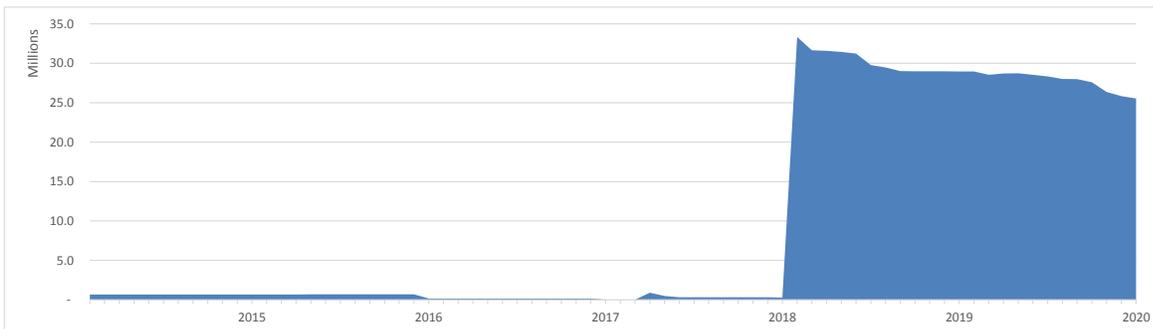
Definitions and Goals

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)	Current Activity		Projected Activity		
	Quarter-End	Year -to-Date	2021	2022	2023
Opening Balance	\$ 25,541	\$ 25,541	\$ 25,541	\$ 21,171	\$ 20,428
Additions:					
Bond Proceeds	-	-	-	150,000	150,000
Revolving credit facility					
Other	12	12	17		
Sub-total	<u>\$ 12</u>	<u>\$ 12</u>	<u>\$ 17</u>	<u>\$ 150,000</u>	<u>\$ 150,000</u>
Withdrawals:					
Capital Expenditures / Bond Issue Costs	1,361	1,361	4,387	150,743	167,000
Other					
Sub-total	<u>\$ 1,361</u>	<u>\$ 1,361</u>	<u>\$ 4,387</u>	<u>\$ 150,743</u>	<u>\$ 167,000</u>
Ending Balance	<u>\$ 24,192</u>	<u>\$ 24,192</u>	<u>\$ 21,171</u>	<u>\$ 20,428</u>	<u>\$ 3,428</u>

Historical Activity

	2016	2017	2018	2019	2020
Opening Balance	\$ 664	\$ 152	\$ 15	\$ 284	\$ 28,968
Additions:					
Bond Proceeds			894	33,884	506
Revolving credit facility					
Loans/transfers b/w Capital Fds					
Other	17				837
Sub-total	<u>\$ 17</u>	<u>\$ -</u>	<u>\$ 894</u>	<u>\$ 33,884</u>	<u>\$ 1,343</u>
Withdrawals:					
Capital Expenditures			623	4,930	4,770
Bond Proceeds					
Loans/trnsf btw CapFds					
Other	529	137	2	270	-
Sub-total	<u>\$ 529</u>	<u>\$ 137</u>	<u>\$ 625</u>	<u>\$ 5,200</u>	<u>\$ 4,770</u>
Ending balance	<u>\$ 152</u>	<u>\$ 15</u>	<u>\$ 284</u>	<u>\$ 28,968</u>	<u>\$ 25,541</u>



Maximum Balance: 33,333
Minimum Balance: 15

Average Balance: 9,969

Observations

- JEA's philosophy has been to borrow bond funds on a "just-in-time" basis. Staff has used revolving credit facility borrowings and loans between capital funds to decrease borrowing costs. Release of Debt Service Reserve Funds in Oct 2018.



INTER-OFFICE MEMORANDUM

March 2, 2021

SUBJECT: JEA VARIABLE-RATE DEBT ANALYSIS

FROM: Jay Stowe, Managing Director/CEO

TO: JEA Finance and Audit Committee

Marty Lanahan, Chair
John Baker
Robert Stein

BACKGROUND:

As presented during the November 17, 2020 Board Meeting, JEA's unhedged variable rate debt totaled \$341 million at September 30, 2020, with \$181 million and \$160 million outstanding in the Electric and Water and Sewer Systems, respectively. Staff intends to retire approximately \$75 million of unhedged Electric System variable rate debt and about \$29 million of Electric System fixed rate debt this month. Factoring in this retirement, as well as scheduled maturities that occurred on October 1, 2020, unhedged variable rate debt will total approximately \$260 million, representing approximately 8.5% of outstanding JEA debt.

DISCUSSION:

The JEA Board has requested a follow-up review of the unhedged variable rate debt portfolio, to include the cost to fix out the remaining \$260 million, as well as a review of comparable Large Public Power Council member electric utilities and similarly sized municipally-owned water and wastewater utilities.

RECOMMENDATION:

Staff has engaged JEA's financial advisor, Public Financial Management ("PFM") to provide an analysis of the variable rate debt portfolio, to include (1) a historical review of fixed versus variable rates; (2) the cost to fix out the unhedged variable rate debt; and (3) comparable peer group unhedged variable rate debt outstanding for both the Electric and Water and Sewer Systems. Michael Mace of PFM will present his analysis at the March 12th Finance and Audit Committee meeting.

Jay Stowe, Managing Director/CEO

JCS/JEO



JEA Variable Rate Debt Analysis



March 12, 2021

PFM Financial Advisors LLC
Michael Mace, Managing Director



Discussion Topics

JEA's Use of Variable-Rate Debt Products

Variable-Rate Debt Risks and Considerations

- Interest rate risk
- Structure risk
- Current fixed-rate market opportunities

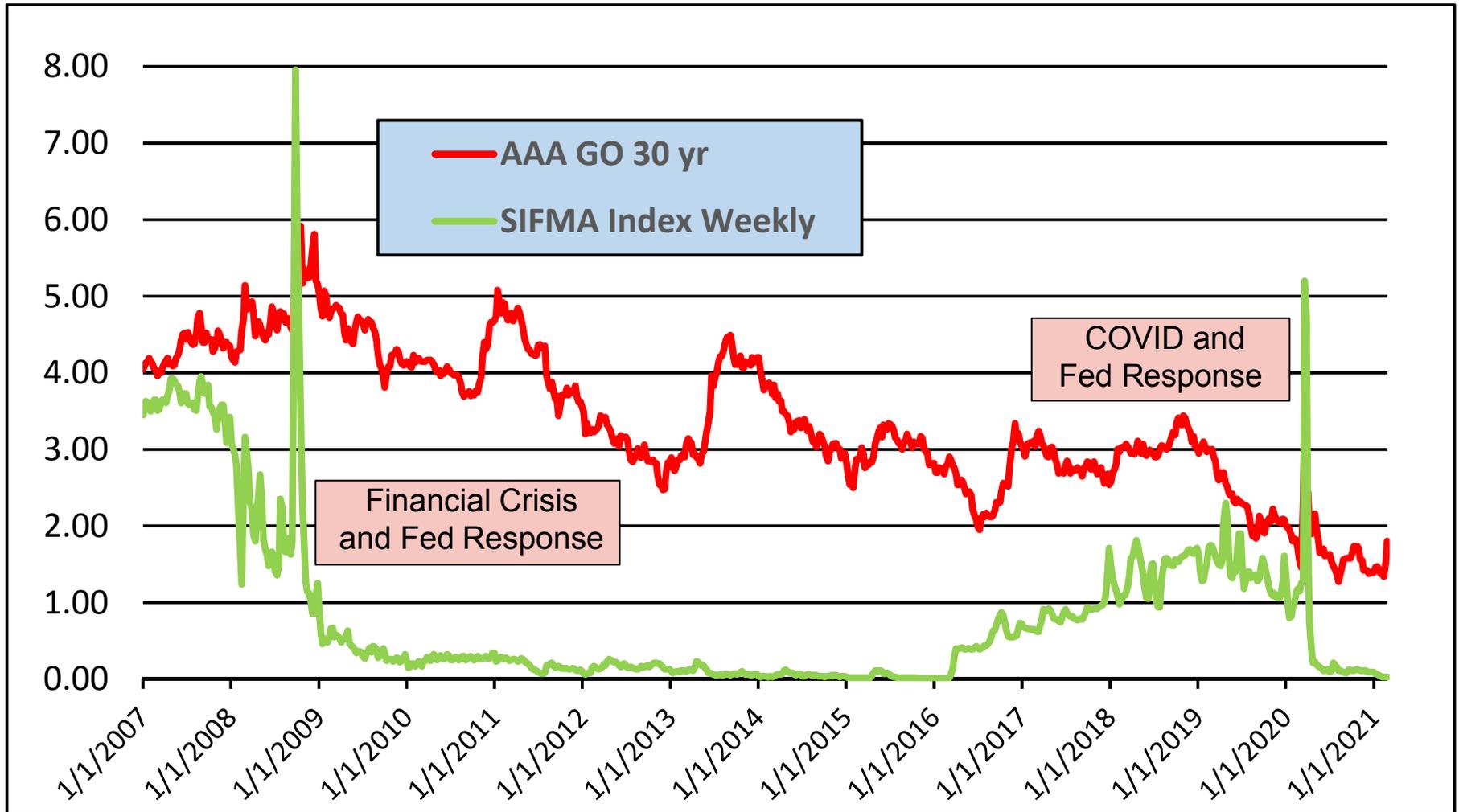
Peer Comparison

Summary



History of Long- and Short-Term Muni Rates

Short rates have been **VERY** low, with the exception of **VERY** notable disruptions





Variable-Rate Debt in the Municipal Market

- There are several forms of muni market Variable-Rate Debt

JEA Variable Rate Products

Type	Description	Bank Credit Required	Electric	Water/Sewer	Investors/Lenders
Commercial Paper	Paper placed and rolled for maturities up to 270 days	Typically requires Letter or Line of Credit	\$0	\$0	Tax-Exempt Money Market Funds
Variable Rate Demand Bonds	Longer term maturities repriced and remarketed in daily, weekly or CP Mode	Typically requires Letter or Line of Credit	\$40MM Daily \$219MM Weekly \$118MM CP Mode	\$44MM Daily \$193MM Weekly \$15MM CPI/RCA	Tax-Exempt Money Market Funds
Public Market Floating Rate Notes	~ 2 to 7 yr maturities with variable rates based on short term index	No bank credit required	\$0	\$0	Intermediate Bond Funds & Managed Accounts
Direct Placement with a Bank	~ 2 to 7 yr maturities sold directly to a bank with variable rates based on short term index	No bank credit, but placed with banks	\$211MM	\$0	Large Commercial Banks
Revolving Credit with a Bank	~ 2 to 4 year agreement to borrow as needed with variable rates based on short term index	Direct agreement with a bank	Up to \$500MM \$5MM current balance		Large Commercial Banks
Variable Rate Totals (% of overall)			\$581MM (~31%)	\$253MM (~20%)	
Total Overall Debt			\$1,882MM	\$1,242MM	



Variable-Rate Debt Risks and Considerations

- Interest rate risk – rates may return to “normal?”
 - normal has been around 2% for the past 20 years
- Structure risk – variable-rate debt relies on:
 - favorable bank credit pricing and availability
 - a willing buyer base of investors
- Opportunity cost (“FOMO”) – associated with all-time low long-term, fixed rates
 - ability to lock in sub 3% fixed rates
 - but forego sub 1% variable rates



Interest Rate Risk – Gross and Net

- JEA's rate exposure is mitigated by hedges and investments

	\$ in Millions	<u>Electric</u>	<u>Water/Sewer</u>
Total Par		\$ 1,882	\$1,242
Variable-Rate (inc revolver)		\$ 581	\$ 253
Var As % of Total		30.9%	20.4%
Fixed Rate Swaps			
		\$ 403	\$ 95
Unhedged Var.		\$ 178	\$ 158
Unhedged Var As % of Total		9.5%	12.7%
Invested Assets Estimate			
		\$ 700	\$ 240
1/2 Inv. Assets as Hedge		\$ 350	\$ 120
Remaining Unhedged Var		\$ (172)	\$ 38
Unhedged Var As % of Total		-9.1%	3.1%



Interest Rate Risk – as a % of Revenue

- Customer rates are insulated from interest rate volatility
- Impact of a 1% increase in variable-rate debt costs

	\$ in Millions	<u>Electric</u>	<u>Water/Sewer</u>
Annual Revenue		\$ 1,204	\$ 470
Variable-Rate (inc revolver)		\$ 581	\$ 253
1% Int Rate Inc as % of Revenue		0.5%	0.5%
Fixed Rate Swaps			
		\$ 403	\$ 95
Unhedged Var Rate Debt.		\$ 178	\$ 158
1% Int Rate Inc as % of Revenue		0.1%	0.3%
Invested Assets Estimate			
		\$ 700	\$ 240
1/2 Inv. Assets as Hedge		\$ 350	\$ 120
Remaining Unhedged Var		\$ (172)	\$ 38
1% Int Rate Inc as % of Revenue		-0.1%	0.1%



Structure Risk – Banks and Buyers

- Most variable-rate products require bank credit support
 - banks as lenders/buyers or letter/line of credit providers
 - letters/lines assure investors of timely liquidity
 - letter/line annual cost ranges from 0.25% to 0.75%
 - price and availability a function of bank balance sheet strength
 - currently active bank capacity (~\$300mm, ~\$100mm and ~\$50mm banks)

JP Morgan

B of A

Wells Fargo

RBC

TD Bank

Barclays

Citi

US Bank

Bank of NY

State Street

PNC

Regionals and Off Shore

- during peak Credit and COVID crises, new capacity was limited
- renewal/replacement pricing roughly doubled



Structure Risk – Banks and Buyers

- Managing bank risk

- maintain JEA credit strength – banks like low-risk AA credits
- maintain reserve bank capacity
- competition and relationships
- bank facility diversification

bank names expiration terms expiration timing market options

- Variable-rate Investors/Buyers

- the market is large, but can be one-dimensional – MM Funds
- tax-exempt money funds typically exceed \$150 billion
- brief (~1 month) disruptions in 2009, 2020 led to rate spikes

- Structure “events” have been rare, yet memorable



Fixed-Rate Market Opportunities

- Long-term rates are very low
 - 20 year AA bond muni index of 1.79%
 - this low **yield** is for a **5% coupon** callable premium bond that will need to be refinanced in 10yrs @1.79% to be a true 20yr bond @1.79%
 - JEA could fix out unhedged variable-rate debt @ ~2.00% all-in
 - compared to current all-in, variable rate of ~0.50%

	<u>Electric</u>	<u>Water/Sewer</u>
Fix-out par amount	~\$101mm*	~\$149mm
Fix-out average life	10 years	14 years
Fix-out all-in rate	2.00%	2.10%
Ave. annual DS increase vs 0.50% all-in variable rate	~\$800,000	~\$1,500,000

* - after amounts expected to be retired with cash



Muni Utility Industry Peer Comparison

- Limited net customer rate exposure to variable interest rates

All #s in \$Billions	LA DWP Power	LIPA, NY	SRP, AZ	SA CPS, TX	Santee Cooper	SMUD, CA	Austin, TX	JEA Elec	JEA Water	OUC, FL	GRU, FL	Tall., FL
Annual Revenue	3.81	3.24	3.12	2.64	1.73	1.56	1.42	1.2	0.47	0.897	0.391	0.308
Principal	9.70	8.75	3.99	5.49	6.55	2.87	1.85	1.96	1.26	1.39	1.66	0.56
Fixed	8.91	7.68	0.00	4.78	6.22	2.67	1.85	1.38	1.00	1.07	1.02	0.56
Var & Notes <5yrs	0.74	1.07	0.00	0.71	0.33	0.20	0.00	0.59	0.26	0.32	0.64	0.00
CP and Revolvers	0.00	0.36	0.43	0.10	0.35	0.05	0.03	0.00	0.00	0.00	0.00	0.00
Hedging Swaps	0.00	2.21	0.00	0.00	0.00	0.49	0.00	0.41	0.10	0.27	0.74	0.00
Est. Cash & Inv	1.00	1.00	0.60	0.70	0.50	0.40	0.40	0.70	0.24	0.50	0.25	0.20
Var Rate & Notes <5yr	0.74	1.43	0.43	0.81	0.68	0.25	0.03	0.59	0.26	0.32	0.64	0.00
VAR Net of Swaps	0.74	0.84	0.43	0.81	0.68	0.25	0.03	0.18	0.16	0.20	0.10	0.00
Net VAR Rate as % of Total	7.6%	9.2%	9.6%	14.5%	9.8%	8.6%	1.4%	9.2%	12.7%	14.1%	6.0%	0.0%
1% Int Rate Inc as % of Revs	0.2%	0.3%	0.1%	0.3%	0.4%	0.2%	0.0%	0.2%	0.3%	0.2%	0.3%	0.0%
VAR Net of Swaps & 1/2 Invs	0.24	0.34	0.13	0.46	0.43	0.05	-0.17	-0.17	0.04	-0.06	-0.02	-0.10
Net VAR Rate as % of Total	2.5%	3.8%	2.8%	8.2%	6.2%	1.7%	-9.3%	-8.6%	3.2%	-4.0%	-1.5%	-17.7%
1% Int Rate Inc as % of Revs	0.1%	0.1%	0.0%	0.2%	0.2%	0.0%	-0.1%	-0.1%	0.1%	-0.1%	-0.1%	-0.3%

Data sourced from most recent audited financial statements. Cash and investment figures estimated by PFM based on review of audited financials. Net variable rate debt and percentages calculated by PFM.



Summary

- JEA's use of variable-rate debt has saved over \$150 million in debt service over the past 20 years
- JEA and customers have very limited exposure to changes in short-term interest rates
- JEA structure risk is consistent with muni utility industry norms
Structure risk can be expected to impose some cost and require management/mitigation at times over the long run.
- Long-term rates are very low – even with recent increase
Very limited cost increase to convert from variable rate to fixed rate, but still a cost.



INTER-OFFICE MEMORANDUM

February 17, 2021

SUBJECT: JEA ENERGY MARKET RISK MANAGEMENT POLICY: QUARTERLY REPORT

FROM: Jay Stowe, Managing Director/CEO

TO: JEA Finance and Audit Committee

Marty Lanahan
John Baker
Robert Stein

BACKGROUND:

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 one year or greater and all financial transactions.

DISCUSSION:

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

RECOMMENDATION:

None required. The report is required by the EMRM Policy and is provided as information.

Jay Stowe, Managing Director/CEO

JCS/RDE/WGB

Energy Market Risk Management: Physical and Financial Positions

Summary as of 2/1/2021		
Projected FY21 Fuel Expense (Budget = \$357M)	\$397M	☹️
Projected FY21 Fuel Fund Ending Balance (Target = \$68M)	\$71M	☺️
EMRM Compliance	Yes	☺️
Counterparty Credit Limit Exceptions	No	☺️
Any Issues of Concern	No	☺️

Table 1: Physical Counterparties (Contracts One Year or Greater) as of 2/1/2021

Generating Unit	Fuel Type	Supplier/Counterparty	Contract Type	Remaining Contract Value	Remaining Contract Term
Scherer 4	Coal	CY20 Blackjewel - Eagle Butte - 001	Fixed Price	\$667,858	4 months
Scherer 4	Coal	CY20 Peabody Caballo - 019	Fixed Price	\$102,397	3 months
Scherer 4	Coal	CY20 Buckskin - 006	Fixed Price	\$176,518	3 months
Scherer 4	Coal	CY20 Cloud Peak Cordero Rojo - 013	Fixed Price	\$50,013	2 months
Scherer 4	Coal	CY21 Blackjewel - Eagle Butte - 016	Fixed Price	\$1,963,317	11 months
Scherer 4	Coal	CY21 Peabody Caballo - 017	Fixed Price	\$2,075,790	11 months
NS CFB	Limestone	CY17-CY21 Vulcan	Fixed Price	\$6,924,585	0.92 years
NG Fleet	Natural Gas	Shell Energy	Index w/Fixed Price Option	\$583,051,385	10.33 years
NG Fleet	Natural Gas	Main Street/MGAG	Index w/Discount	\$115,945,659	28.16 years
NG Fleet	Natural Gas	Main Street/MGAG	Index w/Discount	\$107,387,059	28.33 years
NG Fleet	Natural Gas	Main Street/MGAG	Index w/Discount	\$67,638,027	18.16 years
NG Fleet	Natural Gas	Main Street/MGAG	Index w/Discount	\$105,495,088	28.41 years

*New this report

Table 2: Financial Positions as of 2/1/2021

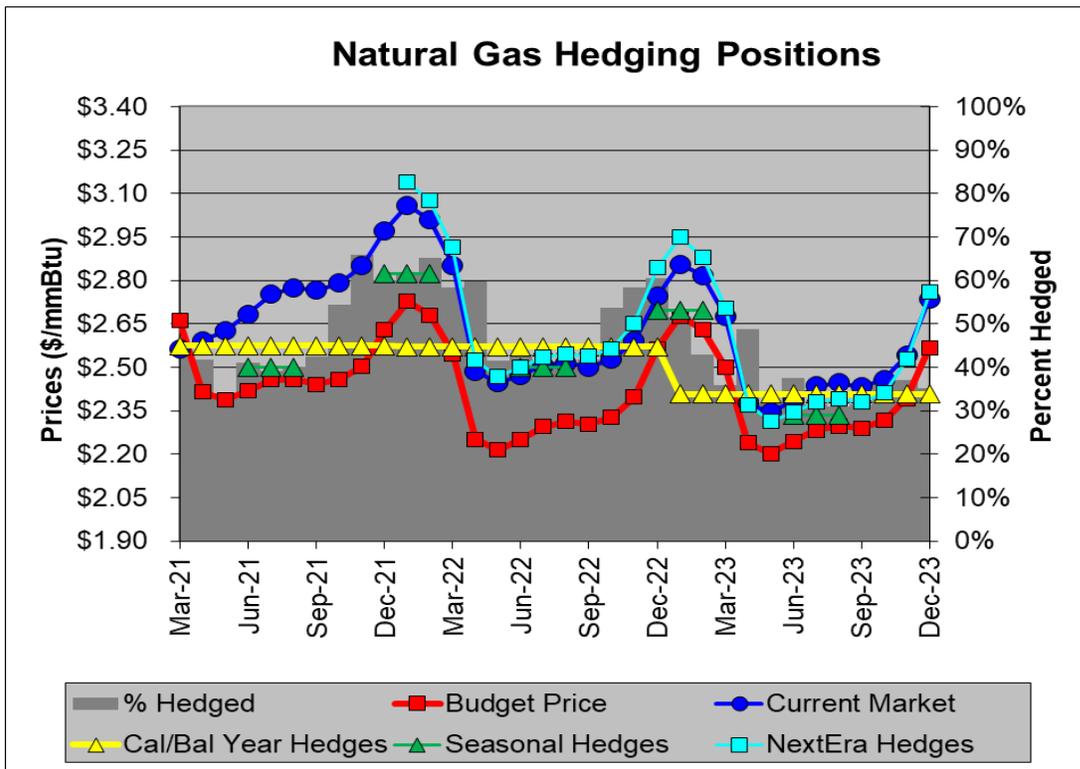
Year	Commodity	Physical Volume (mmBtu)	Hedged Volume (mmBtu)	Percent Hedged	Unhedged Cost	Hedge Type	Hedge Price	Mark-to-Market Value	Counter Party
FY21	Natural Gas	34,624,166	13,760,000	39.7%	\$ 2.68	Swap	\$ 2.50	\$ (1,571,690)	Wells Fargo & RBC
FY22	Natural Gas	46,990,275	23,720,000	50.5%	\$ 2.71	Swap	\$ 2.58	\$ (3,064,350)	Wells Fargo & RBC
FY23	Natural Gas	44,000,357	18,260,000	41.5%	\$ 2.55	Swap	\$ 2.47	\$ (1,765,660)	Wells Fargo & RBC
FY24	Natural Gas	44,060,287	3,680,000	8.4%	\$ 2.54	Swap	\$ 2.41	\$ (629,560)	Wells Fargo & RBC
CY22-31	Nat.Gas-PPA	122,602,857	85,822,000	70.0%	\$ 2.66	Swap	\$ 2.50	\$ (5,803,678)	Nextera

Table 3: Fuel & Purchase Power Procurement as of 2/1/2021

Fuel Type	Natural Gas	Coal	Petcoke	Limestone	Purchased Power	Oil/Diesel	Renewables	Vogtle	
FY21 Remaining / Energy Mix	62%	15%	10%	N/A	12%	0%	1%	-	
Expected Spend (\$)	111.6M	42.5M	29.9M	4.7M	35.9M	2.4M	10.2M	-	
% Procured	49%	52%	10%	100%	0%	100%	100%	-	
% Hedged	44%	52%	0%	100%	0%	100%	100%	-	
Fuel Type	Natural Gas	Coal	Petcoke	Limestone	FPL PPA	PurchPwr	Oil/Diesel	Renewables	Vogtle
FY22 Budget / Energy Mix	49%	12%	20%	N/A	7%	6%	0%	2%	6%
Expected Spend (\$)	129.5M	40.2M	52.5M	9.4M	21.7M	26.6M	1.5M	16.6M	13.9M
% Procured	60%	17%	0%	24%	100%	0%	100%	100%	100%
% Hedged	39%	17%	0%	24%	70%	0%	100%	100%	100%
FY23 Projection / Energy Mix	47%	8%	15%	N/A	7%	4%	0%	5%	13%
Expected Spend (\$)	112.9M	27.3M	44.6M	7.9M	25.1M	13.7M	0.8M	27.4M	25.2M
% Procured	67%	0%	0%	0%	100%	0%	100%	100%	100%
% Hedged	50%	0%	0%	0%	70%	0%	100%	100%	100%

Supporting Notes:

- Renewable purchase power agreements are not included in Table 1
- Solid fuel procurement - annually at Scherer CY2020 -2021 and quarterly at Northside; JEA is transferring CY22 Scherer coal tons to co-owners in exchange for them transferring CY21 coal volumes to JEA
- Scherer 4 Blackjewel Eagle Butte Contracts 21002, 21005, 22001, 22005 have been combined to 21016 and Peabody Caballo Contracts 21003, 21004, 22002, 22004, 22007 have been combined to 21017
- Scherer 4 retires on 1/1/22
- Table 3: FY Energy Mix based on MWH; 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 signed agreements and an estimated cost for pending contracts
- Table 3: FY22 Projections include assumed Scherer 4 retirement as of 1/1/2022 with an FPL PPA agreement as replacement
- Table 1: Natural Gas discount; Municipal Gas Authority of Georgia (MGAG) issues municipal bonds to prepay for gas, allowing them to offer discounts to JEA for qualified use
- Table 2 shows negative Mark-to-Market values, this indicates a projected payment to JEA for realized hedges



as of 2/1/2021



INTER-OFFICE MEMORANDUM

February 17, 2021

SUBJECT: JEA ENERGY MARKET RISK MANAGEMENT POLICY: APPROVAL OF REVISIONS TO POLICY

FROM: Jay Stowe, Managing Director/CEO

TO: JEA Finance and Audit Committee

Marty Lanahan
John Baker
Robert Stein

BACKGROUND:

The JEA Board of Directors approved the Energy Market Risk Management (EMRM) Policy in March of 2014. The EMRM Policy was developed to codify the risk, governance, limits, and criteria associated with managing JEA's energy market exposure. Additionally, JEA's EMRM Policy facilitates compliance with the requirements of the Dodd-Frank Wall Street Reform, Consumer Protection Act and allows JEA to execute certain physical and financial transactions. Approval from the JEA Board of Directors is required for revisions to the EMRM Policy.

DISCUSSION:

JEA and the energy markets have undergone numerous changes since the EMRM Policy was approved in March of 2014. The attached version of the EMRM Policy contains the proposed changes from JEA leadership to keep it current. The final EMRM Policy revisions are being submitted to the Finance and Audit Committee for your review first, prior to submitting them to the full JEA Board of Directors.

RECOMMENDATION:

To review the proposed changes to the EMRM Policy. Recommend EMRM Policy approval to the full JEA Board of Directors.

Jay Stowe, Managing Director/CEO

JCS/RDE/WGB



JEA Energy Market Risk Management Policy: Approval of Revisions to Policy

*Ricky Erixton
VP Electric Systems*



March 2021

Proposed Changes

- Add retention period parameters for swap transactions – Page 4
- Remove St Johns River Power Park (SJRPP) from the Standards of Conduct and Compliance – Page 5
- Add swap reporting obligations to Trading Practices – Page 5
- Expand the definition and usage description of Mark-to-market in Measuring Credit Risk– Page 8
- Replace the Chief Financial Officer (CFO) with VP Electric Systems for the responsibility of reporting JEA's financial and physical fuel and purchase power transactions to the F&A committee – Page 9
- Title change from Chief Risk and Compliance Officer (CRCO) to Chief Administrative Officer (CAO)– Throughout the Policy
- Update members of the Fuel and Purchase Power Committee – Appendix B
- Corrected position titles and date change – Appendix C
- Corrected position titles – Appendix F
- Clerical and Definition Clean-up – Throughout the Policy

JEA

Energy Market Risk Management Policy

Approved by the Board of Directors

3/18/2014

[Revision Proposed to the Board of Directors](#)
[March 2021](#)



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~~Strictly Confidential~~Confidential

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Policy Introduction

During the course of business, JEA is exposed to volatility in electric energy and fuel prices, uncertainty in load and resource availability, the creditworthiness of its counterparties, and the risks associated with transacting in wholesale energy markets. To manage these risks and others in the wholesale energy markets, JEA has developed an Energy Market Risk Management (“EMRM”) Policy (the “Policy”).

Objectives of the Policy

The objectives of the Policy are the following:

1. Identify and discuss categories of risks inherent in operating in wholesale energy markets;
2. Establish the governance structure for EMRM activity;
3. Delineate the roles and oversight responsibilities of the groups and individuals responsible for implementing an EMRM program;
4. State required business practices;
5. Set exposure limits based on ~~position, tenor, and notional dollar amounts~~ instrument structure, strategy goals, quantity, time horizon, underlying commodity value, and other considerations;
6. Define Credit Policy;
7. Set forth the monitoring and reporting requirements for the EMRM Program;
8. Define the products that may be used to manage the exposures.

Scope of the Policy

This Policy identifies risks inherent in operating in wholesale energy markets. Specifically, the Policy addresses Market Risk, Counterparty Risk, Volumetric Risk, Budget Risk, Collateralization Risk, Regulatory Risk, and Operative Risk arising from JEA’s generating assets, load obligations, wholesale energy contracts, fuel supply contracts, and Financial and Physical Transactions. With respect to Financial and Physical Transactions, the Policy covers the Credit Risk associated with execution, as well as the recording, monitoring, and risk reporting associated with these transactions.

Policy Establishment, Authority, Approval and Revision

JEA’s Board of Directors must approve this Policy, as well as any future changes to the Policy. Board approval shall not be required to amend, supplement or update the Policy appendices. On an annual basis, the Chief Financial Officer (CFO), Chief ~~Administrative Risk & Compliance Officer (CRCO)~~ CAO and Vice President ~~General Manager~~, Electric Systems will review this Policy and determine if it should be amended, supplemented or updated to account for business developments or for other appropriate business reasons.

Additional policies and procedures that may be developed to fully implement this Policy do not require Board approval provided that such policies and procedures do not conflict with this Policy. In the event that any policies or procedures conflict with this Policy, this Policy shall prevail.

Discussion of Risks

JEA is subjected to risk inherent in the business environment in which it operates. Exposure to risks inherent in the energy markets could result in a multitude of diverse positive or negative consequences for JEA. Market risk, Counterparty risk, Volumetric risk, Budget risk,

Collateralization risk, Operative risk and Regulatory risk are among the most critical and identifiable of the risks relevant to JEA, as they pertain to the scope of this Policy.

Market Risk

Market Risk is the exposure JEA faces due to changes in the value of market variables.

Specifically Market Risk includes:

Price Risk

Price Risk is the exposure JEA faces as a result of changes in the market price for power, fuel, and emissions allowances. Price Risk is typically the largest source of exposure and is managed by implementing a comprehensive EMRM Program that includes risk identification and measurement, strategy development and execution, and risk monitoring and reporting.

Basis Risk

Basis Risk is the exposure JEA faces as a result of less-than-perfect correlation between the underlying asset or item being hedged and the product/instrument used to hedge the asset or item. Basis risk is managed by ensuring there is a reasonable degree of correlation between the hedging product/instrument and the underlying asset/item being hedged. Basis Risk can result from difference in price changes due to differences in:

- Location – An example is using the NYMEX natural gas Futures contract which is priced at the Henry Hub to hedge an underlying exposure on the FGT pipeline;
- Products – An example is using the NYMEX WTI crude oil Futures contract to hedge an underlying exposure arising from the need to purchase fuel oil;
- Timing – An example is using the January NYMEX natural gas Future contract to hedge exposures to daily intra-month natural gas price swings in December.

Liquidity Risk

Liquidity Risk is the exposure caused by lack of marketability of a financial instrument or physical product at the prices consistent with recent sales. Liquidity Risk may be a problem because a given position is very large relative to typical trading volumes or because market conditions are unsettled. Liquidity Risk can be identified by a wide bid-ask spread and large price movements in response to any attempt to buy or sell. Liquidity Risk is managed by ensuring there is a reasonable degree of liquidity in the hedging product/instrument, by monitoring the concentration of exposure in product/instruments at locations that are illiquid, and by adjusting the process used in risk measurement and strategy analysis to incorporate the illiquidity.

Counterparty Risk

Counterparty Risk is the risk associated with potential losses JEA could incur due to a counterparty not fulfilling contractual obligations. This risk can be realized through a physical or financial nonperformance by a counterparty. Although JEA is exposed to Counterparty Risk from a number of sources, for purposes of this Policy, Counterparty Risk will be restricted to the management of Counterparty Risk associated with Transactions in the wholesale [fuel and energy markets](#). Counterparty Risk will be managed by the limits and control set forth in this Policy.

Volumetric Risk

Volumetric Risk is the exposure JEA faces due to deviation from expected levels in the amount of energy delivered or generated. It includes deviations in load (which could be caused by economic conditions, weather, etc.) as well as deviations caused by Operations Risk. Volumetric Risk is managed by identifying the impact it could have on JEA's financial and operating performance and developing strategies to manage the risk if warranted.

Budget Risk

Budget Risk is the risk associated with not collecting a budgeted variable fuel rate that is sufficient to cover JEA's fuel and purchase power cost of operation. This risk can be managed by monitoring the market uncertainty and the impact to the JEA portfolio. JEA manages this risk through the limit structure in this Policy and by keeping maintaining a fuel reserve rate stabilization fund.

Collateralization Risk

Collateralization Risk is the exposure JEA faces from the potential mismatch that can occur between the timing in cash flow associated with the underlying item being hedged and the timing requirements for posting collateral. For example, if JEA were to hedge its need to purchase natural gas two years out by purchasing NYMEX natural gas Futures and the price of natural gas were to drop substantially before the gas was consumed, JEA would need to post additional collateral with its Futures broker prior to receiving revenue from the sale of the power generated at its natural gas-fired facilities.

Operative Risk

Operative Risk is the exposure JEA faces due to daily activity at the organization. Specifically Operative Risk includes:

Operations Risk

Operations Risk is the exposure JEA faces due to failure of its assets to perform as expected. This risk includes exposure caused by unplanned outages, inaccurate load forecasts, delays in construction, failure of transmission or transportation systems, etc. Operations Risk is managed by proper maintenance and construction programs, proper operational planning and by quantifying the impact this risk could have on JEA's financial and operating condition and taking steps to manage the risk if warranted.

Implementation Risk

Implementation Risk is the exposure that JEA faces from failed or inadequate management of processes, people, and systems related to its EMRM Program. Implementation Risk is managed by developing and enforcing policies and procedures, addressing transaction execution and processing, and by maintaining a segregation of responsibilities between transaction authorization/execution, risk monitoring, and reporting.

Regulatory Risk

Regulatory Risk is the risk associated with participating in regulated markets. With the Dodd-Frank Wall Street Reform Act and other applicable laws and regulations, JEA has the potential to transact products regulated by the Commodity Futures Trading Commission ([CFTC](#)) or other regulatory bodies within and outside of the United States. To ensure compliance with applicable regulators and regulations, JEA:

- Requires all employees participating in activities within the scope of this document to participate in annual compliance training, and
- Actively monitors regulatory bodies for regulations applicable to JEA.

Oversight Responsibilities and Organization Structure

Organizational Structure and Reporting Relationships

The JEA Board has delegated the responsibility to the Managing Director/Chief Executive Officer (MD/CEO) to develop and implement JEA's EMRM Program. The Board's responsibilities with respect to JEA's EMRM Program include:

- Reviewing and approving this Policy and all revisions to this Policy.
- Understanding JEA's major financial energy market risk exposures.
- Delegating the oversight and maintenance of the Policy to JEA's Fuel and Purchase Power Committee (FPPC).
- Approving all Transactions outside of FPPC authorization limits.

FPPC

The FPPC is responsible for risk oversight for all energy market risk management activities for JEA. Additionally, the FPPC is responsible for ensuring all energy market risk management activities are in accordance with this Policy.

The MD/CEO shall appoint the core members of the FPPC. The list of core members shall include the Chief Administrative Officer who is responsible for ensuring compliance with this Policy. The complete list of the core FPPC members is set forth in Appendix B. The FPPC shall meet monthly and additionally as needed to review the performance and appropriateness of the energy market risk management activities given the current and anticipated future market and business environment. Decisions of the FPPC will be made by consensus and will be retained by JEA consistent with JEA Records Management Policies. Hedge recommendations and resulting Transactions will be documented in presentation materials and posted on the Fuel Management Services web page on ~~the JEA's SharePoint site intranet~~. Any materials used in the analysis or decision to enter into a swap, ~~as defined by the CFTC~~, including confirmation documents will be retained ~~as specified by the CFTC~~ for a period of five years beyond the final termination date of each transaction.

The responsibilities of the FPPC relative to energy market risk management shall include:

- Keeping abreast of industry, market and legislative developments that affect JEA's risk exposure.
- Monitoring energy market risk exposures on an aggregate level.
- Developing and approving the major strategies employed to manage energy market risk.
- Approving all energy market financial transactions.
- Approving all strategies used by JEA to manage energy market risk.
- Approving the policies and procedures needed to implement this Policy, including amendments and updates to the appendices.
- Reviewing all exceptions to the Policy and exceedances of market and credit limits.
- Designating the individuals for whom this Policy applies and ensuring these individuals are aware of and understand their individual responsibilities for compliance with this Policy.
- Authorizing specific individuals to commit JEA to energy market Transactions and ensuring that such individuals are appropriately trained. A list of individuals authorized by the FPPC is contained in Appendix C.
- Approving any changes to the list of approved energy market risk management products contained in Appendix D.
- Approving methodologies, models, metrics and assumptions for valuation and risk measurement for energy market risk.
- Reviewing the performance of the Qualified Independent Representative (QIR) annually over the preceding 12-months and arriving at a recommendation to either continue using the current QIR or select a replacement. Current JEA QIR selection is provided in Appendix E.
- Ensuring documentation of Transactions is maintained.
- Reviewing Transactions and risk reports furnished by TEA.

Business Practices

Business Practices are set forth to help manage the Implementation Risk and are required for an effective EMRM Program. JEA has adopted the following business practices:

Standards of Conduct and Compliance

No employee of JEA shall use non-public information to the benefit of his or her own account.

Subject to existing and future laws and regulations and to the extent possible, employees shall refrain from disclosing pricing terms of Transactions with third parties.

JEA employees shall follow:

- JEA's Code of Ethics as set forth in JEA/SJRPP Ethical Business Conduct Guidelines.
- FERC Standards of Conduct.
- Any compliance documents that may be developed under the EMRM Program.

Training

It is the responsibility of the FPPC to ensure employees that are able to commit JEA to energy market risk management strategies and execute Transactions have received adequate training and understand the implications of their commitments.

Trading Practices

All Transactions authorized or entered into by an employee of JEA must be entered into with the intent to manage risk and not with the intent to inflate volumes, revenues, or otherwise present a distorted representation of JEA's financial position.

No JEA employee or representative shall execute or authorize the execution of any Transaction if the purpose of the Transaction is to generate income by anticipating market movements. If any questions arise as to whether a particular Transaction constitutes speculation, the FPPC shall review the Transaction(s) to determine whether the Transaction would constitute speculation.

All Transactions will be executed in a timely manner after FPPC authorization.

All physical Transactions executed by JEA shall follow the Board of Directors approved Fuel Management Services Procurement Directive.

JEA's relationship with TEA is governed by the Operating Agreement and any policies referenced in the Operating Agreement. JEA personnel authorizing or directing TEA to enter into Transactions will understand the relevant provisions of these documents. After directing a representative of TEA to execute a financial transaction on behalf of JEA, a representative of JEA will participate in the execution of the financial transaction with the TEA representative and the JEA counterparty to actively monitor each financial transaction. JEA shall comply with **Swap Policies and Procedures for New Swap Regulations** in regards to consent to recording by the JEA counterparty. [If JEA incurs any swap reporting obligations, then JEA will report the swap to the appropriate swap data repository.](#)

Individual Authorities

Only employees approved by the FPPC as listed in Appendix C can commit JEA to energy market Transactions. Approved employees can only authorize TEA to execute Transactions for

products for which they have approval and within the limits set forth in Appendix F of this EMRM Policy.

Transaction Methods

All Transactions must be confirmed over a recorded phone line, recorded via an instant messaging program, or documented through a signed confirmation from both parties that meets state record retention statutes. All physical Transactions are executed under JEA's Fuel Management [Services Procurement Directive](#) ~~with counterparties that are part of the Responsible Bidders List~~.

Authorized Products

All Transactions must be for products on the Authorized Product List which is included in Appendix D. The FPPC will be responsible for authorizing all products and commodity types to be executed under a Master Agreement, Participation Agreement or some other non-industry standard Agreement. JEA will work to ensure risks associated with transacting the product are understood and communicated and to make recommendations to the FPPC for approving products.

- New products will be recommended and must first be approved by the FPPC before trade execution.
- There will be a justification for the new product stating the business rationale and value to JEA.
- An identification of potential risks associated with the product and the risks the product creates.
- The FPPC will review new product justification and approve the product and quantitative and/or qualitative limits for use of the product if deemed desirable.

Authorized Counterparties

All Transactions must be executed under a Master Agreement, Participation Agreement or some other non-industry standard Agreement with an approved counterparty. The Treasurer will maintain all signed agreements with all counterparties approved for financial transactions. ~~Specifically, for~~ Transactions executed by JEA for physical fuel supply needs, the potential supplier is required to have been accepted by Fuel Management Services on JEA's Responsible Bidders List.

Confirmations of Executed Transactions

Written confirmations will be required from counterparties, as defined in the agreement governing the Transaction between JEA and counterparty, for all EMRM Transactions. ~~Contemporaneous with any commitments and p~~ Prior to receipt of written confirmations, [all](#) verbal commitments shall be memorialized as to instrument structure, quantity, time horizon, price and any other relevant terms; such internal documentation shall be time stamped and correlated to the ultimate written confirmation to or from the counterparty.

Trade Recordkeeping

A paper or electronic trade ticket will be filled out for every trade executed. A trade ticket will contain, if applicable, the following information:

- Date of transaction;
- Counterparty;
- Transaction capacity (e.g., MW/hour or mmBtu/day) or volume;
- Buy or sell;
- Transaction price;

- Delivery point;
- For options, option type, strike and execution instructions;
- For financial swaps, the reference index;
- Starting/Ending delivery date and hour or schedule;
- Product type;
- Any other date, hour and/or capacity data needed to define a shaped product;
- Broker or electronic trading site and fee, if applicable;
- ~~If the~~ Type of transaction: ~~is a swap: swap, futures, options, etc.;~~
- The reporting counterparty, ~~if~~ when the trade is a swap and there is not a prearranged reporting relationship;
- ~~If the trade~~ Whether any swap qualifies for the trade option exemption or exception to clearing for end user, ~~if the trade is a swap.~~

Qualified Independent Representative (QIR)

JEA shall comply with *Swap Policies and Procedures for New Swap Regulations* in regards to the selection and use of JEA's Qualified Independent Representative.

Exposures and Limits

A risk limit structure is essential for ensuring that JEA manages its risk exposure within tolerances approved by the Board. The limit structure put forth in this document sets the exposures that JEA is willing to take when entering into Transactions covered under the Policy. JEA will manage its exposures by using locational and volume limits.

Volume Limits

The net ~~delta~~ volume of hedge transactions may not exceed the expected volume of the hedged commodity at the time hedges are executed.

Locational Limits

Electric transmission and fuels transportation Transactions must support the requirement of one of JEA's generation units, native load or transaction locations.

Swap Threshold Limits

JEA manages its swap exposure within the limit structures set forth by the CFTC. If the swap exposure reaches 75% of the swap exposure limit, the CFO will notify the FPPC.

Exceedance of Limits

In the event a limit is exceeded, unless specified elsewhere in this Policy, FPPC will be notified as soon as possible. The CFO will report all exceptions to the Board quarterly.

Credit Policy

It is the intent of the Credit Policy to identify, measure, manage, monitor and report on the Credit Risk associated with Transactions that subject JEA to financial exposure from the contractual default of a counterparty.

JEA determines the credit quality of counterparties based upon various credit evaluation factors, including collateral requirements under certain circumstances.

In order to manage credit risk, JEA has established the following policies:

- Commodity Transactions will be entered into only with approved counterparties, approved by the CFO, that have sufficient unutilized credit to support the transaction.
- JEA counterparties will be reassessed at least annually or in the event of a material credit event for the counterparty.
- The status of credit risk will be tracked by counterparty at the agreement level and the information made available to FPPC on a monthly basis for risk oversight and more frequently when there is a material credit event for the contracted counterparty, the counterparty credit limit for an individual credit limit for a counterparty is exceeded or a material market event that causes credit exposure to increase significantly.

Measuring Credit Risk

Credit Risk measurement defines the process that will be used to determine credit exposure. In general, credit exposure is comprised of three components:

- The billed receivable and payable balance.
- The delivered and not yet billed receivable and payable balance.
- The value of the position against the market, i.e. the mark-to-market exposure.

The mark-to-market exposure is used to measure JEA's risk exposure would incur were the counterparty to default on the Transaction by determining and JEA were to replace the current market value of the Transaction at current market prices. JEA accounts for the value of each Transaction by using counterparty mark-to-market position reports. Additionally, TEA and JEA calculate mark-to-market positions reports for comparison using NYMEX settle prices as a basis.

A credit report will be produced and made available for review on a daily basis. This credit report provides detail at an agreement level by counterparty. The FPPC will monitor overall credit risk and any credit exceptions at least monthly.

Until and unless a master netting and setoff agreement is in place with a counterparty, separate credit exposures for each counterparty will be calculated for each Master Agreement and will be added together to derive the total credit exposures. Negative exposures under one Master Agreement will not offset a positive exposure under another Master Agreement.

Analysis and Extension of Credit Limits

The creditworthiness of a counterparty will be determined by both qualitative and quantitative factors. Factors shall include, but are not limited to:

- A company's debt credit ratings provided by the rating agencies.
- Financial data such as an analysis of the liquidity, leverage, profitability, and size.
- Subjective factors such as company's fuel diversity, overall size, energy market risk management policy and internal controls, geographic diversity, and market intelligence.

A credit limit is the amount of unsecured credit granted to a counterparty. Unsecured credit exposure includes amounts owed by the counterparty, whether billed or not, and the mark to market differences in value of any collateral which the counterparty has provided JEA. Any net exposure above the collateral threshold, if any, will require the posting of collateral by a counterparty. Current unsecured counterparty credit limits are maintained by the Treasurer.

JEA's maximum counterparty credit limit for energy Transactions is \$100,000,000 and applies to Transactions with maturity greater than one year.

Credit Exceptions

All personnel executing Transactions are constrained by these credit limits. If trading activity exceeds a counterparty's credit limit, trading that increases exposure will be suspended until the FPPC can review and make a determination regarding the counterparty.

All credit exceptions will be documented and reported to the FPPC and the Board as Policy Exceptions.

Reporting

The following reports will be developed by TEA and made available to FPPC at the frequency listed below, and more frequently when there is a material credit event for the contracted counterparty; when the credit limit for an individual counterparty is exceeded; or when a material market event occurs that causes credit exposure to increase significantly.

- Transaction Activity – This report shows all transactions executed for a trade day; made available daily.
- Mark-to-market – This report shows all positions with volumes in the future against the current market value; made available daily.
- Policy Exceptions – This report details any exceptions to the Policy; available when needed.
- Counterparty Credit Exposure Report – This report shows exposures resulting from the transactions covered under this Policy and includes counterparty credit ratings; available daily.
- Risk Metric/Transaction Compliance Report – This report shows all exposures against Policy limits set forth in the Policy; available monthly or at FPPC request.
- Swap Exposure Report – This report measures JEA energy swap exposures against the CFTC threshold limits for Swap Dealer Registration, available monthly or at FPPC request.
- Finance and Audit Committee Report – The [CFO Vice President, Electric Systems](#) will report JEA's financial and physical fuel and power transactions on a quarterly basis. This report will include physical transactions greater than one year and all financial transactions.

Policy Acknowledgement and Distribution

Policy Acknowledgement

All JEA employees participating in activities or Transactions covered by this Policy shall sign, on an annual basis or upon any revision to this Policy, a statement approved by the FPPC that they

- i. have read this Policy and any other applicable policies, processes, or procedures approved by JEA,
- ii. understand this Policy and the related policies, processes, and procedures, and
- iii. have and will continue to comply with this Policy and the related policies, processes, and procedures.

Signed acknowledgement by all affected JEA employees will be maintained by the [CARCO](#).

Policy Distribution

JEA's EMRM Policy may be distributed outside JEA with the consent of the MD/CEO or CFO provided that such persons or entities receiving this Policy agree to keep this Policy confidential and not disclose it to other parties.

Designated Counsel

Questions about the interpretation of any matters relating to this Policy should be referred to the CFO or [CARCO](#). The CFO and/or or the [CARCO](#) will provide clarification and explanation on any updates to this Policy.

All Legal matters stemming from this Policy will be referred to JEA's legal counsel.

Appendices

A. Definitions

Basis Risk – The exposure an organization faces as a result of less-than-perfect correlation between the underlying asset or item being hedged and the product/instrument used to hedge the asset or item.

Bilateral Transaction - Any physical or financial transaction between two counterparties, neither of whom is an Exchange or market entity (e.g. MISO).

Budget Risk – The risk associated with not hitting or falling outside a tolerance band of an organization’s budget.

Capacity – The real power output rating of a generator or system, typically in megawatts, measured on an instantaneous basis.

Commodity - A basic good used in commerce that is interchangeable with other commodities of the same type. Commodities are most often used as inputs in the production of other goods or services. The quality of a given commodity may differ slightly, but it is essentially uniform across producers. When they are traded on an exchange, commodities must also meet specified minimum standards, also known as a basis grade.

Collateralization Risk – The exposure an organization faces from the potential mismatching in timing that can occur between the timing in cash flow associated with the underlying item being hedged and the timing requirements for posting collateral.

Counterparty Risk – The risk associated with potential losses JEA could incur due to a counterparty not fulfilling contractual obligations.

Credit Risk - The financial exposure JEA faces from a counterparty’s refusal or inability to perform its contractual obligations.

FGT Pipeline – Florida Gas Transmission Pipeline

Financial Product – Any Future, Swap or Options contract, or any combination thereof, with any approved physical or Financial Product as the underlying commodity or instrument, which customarily settles financially and in which the primary intent is to settle the transaction financially.

Financial Transaction – Any contract with a Financial Product as the underlying instrument.

Future - A standardized contract which is traded on an organized exchange for delivery in the future of a specified underlying asset.

Hedging Transaction - A transaction designed to reduce the exposure of a specific outstanding position or portfolio; “fully hedged” equates to complete elimination of the targeted risk and “partially hedged” implies a risk reduction of less than 100%.

Implementation Risk – The exposure that an organization faces from failed or inadequate management of processes, people, and systems related to its EMRM Program.

Liquidity Risk - The exposure caused by lack of marketability of a financial instrument or physical product at the prices in line with recent sales.

Major Swap Participant – A swap market participant that maintains substantial positions in swaps such that the level of swap activity creates substantial counterparty exposure. The term

“Major Swap Participant” is further defined in 7 U.S.C. 1a(33) and further interpreted in 17 C.F.R. 1.3(hhh).

Mark-to-Market – A measure of the current value of unrealized positions.

Market Risk – The exposure an organization faces due to changes in the value of market variables.

Master Agreement - An agreement reached between two parties that outlines agreed to terms and conditions that will govern transactions made pursuant to it. The document includes but is not limited to billing, deal confirmation, credit and collateral terms. Examples of types of Master Agreements include EEI, ISDA, GISB, Power, NAESB and WSPP.

Maturity - The time between the date on which a transaction is executed to the last date that power or gas will flow (in the case of physical transactions) or be settled financially (in the case of financial transactions).

NYMEX – Abbreviation for the New York Mercantile Exchange which is an exchange platform for commodity futures.

NYMEX Natural Gas – A natural gas futures traded on the NYMEX Exchange.

NYMEX WTI – Abbreviation for West Texas Intermediate, a light, sweet crude oil futures traded on the NYMEX Exchange.

Operating Agreement – The agreement between JEA and TEA that defines the relationship between the two entities.

Operations Risk – The exposure an organization faces due to failure of its assets to perform as expected.

Operative Risk – Operations or Implementation Risk.

Option - The right but not the obligation to buy or sell the underlying asset at a specified price for a specified period of time.

Call Option – An option that gives the buyer of the option the right, but not the obligation, to buy the underlying asset at a specified price at a specified time in the future. The option seller has the obligation to provide the underlying asset if the option is exercised.

Put Option – An option that gives the buyer of the option the right, but not the obligation, to sell the underlying asset at a specified price at a specified time in the future. The option seller has the obligation to take the underlying asset if the option is exercised.

Participation Agreement - a document used by an exchange or service provider to describe the terms and conditions by which such provider has agreed to provide the service to its members/participants.

Physical Product – Any commodity that has been approved by the FPPC.

Physical Transaction – Any contract or agreement for the purchase or sale of a commodity which customarily is delivered physically and in which the primary intent is to deliver the transaction physically.

Policy – JEA’s Energy Market Risk Management (“EMRM”) Policy.

Portfolio – A collection of transactions.

Price Risk – The exposure an organization faces as a result of changes in the market price for power, fuel and emissions allowances.

Principal – Execution of a Transaction under an Agreement where the executer is also a party on the agreement

Qualified Independent Representative (QIR) – a representative required of Special Entities before transacting swaps with Swap Dealers or Major Swap Participants. Among other tasks, the representative is required to evaluate fair pricing for the swap transaction, make timely disclosures to the Special Entity and act in the best interest of the Special Entity. An exhaustive list of the requirements for the representative can be found in 17 C.F.R. 23.450(b).

Regulatory Risk – The risk of increased regulatory burden associated with participating in regulated markets.

Responsible Bidders List – Responsible fuel suppliers acceptable to Fuel Management Services and targeted by JEA in its fuel supply bid solicitations.

Special Entity – A swap transaction counterparty that includes a state agency, city, county, municipality or other political subdivision of a state, or any instrumentality, department, or a corporation of or established by a State or political subdivision of a State. The term “Special Entity” is further defined in 7 U.S.C. 6s(h)(2)(C) and further interpreted in 17 C.F.R. 23.401(C).

Swap – In general terms, a swap includes most financially settled transactions not including futures or options on futures. The term “Swap” is further defined in 7 U.S.C. 1a(47) and further interpreted in 17 C.F.R. 1.3(xxx).

Swap Dealer – A swap market participant that acts as a dealer in commodity swaps. The term “Swap Dealer” is further defined in 7 U.S.C. 1a(49) and further interpreted in 17 C.F.R. 1.3(ggg).

Term – The total duration of a contract, defined as the number of days between the beginning flow date and ending flow date, inclusive.

Trade Option Exemption – An exemption from most Dodd-Frank swap regulations granted to certain physical commodity options. Recordkeeping and reporting requirement still apply. The requirements for the trade option exemption can be found in 17 C.F.R. 32.3.

Transaction – A Physical or Financial Transaction.

Value – An amount that represent the dollar magnitude of the Transaction.

Volumetric Risk – The exposure an organization faces due to deviation from expected levels in the amount of energy delivered or generated.

B. Composition of the Fuel and Purchase Power Committee as of February 17, 2021

Core Members

MD/CEO

Chief Financial Officer

Vice President, Electric Systems

Chief Administrative Officer

Sr. Director, Energy Operations

Manager, Fuel Management Services

Interim Vice President, Financial Services and Treasurer

C. Authorized Personnel

Authorized Personnel List is maintained by Fuel Management Services (FMS) and is available on the FMS Sharepoint page. The following is the Authorized Personnel List as of February 17, 2021.

	Managing Director/CEO	Chief Financial Officer	Interim VP, Financial Services and Treasurer	Vice President, Electric Systems	Manager Fuel Management Services	Sr. Director Energy Operations	Manager Bulk Power Operations	Electric Systems Engineer, BPO	Energy Operations Specialist	Staff/Associate Engineer, BPO	Electric Systems Operations Specialist	Certified/Associate System Operator	Fuels Specialist	Fuels Administrator, Senior	Fuels Administrator	Fuels Electric Systems Engineer	Fuels Staff/Associate Engineer
Physical Products																	
Power Products																	
Fixed Price Energy Commodity	x	x		x	x	x	x	x	x	x	x	x	x	x	x	x	x
Indexed Price Energy Commodity	x	x		x	x	x	x	x	x	x	x	x	x	x	x	x	x
Power Capacity	x	x		x		x	x	x	x	x	x						
Transmission	x	x		x		x	x	x	x	x	x						
Physical OTC Commodity Options	x	x		x	x	x	x	x	x	x	x	x	x	x	x	x	x
Natural Gas Products																	
Fixed Price Natural Gas Commodity	x	x		x	x	x	x	x	x	x	x	x	x	x	x	x	x
Indexed Price Natural Gas Commodity	x	x		x	x	x	x	x	x	x	x	x	x	x	x	x	x
Natural Gas Storage	x	x		x	x	x	x	x	x	x	x	x	x	x	x	x	x
Transportation	x	x		x	x	x	x	x	x	x	x	x	x	x	x	x	x
Physical OTC Commodity Options	x	x		x	x	x	x	x	x	x	x	x	x	x	x	x	x
Crude Oil and Refined Products																	
Fixed Price Distillate Fuel Oil Products	x	x		x	x								x	x	x	x	x
Indexed Price Distillate Fuel Oil Products	x	x		x	x								x	x	x	x	x
Fixed Price Residual Fuel Oil Products	x	x		x	x								x	x	x	x	x
Indexed Price Residual Fuel Oil Products	x	x		x	x								x	x	x	x	x
Fixed Price Petroleum Coke Products	x	x		x	x								x	x	x	x	x
Indexed Price Petroleum Coke Products	x	x		x	x								x	x	x	x	x
Coal Products																	
Fixed Price Coal Commodity	x	x		x	x								x	x	x	x	x
Indexed Price Coal Commodity	x	x		x	x								x	x	x	x	x
Environmental Products																	
Air Emissions Allowances	x	x		x	x								x	x	x	x	x
Fixed Price Limestone	x	x		x	x								x	x	x	x	x
Indexed Price Limestone	x	x		x	x								x	x	x	x	x
Financial Products																	
Power Products																	
Fixed for Floating Swap	x	x	x	x	x	x	x										
Heat Rate Swap	x	x	x	x	x	x	x										
Financial OTC Option	x	x	x	x	x	x	x										
Natural Gas Products																	
Fixed for Floating Swap	x	x	x	x	x												
Swing-Swap	x	x	x	x	x												
Financial OTC Option	x	x	x	x	x												
Crude Oil and Refined Products																	
Fixed for Floating Swap	x	x	x	x	x												
Financial OTC Option	x	x	x	x	x												
Coal Products																	
OTC Swap	x	x	x	x	x												
Financial OTC Option	x	x	x	x	x												

D. Authorized Product List

The purpose of the Authorized Product List is to ensure proper controls are in place to minimize risk when transacting under Master Agreements, Participation Agreements or some other non-standard industry agreement

Approved products will be limited to purchases to meet load and/or sales incidental to load for the following:

Physical Products

Physical Power Products

1. Fixed Price Energy Commodity
2. Indexed Price Energy Commodity
3. Power Capacity
4. Transmission
5. Physical OTC Commodity Options

Physical Natural Gas Products

1. Fixed Price Natural Gas Commodity
2. Indexed Price Natural Gas Commodity
3. Natural Gas Storage
4. Transportation
5. Physical OTC Commodity Options

Physical Crude Oil and Refined Products

1. Fixed Price Distillate Fuel Oil Products
2. Indexed Price Distillate Fuel Oil Products
3. Fixed Price Residual Fuel Oil Products
4. Indexed Price Residual Fuel Oil Products
5. Fixed Price Petroleum Coke Products
6. Indexed Price Petroleum Coke Products

Physical Coal Products

1. Fixed Price Coal Commodity
2. Indexed Price Coal Commodity

Physical Environmental Products

1. Air Emission Allowances
2. Fixed Price Limestone
3. Indexed Price Limestone

Financial Products

Financial Power Products

Any of the instruments listed below or any combination thereof that has electric energy as the underlying commodity, and which: (a) is customarily settled financially, and (b) the primary intent of which is to settle financially. This excludes MISO Products and RTO Bilateral Transactions.

1. Fixed for Floating Swap

2. Heat Rate Swap
3. Financial OTC Option

Financial Natural Gas Products

Any of the instruments listed below or any combination thereof that has natural gas as the underlying commodity, and which: (a) is customarily settled financially, and (b) the primary intent of which is to settle financially.

1. Fixed for Floating Swap
2. Swing-Swap
3. Financial OTC Option

Financial Crude Oil and Refined Products

Any of the instruments listed below or any combination thereof, that has crude oil, residual fuel, or distillate as the underlying commodity, which: (a) is customarily settled financially, and (b) the primary intent of which is to settle the transaction financially.

1. Fixed for Floating Swap
2. Financial OTC Option

Financial Coal Products

Any of the instruments listed below or any combination thereof, that has coal as the underlying commodity, which: (a) is customarily settled financially, and (b) the primary intent of which is to settle the transaction financially.

1. OTC Swap
2. Financial OTC Option

E. Special Entity Representation Selection

JEA, a Special Entity under the Dodd-Frank Financial Reform Act, has selected The Energy Authority as its Qualified Independent Representative (QIR) to provide advice and guidance when entering into swap transactions with Swap Dealers or Major Swap Participants.

F. Term, Maturity and Notional Dollar Limits

JEA employees shall not approve TEA to execute a Transaction beyond the maturity, term and notional dollar limits set for their position below. As of February 17, 2021.

Position	Maturity Limit (Days)	Term Limit (Days)	Notional Dollar Limit (\$)
Managing Director/Chief Executive Officer	7,350	7,300	\$100,000,000
Chief Financial Officer	3,725	3,675	\$75,000,000
Vice President, Electric Systems	3,725	3,675	\$75,000,000
Sr. Director, Energy Operations	2,970	2,920	\$35,000,000
Manager, Bulk Power Operations (BPO)	2,970	2,920	\$35,000,000
Manager, Fuel Management Services	2,970	2,920	\$35,000,000
Electric Systems Engineer, BPO	1,875	1,825	\$25,000,000
Energy Operations Specialist	1,875	1,875	\$25,000,000
Staff/Associate Engineer, BPO	1,875	1,825	\$25,000,000
Electric Systems Operations Specialist	1,875	1,825	\$25,000,000
Fuels Specialist	1,875	1,825	\$25,000,000
Fuels Administrator, Senior	1,875	1,825	\$25,000,000
Fuels Administrator	1,875	1,825	\$25,000,000
Fuels Electric Systems Engineer	1,875	1,825	\$25,000,000
Fuels Staff/Associate Engineer	1,875	1,825	\$25,000,000
Certified System Operator On Duty	balance of the month	balance of the month	\$750,000
Associate System Operator On Duty	balance of the month	balance of the month	\$750,000