

21 West Church Street
Jacksonville, Florida 32202-3139



Ms. Elisabeth Draper
Bureau Chief, Economic Impact & Rate Design
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

November 29, 2021

E L E C T R I C

W A T E R

S E W E R

Dear Ms. Draper:

Included in this filing are JEA tariffs reflecting a change in Pricing Policy regarding the Fuel Charge. These changes were approved through the JEA Pricing Policy by the JEA Board on October 26, 2021. The Fuel Charge will change effective December 1, 2021.

Previously the Fuel Charge was evaluated annually and was managed through JEA's Fuel Stabilization Fund, which served to compensate when fuel costs were higher than expected and allowed JEA to reimburse customers when annual fuel costs were lower than expected.

The revised Pricing Policy prescribes adjusting the charge monthly to better pass through fuel expenses, provide more transparency to the customer and flexibility for JEA. Customers' fuel charge will now increase and decrease along with the change in fuel costs each month. The Fuel Stabilization Fund will be eliminated once depleted.

A customer safeguard is included to mitigate large variances, allowing protection under extreme circumstances. The policy limits the Fuel Charge increase to 20% month over month, then allows collection of the under recovery over a period of time.

JEA will post monthly Fuel Charges on jea.com for reference. Following this cover letter are the revised and conformed copies of the tariff sheets. Also included is the updated Pricing Policy.

If you have questions or need additional information please call me at (904) 665-6151.

Sincerely,

A handwritten signature in black ink that reads 'Juli Crawford'. The signature is written in a cursive, flowing style.

Juli Crawford,
Director, Financial Planning and Analysis

21 West Church Street
Jacksonville, Florida 32202-3139



JEA

REVISED TARIFF SHEETS

Sheet No. 3.0	Sheet No. 5.0
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E L E C T R I C

W A T E R

S E W E R

JEA

Thirty-First Revised Sheet No. 3.0
Canceling Thirtieth Revised Sheet No. 3.0

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PUBLIC SERVICE TAX

Legal Authority

Chapter 792, Ordinance Code, City of Jacksonville, Florida; Section 166.231, Florida Statutes as amended by Senate Bill #1-D of 1978 and as further amended by Senate Bill #28-D of 1982.

Applicable

To any electric service account located within the corporate limits of the City of Jacksonville with the exception of accounts of the United States of America, State of Florida, County of Duval, City of Jacksonville, other City Authorities, and churches used for religious purposes. The Public Service Tax is not applicable to electric service accounts located outside Duval County or within the two urban service districts of Atlantic Beach and Baldwin, and to sales for resale.

Rate Per Month

The charge per month shall be 10% of the taxable portion of Base Revenue.

Determination of Taxable Base Revenues

Taxable Base Revenue shall be the total electric service charges as determined by the applicable rate schedule plus the Gross Receipts Tax plus Franchise Fee less the energy charges for non-taxable fuel cost component within the base rate.

Deleted: Currently the non-taxable fuel component within the fuel rate is 2.539 cents per kilowatt hour consumption for all rate schedules.

Collection of Taxes For Others

JEA collects a public service tax on any electric service accounts it serves in the Atlantic Beach, Orange Park and Baldwin urban service districts and unincorporated Clay County. This public service tax is collected on behalf of, and remitted to, the Cities of Atlantic Beach, Orange Park, Baldwin and Clay County, respectively. Currently, the monthly public service tax is 5% for Atlantic Beach, 10% for Baldwin and Orange Park, and 4% on usage above 500 kWh for Clay County of the taxable portion of base residential revenues. The Taxable Base Revenues are determined as above.

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Determination of Taxable Fuel Revenues:

Currently the taxable fuel component within the fuel rate is 0.511 cents per kilowatt hour consumption for all rate schedules. The table below displays the off-peak and on-peak taxable fuel component for time-of-use (TOU) rates that corresponds to each service type.

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<u>Service Type</u>	<u>OFF PEAK TOU</u>	<u>ON PEAK TOU</u>
Residential	N/A	N/A
General Service	<u>0.496</u> cents per kWh	<u>0.545</u> cents per kWh
General Service Demand	<u>0.496</u> cents per kWh	<u>0.547</u> cents per kWh
Gen Service Lrg Demand	<u>0.497</u> cents per kWh	<u>0.547</u> cents per kWh

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JULI CRAWFORD, DIRECTOR
FINANCIAL PLANNING AND ANALYSIS

EFFECTIVE DECEMBER 1, 2021

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FUEL CHARGE

JEA Pricing Policy determined that the Fuel Charge will be set monthly for full recovery of actual energy expenditures including direct fuel expenses, fuel procurement, fuel handling, residual disposal expense, less any proceeds from the sale of residuals, byproduct expenses directly utilized in managing the facilities used to prepare the byproduct for its final disposition, fuel hedging activities including gains and losses on settlement of fuel hedges, power purchase energy charges such as fuel, and renewable energy that is not considered generation available for JEA's current capacity plans. The Fuel Charge shall also include recovery of prior positive or negative variances.

The said energy charge stated in each rate schedule for each kilowatt hour billed in accordance with JEA's normal billing cycle shall be increased by the fuel charge per kilowatt hour as indicated on www.jea.com/My_Account/Rates/

~~Deleted: AND PURCHASED POWER COST RECOVERY~~
~~Deleted: POLICY - FPPC~~

~~Deleted: The Retail Rates section of this Fuel and Purchased Power Cost Recovery Charge Policy (FPPC or the Fuel Charge) shall be applicable to all JEA Retail Rate Schedules.~~

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~~Deleted: The Sale For Resale Rates section of this Fuel and Purchased Power Cost Recovery Charge Policy shall be applicable to all JEA Sale for Resale Rate Schedules. The said energy charge stated in each such rate schedule for each kilowatt hour billed in accordance with JEA's normal billing cycle shall be increased by the fuel charge per kilowatt hour as indicated below for service taken at 26.4 kV and above.~~

~~Variable Fuel Rate Policy¶
The Variable Fuel Rate charge for each retail rate schedule shall be rounded to the nearest 0.001 cents per kilowatt hour of sales to ...~~

~~Deleted: FUEL CHARGE PER kWh~~

~~Deleted: RETAIL RATES~~

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~~Deleted: General Service Lrg Demand~~

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PUBLIC SERVICE TAX

<u>Legal Authority</u>	Chapter 792, Ordinance Code, City of Jacksonville, Florida; Section 166.231, Florida Statutes as amended by Senate Bill #1-D of 1978 and as further amended by Senate Bill #28-D of 1982.
<u>Applicable</u>	To any electric service account located within the corporate limits of the City of Jacksonville with the exception of accounts of the United States of America, State of Florida, County of Duval, City of Jacksonville, other City Authorities, and churches used for religious purposes. The Public Service Tax is not applicable to electric service accounts located outside Duval County or within the two urban service districts of Atlantic Beach and Baldwin, and to sales for resale.
<u>Rate Per Month</u>	The charge per month shall be 10% of the taxable portion of Base Revenue.
<u>Determination of Taxable Base Revenues</u>	Taxable Base Revenue shall be the total electric service charges as determined by the applicable rate schedule plus the Gross Receipts Tax plus Franchise Fee less the energy charges for non-taxable fuel cost component within the base rate.
<u>Collection of Taxes For Others</u>	JEA collects a public service tax on any electric service accounts it serves in the Atlantic Beach, Orange Park and Baldwin urban service districts and unincorporated Clay County. This public service tax is collected on behalf of, and remitted to, the Cities of Atlantic Beach, Orange Park, Baldwin and Clay County, respectively. Currently, the monthly public service tax is 5% for Atlantic Beach, 10% for Baldwin and Orange Park, and 4% on usage above 500 kWh for Clay County of the taxable portion of base residential revenues. The Taxable Base Revenues are determined as above.
<u>Determination of Taxable Fuel Revenues:</u>	Currently the taxable fuel component within the fuel rate is 0.511 cents per kilowatt hour consumption for all rate schedules. The table below displays the off-peak and on-peak taxable fuel component for time-of-use (TOU) rates that corresponds to each service type.

<u>Service Type</u>	<u>OFF PEAK TOU</u>	<u>ON PEAK TOU</u>
Residential	N/A	N/A
General Service	0.496 cents per kWh	0.545 cents per kWh
General Service Demand	0.496 cents per kWh	0.547 cents per kWh
Gen Service Lrg Demand	0.497 cents per kWh	0.547 cents per kWh

FUEL CHARGE

JEA Pricing Policy determined that the Fuel Charge will be set monthly for full recovery of actual energy expenditures including direct fuel expenses, fuel procurement, fuel handling, residual disposal expense, less any proceeds from the sale of residuals, byproduct expenses directly utilized in managing the facilities used to prepare the byproduct for its final disposition, fuel hedging activities including gains and losses on settlement of fuel hedges, power purchase energy charges such as fuel, and renewable energy that is not considered generation available for JEA's current capacity plans. The Fuel Charge shall also include recovery of prior positive or negative variances.

The said energy charge stated in each rate schedule for each kilowatt hour billed in accordance with JEA's normal billing cycle shall be increased by the fuel charge per kilowatt hour as indicated on www.jea.com/My_Account/Rates/

Pricing Policy

I. Scope

This Pricing Policy is intended to provide broad guidance and to facilitate the management, control and oversight of JEA's pricing structure. Its primary goal is to establish revenue requirements to fully recover the costs necessary to operate and maintain the utility, consistent with its mission, through fair and equitable pricing. This includes sufficient revenue for required transfers to the City, depreciation expense, and balance sheet liquidity. The total revenue requirement of each system must be sufficient to ensure the financial integrity of the utility, including recovery of debt service, sufficient revenue to meet renewal and replacement fund requirements, and maintenance of key financial metrics. It recognizes the operational challenges of managing dynamic businesses with major cost drivers such as significant regulatory reform, as well as fuel and debt service, which are dependent on global market conditions. The Pricing Policy contains the guiding parameters that JEA utilizes to develop its financial reporting, ratemaking, budget, and financial projections.

The Board is JEA's independent body responsible for setting rates. As part of this responsibility, the Board acknowledges that the rate setting policy and practices utilized will govern JEA's accounting under current generally accepted accounting principles, meaning that rate actions by the Board will impact when certain costs and revenues are recognized for financial statement purposes. This policy formalizes the rate philosophy utilized in prior years and codifies policy changes required for the implementation of regulatory accounting beginning with FY2015, including the change in rate setting methodology from Cash Basis to Utility Basis.

II. Goal and Objectives

JEA's pricing shall be managed with an overall philosophy to provide advantages of a community-owned utility by delivering high quality, reliable and exceptional service at fair and competitive rates. JEA will exhaust all other net revenue improvement opportunities before recommending any price increases. JEA will develop a price structure that is based on cost of service and allocates costs to appropriate customer classes based on the cost to serve each class. Pricing shall be sufficient, predictable, consistent, understandable, fair, equitable, non-discriminatory and relatively easy to administer. A comprehensive cost of service study will be performed at a minimum of every five years to support that the rates charged by class are based on cost.

III. Responsibility for Pricing Policy

The overall Pricing Policy is approved by the JEA Board of Directors and implemented by the Chief Executive Officer (CEO), Chief Financial Officer (CFO) and staff. Annually, during the development of the Five Year Financial Projection that is provided to the credit rating agencies, the CEO, Chief Operating Officer (COO), CFO, Chief Customer Officer (CCO), Vice President/General Manager Water Wastewater Systems, and Vice President/General Manager Electric

Systems will meet to develop strategy and review pricing and financial performance. JEA's Financial Planning and Rates department will develop and manage processes to implement and administer this Policy. Based on this review, any changes to pricing such that JEA continues to have rates based on cost of service and sufficient to maintain each System's financial integrity will be recommended to the Board for approval.

IV. Authorization

The JEA Board of Directors is independent from JEA management and has the power to fix, pledge to establish or establish, levy, regulate, impose and collect rates, assessments, fees and charges for the use or benefit of the utilities system and to alter and amend the same from time to time.

Although JEA is a non-jurisdictional entity, Tariffs approved by the Board of Directors are filed with the Public Service Commission for information and review. The Florida Public Service Commission (FPSC) does not regulate the revenue requirement of municipal utilities, yet pursuant to Section 366.04 (2), Florida Statutes, the FPSC has jurisdiction to review a rate structure for municipal utilities.

V. Electric System

Revenue requirements and rate design for the Electric System shall be constructed in three major categories: Base Rate, Fuel Charge, and Environmental Charge.

Base Rate

Structure

The Base Rate will be structured with two major components: a fixed monthly charge and consumption charges. The fixed charge is billed as a "Basic Monthly Charge" and the consumption charges are billed as "Energy Charge," "Residential Conservation Charge," "*Demand Charge*," and "*Excess kVar Charge*." (Italicized charges apply to commercial or industrial customers only, and do not appear on typical residential bills.) Revenue requirements and rates will be set using depreciation expense as the capital recovery estimate but must also ensure the financial integrity of the Electric System by achieving the following objectives:

- A minimum annual total debt service coverage ratio of 2.2x, (with a long-term goal of consistently achieving a minimum annual total debt service coverage ratio of 2.5x)
- A minimum of 150 to 250 days of liquidity
- Continue to move towards a maximum debt to asset ratio of 60%
- Maintain stabilization funds as detailed in the "Stabilization Funds" section

Staff plans to phase in higher fixed components of base rates over time, utilizing widely accepted principles and practices to better reflect the fixed components of JEA's electric system cost structure.

Pricing

The Base Rate will recover 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 adopted by JEA and approved by the Board, and additional revenues required to maintain the financial integrity of the System.

Staff will review with the Board of Directors the Base revenue and capital funding plans during both the annual budget cycle and the discussion of the Five Year Projection (as outlined in the “Five Year Projection” section). Recurring capital will be recovered from revenues each year. Non-recurring or unanticipated (i.e., storm damage or major equipment failure) costs will be evaluated by management to determine the best source of capital funding. This can include absorbing the cost in the current year budget or the inclusion of cost in future rates over a period of time with funding of the cost from debt or reserves. Authorization from the Board to recover non-recurring capital over a future period of time may constitute an asset on JEA’s balance sheet.

The Base Rate will additionally include a policy-directed allocation of current year base electric revenues to Customer Benefit programs to be collected in addition to the Residential Conservation Charge. Staff will develop specific programs such as electrification, direct load control, demand side management, residential low income efficiency programs, and customer utility optimization education programs, set program objectives and periodically report the status of the programs. Each year, the Customer Benefit budget will include an allocation for customer education initiatives at least equal to revenues generated from the Residential Conservation Charge (initially set at \$0.01 per kWh for monthly residential consumption in excess of 2,750 kWh) collected from customers in the prior year. The budgeted carve-out from the Base Rate will be set each year based on funding required to meet the targets determined by staff, at least equal to the Residential Conservation Charge and not to exceed \$0.50 per 1,000 kWh. Any amounts collected in excess of current and future anticipated need will be used for future costs or refunded to customers. The Customer Benefit programs do not function as special charge, but are a component of JEA’s cost of service in determination of the Base Rate each year.

Gains realized from coordinated dispatch agreements will be allocated to base revenue, unless otherwise directed by the Board.

Fuel Charge

Structure

The Fuel Charge will be structured for full recovery of actual energy expenditures including direct fuel expenses, fuel procurement, fuel handling, residual disposal expense, less any proceeds from the sale of residuals, byproduct expenses directly utilized in managing the facilities used to prepare the byproduct for its final disposition, fuel hedging activities including gains and losses on settlement of fuel hedges, power purchase energy charges such as fuel, and renewable energy that is not considered generation available for JEA’s current capacity plans.

The Fuel Charge structure shall also include recovery of prior positive or negative variances.

Pricing

The Fuel Charge will be set monthly. The Charge is based on the energy cost projection for the billing month to fully recover all expected fuel-related costs. Any variance will be true-up in the subsequent billing month. Should forecasted energy costs result in a Fuel Charge adjustment of greater than 20%, recovery of the true-up may be extended over a period of time as determined by the CEO/Managing Director or designee.

Fuel and energy expenses not recovered by revenue within the month will be paid from unrestricted funds. Each month, management shall report the total fuel revenues, expenses and the resulting surplus or deficit. All authorized fuel-related costs shall be recovered through the Fuel Charge and funds collected in excess of authorized fuel-related costs shall be used to fund future fuel expenses or be refunded to customers.

Should funds be available in the legacy Fuel Stabilization Fund during the transition from an annual Fuel Charge adjustment to a monthly Fuel Charge adjustment, the funds will be utilized to mitigate Fuel Charge increases to the customer until the fund is depleted.

Environmental Charge

Structure

The Environmental Charge is applied to all kWh consumption and structured to provide funding for major specific environmental and regulatory program needs.

Pricing

The Environmental Charge is designed to recover from customers costs of environmental remediation, environmental projects and compliance with new and existing environmental regulations, excluding the amount already collected in the Environmental Liability Reserve. Applicable use of funds is described in the "Stabilization Funds" section.

Annually the Board will review and approve the operating, maintenance and capital costs of projects to be included in determining the Environmental Charge for that year. For capital projects funded from sources other than the environmental charge revenues, the Board will determine an appropriate method including recovery period for including these costs in the determination of the Environmental Charge. The revenues collected will be used to reimburse the fund that provided the original funding. Methods used for recovery can include amortization over a relatively short period of time, depreciation expense and related carrying charge of the related asset or other reasonable methods.

Any revenues collected in excess of costs in any period will be used to fund operating and capital costs of approved projects in the future.

The amounts collected from the Environmental Charge will be accounted for in the Electric System Environmental Stabilization Fund. Amounts collected for future environmental capital projects are transferred from the Electric System Environmental Rate Stabilization Fund to the Environmental Capital Fund.

VI. Water and Sewer System

Revenue requirements and rate design for the Water and Sewer System shall be constructed in two major categories: Base Rate and Environmental Charge.

Base Rate

Structure

Revenue and rate design for the Water and Sewer System shall be constructed in two major categories: monthly charges and initial charges, including capacity and main extension fees. Standard monthly charges will include two primary components: A fixed monthly charge and volume charges based on customer usage. The fixed charge is billed as a “Basic Monthly Charge” and the volume charges are billed as “Water Consumption Charges” and “Sewer Usage Charges”.

Revenue requirements and rates will be set using depreciation expense as the capital recovery estimate but must also ensure the financial integrity of the Water and Sewer System by achieving the following objectives:

- A minimum annual total debt service coverage ratio of 1.8x, with a long-term goal of consistently achieving a minimum annual total debt service coverage ratio of 2.0x
- A minimum of 100 days of liquidity
- A long-term objective of a maximum debt to asset ratio of 50%
- Maintain stabilization funds in the “Stabilization Funds” section

Pricing

The Base Rate will recover 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 adopted by JEA and approved by the Board, and additional revenues required to maintain the financial integrity of the System.

Staff will review with the Board of Directors the Base revenue and capital funding plans during both the annual budget cycle and the discussion of the Five Year Projection (as outlined in the “Five Year Projection” section). Recurring capital not recovered via the Environmental Charge will be recovered from revenues each year. Non-recurring or unanticipated (i.e., storm damage or major equipment failure) costs will be evaluated by management to determine the best source of capital funding. This can include absorbing the cost in the current year budget or the inclusion of cost in future rates over a period of time with funding of the cost from debt or reserves. Authorization from the Board to recover non-recurring capital over a future period of time may constitute an asset on JEA’s balance sheet. The annual principal repayment requirements and contributions to the Renewal and Replacement Fund will be added to the non-capacity capital expenditure amount with the amount in excess of the annual depreciation expense included as an additional cost in setting rates. Capacity fee revenue will be used as an additional source of revenue in determining annual revenue requirements.

Capacity fees to recover water, sewer and reclaimed water treatment facilities investment are established to recover 100% of the cost, including materials, of performing these services. These fees will be reviewed and if necessary, adjusted at least every three years. Capacity fees to recover the cost of off-site water and sewer line extensions shall be established to recover:

- 75% master plan main extension attributed to general system growth, assessed on a per connection basis; and
- 100% main extension attributed to specific development, assessed to the developer in accordance with JEA's development policy.

On-site line extensions have been and will remain the financial responsibility of the developer, builder, homeowner or business and shall be contributed to JEA at no charge to own, operate and maintain.

Tap and meter fees will be established to recover 100% of the cost, including materials, of performing tap and meter services. These fees will be reviewed and, if necessary, adjusted at least every three years.

Staff will review with the Board of Directors the revenue and capital funding plans during both the annual budget cycle and the Five Year Projection/Rating Agency cycle.

Environmental Charge

Structure

The Environmental Charge is applied to all kgal sales and structured to provide funding for major specific environmental and regulatory program needs.

Pricing

The Environmental Charge is designed to recover from customers costs of environmental remediation, environmental projects and compliance with new and existing environmental regulations. Applicable use of funds is described in the "Stabilization Funds" section.

Annually the Board will review and approve the operating, maintenance and capital costs of projects to be included in determining the Environmental Charge for that year. For capital projects funded from sources other than the environmental charge revenues, the Board will determine an appropriate method including recovery period for including these costs in the determination of the Environmental Charge. The revenues collected will be used to reimburse the fund that provided the original funding. Methods used for recovery can include amortization over a relatively short period of time, depreciation expense and related carrying charge of the related asset or other reasonable methods.

Any revenues collected in excess of costs in any period will be used to fund operating and capital costs of approved projects in the future.

The amounts collected from the Environmental Charge will be accounted for in the Water and Sewer System Environmental Stabilization Fund. Amounts collected for future environmental capital projects are transferred from the Water and Sewer System Environmental Rate Stabilization Fund to the Environmental Capital Fund.

VII. Five Year Projection

Staff will prepare a Five Year Projection annually that will be presented to Board of Directors and Rating Agencies. The Five Year Projection will address the status of the current pricing and forecasted cost-based revenue requirements.

The annual budgeting process will be used to project the cost-based revenue requirements and suggested pricing for the next fiscal year. Thereafter, factors to be considered in the projections include:

- Required revenue and resulting rates
- The forecast of unit sales
- Projected fuel and purchased power costs
- Projected non-fuel purchased power costs
- Projected operating and maintenance costs
- Contribution to the City General Fund
- Renewal and Replacement Deposit
- Amortization of regulatory assets and liabilities including gains and losses on debt refinancing, debt issue costs and other items approved by the Board
- Desired level of operating capital outlay
- Projected depreciation expense
- Desired debt service coverage, liquidity, and debt to asset levels consistent with a highly rated electric and water and sewer utilities
- Analysis of costs and revenue of any special charges for programs adopted by JEA and approved by the Board

VIII. Stabilization Funds

The Board authorizes the funding and utilization of certain Stabilization Funds within each of the Electric and Water and Sewer Systems. Deposits and withdrawals will be made into each of the funds as specifically described below, and are governed by both this Pricing Policy and JEA's Bond Resolutions. The Stabilization Funds described below have a specific funding source which is approved by the Board, and uses of funds which are also approved by the Board. Any excess amounts remaining after the funding target is met and expenses are paid are refunded back to customers.

Customer Benefit Stabilization Fund

Funding and Authorization

Deposits to the Customer Benefit Stabilization Fund are made for amounts representing the Residential Conservation Charge to the customer (\$0.01 per kWh over 2,750 kWh) and the Customer Benefit Revenue Allocation (up to \$0.50 per 1,000 kWh) during the course of the fiscal year. The Residential Conservation Charge revenues are direct collections from customers based on sales. The Customer Benefit Revenue Allocation is approved by the Board in connection with the annual Budget process.

Allowable Uses

Withdrawals from the Customer Benefit Stabilization Fund are limited to amounts representing charges to the applicable "Customer Benefit" expense types, which represent Customer Benefit programs approved annually by the Board. Amounts withdrawn from the Customer Benefit Stabilization Fund will first be funded by the Residential Conservation Charge (\$0.01 per kWh over 2,750 kWh) and the remaining funded by the Customer Benefit Revenue Allocation (up to \$0.50 per 1,000 kWh). Any costs not recovered in the current year will be collected in future

years through the Residential Conservation Charge and the Customer Benefit Revenue Allocation.

Excess Funds

Funds collected in excess of the approved Customer Benefit programs shall be used to fund future program expenses or be refunded to customers.

Electric System Environmental Stabilization Fund

Funding and Authorization

Deposits to the Electric System Environmental Stabilization Fund are made for amounts collected from the Environmental Charge to the customer. The Environmental Charge will be set each year to recover the costs of approved projects. Any shortfalls will be included as a cost in determining the Environmental Charge.

Allowable Uses

Withdrawals from the Electric System Environmental Stabilization Fund 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.

Excess Funds

Funds collected in excess shall be used to fund future environmental expenses or be refunded to customers.

Water and Sewer System Environmental Stabilization Fund

Funding and Authorization

Deposits to the Water and Sewer System Environmental Stabilization Fund are made for amounts collected from the Environmental Charge to the customer. The Environmental Charge will be set each year to recover the costs of approved projects. Any shortfalls will be included as a cost in determining the Environmental Charge.

Allowable Uses

Withdrawals from the Water and Sewer System Environmental Stabilization Fund are limited to major environmental and regulatory program needs. Capital costs include those costs associated with specific environmental or regulatory requirements. Costs directly required to operate and maintain the environmentally driven or regulatory required assets can also be funded from this revenue source. The Environmental Charge revenue may also be used for JEA's cost participation with the City of Jacksonville septic tank phase-out program, including a waiver of sewer and main extension fees, or for well mitigation. Additionally, the Environmental Charge revenue may be used for Customer Benefit programs supporting the Consumptive Use Permit objective to reduce JEA's demand on the Florida Aquifer.

Excess Funds

Funds collected in excess shall be used to fund future environmental expenses or be refunded to customers.

Non-Fuel Purchased Power (NFPP) Stabilization Fund

Target Balance

Initially, the total projected principal payments incurred by MEAG for the Vogtle Units 3 and 4 Purchased Power Agreement prior to the operating date of each unit.

Funding and Authorization

Deposits to the NFPP Stabilization Fund are for amounts associated with any non-fuel purchased power. The Board will determine as part of the Budget approval process or periodically throughout the year the amount to include in rates that will be deposited into the NFPP Stabilization Fund.

Allowable Uses

Withdrawals from the NFPP Stabilization Fund are to reimburse non-fuel purchased power expenses associated with Plant.

Excess Funds

Funds collected in excess shall be used to fund future non-fuel purchased power expenses or be refunded to customers.

Health Self-Insurance Reserve

Target Balance

The target size of this reserve is based on regulatory requirements, market conditions and risk management experience, along with input from the Department of Insurance, the regulatory body responsible for oversight of all self-insurance health and medical plans.

The objective is to maintain appropriate reserves and to ensure the long-term viability of the organization and the sustainability of the self-insurance health programs. Rule 69O-149.053, Florida Administrative Code requires that JEA maintain a minimum surplus reserve of 60 days over and above the amount needed for the Plan's claim liability to cover costs associated with unexpected claims.

Funding and Authorization

JEA has established, from operating revenues, an internally designated "Health Self-Insurance Fund" to cover reserve requirements for its self-insurance health program. Reserve requirements will be reviewed and approved by the Board annually. The Board, as part of the Budget approval process, will approve amounts to be collected in rates that include both the current anticipated cost less amounts approved to be contributed by employees as well as amounts to maintain an adequate reserve for future costs.

Allowable Uses:

The amounts approved for recovery from the employees will be used to reduce the annual cost. Any costs in excess of revenues collected will be included in rates at the direction of the Board in a future period.

Excess Funds

Any amount over the required reserve requirement will be used to reduce future costs included in rates or will be refunded to the employee through premium holidays as approved by the Board.

IX. Policy Exceptions

Any pricing activity determined to be in conflict with this Policy will be brought to the Board of Directors for review and approval prior to adoption, and resulting metrics will be reported on an annual basis within the Five Year Projection.

X. Effective Date

This Pricing Policy became effective October 1, 2005 (originally called "Pricing Philosophy"). This revision will become effective on the date on which it is adopted by the full Board effective November 1, 2021.