



**BOARD RESOLUTION 2024-04**

January 30, 2024

**APPROVAL OF JEA’S ENERGY MARKET RISK MANAGEMENT POLICY**

WHEREAS, in efforts to maintain adequate supplies and reasonable costs for customers, JEA is exposed to volatility in electric energy and fuel prices, uncertainty in load and resource availability, counterparty creditworthiness, and other risks associated with transacting in wholesale energy markets; and

WHEREAS, JEA is subject to regulations governing energy market participants and maintains a comprehensive policy outlining certain duties and responsibilities that enable JEA to participate effectively in energy markets; and

WHEREAS, JEA staff have reviewed the policy and presented a set of amendments to align the policy with current staffing structures.

BE IT RESOLVED by the JEA Board of Directors that:

1. JEA’s Energy Market Risk Management Policy is hereby approved as amended.
2. To the extent there are typographical, clerical, or administrative errors that do not change the tone, tenor, or context of this resolution, such errors may be revised without subsequent approval by the JEA Board of Directors.
3. This Resolution shall be effective upon approval by the Board.

Dated this 30<sup>th</sup> day of January 2024

  
\_\_\_\_\_  
JEA Board Chair

  
\_\_\_\_\_  
JEA Acting Board Secretary

Form Approved by



\_\_\_\_\_  
Office of General Counsel

VOTE	
In Favor	5
Opposed	0
Abstained	0

# **JEA**

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## **Energy Market Risk Management Policy**

Approved by the Board of Directors  
3/18/2014

Revision Approved by the Board of Directors  
9/20/2022

Revision Approved by the Board of Directors  
1/30/2024



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## **Policy Introduction**

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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**

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 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, Operative Risk, and Regulatory 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) 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.

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## **Discussion of Risks**

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### **Market Risk**

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

#### ***Price Risk***

Price Risk is the exposure JEA faces as a result of changes in the market price for power, fuel, emissions allowances, and renewable energy credits/green tag 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 and by balancing physical hedges with financial hedges. 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 may be 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 costs 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 employing a variable monthly fuel rate charge in customers' electric bills.

### **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 Clearing Merchant 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 activities 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 and proper operational planning. It is also managed by quantifying the risk impact on JEA's financial and operating condition and if warranted, taking steps to manage the risk.

### ***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 changes in federal, state, local, or market policy. 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.

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## **Oversight Responsibilities and Organization Structure**

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### **Organizational Structure and Reporting Relationships**

The JEA Board has delegated the responsibility to the Chief Executive Officer (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 CEO shall appoint the core members of the FPPC as 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 Fuels Management Services (FMS) consistent with JEA Records Management Policies. Hedge recommendations and resulting Transactions will be documented in presentation materials and posted on the FMS web page on JEA's SharePoint site. Any materials used in the analysis or decision to enter into a swap including confirmation documents will be retained 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 all major strategies employed by JEA to manage energy market risk.
- Approving all specific energy market financial and physical activities to meet JEA's strategies.
- 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 that are monitored by The Energy Authority (TEA).
- Designating the positions within JEA for whom this Policy applies and ensuring these individuals are aware of and understand their responsibilities for compliance with this Policy.
- Authorizing individuals in specific positions to commit JEA to energy market Transactions and ensuring that such individuals are appropriately trained. A list of positions within JEA authorized by the FPPC is contained in Appendix C and a list of individuals requiring training is maintained by FMS.
- Approving any changes to the list of approved energy market risk management products contained in Appendix D.

- Approving any changes to the approved Term, Maturity, and Notional Dollar Amounts in Appendix F below the level of CEO. The Notional Dollar Amount for the CEO is approved by the JEA Board. These Terms, Maturity, and Notional Dollar Amounts should be consistent with the Procurement Code Exemptions.
- 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.

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## **Business Practices**

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JEA has adopted the following Business Practices to help manage the Implementation Risk and sustain an effective EMRM Program:

### **Standards of Conduct and Compliance**

No JEA employee 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
- FERC Standards of Conduct.
- Any compliance documents that may be developed under the EMRM Program.

### **Training**

FMS is responsible for ensuring employees that are authorized to commit JEA to energy market risk management strategies and execute Transactions receive 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(s) would constitute speculation.

After FPPC authorization, all Transactions will be executed in a timely and judicious manner with considerations for current market conditions.

All physical Transactions executed by JEA shall follow the approved Procurement Code Exemptions.

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. Each employee or representative of JEA shall 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 in positions 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, documented through email, or documented through a signed confirmation from both parties that meets state record retention statutes. All physical Transactions are executed under JEA's Procurement Code Exemptions.

### **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 industry standard Agreement with an approved counterparty. The Treasurer will maintain all signed agreements with all counterparties approved for financial transactions. In addition, for Transactions executed by JEA for physical solid and liquid 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 the counterparty, for all EMRM Transactions. 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. Email use is permitted for all written confirmations.

### **Trade Recordkeeping (for both financial and physical transactions)**

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;
- Type of transaction: swap, futures, options, etc.;
- The reporting counterparty when the trade is a swap and there is not a prearranged reporting relationship;
- Whether any swap qualifies for the trade option exemption or exception to clearing for end user.

### **Qualified Independent Representative (QIR)**

- a) JEA will enter into a contract with a firm or firms that will have the qualifications to act as a qualified independent representative to JEA in accordance with the requirements of Commodity Futures Trading Commission (“CFTC”) Regulation §23.450 and its related safe harbor and in such contract such firm or firms will make representations and provide agreements to satisfy the requirements and safe harbors of CFTC Regulation in a manner satisfactory to JEA.
- b) JEA shall utilize the services of such qualified independent representative when (i) entering into a new Swap transaction, (ii) modifying, terminating (in whole or in part), transferring or novating an existing Swap transaction, or (iii) discussing the possibility of the transactions in (i) and/or (ii) with a counterparty. JEA is not to rely on Swap Recommendations (if any) provided by a Swap Dealer.
- c) JEA shall monitor the continued performance of each qualified independent representative.

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### **Exposures and Limits**

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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 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 percent of the swap exposure limit, TEA will contact the CFO who 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 by TEA. The CFO will report all exceptions to the Board quarterly.

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## **Credit Policy**

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The Credit Policy is intended 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, with TEA input, 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.
- Credit risk status will be tracked by counterparty at the agreement level and the information made available to the 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.

Mark-to-market is used to measure JEA's risk exposure to counterparty default on a Transaction by determining the current market value of the Transaction. 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 by TEA. 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 not 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**

Counterparty creditworthiness 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.

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## **Reporting**

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The following reports will be developed by TEA and made available on the TEA portal 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; made available daily.
- 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; made available daily.
- Swap Exposure Report – This report measures JEA energy swap exposures against the CFTC threshold limits for Swap Dealer Registration; made available daily.

Each quarter the CEO or CFO shall report JEA's financial and physical fuel and power transactions to the Board's Finance and Audit Committee, to include physical transactions greater than one year and all financial transactions.



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## **Policy Acknowledgement**

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### **Policy Acknowledgement**

All JEA employees participating in activities or Transactions covered by this Policy shall acknowledge at the end of the annual training module or 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.
- iv. taken the annual training.

The training module acknowledgement and/or a signed statement by all affected JEA employees will be maintained by Fuels Management Services and accessible to the Chief Compliance Officer.

### **Designated Counsel**

Questions about the interpretation of any matters relating to this Policy should be referred to the CFO.

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## **Appendices**

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### **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 Fuels 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  
January 30, 2024**

**Core Members**

Chief Executive Officer (CEO)  
Chief Financial Officer (CFO)  
Vice President (VP), Electric Systems  
Chief Operating Officer (COO)  
Chief Compliance Officer (CCO)  
Chief Strategy Officer  
Senior Director, Energy Operations  
Manager, Fuels Management Services  
Vice President (VP), Financial Services

### C. Authorized Personnel

The Authorized Personnel List is maintained by Fuels Management Services (FMS) and is available on the FMS Sharepoint page.

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

## ***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 August 10, 2022.

<b>Position</b>	<b>Maturity Limit (Days)</b>	<b>Term Limit (Days)</b>	<b>Notional Dollar Limit (\$)</b>
Managing Director/Chief Executive Officer	7,350	7,300	\$100,000,000
Chief Financial Officer	3,725	3,675	\$35,000,000
Chief Operating Officer	3,725	3,675	\$35,000,000
Vice President, Electric Systems	3,725	3,675	\$20,000,000
Vice President, Financial Services <sup>3</sup>	3,725	3,675	\$20,000,000
Sr. Director, Energy Operations	1,925	1,875	\$10,000,000
Director, Electric Systems Operations <sup>1,2,3</sup>	410	366	\$7,500,000
Manager, Bulk Power Operations (BPO) <sup>1,2,3</sup>	410	366	\$5,000,000
Manager, Fuels Management Services <sup>3</sup>	410	366	\$5,000,000
Manager, Natural Gas Commercial Services <sup>3</sup>	61	31	\$1,000,000
Electric Systems Engineer, BPO <sup>1,2</sup>	6	5	\$1,000,000
Energy Operations Specialist <sup>1,2</sup>	6	5	\$1,000,000
Staff/Associate Engineer, BPO <sup>1,2</sup>	6	5	\$1,000,000
Fuels Specialist <sup>3</sup>	61	31	\$1,000,000
Fuels Administrator, Senior <sup>3</sup>	61	31	\$1,000,000
Fuels Administrator <sup>3</sup>	61	31	\$1,000,000
Fuels Electric Systems Engineer <sup>3</sup>	61	31	\$1,000,000
Fuels Staff/Associate Engineer <sup>3</sup>	61	31	\$1,000,000
Certified System Operator On Duty <sup>1,2</sup>	6	5	\$750,000
Associate System Operator On Duty <sup>1,2</sup>	6	5	\$750,000

1. Limited to TEA authorized transactions.
2. Limited to current day through next business day natural gas transactions.
3. Prior approval is required based on appropriate procurement code exemptions.

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JEA

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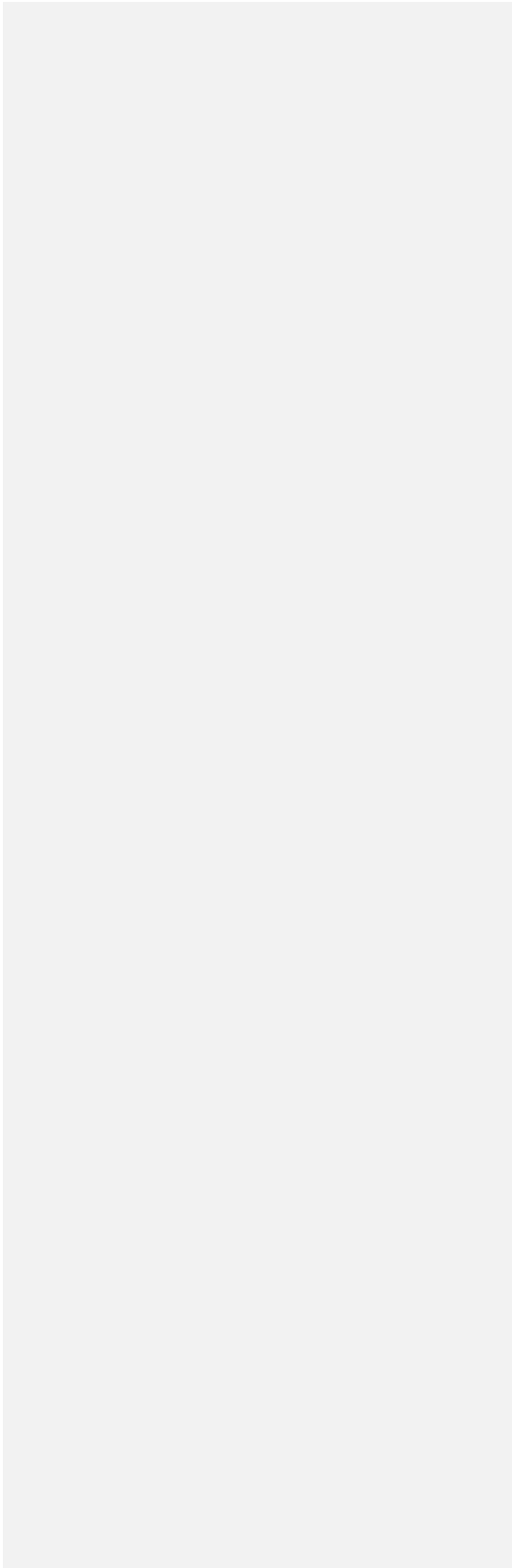
**Energy Market Risk Management Policy**

Approved by the Board of Directors  
3/18/2014

Revision Approved by the Board of Directors  
9/20/2022

Revision Approved by the Board of Directors  
[insert appropriate date]





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## Policy Introduction

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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 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, ~~and Regulatory 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 (CAO) Compliance Officer (CCO) and Chief Operating Officer (COO)~~ 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.

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## Discussion of Risks

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~~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, emissions allowances, and renewable energy credits/green tag allowances. Price Risk is typically the largest source of exposure and is managed by implementing a comprehensive ERM 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 ~~and by balancing physical hedges with financial hedges~~. 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 may be 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 costs 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 employing a variable monthly fuel rate ~~mechanism charge~~ in customer's electric bills.

### **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 Clearing Merchant 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 activities 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 and proper operational planning. It is also managed by quantifying the risk impact on JEA's financial and operating condition and if warranted, taking steps to manage the risk.

#### ***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 changes in federal, state, local, or market policy. 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.

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## Oversight Responsibilities and Organization Structure

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### 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 as set forth in Appendix B. ~~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 Fuels Management Services (FMS) consistent with

JEA Records Management Policies. -Hedge recommendations and resulting Transactions will be documented in presentation materials and posted on the FMS web page on JEA's SharePoint site. -Any materials used in the analysis or decision to enter into a swap including confirmation documents will be retained 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 all major strategies employed by JEA to manage energy market risk.
- Approving all specific energy market financial and physical activities to meet JEA's strategies.
- 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 that are monitored by The Energy Authority (TEA)EA.
- Designating the positions within JEA for whom this Policy applies and ensuring these individuals are aware of and understand their responsibilities for compliance with this Policy.
- Authorizing individuals in specific positions to commit JEA to energy market Transactions and ensuring that such individuals are appropriately trained. A list of positions within JEA authorized by the FPPC is contained in Appendix C and a list of individuals requiring training is maintained by FMS.
- Approving any changes to the list of approved energy market risk management products contained in Appendix D.
- Approving any changes to the approved Term, Maturity, and Notional Dollar Amounts in Appendix F below the level of MD/CEO. The Notional Dollar Amount for the MD/CEO is approved by the JEA Board. These Terms, Maturity, and Notional Dollar Amounts should be consistent with the Procurement Code Exemptions.
- 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.

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## Business Practices

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

### Standards of Conduct and Compliance

No ~~employee of~~ JEA employee 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 Ethical Business Conduct Guidelines.~~
- FERC Standards of Conduct.
- Any compliance documents that may be developed under the EMRM Program.

### Training

~~FMS is responsible for~~ ~~It is the responsibility of the FPCC to ensure~~ ing employees that are authorized ~~able~~ to commit JEA to energy market risk management strategies and execute Transactions receive ~~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(s) would constitute speculation.

After FPPC authorization, all Transactions will be executed in a timely and judicious manner with considerations for current market conditions.

All physical Transactions executed by JEA shall follow the ~~MD/CEO~~ approved Procurement Code Exemptions.

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. Each employee or representative of JEA shall 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 in positions 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 ERM Policy.

#### **Transaction Methods**

All Transactions must be confirmed over a recorded phone line, recorded via an instant messaging program, documented through email, or documented through a signed confirmation from both parties that meets state record retention statutes. -All physical Transactions are executed under JEA's Procurement Code Exemptions.

### **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 industry standard Agreement with an approved counterparty. The Treasurer will maintain all signed agreements with all counterparties approved for financial transactions. In addition, for Transactions executed by JEA for physical solid and liquid 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 the counterparty, for all EMRM Transactions. -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. Email use is permitted for all written confirmations.

### **Trade Recordkeeping (for both financial and physical transactions)**

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;
- Type of transaction: swap, futures, options, etc.;
- The reporting counterparty when the trade is a swap and there is not a prearranged reporting relationship;
- Whether any swap qualifies for the trade option exemption or exception to clearing for end user.

**Qualified Independent Representative (QIR)**

- a) JEA will enter into a contract with a firm or firms that will have the qualifications to act as a qualified independent representative to JEA in accordance with the requirements of Commodity Futures Trading Commission (“CFTC”) Regulation §23.450 and its related safe harbor and in such contract such firm or firms will make representations and provide agreements to satisfy the requirements and safe harbors of CFTC Regulation in a manner satisfactory to JEA.
- b) JEA shall utilize the services of such qualified independent representative when (i) entering into a new Swap transaction, (ii) modifying, terminating (in whole or in part), transferring or novating an existing Swap transaction, or (iii) discussing the possibility of the transactions in (i) and/or (ii) with a counterparty. JEA is not to rely on Swap Recommendations (if any) provided by a Swap Dealer.
- c) JEA shall monitor the continued performance of each qualified independent representative.

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## Exposures and Limits

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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 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 ~~percent%~~ of the swap exposure limit, TEA will contact the CFO who 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 by TEA. -The CFO will report all exceptions to the Board quarterly.

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## Credit Policy

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~~It is the intent of the~~ The Credit Policy is intended 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<sub>2</sub> with TEA input<sub>2</sub> 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 eC~~ credit risk status will be tracked by counterparty at the agreement level and the information made available to the 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.

Mark-to-market is used to measure JEA's risk exposure to counterparty default on a Transaction by determining the current market value of the Transaction. -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 by TEA. -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 not 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**

Counterparty ~~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.

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### **Reporting**

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The following reports will be developed by TEA and made available on the TEA portal 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. ~~These reports can be found on TEA's portal.~~

- 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; made available daily.
- 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; made available daily.
- Swap Exposure Report – This report measures JEA energy swap exposures against the CFTC threshold limits for Swap Dealer Registration; made available daily.

~~Each quarter the CEO or CFO shall report JEA's financial and physical fuel and power transactions to the Board's Finance and Audit Committee, to include physical transactions greater than one year and all financial transactions. The following report will be created and updated by FMS and provided quarterly:~~

~~• Finance and Operations Committee Report – The 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.~~

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## Policy Acknowledgement and Distribution

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### Policy Acknowledgement

All JEA employees participating in activities or Transactions covered by this Policy shall acknowledge at the end of the annual training module or 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.
- iv. taken the annual training.

The training module acknowledgement and/or a signed statement by all affected JEA employees will be maintained by Fuels Management Services and accessible to the Chief Compliance Officer. ~~the CAO.~~

#### **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 CACO~~. ~~The CFO and/or or the CAO 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.~~

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## Appendices

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### 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 Fuels 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, 2022**

**Core Members**

~~Managing Director (MD)~~ Chief Executive Officer (CEO)  
Chief Financial Officer (CFO)  
Vice President (VP), Electric Systems  
Chief Operating Officer (COO)  
Chief ~~Compliance Officer~~ ~~Administrative Officer~~ (CAO)  
[Chief Strategy Officer](#)  
Senior Director, Energy Operations  
Manager, Fuels Management Services  
Vice President (VP), Financial Services

### **C. Authorized Personnel**

Authorized Personnel List is maintained by Fuels Management Services (FMS) and is available on the FMS Sharepoint page. ~~The following is the Authorized Personnel List as of March 8, 2022.~~

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

#### 4. Renewable Energy Credits/Greentag Allowances

##### ***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 August 10, 2022.

<b>Position</b>	<b>Maturity Limit (Days)</b>	<b>Term Limit (Days)</b>	<b>Notional Dollar Limit (\$)</b>
Managing Director/Chief Executive Officer	7,350	7,300	\$100,000,000
Chief Financial Officer	3,725	3,675	\$35,000,000
Chief Operating Officer	3,725	3,675	\$35,000,000
Vice President, Electric Systems	3,725	3,675	\$20,000,000
Vice President, Financial Services <sup>3</sup>	3,725	3,675	\$20,000,000
Sr. Director, Energy Operations	1,925	1,875	\$10,000,000
Director, Electric Systems Operations <sup>1,2,3</sup>	410	366	\$7,500,000
Manager, Bulk Power Operations (BPO) <sup>1,2,3</sup>	410	366	\$5,000,000
Manager, Fuels Management Services <sup>3</sup>	410	366	\$5,000,000
Manager, Natural Gas Commercial Services <sup>3</sup>	61	31	\$1,000,000
Electric Systems Engineer, BPO <sup>1,2</sup>	6	5	\$1,000,000
Energy Operations Specialist <sup>1,2</sup>	6	5	\$1,000,000
Staff/Associate Engineer, BPO <sup>1,2</sup>	6	5	\$1,000,000
Fuels Specialist <sup>3</sup>	61	31	\$1,000,000
Fuels Administrator, Senior <sup>3</sup>	61	31	\$1,000,000
Fuels Administrator <sup>3</sup>	61	31	\$1,000,000
Fuels Electric Systems Engineer <sup>3</sup>	61	31	\$1,000,000
Fuels Staff/Associate Engineer <sup>3</sup>	61	31	\$1,000,000
Certified System Operator On Duty <sup>1,2</sup>	6	5	\$750,000
Associate System Operator On Duty <sup>1,2</sup>	6	5	\$750,000

1. Limited to TEA authorized transactions.
2. Limited to current day through next business day natural gas transactions.



3. Prior approval is required based on appropriate procurement code exemptions.

# **JEA**

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## **Energy Market Risk Management Policy**

Approved by the Board of Directors  
3/18/2014

Revision Approved by the Board of Directors  
9/20/2022

Revision Approved by the Board of Directors  
1/30/2024



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## **Policy Introduction**

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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**

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 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, Operative Risk, and Regulatory 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) 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.

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## **Discussion of Risks**

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### **Market Risk**

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

#### ***Price Risk***

Price Risk is the exposure JEA faces as a result of changes in the market price for power, fuel, emissions allowances, and renewable energy credits/green tag 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 and by balancing physical hedges with financial hedges. 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 may be 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 costs 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 employing a variable monthly fuel rate charge in customers' electric bills.

### **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 Clearing Merchant 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 activities 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 and proper operational planning. It is also managed by quantifying the risk impact on JEA's financial and operating condition and if warranted, taking steps to manage the risk.

### ***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 changes in federal, state, local, or market policy. 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.

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## **Oversight Responsibilities and Organization Structure**

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### **Organizational Structure and Reporting Relationships**

The JEA Board has delegated the responsibility to the Chief Executive Officer (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 CEO shall appoint the core members of the FPPC as 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 Fuels Management Services (FMS) consistent with JEA Records Management Policies. Hedge recommendations and resulting Transactions will be documented in presentation materials and posted on the FMS web page on JEA's SharePoint site. Any materials used in the analysis or decision to enter into a swap including confirmation documents will be retained 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 all major strategies employed by JEA to manage energy market risk.
- Approving all specific energy market financial and physical activities to meet JEA's strategies.
- 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 that are monitored by The Energy Authority (TEA).
- Designating the positions within JEA for whom this Policy applies and ensuring these individuals are aware of and understand their responsibilities for compliance with this Policy.
- Authorizing individuals in specific positions to commit JEA to energy market Transactions and ensuring that such individuals are appropriately trained. A list of positions within JEA authorized by the FPPC is contained in Appendix C and a list of individuals requiring training is maintained by FMS.
- Approving any changes to the list of approved energy market risk management products contained in Appendix D.

- Approving any changes to the approved Term, Maturity, and Notional Dollar Amounts in Appendix F below the level of CEO. The Notional Dollar Amount for the CEO is approved by the JEA Board. These Terms, Maturity, and Notional Dollar Amounts should be consistent with the Procurement Code Exemptions.
- 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.

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## **Business Practices**

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JEA has adopted the following Business Practices to help manage the Implementation Risk and sustain an effective EMRM Program:

### **Standards of Conduct and Compliance**

No JEA employee 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
- FERC Standards of Conduct.
- Any compliance documents that may be developed under the EMRM Program.

### **Training**

FMS is responsible for ensuring employees that are authorized to commit JEA to energy market risk management strategies and execute Transactions receive 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(s) would constitute speculation.

After FPPC authorization, all Transactions will be executed in a timely and judicious manner with considerations for current market conditions.

All physical Transactions executed by JEA shall follow the approved Procurement Code Exemptions.

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. Each employee or representative of JEA shall 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 in positions 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, documented through email, or documented through a signed confirmation from both parties that meets state record retention statutes. All physical Transactions are executed under JEA's Procurement Code Exemptions.

### **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 industry standard Agreement with an approved counterparty. The Treasurer will maintain all signed agreements with all counterparties approved for financial transactions. In addition, for Transactions executed by JEA for physical solid and liquid 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 the counterparty, for all EMRM Transactions. 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. Email use is permitted for all written confirmations.

### **Trade Recordkeeping (for both financial and physical transactions)**

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;
- Type of transaction: swap, futures, options, etc.;
- The reporting counterparty when the trade is a swap and there is not a prearranged reporting relationship;
- Whether any swap qualifies for the trade option exemption or exception to clearing for end user.

### **Qualified Independent Representative (QIR)**

- a) JEA will enter into a contract with a firm or firms that will have the qualifications to act as a qualified independent representative to JEA in accordance with the requirements of Commodity Futures Trading Commission (“CFTC”) Regulation §23.450 and its related safe harbor and in such contract such firm or firms will make representations and provide agreements to satisfy the requirements and safe harbors of CFTC Regulation in a manner satisfactory to JEA.
- b) JEA shall utilize the services of such qualified independent representative when (i) entering into a new Swap transaction, (ii) modifying, terminating (in whole or in part), transferring or novating an existing Swap transaction, or (iii) discussing the possibility of the transactions in (i) and/or (ii) with a counterparty. JEA is not to rely on Swap Recommendations (if any) provided by a Swap Dealer.
- c) JEA shall monitor the continued performance of each qualified independent representative.

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### **Exposures and Limits**

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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 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 percent of the swap exposure limit, TEA will contact the CFO who 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 by TEA. The CFO will report all exceptions to the Board quarterly.

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## **Credit Policy**

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The Credit Policy is intended 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, with TEA input, 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.
- Credit risk status will be tracked by counterparty at the agreement level and the information made available to the 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.

Mark-to-market is used to measure JEA's risk exposure to counterparty default on a Transaction by determining the current market value of the Transaction. 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 by TEA. 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 not 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**

Counterparty creditworthiness 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.

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## **Reporting**

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The following reports will be developed by TEA and made available on the TEA portal 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; made available daily.
- 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; made available daily.
- Swap Exposure Report – This report measures JEA energy swap exposures against the CFTC threshold limits for Swap Dealer Registration; made available daily.

Each quarter the CEO or CFO shall report JEA's financial and physical fuel and power transactions to the Board's Finance and Audit Committee, to include physical transactions greater than one year and all financial transactions.



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## Policy Acknowledgement

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### Policy Acknowledgement

All JEA employees participating in activities or Transactions covered by this Policy shall acknowledge at the end of the annual training module or 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.
- iv. taken the annual training.

The training module acknowledgement and/or a signed statement by all affected JEA employees will be maintained by Fuels Management Services and accessible to the Chief Compliance Officer.

### Designated Counsel

Questions about the interpretation of any matters relating to this Policy should be referred to the CFO.

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## Appendices

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### 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 Fuels 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  
January 30, 2024**

**Core Members**

Chief Executive Officer (CEO)  
Chief Financial Officer (CFO)  
Vice President (VP), Electric Systems  
Chief Operating Officer (COO)  
Chief Compliance Officer (CCO)  
Chief Strategy Officer  
Senior Director, Energy Operations  
Manager, Fuels Management Services  
Vice President (VP), Financial Services

### C. Authorized Personnel

The Authorized Personnel List is maintained by Fuels Management Services (FMS) and is available on the FMS Sharepoint page.

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

## ***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 August 10, 2022.

<b>Position</b>	<b>Maturity Limit (Days)</b>	<b>Term Limit (Days)</b>	<b>Notional Dollar Limit (\$)</b>
Managing Director/Chief Executive Officer	7,350	7,300	\$100,000,000
Chief Financial Officer	3,725	3,675	\$35,000,000
Chief Operating Officer	3,725	3,675	\$35,000,000
Vice President, Electric Systems	3,725	3,675	\$20,000,000
Vice President, Financial Services <sup>3</sup>	3,725	3,675	\$20,000,000
Sr. Director, Energy Operations	1,925	1,875	\$10,000,000
Director, Electric Systems Operations <sup>1,2,3</sup>	410	366	\$7,500,000
Manager, Bulk Power Operations (BPO) <sup>1,2,3</sup>	410	366	\$5,000,000
Manager, Fuels Management Services <sup>3</sup>	410	366	\$5,000,000
Manager, Natural Gas Commercial Services <sup>3</sup>	61	31	\$1,000,000
Electric Systems Engineer, BPO <sup>1,2</sup>	6	5	\$1,000,000
Energy Operations Specialist <sup>1,2</sup>	6	5	\$1,000,000
Staff/Associate Engineer, BPO <sup>1,2</sup>	6	5	\$1,000,000
Fuels Specialist <sup>3</sup>	61	31	\$1,000,000
Fuels Administrator, Senior <sup>3</sup>	61	31	\$1,000,000
Fuels Administrator <sup>3</sup>	61	31	\$1,000,000
Fuels Electric Systems Engineer <sup>3</sup>	61	31	\$1,000,000
Fuels Staff/Associate Engineer <sup>3</sup>	61	31	\$1,000,000
Certified System Operator On Duty <sup>1,2</sup>	6	5	\$750,000
Associate System Operator On Duty <sup>1,2</sup>	6	5	\$750,000

1. Limited to TEA authorized transactions.
2. Limited to current day through next business day natural gas transactions.
3. Prior approval is required based on appropriate procurement code exemptions.