DEBT MANAGEMENT POLICY

Revised as of September 26, 2023

I. SCOPE

This Policy applies to all current and future debt and related hedging instruments issued by JEA for its Electric System (ES), Water and Sewer System (WS), District Energy System (DES), St. Johns River Power Park (SJRPP), Bulk Power Supply System (BPSS), and any other entity created and approved by JEA's Board. The Policy is intended to provide broad policy guidance and enable sound management, control, and oversight of JEA's debt while facilitating ongoing access to the capital markets necessary to the funding of future capital projects.

II. GOAL/MISSION/OBJECTIVE

JEA's debt shall be managed with an overall philosophy of taking a long-term approach to borrowing funds at the lowest possible cost to JEA customers over time. To achieve this goal, JEA will continuously work towards developing the optimal capital structure in view of JEA's risk tolerance to market fluctuations, capital markets outlook, future capital funding needs, rating agency considerations, counterparty credit profiles, and competition. Primary goals of the Debt Management Policy include:

- Maintain cost of capital consistent with other similarly rated municipal utilities
- Maintain steady credit ratings
- Establish and maintain reserve funds
- Optimize floating rate debt "put" risk
- Maintain an appropriately diversified debt portfolio

III. RESPONSIBILITY FOR POLICY

The Debt Management Policy is approved by the JEA Board and implemented by the Chief Financial Officer (CFO). An oversight committee, the Debt &Investment Strategy Committee (Committee) meets periodically to develop strategy and review the performance of the debt and investment portfolio in conjunction with this Policy. The members of the Committee are the Managing Director and Chief Executive Officer (CEO), CFO, VP of Financial Services, Treasurer and Manager of Cash and Investments. The Debt & Investment Strategy Committee's function is to conduct information gathering and fact-finding with respect to JEA's debt and investment strategies. The Committee shall have no formal advisory or decision-making authority.

JEA's Treasury Department is charged with developing, maintaining, and continuously improving procedures to implement and administer this Policy.

IV. AUTHORIZATION

A. Debt Authorization

The overall amount of debt that JEA is allowed to have outstanding for each of its systems is authorized by the JEA Board and by City Council ordinance annually. Taking into account capital and financial forecasts, the JEA Board approves the not-to-exceed outstanding debt limits with the goal of providing adequate flexibility to issue debt to fund the business while maintaining credit ratings in line with peers.

B. Authorizations for Debt-Related Hedging Instruments

Resolutions approving the use of interest rate swap, cap, and related hedging instruments outlining, among other things, size and maturity restrictions, must be approved by the JEA Board prior to execution.

C. New Systems Authorization and Financing

This Policy is applicable to debt issued pursuant to any new system resolution approved by the JEA Board and City Council.

V. INVESTMENT STRUCTURE

JEA is authorized to invest available funds pursuant to an established Investment Policy approved by the Board on September 19, 2000, last amended April 25, 2023, Florida Statutes section 218.415 and the ES, WS, DES, SJRPP, and BPSS bond resolutions. The primary goals of the Investment Policy are to (1) provide safety of capital, (2) provide sufficient liquidity to meet anticipated cash flow requirements and (3) maximize investment yields while complying with the first two goals. The Investment Policy outlines the parameters on authorized investments, maturity and liquidity requirement limits, and procurement and safekeeping procedures.

JEA is authorized to utilize investment/asset-based "fixed to floating" swaps in order to take advantage of longer-term investment yields as a hedge to the shorter yielding funds which are required to remain in short-term investments (i.e., debt service funds and operating funds).

The notional amount of investment/asset-based swaps outstanding is authorized by the Board under a separate resolution. JEA may not have outstanding a notional amount of investment/asset swaps which, in aggregate, is an amount greater than the amount of short-term investments maturing within one year.

VI. ANNUAL PLAN OF FINANCE

As part of the annual budget presentation, a Plan of Finance will be submitted to the Board for information purposes. Such Plan of Finance will address at a minimum the amount of debt projected to be issued during the next fiscal year and whether such debt is senior or subordinated, fixed and/or variable and the possible use of hedging instruments.

A. The annual capital budgeting process will be used to project the amount of debt to be issued during the next three-year period. Factors to be considered in the final financial forecast are:

- The forecast of spending levels for capital projects.
- The availability of internal funds to pay for capital projects.
- Desired debt service coverage levels consistent with a highly rated utility.
- The additional bonds test calculation outlined in the respective senior and subordinated resolution of each system.

B. Senior vs. Subordinated Debt

The Electric System and the Water and Sewer System each have a separate senior and subordinated bond resolution. The Electric System senior resolution authorizes debt issued under its resolution to fund projects relating to non-generation capital expenditures and the subordinated resolution authorizes debt issued under its resolution to fund projects relating to all categories of capital expenditures. This Policy will target debt issued under the Electric System subordinated resolution to fund generation capital expenditures and any associated debt refunding transactions.

The Water and Sewer System senior and subordinated bond resolutions authorize debt issuance under the respective resolution to fund projects relating to all categories of Water and Sewer System related capital expenditures and any associated debt refunding transactions.

A second revenue bond resolution for SJRPP authorizes the issuance of additional new money debt and any associated debt refunding transactions.

A restated and amended BPSS resolution authorizes debt to be issued to fund new projects and refund related debt.

The DES resolution authorizes debt to fund new projects and refund related debt.

C. Tax-exempt vs. Taxable

As a municipal utility, JEA is authorized to issue tax-exempt debt and must comply with appropriate tax regulations. JEA will always endeavor to issue tax-exempt debt. For certain transactions, due to tax regulations, it may be necessary or advantageous for JEA to issue taxable debt. Such prevailing circumstances may include excessive transferred proceeds, volume cap limitations, and private use restrictions. The Treasury Department will monitor current tax regulations and utilize tax-exempt financing whenever possible.

D. Fixed vs. Variable Rate Debt

JEA will not exceed 30% of Net Variable Rate Debt to Total Debt and will not exceed 55% of Net Variable Rate Debt plus Net Fixed to Floating Interest Rate Swaps to Total Debt.

For purposes of this Policy, the above limits will be calculated with the following components:

- Net Variable Rate Debt equals Total Variable Rate Debt minus Net Variable Rate Assets.
- Net Variable Rate Assets equals Variable Rate Assets minus notional amount of investment/asset-matched interest rate swaps.
- Net Fixed to Floating Interest Rate Swaps shall be defined as the notional amount of fixed to floating swaps maturing in 10 years or less minus the notional amount of floating to fixed swaps maturing in 10 years or less outstanding on the last day of each month.
- Total Debt equals the par amount of fixed rate debt plus Total Variable Rate Debt.
- Total Variable Rate Debt equals hedged and unhedged variable rate debt.
- Variable Rate Assets are defined as investments maturing in less than one year.
- Unhedged Variable Rate Debt is defined as Total Variable Rate Debt outstanding less variable rate debt that is associated with a floating to fixed rate swap where the term of the swap matches the term of the variable rate debt.

The calculation of these percentages will be performed periodically and reported to the Committee.

JEA's capital structure, comprised of fixed rate debt, variable rate debt, and debt-related hedging instruments such as interest rate swaps and caps, will be managed in conjunction with investment assets and investment-related hedging instruments to incorporate the natural occurrence of hedging impacts in those balance sheet categories. The goal of adopting a comprehensive investment and debt management strategy is to use each side of the balance sheet to mitigate or hedge cash flow risks posed by the other side of the balance sheet. For example, interest income for variable rate assets provides a natural offset to the interest expense of variable rate debt as interest rates increase or decrease. Therefore, in determining JEA's exposure risk to a changing interest rate environment, both components of the balance sheet will be analyzed and JEA's net exposure evaluated.

JEA will utilize a mix of fixed and variable rate debt to lower the overall cost of capital. Variable rate debt will generally be used as an efficient way to fund new construction requirements and as a permanent component of a long-term funding strategy. The amount of variable rate debt outstanding shall be based on any one or a combination of the following factors:

(1) Interest Rates

The absolute level of interest rates, the forecasted direction of interest rates and the shape of the yield curve are all factors in managing the amount of variable rate debt outstanding. If fixed rates are high relative to the current cycle of rates and the yield curve is steep, a higher percentage of net variable rate debt may be desirable. Conversely, if interest rates are low relative to the current cycle of rates and the yield curve is flat, a higher percentage of net fixed rate debt may be desirable.

(2) Capital Structure and Construction Funding

Given that JEA has a continuous capital program with projects beginning at various points in time and the lack of correlation between low interest rate environments and the need to begin a project, having a variable rate program will allow for "Just in Time" financing while providing for market timing flexibility. Additionally, variable rate debt adds flexibility for capital structure changes like accelerating the paydown of debt.

(3) Other Related Variable Rate Risks

JEA will take into consideration when determining the appropriate variable rate risk levels the potential exposure to variable rate risk on joint financing programs with the City of Jacksonville and other related agencies.

To optimize the debt portfolio as interest rates change and properly manage interest rate risk, the Committee will review the mix of fixed vs. variable interest rates on a periodic basis, taking into consideration the current interest rate environment, forecasts of interest rate volatility, expected performance of various debt or hedging instruments that may be utilized, and ongoing administrative costs.

E. “Just in Time” Financing.

The cash flow forecast for budgeted capital projects is the main factor used in determining the appropriate timing of new money debt transactions. The goal is to issue new debt as outstanding debt proceeds are spent. However, the timing of debt transactions may also depend upon factors including:

- Desired debt service coverage levels
- Budget, financial statement and ratings impacts
- Annual Plan of Finance
- Interest rate environment

The above factors are considered prior to making the final determination of the most optimal time to issue new debt to fund capital projects.

F. Budget/Financial Forecast goals for debt service

In order to adequately project debt service for budget purposes and for official financial forecast/rating agency purposes, the Treasury Department will develop interest rate assumptions using the following guidelines:

(1) Fixed Rate Debt

For the upcoming budget year, the budget assumption for interest rates for new incremental fixed rate debt will be (i) at a minimum, the average of the AA MMD index for comparable maturities for the most recent twelve months, or (ii) management, at its discretion, can choose to utilize higher rates. Interest rate forecasts from JEA’s underwriting team can be used as support for this determination. Forecasts for the fiscal years beyond the upcoming budget year will be based upon the budget interest rate assumption plus or minus based upon input from either forecasts received from investment bankers or from Bloomberg.

(2) Variable Rate Debt

For the upcoming budget year, the budget assumption for interest rates for outstanding and new incremental variable rate debt will be (i) at a minimum, the average of the SIFMA index for the most recent twelve months, or (ii) higher rates selected at the Treasurer’s discretion. Interest rate forecasts from JEA’s underwriting team or from Bloomberg can be used as support for this determination. Forecasts for the fiscal years beyond the coming budget year will be based upon the budget interest rate assumption plus or minus based upon input from either forecasts received from investment bankers or from Bloomberg.

(3) The projected fixed and variable interest rate assumptions will be provided by the Treasurer as requested each year.

(4) Unless otherwise agreed upon by the CFO, debt service for new debt will be projected on a level basis.

G. Credit Ratings

JEA recognizes that strong credit ratings are necessary to ensure the lowest possible borrowing costs, which will factor into maintaining low rates for our customers. JEA's goal is to maintain a long-term senior unsecured "AA" category rating by each rating agency.

JEA will utilize the following municipal debt rating services: Fitch Ratings, Standard and Poor's, and Moody's Investors Service. Any changes, additions, or deletions to the list above will require approval of the CEO.

VII. FIXED RATE DEBT

A. Overview

Fixed rate debt is authorized to finance capital projects and for any other allowable purpose as stipulated in the governing bond resolutions and tax regulations.

B. Type

JEA may issue any type of fixed rate debt as authorized by JEA's various bond resolutions and recommended by JEA's Financial Advisor. Some of the various types of debt authorized include, but are not limited to, serial and term bonds issued at par, discount or premium, capital appreciation bonds, and bullet bonds (e.g., refundable principal installments).

C. Maturity, Structure, and Call Provisions

Prudent debt management requires that there be a proper matching of the lives of the assets and the length of the debt used to finance such asset. JEA will, at all times, structure the amortization and maturity of any fixed rate debt to comply with the appropriate tax regulations.

To provide the maximum amount of flexibility, JEA will issue tax-exempt debt with an embedded call feature whenever possible. For taxable debt, JEA can utilize make whole call provisions at terms and conditions prevalent in the taxable bond market at the time of pricing. JEA staff along with the financial advisor and underwriter will assess the market at the time of pricing to determine its ability to issue bonds with such features while minimizing interest costs.

D. Providers

JEA may sell debt by either negotiated sale or competitive bid. The determination of the method is to be made prior to each financing.

If JEA selects the "negotiated sale" method, the underwriting team will be selected pursuant to the Financial Instruments and Services Directive of the JEA Procurement Code. JEA shall require that a master underwriting agreement be entered into and signed by all parties at the end of the solicitation process and a separate bond purchase agreement with the senior underwriter(s) shall be approved by the JEA Board at each sale of debt, unless the Board has previously delegated such approval authority to the CEO.

If JEA selects the "competitive sale" method, determination of the winning bid will be based on the following methodology: (1) the "standard convention" as recommended by JEA's Financial Advisor, (2) calculation utilized by the State Board of Administration or (3) the underwriting firm with the lowest True Interest Cost (TIC) proposal.

JEA will employ staff or an outside professional financial advisor, other than the underwriter, who is familiar with and abreast of the conditions of the municipal market, and is available to assist in structuring the issue, pricing, and monitoring of sales activities. JEA shall not use a firm to serve as both the financial advisor and underwriter. Financial advisors and bond counsel will be selected in accordance with the JEA Procurement Code. Selection of underwriters and other necessary service providers involved in debt transactions will be selected pursuant to the Financial Instruments and Services Directive of the JEA Procurement Code.

E. Debt Service Reserves

A debt service reserve will be funded, maintained, and held for the benefit of bondholders as specified in the Supplemental Resolution authorizing the sale of the bonds to pay principal and/or interest on the bonds should revenues from operations not be sufficient for such purpose in accordance with the appropriate bond resolution.

- The debt service reserve may be in the form of cash and/or investments funded from the proceeds of bonds and/or revenues from operations.
- If allowed by the resolution, a surety issued by a financial institution nationally recognized in the industry to issue such policies may be used in place of a cash-funded debt service reserve.
- If allowed under the respective bond resolution, any other form of financial instruments may be used in place of cash-funded or surety-funded debt service reserve, provided such financial instruments are issued by firms of nationally recognized standing.

- JEA will weigh the benefits of each method of funding the debt service reserve prior to each issue and will choose the method most beneficial to JEA based upon the facts and circumstances of each issue.

  A debt service reserve may also be maintained if, in the opinion of the underwriter, it is reasonably required to provide security for the payment of debt service with respect to JEA's bonds and is consistent with normal practice in respect of bonds of the same general type as those being issued by JEA.

F. Bond Insurance

For each debt transaction, JEA will evaluate the economic benefit of using bond insurance. This analysis will incorporate the insurance benefits to the call date, to maturity date, and any intermediate date. If based on the analysis, JEA determines that bond insurance will add economic benefit to the transaction an insurance provider will be selected. Financial institutions which insure bonds for investors of JEA must have, at the time the bonds are issued, a credit rating (if rated) not less than AA/Aa2/AA from Fitch Ratings, Moody's, and Standard & Poor's, respectively.

G. Approvals

The structure, maturity, and call provisions for each fixed rate financing must be approved in writing by the CFO on or prior to the date of pricing. The CFO has the responsibility to review the structure of each debt transaction with the CEO. Negotiation with the underwriter on negotiated bond transactions will be conducted by the Treasurer. Final transaction approval must be obtained from the Board; however, it may be in the form of a delegated authority.

H. Reporting and Compliance

A monthly report entitled "Schedule of Outstanding Indebtedness" will be provided to the Board that summarizes the principal amount, the range of interest rates and maturity dates of all outstanding debt.

JEA is committed to full and complete compliance with all applicable laws and regulations with respect to its debt. Because of the complexity of the tax regulations and the consequences of non-compliance, the advice of bond counsel and other qualified professionals will be sought whenever necessary. In carrying out its responsibility, JEA shall monitor and analyze the investments and use of bond proceeds and calculate the amount of arbitrage rebate liability due to the U.S. Treasury.

VIII. VARIABLE RATE DEBT INSTRUMENTS

A. Overview

Variable rate debt is authorized to finance capital projects and for any other allowable purpose as stipulated in the governing bond resolutions and tax regulations.

JEA must adhere to the variable rate debt limits outlined in this Policy.

B. Type

JEA may issue any type of variable rate debt as authorized by JEA's various bond resolutions and recommended by JEA's Financial Advisor. Some of the various types of debt authorized include, but are not limited to, Commercial Paper, Variable Rate Demand Obligations, and Medium-Term Notes.

C. Management

On a periodic basis, the Treasury Department will make decisions regarding any changes to the interest mode for variable rate demand obligations and desired maturities for commercial paper.

D. Maturity and Call Provisions

As with fixed rate debt, JEA will structure the maturity dates of the variable rate debt to match the lives of the assets being financed. JEA will, at all times, structure the amortization and maturity of any variable rate debt to comply with the appropriate tax regulations. For JEA commercial paper program, the maturity of a Commercial Paper Note shall not exceed 270 days and the term of a commercial paper program shall not exceed 30 years in order to stay within the current safe harbor rules to be treated as part of a single issue. For variable rate debt with tender rights, the current safe harbor rules limit the maturity to no longer than 35 years.

E. Providers

Underwriters, remarketing agents or dealers of JEA's variable rate debt program will be selected pursuant to the Financial Instruments and Services Directive of JEA's Procurement Code.

Banks providing Liquidity Facilities for variable rate debt shall be reviewed regularly with the Financial Advisor and minimum short-term ratings (if rated) established for these providers shall be F1, P1, A1 from the three rating agencies: Fitch Ratings, Moody's, and Standard & Poor's, respectively. The long-term credit rating should generally have a minimum rating equal to JEA's credit rating on the underlying debt.

If bond insurance is necessary for variable rate debt, the insurance provider will be selected pursuant to the Financial Instruments and Services Directive of JEA's Procurement Code. Financial institutions which insure bonds for investors of JEA must have, at the time the bonds are issued, a short-term credit rating (if rated) of F1, P1, A1 and a long-term credit rating (if rated) not less than AA/Aa2/AA from Fitch Ratings, Moody's, and Standard & Poor's, respectively.

F. Approvals

The structure, maturity, and call provisions for each variable rate financing must be approved in writing by the CFO prior to the transaction. The CFO has the responsibility to review the structure of each debt transaction with the CEO. Final transaction approval must be obtained from the Board; however, it may be in the form of a delegated authority.

G. Compliance/Reporting Requirements

The amount of variable rate debt outstanding for JEA shall be included on the report entitled "Schedule of Outstanding Indebtedness" and will be reported to the Board in conjunction with the Monthly Financial Statements of JEA.

JEA will monitor and report any arbitrage rebate liability due to the U.S. Treasury on bond proceeds from variable rate transactions.

IX. DEBT REFUNDING

A. Overview

The refunding of outstanding debt represents an opportunity for JEA to realize debt service savings. Refundings may allow JEA to restructure its existing debt portfolio to enable JEA to operate in a more competitive manner. Many of the policies and practices applicable to new money fixed and variable rate financings are applicable to debt refundings as well.

B. Management

Periodic reviews of all outstanding debt will be undertaken to determine refunding opportunities. Refundings will be considered within federal tax law constraints. JEA and the financial advisor shall monitor the municipal bond market for opportunities to obtain interest savings. Current tax regulations do not permit tax-exempt Advance Refunding transactions. There are no limitations with respect to a current refunding of bonds. The following guidelines should apply to the issuance of refunding bonds:

(1) Any refunding will be evaluated on the economic savings or structure advantages relating to issuing the new debt. For a fixed rate refunding, a five percent savings target is a general guideline. However, refunding issues that produce a net present value savings of less than five percent may be issued for various business and/or economic purposes. Examples include but are not limited to (a) restructuring debt, (b) amending provisions of a bond document, and (c) taking savings based on structure or low interest rate environment considerations. Savings below the five percent guideline must be approved by the CFO or by delegated authority from the Board prior to the execution of the refunding transaction.

(2) Refundings involving variable rate debt generally do not produce savings and will not have a savings guideline. These transactions are usually executed to take advantage of structuring opportunities or to reduce risk, or may be utilized to take advantage of low long-term interest rates.

(3) The final structure (including the use of hedging products) will be recommended by the Treasury Department to the CFO for approval prior to the execution of any refunding transaction. The CFO has the responsibility to review the structure of each debt transaction with the CEO.

C. Fixed and Variable

JEA can utilize fixed or variable rate debt for refunding purposes and must adhere to the variable rate debt limits outlined in this Policy.

D. Maturity and Call Provisions

The maturity of refunding bonds shall, absent a bond counsel opinion, be in accordance with the safe harbor rules for the creation of replacement proceeds found in the tax regulations.

To provide the maximum amount of flexibility, JEA will utilize call provisions whenever possible for tax-exempt debt. Call provisions for taxable debt will be based on terms and conditions prevalent in the taxable bond market at the time of pricing. JEA staff along with the financial advisor and underwriter will assess the market at the time of pricing to determine its ability to issue bonds with such features while minimizing interest costs.

E. Debt Service Reserve

In the event where a refunding transaction reduces the debt service reserve requirement, JEA may deposit any such reduction into the defeasance escrow account for the refunded bonds or utilize the reduction for any lawful purpose.

F. Approvals

The structure, maturity, and call provisions for each refunding must be approved in writing by the CFO on or prior to the date of pricing. The CFO has the responsibility to review the structure of each debt transaction with the CEO. Negotiation with the underwriter on negotiated bond transactions will be conducted by the Treasurer. Final transaction approval (which may be delegated) must be obtained from the Board.

X. INTEREST RATE SWAPS, CAPS, COLLARS, AND RELATED HEDGING INSTRUMENTS

A. Overview

The prudent use of hedging instruments, including interest rate swaps, caps and collars, may be an effective tool in meeting funding needs and structuring a balance sheet while managing risk associated with the movement of interest rates. Utilizing hedging products may provide JEA with cost effective alternatives to traditional debt financing choices.

There are three types of interest rate swaps JEA is authorized to enter into:

- Floating-to-fixed interest rate swaps
  - Hedge interest rate risk on variable rate debt;
  - Lock in fixed rates on refunding bonds that will be issued in the future; or
  - Take advantage of opportunities to obtain fixed swap rates that are lower than comparable fixed rate bonds

- Fixed rate to floating interest rate swaps
  - Increase the amount of variable rate exposure without incurring the remarketing and liquidity costs;
  - Eliminate the put risk associated with variable rate debt; or
  - Take advantage of opportunities to obtain variable swap rates that are lower than comparable variable rate bonds

- Basis swaps to manage the risk associated with the mismatch between two benchmarks

B. Risks

Interest rate swaps and related hedging instruments may introduce additional risks to JEA's credit profile. These risks include, but are not necessarily limited to, termination risk, counterparty risk, re-execution risk, amortization risk, Basis Risk, and tax event risk. Prior to entering into each interest rate swap transaction, these risks are evaluated to ensure adequate provisions are in place to minimize the downside and provide the maximum benefit the transaction originally intended.

C. Limits

The percentage of variable rate exposure (the notional amount of Net Fixed to Floating Interest Rate Swaps and Total Variable Rate Debt outstanding) to Total Debt outstanding shall not exceed 55%. The Total Variable Rate Debt outstanding and Net Fixed to Floating Interest Rate Swaps shall be calculated as set forth in Section VI.D of this Policy. The notional amount of interest rate swaps, caps, collars, and related hedging instruments will be limited to the amount approved in resolutions approved by the Board from time to time.

At all times, a fixed to floating interest rate swap will have an associated interest rate cap for the same notional amount at a level no greater than 200 basis points above the interest rate swap fixed rate. (See waiver in Section K)

Additionally, it is contemplated that an interest rate cap will not always have the same maturity as the interest swap with which it is associated. The average life of aggregate outstanding caps will not be less than 75% of average life of the associated aggregate swaps.

From time to time, the Treasury Department will evaluate the use of collar (cap and floor instrument) transactions as a hedging tool to minimize cost and risk. The cap portion will be executed pursuant to the above referenced rules. The related floor rate will be approved by the Committee prior to execution.

D. Fixed to Floating Rate Swap Management

The Committee shall have the overall responsibility for the execution and management of fixed to floating interest rate swaps.

The following decision rules will govern the decision to initially execute a fixed to floating interest rate swap, cap, or other hedging instruments within the Debt Management Program:

1. JEA receives payments based on a fixed rate and pays based on a floating rate.

2. Floating rate is based on either SIFMA or SOFR.

3. If the SIFMA Index is selected, no adjustment to the notional amount is needed.

4. If the SOFR index is selected, the notional amount of the interest rate swap and cap will be adjusted by the current ratio of the SIFMA based fixed rate to the SOFR based fixed rate. (See example below)

$$\frac{\textbf{SIFMA Fixed Rate}}{\textbf{SOFR Fixed Rate}} = \frac{\mathbf{1.56\%}}{\mathbf{2.36\%}} = \mathbf{66.1\%}$$

The notional amount will be multiplied by the ratio to obtain the adjusted notional amount.

5. Decision to select SOFR or SIFMA will be based on a combination of historical, current, and future expectations for the relationships of floating SIFMA to floating SOFR and fixed SIFMA to fixed /SOFR. Generally, if the floating SIFMA to SOFR ratio is lower than the fixed SIFMA to SOFR ratio, a SIFMA based swap is preferred. However, historical and future expectations must be evaluated in order to make the decision.

6. Term of the interest rate swap and cap shall not exceed 10 years.

7. An interest rate swap will not be executed unless the spread between the fixed rate and initial floating rate is a positive 10 basis points or more.

8. An interest rate cap is to be entered into at the time of each swap transaction for the identical notional amount if JEA does not have a current interest rate cap in place that meets the criteria. The cap should be at a level no greater than 200 basis points above the fixed rate of the swap. However, if JEA has current interest rate cap positions that are not associated with any particular interest rate swap but are being utilized generally to manage variable rate risk, an interest rate cap meeting the conditions listed above may be utilized to satisfy the requirements of this section.

The Committee will meet on a periodic basis to review the performance of any fixed to floating interest rate swap and review the current interest rate swap and cap decision rules.

E. Floating to Fixed Rate Swap Management

The Committee shall have the overall responsibility regarding the execution and management of floating to fixed interest rate swaps. An additional component of the debt management strategy is to use floating to fixed rate swaps to lock in the lowest possible borrowing costs over a long period of time. Floating to fixed rate swaps can be used in conjunction with issuing variable rate debt to obtain the lowest fixed rate when compared to traditional forms of fixed rate financings. In addition, floating to fixed swaps may be desirable when the cycle of long-term rates moves down to or near historical lows and "fixing" a portion of the outstanding variable rate debt appears advantageous. Swaps will be evaluated as alternatives to traditional financing instruments considering their comparable costs, ease of entry and exit provisions, and the amount of potential risk exposure.

Interest rate swaps will be executed for notional amounts, maturities and other related terms and conditions as determined by the Committee. Re-execution risk, amortization risk, tax event risk and Basis Risk will be evaluated in order to minimize any potential negative results.

Forecasts of interest rate volatility over the term of the swaps and expected performance of the swaps under various interest rate scenarios shall be analyzed prior to the execution of the swaps. Short and long-term interest rates will be monitored over varying time periods. The Committee may elect to enter into "reversing" swaps to take advantage of market opportunities.

The following "decision rules" will govern the decision to execute and/or re-execute a floating to fixed interest rate swap:

1. JEA receives payments based on a floating rate and pays based on a fixed rate.

2. Floating rate is based on either SIFMA or a percent of SOFR.

3. If the SIFMA Index is selected, no additional analysis is needed.

4. If the SOFR index is selected, the historical relationship of SIFMA to SOFR will be used as a guide when selecting the percent of SOFR as the index. A risk analysis will be done on a projected basis to quantify the risk versus potential reward.

5. Decision to select LSOFR or SIFMA will be based on a combination of historical, current, and future expectations for the relationships of floating SIFMA to floating SOFR and fixed SIFMA base rate versus the fixed rate based on the SOFR index.

6. Term of the interest rate swap is a maximum of 30 years or if the swap is executed with the purpose of synthetically fixing a specific variable rate debt issue, the swap transaction is permitted to have a term which matches the term of the variable rate debt but will be determined based on the life of the related debt being hedged.

Interest rate caps and collars are additional hedging instruments that JEA may utilize to manage risks associated with variable rate debt.

F. Compliance and Reporting Requirements

Resolutions approving the use of interest rate swap, cap, and other hedging instruments outlining, among other things, size, and maturity restrictions, must be approved by the JEA Board prior to execution.

JEA Board must approve the overall Debt Management Policy including explicit parameters for the use of interest rate swaps, caps, and other hedging instruments.

JEA CEO must sign all interest rate swap, cap, or collar confirmations.

JEA external auditors shall perform an annual review relating to fixed to floating interest rate swap management as part of its annual financial statement audit.

Monthly performance reports regarding outstanding interest rate swaps, caps and related hedging instruments will be provided to Accounting Services to be included in the monthly financial statements to the Board. Mark to market valuations will be updated on a periodic basis and provided to Committee members and Accounting Services to be included in the financial statements.

Collateral reports will be updated on a monthly basis providing information relating to specific swap transactions that may require collateral posted based on mark to market valuations.

JEA's CFO or Treasurer must approve the interest rate swap term sheet prior to execution. In addition, the purpose of the transaction,will be included as part of the swap paperwork file kept for each executed swap transaction.

G. Providers

Financial Institutions and Dealers executing interest rate swaps, caps, and other hedging instruments for JEA shall be selected pursuant to the Financial Instruments and Services Directive of the JEA Procurement Code. JEA shall require that all institutions and dealers entering into interest rate swap, cap and other hedging instrument agreements execute a Master Swap Agreement (the ISDA Master Agreement must be used as a part of the Master Swap Agreement) that is signed by both parties. All transactions shall adhere to the requirements of the Master Swap Agreement.

H. Diversification

No more than $500 million of net interest rate swap and cap or other hedging instruments shall be outstanding in the aggregate with any one provider or affiliate thereof unless approved in writing by the CEO. The aggregate amount of all long-dated (greater than 10 years) transactions executed with financial institutions and all affiliates thereof, shall be limited to an amount based on the credit rating of the financial institution at the time of the entry into the long-dated hedging transaction as shown below:

Rating Level	Notional Amount
AAA/Aaa by one or more Rating Agencies	$400,000,000
AA-/Aa3 or better by at least two Rating Agencies	$300,000,000
A/A2 or better by at least two Rating Agencies	$200,000,000
Below A/A2 by at least two Rating Agencies	$0

The rating criteria shown above apply either to the counterparty to the long-dated transaction or, if the payment obligation of such counterparty under the relevant Swap Agreement shall be guaranteed by an affiliate thereof, such affiliate. The overall maximum of the above limits cannot exceed $400 million for long-dated transactions.

This provision includes all interest rate swap, cap and other hedging instruments JEA may utilize to manage interest rate risk.

I. Bid

All initial interest rate swap and cap transactions shall be competitively bid by at least three providers that have executed interest rate swap agreements with JEA. Upon written authorization from the CEO or his designee, 1) a reversing transaction resulting in an upfront payment to JEA may be negotiated with the original swap, cap, or collar counterparty, 2) a negotiated swap with a counterparty may be executed as part of a debt financing or (3) a cap/collar can be procured either with bids received from two providers or negotiated with only one provider if JEA receives a letter from the then current Financial Advisor stating that the payment for such cap/collar was executed at market levels.

J. Reserve Fund

An annual budgeted reserve contribution will be made to a reserve fund to cover any payments made as a result of the use of swaps as part of the Policy. Three percent of the notional amount of each fixed to floating interest rate swap initially executed will be retained in the reserve fund and used if needed to make interest rate swap payments. The contributions to the reserve fund will be funded in three equal installments of 1% of the notional amount beginning in the month the swap is executed. Once funded, the reserve fund shall at all times be not less than three percent of the notional amount of fixed to floating debt interest rate swaps outstanding unless the reserve fund is used as stipulated below. Accounting will be consistent with the variable rate reserve fund.

The reserve fund can be used for any lawful purpose including debt service, debt repayment and capital outlay. The use of this reserve fund must be approved in writing by the CEO.

K. Other

If a fixed to floating interest rate swap is executed in conjunction with a refunding transaction where the net effect is to maintain the current level of variable rate exposure, (1) the requirement to execute a cap with an associated fixed to floating swap is waived and (2) any reserve requirement needed for the fixed to floating swap is waived; however, the reserve requirement shall be calculated as if the variable rate debt is outstanding in the amount of the notional amount of the associated fixed to floating interest rate swap.

XI. INSIDER TRADING POLICY GUIDELINES

Insider trading is a court developed doctrine under which it is unlawful to purchase or sell a security while in possession of material non-public information in breach of a duty or other relationship of trust or confidence.

Insider trading likely would not be found where an issuer is communicating in good faith with investors or analysts and disclosing information that is (1) Public, (2) not material or "market-moving" or (3) both public and non-material.

XII. POLICY EXCEPTIONS

Any financing activity not included in this Policy will be brought to the Board for review and approval prior to execution.

XIII. EFFECTIVE DATE

This Policy will become effective May 20, 2003 (as revised April 19, 2005, October 10, 2005, November 20, 2007, December 15, 2009, September 24, 2019 and September 26, 2023).

XIV. DEFINITIONS

Advance Refunding A bond is treated as issued to advance refund another bond if it is issued more than 90 days before the redemption of the refunded bond.

Basis Risk Movement in the underlying variable rate indices may not be perfectly in tandem, creating a cost differential that could result in a net cash outflow from the issuer. Also, the mismatch that can occur in a swap with both sides using floating, but different, rates.

Capacity Expansion Capital expansion projects are those projects designed to accommodate new customers, acquisitions, new “plants”, and expansion of existing system capacity.

Commercial Paper Note Shall mean any Bond which has a maturity date which is not more than 270 days after the date of issuance thereof.

Competitive Bid A method of submitting proposals for the purchase of new issue of municipal securities by which the securities are awarded to the underwriting syndicate presenting the best bid according to stipulated criteria set forth in the notice of sale.

Construction Loan Credit Facility Obligations of JEA of a particular credit facility for construction advance purposes which shall be similar to Bond Anticipation Notes.

Counterparty Risk The risk that the other party in the derivative transaction fails to meet its obligations under the contract.

Credit Enhancement Shall mean, with respect to the Bonds of a Series, a maturity within a Series or an interest rate within a maturity, the issuance of an insurance policy, letter of credit, surety bond or any other similar obligation, whereby the issuer thereof becomes unconditionally obligated to pay when due, to the extent not paid by JEA or otherwise, the principal of and interest on such Bonds.

Current Refunding A bond is treated as issued to current refund another bond if the refunding issue is issued not more than 90 days before the redemption of the refunded bond.

Hedge A transaction entered into to reduce exposure to market fluctuations.

Interest Rate Swap A transaction in which two parties agree to exchange future net cash flows based on predetermined interest rate indices calculated on an agreed notional amount. The swap is not a debt instrument between the issuer and the counterparty, and there is no exchange of principal.

ISDA International Swap Dealers Association, the global trade association with over 550 members that include dealers in the derivatives industry.

ISDA Master Agreement The standardized master agreement for all swaps between the issuer and the dealer that identifies the definitions and terms governing the swap transaction.

Long-Dated Swap A swap with a term of more than ten years. Often used in the municipal market, as issuers often prefer to use a hedge that matches the maturity of the underlying debt or investment.

Mark-to-Market Calculation of the value of a financial instrument (like an interest rate swap) based on the current market rates or prices of the underlying (i.e. the variable on which the derivative is based).

Medium-Term Note Any bond which has a maturity date which is more than 365 days, but not more than 15 years, after the date of issuance and is designated as a medium-term note in the supplemental resolution authorizing such bond.

Negotiated Sale The sale of a new issue of municipal securities by an issuer through an exclusive agreement with an underwriter or underwriting syndicate selected by the issuer.

SIFMA Index SIFMA Municipal Swap index is a 7-day high-grade market index comprised of tax-exempt VRDO reset rates that are reported to the Municipal Securities Rule Making Board's Short-Term Obligation Rate Transparency reporting system.

SOFR Index Secured Overnight Financing Rate (SOFR) is a broad measure of the cost of borrowing cash overnight collateralized by Treasury securities. JEA agreed to use SOFR as the replacement benchmark for LIBOR based transactions effective as of July 1, 2023.

Termination Risk The risk that a swap will be terminated by the counterparty before maturity that could require the issuer to make a cash termination payment to the counterparty.

True Interest Cost The rate, compounded semiannually, necessary to discount the amounts payable on the respective principal and interest payment date to the purchase price received for the bonds.

Variable Rate Bond Shall mean any Bond not bearing interest throughout its term at a specified rate or specified rates determined at the time of initial issuance.

Variable Rate Demand Obligations (VRDO) A long-term maturity security which is subject to a frequently available put option or tender option feature under which the holder may put the security back to the issuer or its agent at a predetermined price (generally par) after giving specified notice or as a result of a mandatory tender. Optional tenders are typically available to investors on a daily basis while in the daily or weekly mode and mandatory tenders are required upon a change in the interest rate while in the flexible or term mode. The frequency of a change in the interest rate of a variable rate demand obligation is based upon the particular mode the security is in at the time.