JEA
BOARD AGENDA

DATE: May 17, 2016

TIME: 12:00 PM

PLACE: JEA
21 West Church Street
19th Floor

I. WELCOME

A. Call to Order
B. Time of Reflection
C. Pledge to Flag
D. Adoption of the Agenda
E. Safety Briefing
F. Sunshine Law/Public Records Statement – Office of General Counsel (OGC)

II. PRESENTATIONS AND COMMENTS

A. Board of Directors Ethics Training – Carla Miller, City of Jacksonville, Director, Office of Ethics, Compliance, and Oversight – information – 60 minutes
B. Comments from the Public
C. Council Liaison's Comments – The Honorable Bill Gulliford
D. Office of the Mayor Liaison's Comments – Dr. Johnny Gaffney
E. Nassau County's Ex-Officio Representative – Mike Mullin
F. Arbor Day Foundation Tree Line USA Award – Kim Wheeler, Manager T&D Preventative Maintenance and Joe Anderson, Arborist – information – 5 minutes
G. 2016 J. D. Power Electric Utility Residential Customer Satisfaction Results for Wave 3 and Letter from Governor Rick Scott for J. D. Power Business Award – Monica Whiting, Chief Customer Officer – information – 5 minutes

III. FOR BOARD CONSIDERATION

A. Consent Agenda – The Consent Agenda consists of agenda items that require Board approval but are routine in nature, or have been discussed during previous public meetings of the Board. The Consent Agenda items require no explanation, discussion or presentation, and are approved by one motion and vote.

1. Approval of Board Workshop Minutes April 7, 2016 – action
2. Approval of Board Meeting Minutes April 19, 2016 – action
3. Monthly JEA Financial Review & Statements – information
4. Monthly FY16 Communications & Engagement Calendar and Plan Update – information

B. Strategic Discussions/Action

1. JEA 401(a) Defined Contribution Retirement Plan Restatement – Resolution 2016-10 – Angie Hiers, Chief Human Resources Officer – 10 minutes – presentation/information
2. Approval of Resolution: FY2016 Budgetary Transfers – Melissa Dykes, Chief Financial Officer and Mike Brost, Vice President/General Manager, Electric Systems – 5 minutes – presentation/action
3. Bi-Monthly Operations Presentation – Brian Roche, Vice-President/General Manager, Water/Wastewater Systems, Mike Brost, Vice-President/General Manager, Electric Systems, and Monica Whiting, Chief Customer Officer – 30 minutes – presentation/information

C. Other New Business

D. Old Business – none

IV. REPORTS

A. Finance & Audit Committee Report – Kelly Flanagan, Committee Chair

1. Approval of Minutes from March 7, 2016 Meeting – action
2. FY2017 Budget Presentation – information
3. Update on Procurement for External Auditor – information
4. Audit Services – Quarterly ERM/Audit Update – information
5. Chief Information Officer Report – information
6. Identity Theft Protection Program Fair and Accurate Credit Transactions Act (FACTA) Annual Risk Assessment – information
7. Ethics Officer Quarterly Report – information

8. Treasury – information
    a. Electric System and Water and Sewer System Reserve Fund Quarterly Report – information
9. JEA Energy Market Risk Management Policy Report – information
10. Announcements – information
    a. Next Meeting – August 8, 2016, 8:00-10:00 AM
11. Committee Discussion Sessions
    a. Director, Audit Services – information
    b. Ernst & Young – information
    c. Council Auditor's Office – information

B. Government Affairs Committee – Alan Howard, Committee Chair
1. Review and Approval of the Government Affairs Committee Charter – action
2. Review of Current Litigation – information
3. JEA Government Relations Local, State, and Federal Update – information
4. Other New Business
5. Announcements – information
    a. Schedule Next Meeting as Appropriate

C. Managing Director/CEO's Report

D. Chair's Report

V. <u>CLOSING CONSIDERATIONS</u>

A. Announcements – Next Board Meeting – June 21, 2016

B. Adjournment

Board Calendar

Board Meeting:	12:00 PM – Third Tuesday of Every Month	
<u>Committees</u>		
Finance & Audit Committee:	August 8, 2016	8:00 – 10:00 AM
	December 14, 2016	8:00 – 10:00 AM
Compensation Committee:	TBD	
Government Affairs Committee:	TBD	

A. If you have a disability that requires reasonable accommodations to participate in the above meeting, please call **665-7550** by **8:30 AM** the day before the meeting and we will provide reasonable assistance for you.

B. If a person decides to appeal any decision made by the JEA Board with respect to any matter considered at this meeting, that person will need a record of the proceedings, and, for such purpose needs to ensure that verbatim record of the proceedings is made, which record includes the evidence and testimony upon which the appeal is to be based.

JEA
Building Community

INTER-OFFICE CORRESPONDENCE
May 11, 2016

SUBJECT:	**BOARD MEETING AGENDA**
FROM:	Melissa Charleroy and Cheryl Mock, JEA Executive Assistants
TO:	All Members, JEA Board of Directors

Scheduled times and locations for JEA meetings to be held ***Tuesday, May 17, 2016,*** are as follows:

	Board Meeting
12:00 PM	**19th Floor, JEA Tower**

We are looking forward to seeing you on the **17th**. Please call Melissa Charleroy at 665-7313 or Cheryl Mock at 665-4202 if you require additional information.

/mmc

cc:

P. McElroy	T. Hobson	S. Tuten	M. Evans	V. Wright
M. Brost	B. Roche	M. Charleroy	J. Brooks, OGC	
P. Cosgrave	M. Whiting	C. Mock	J. Gabriel, OGC	
M. Dykes	J. Upton	N. NesSmith	C. Edgar	
A. Hiers	G. Boyce	M. Ruiz-Adams	B. Fore	
M. Hightower	J. Gutos	W. Stanford	J. Bryant	

e-copy:
Patrick Maginnis
Security Desk
Security Office
Brandi Sneed
Russell Park
Ted Delay
Timothy Chrisp

Florida's Government in the Sunshine Law
Office of General Counsel

This meeting is being held in compliance with Florida's Government in the Sunshine Law, §286.011, Florida Statutes, and shall be open to the public at all times. Official acts of the JEA Board may be conducted at this meeting that will be considered binding on the JEA. Reasonable notice has been provided and minutes of this meeting shall be taken and promptly recorded.

II. F.
5/17/2016

TREE LINE USA®

www.arborday.org/programs/TreeLineUSA/

Arbor Day Foundation + National Association of State Foresters

"I would like to compliment one of your contract workers. Alan Castro was the most professional nice young man I have had the pleasure of dealing with. He was kind and understanding and explained the options; pros and cons of the tree removal. He followed up and made sure the job was taken care of. It is nice to see an employee who enjoys his job and take the time to help customers on a personal level. As a small business owner, I can really appreciate that in a worker. He is a true asset to JEA."
– Jay Cann - 5060 Leicester Place

City Rescue Mission

"…Mr. Fox, Mr. Leggett and Mr. Harrison came out and did an awesome job in his yard. He was concerned that the work completed wouldn't be up to his standards, but he was mistaken in that assumption. He said they were "over the top" great!!!"– Donald Lamkin

Martin Luther Elementary

“Just wanted to thank you for following up on the big pine tree that needed removal in the right-of-way next to our yard. Your folks came out last week, and we are so pleased that you took care of this, just as your promised! When we home owners talk to “the City”, it really comes down to the individual that you talk with. And it is so good to know that “the City” has individuals such as your self who are doing a great job. Thank you again for the great follow-through on this project.” for Scott from Roger and Lynn MacEwen

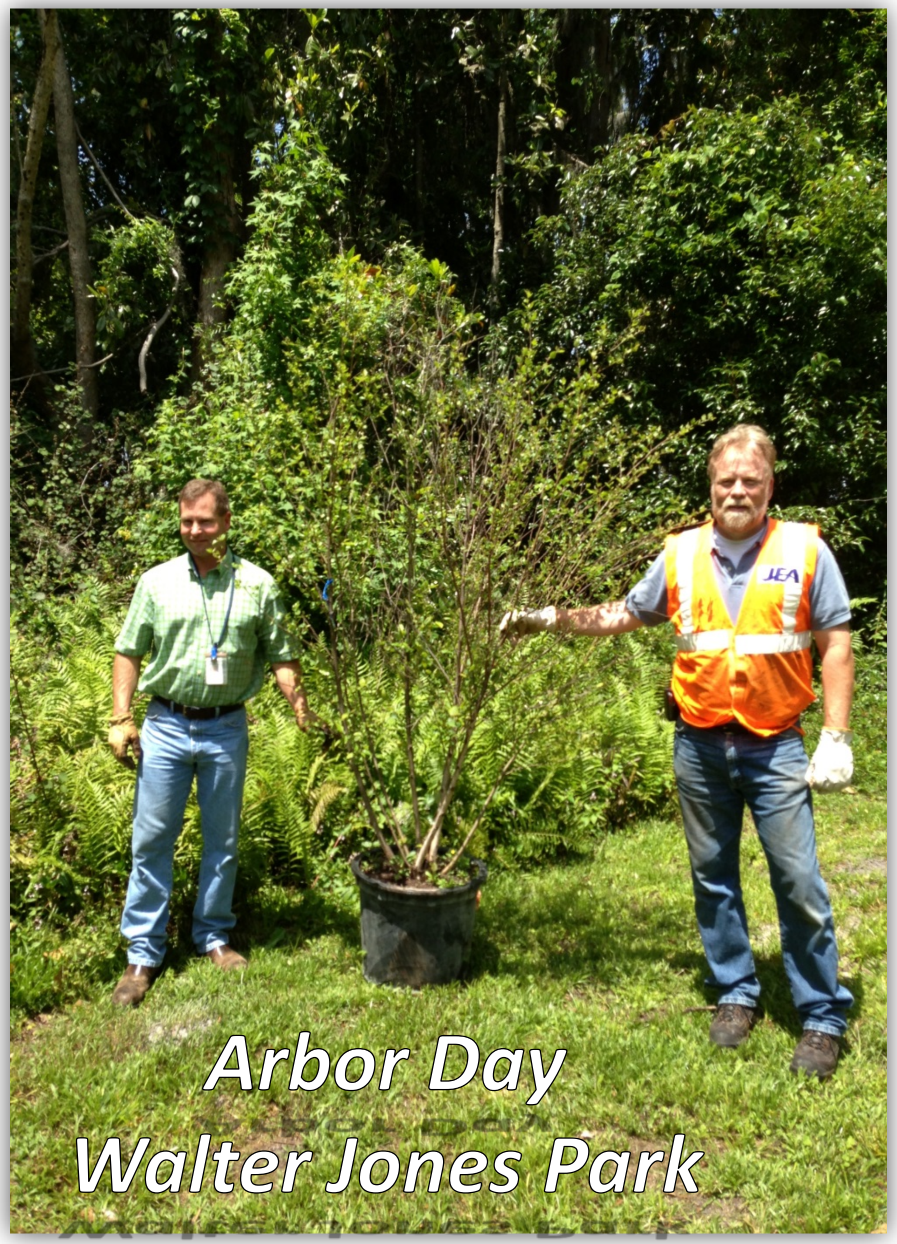
“Wow. Customer service still exists! Thank you for the follow–up and letting me understand what type of wires are running through the trees. Once I attempt to have them trim the trees, I will use the herbicide as suggested. Thank you Again”—Christine Resto


J.D. POWER
Unbeatable Team

“I am Susanne Lupo residing at 10233 Heckscher Dr…and would like to express my appreciation for a job well done by your crew made up of Steve Harrison, Jerry Young and Rodney Boss. I am very happy that they trimmed my tree around the power lines in such a way that it does not look mutilated. I also appreciated how courteous and professional they went about doing their job. Please convey my appreciation to them for the good job they did.”

Arbor Day LC Senior Center

“..I want to thank you and your team for listening to my concerns, taking the time to explain to me your process and reassuring me that you’ll just trim back the tips, and for providing me with your contact information…. Information sent out by JEA in the past two years explaining the situation has been educational and helpful. I also appreciate that JEA has addressed the concerns from neighborhoods and has hired crews who have certified arborists who know what they’re doing. Thank you and your crew again for being patient and courteous, and for taking the time to listen and address my concerns. I appreciate it very much!! “ Donna Tuttle – 3618 Oak Street


JEA
Arbor Day
Walter Jones Park

“Dear Scott, I wanted to send you a note and thank you for working with us to remove the tree in our back yard. I really appreciated you coordinating with the crews to make everything happen. We look forward to planting our new tree soon! Wishing you all the best and continued success with JEA in 2016!! Kindly, Carly Johnson”


6
TB2
Oakland Terrace

"Exceptional service from supervisor to work crews. What an amazing group of knowledgeable and professional men.." – Riverside/Avondale Customer


St. Mark's Episcopal

"Tree guys were terrific – answered my questions and explained the differences between live oaks and water oaks. Bravo!" --Steph Welchans


#GIVINGTUESDAY
Giving Tuesday - FSCJ

“ Joe and Scott impressed our board at our meeting yesterday. They were both confident, articulate and obviously deeply knowledgeable about their jobs and the balance between preserving the tree canopy and keeping the power on safely. My fellow board members were greatly impressed by them and reassured by their presentations that the days of “tree butchering” are gone…..” Paul Bremer – The City Beautiful Coalition, Inc.

Tree Line USA-
Core Standards

- *Quality Tree Care*
- *Worker Training*
- *Tree Planting and Public Education*
- *Tree-Based Energy Conservation Program*
- *Arbor Day Celebration*

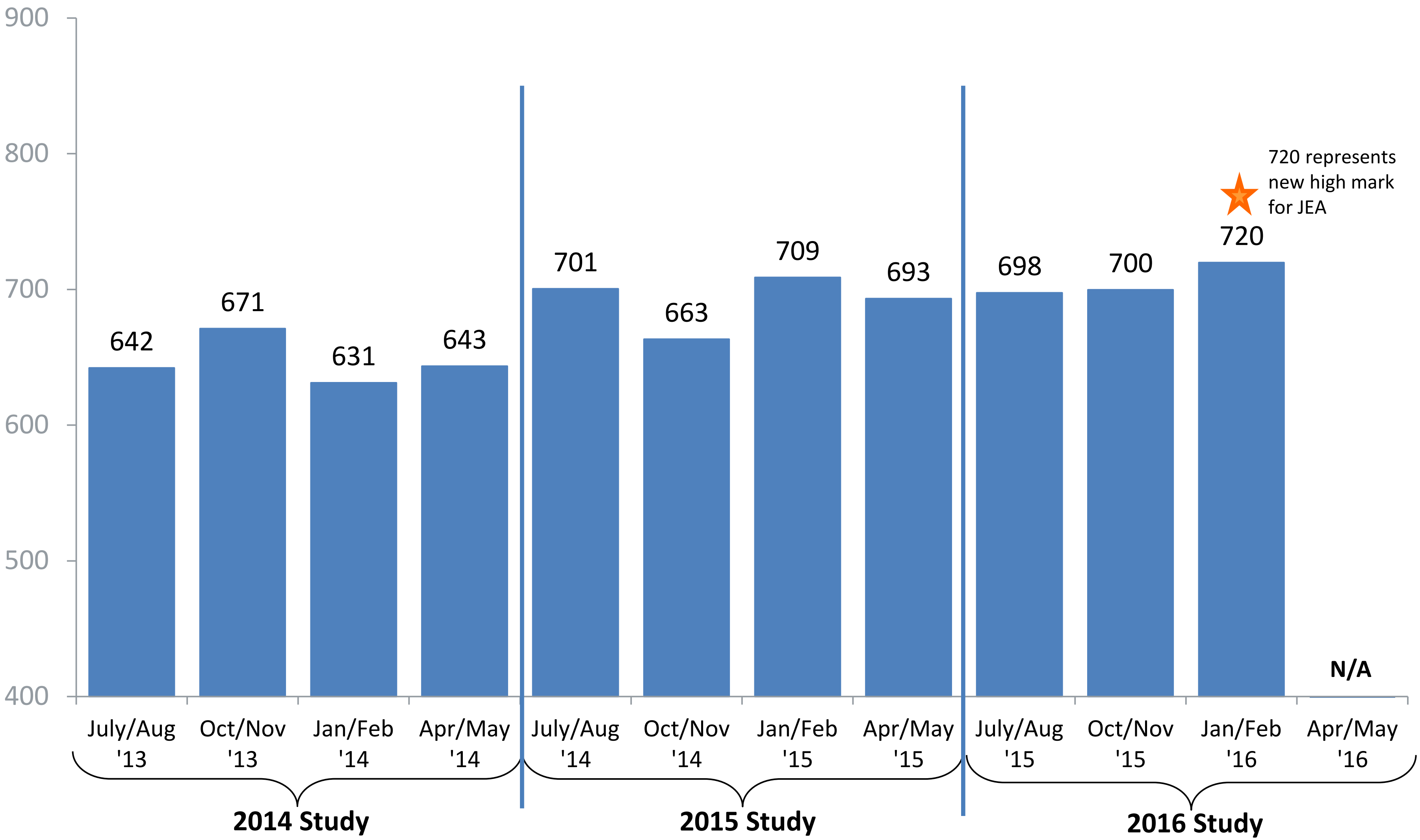
J.D. Power 2016 Electric Residential Customer Satisfaction Study

JEA
Building Community

II. G.
5/17/2016

Board of Directors Meeting
May 17, 2016

Overall Customer Satisfaction Trending by Waves



Overall Customer Satisfaction Index

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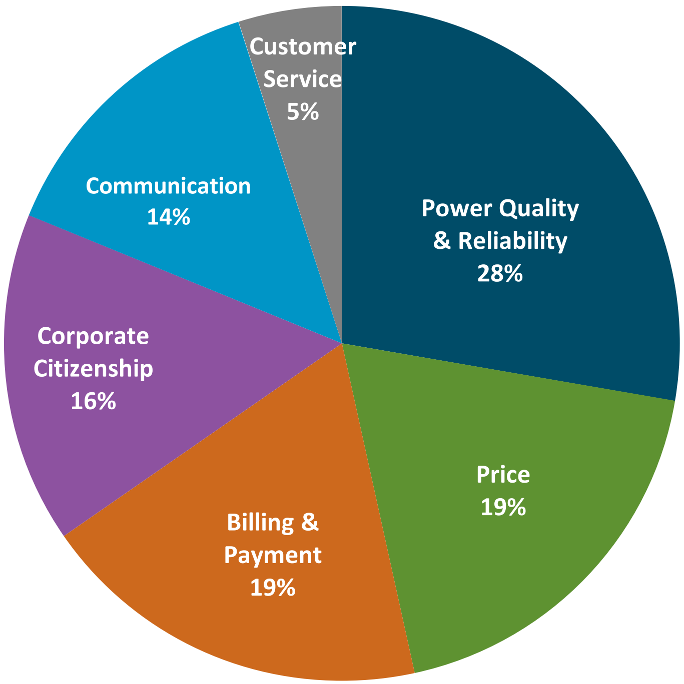
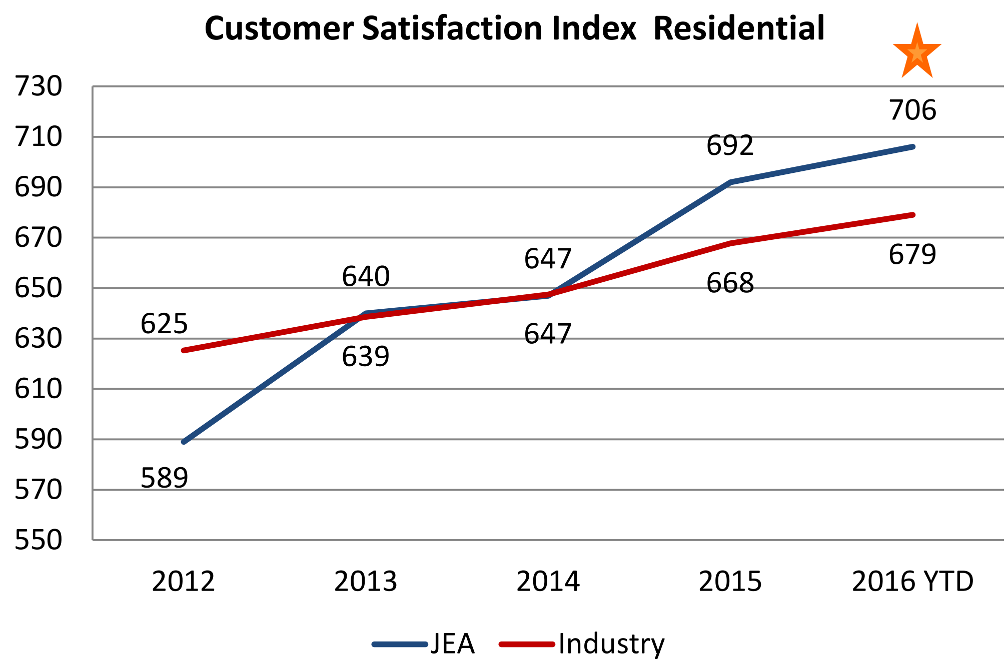


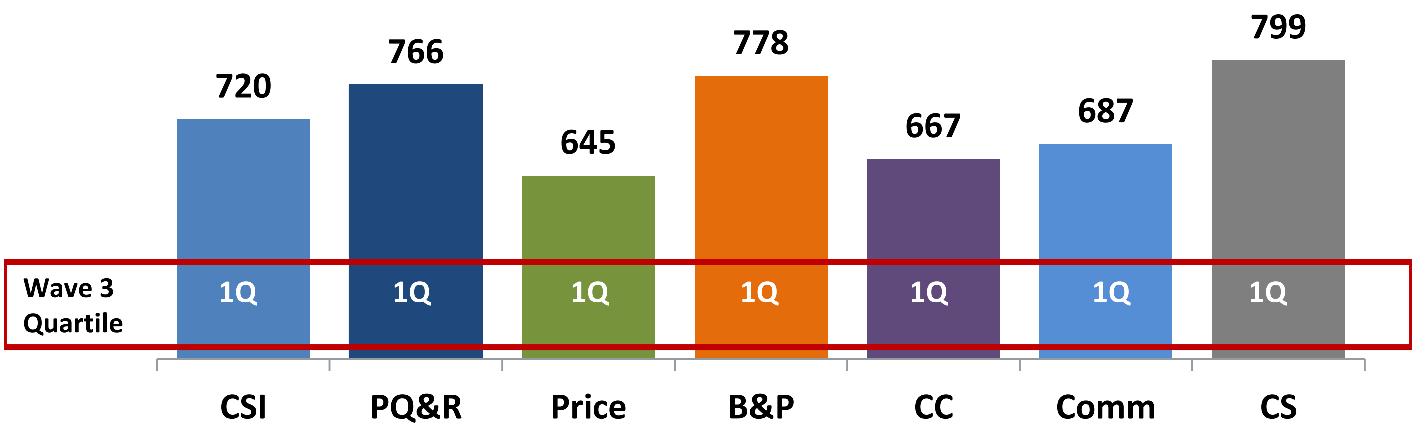
Residential Drivers of Customer Satisfaction

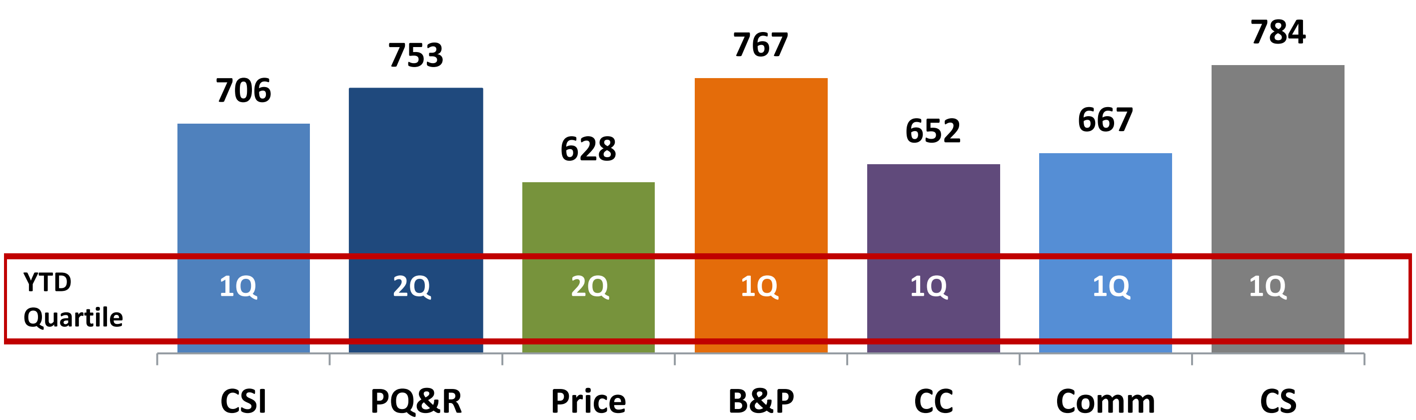
JEA hits new record score of 706 for overall customer satisfaction and moves up in top quartile ranking



JEA®
Building Community

Performance by Driver
Wave 3 & YTD

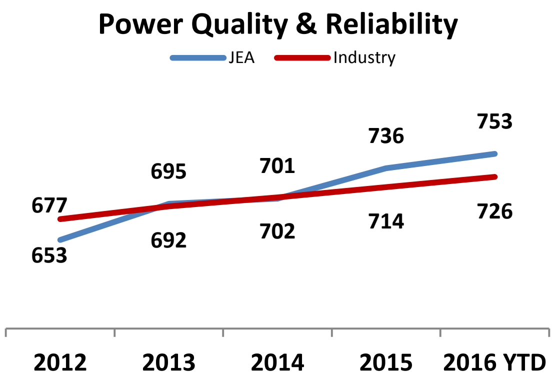


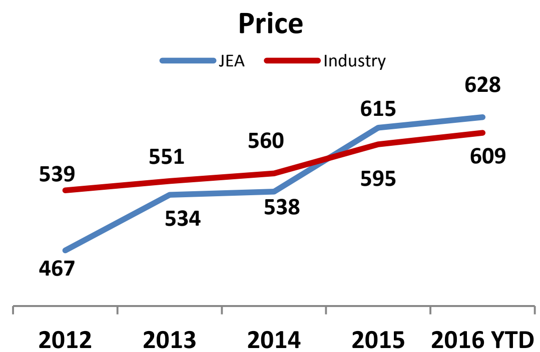


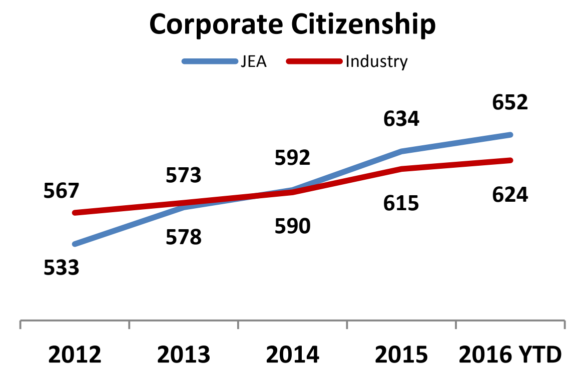
Top Quartile (1st)	Mean	Rank	2nd Quartile	Mean	Rank	3rd Quartile	Mean	Rank	Bottom Quartile (4th)	Mean	Rank
SECO ENERGY	763	1	RAPPAHANNOCK ELECTRIC COOPERATIVE	702	37	DUKE ENERGY-MIDWEST	677	73	AMEREN ILLINOIS	658	108
JACKSON EMC	761	2	SANTEE COOPER	702	37	HUNTSVILLE UTILITIES	676	74	PEPCO	656	109
WALTON EMC	746	3	IDAHO POWER	701	39	SNOHOMISH COUNTY PUD	676	74	AEP OHIO	654	110
NOVEC	743	4	PACIFIC POWER	701	39	LEE COUNTY ELECTRIC COOPERATIVE	675	76	PENELEC	654	110
CLARK PUBLIC UTILITIES	740	5	DOMINION VIRGINIA POWER	700	41	MET-ED	675	76	DUQUESNE LIGHT	652	112
SAWNEE EMC	739	6	SOUTH CENTRAL POWER	700	41	KCP&L	674	78	DUKE ENERGY-FLORIDA	651	113
SOUTHERN MARYLAND ELECTRIC COOPERATIVE	736	7	CONNEXUS ENERGY	698	43	PECO	674	78	JERSEY CENTRAL POWER & LIGHT	651	113
COBB EMC	735	8	DTE ENERGY	698	43	PENN POWER	674	78	NYSEG	651	113
EPB	734	9	OTTER TAIL POWER COMPANY	698	43	PUGET SOUND ENERGY	674	78	EL PASO ELECTRIC	649	116
COSERV	730	10	PORTLAND GENERAL ELECTRIC	698	43	ROCHESTER GAS & ELECTRIC	674	78	TOLEDO EDISON	649	116
SRP	730	10	TACOMA POWER	696	47	ROCKY MOUNTAIN POWER	674	78	WESTAR ENERGY	649	116
GREAT LAKES ENERGY	723	12	LINCOLN ELECTRIC SYSTEM	695	48	TUCSON ELECTRIC POWER	674	78	LAKELAND ELECTRIC	648	119
PEDERNALES ELECTRIC	720	13	GREEN MOUNTAIN POWER	693	49	XCEL ENERGY-WEST	674	78	EMPIRE DISTRICT ELECTRIC	646	120
ALABAMA POWER	718	14	MIDDLE TENNESSEE EMC	693	49	CONSUMERS ENERGY	673	86	KENTUCKY POWER	646	120
FLORIDA POWER & LIGHT	716	15	APS	692	51	INTERMOUNTAIN RURAL ELECTRIC ASSOC.	672	87	NATIONAL GRID	644	122
MIDAMERICAN ENERGY	716	15	LOUISVILLE GAS & ELECTRIC	691	52	WEST PENN POWER	672	87	THE ILLUMINATING COMPANY	644	122
SMUD	716	15	MINNESOTA POWER	691	52	COMED	671	89	POTOMAC EDISON	643	124
ENERGYUNITED	714	18	XCEL ENERGY-MIDWEST	691	52	MISSISSIPPI POWER	670	90	ENTERGY NEW ORLEANS	641	125
ENTERGY TEXAS	713	19	INDIANAPOLIS POWER & LIGHT	690	55	AMEREN MISSOURI	669	91	NIPSCO	641	125
GEORGIA POWER	711	20	NV ENERGY	690	55	NORTHWESTERN ENERGY	669	91	VECTREN	636	127
OG&E	711	20	WISCONSIN PUBLIC SERVICE	690	55	AVISTA	668	93	EVERSOURCE ENERGY	635	128
CLAY ELECTRIC COOPERATIVE	709	22	MONTANA-DAKOTA UTILITIES	689	58	CLECO POWER	668	93	CENTRAL HUDSON GAS & ELECTRIC	632	129
ENTERGY ARKANSAS	709	22	NES	689	58	INDIANA MICHIGAN POWER	668	93	EMERA MAINE	632	129
GREYSTONE POWER	708	24	OHIO EDISON	688	60	SAN DIEGO GAS & ELECTRIC	668	93	KNOXVILLE UTILITIES BOARD	631	131
KENTUCKY UTILITIES	708	24	PSE&G	687	61	CON EDISON	667	97	MON POWER	631	131
CPS ENERGY	707	26	ALLIANT ENERGY	684	62	DUKE ENERGY-CAROLINAS	667	97	ATLANTIC CITY ELECTRIC	630	133
IMPERIAL IRRIGATION DISTRICT	707	26	BGE	682	63	AUSTIN ENERGY	666	99	APPALACHIAN POWER	624	134
JEA	**706**	**28**	DAYTON POWER & LIGHT	682	63	DELMARVA POWER	665	100	UNITED ILLUMINATING	624	134
ENTERGY MISSISSIPPI	705	29	SOUTH CAROLINA ELECTRIC & GAS	682	63	WITHLACOOCHEE RIVER ELECTRIC COOPERATIVE	665	100	BLACK HILLS ENERGY	617	136
OUC	705	29	SOUTHERN CALIFORNIA EDISON	682	63	MADISON GAS & ELECTRIC	664	102	ORANGE & ROCKLAND	615	137
COLORADO SPRINGS UTILITIES	704	31	WE ENERGIES	682	63	L. A. DEPT. OF WATER & POWER	662	103	PSEG LONG ISLAND	607	138
GULF POWER	704	31	PACIFIC GAS AND ELECTRIC	681	68	TAMPA ELECTRIC	662	103			
PPL ELECTRIC UTILITIES	704	31	PUBLIC SERVICE CO. OF OKLAHOMA	681	68	CENTRAL MAINE POWER	661	105			
ENTERGY LOUISIANA	703	34	DUKE ENERGY-PROGRESS	679	70	MLGW	661	105			
OMAHA PUBLIC POWER DISTRICT	703	34	SOUTHWESTERN ELECTRIC POWER	679	70	PNM	661	105			
SEATTLE CITY LIGHT	703	34	XCEL ENERGY-SOUTH	679	70						

Building Community

Top Movers YTD







PQ&R up 17 points YTD

Areas of Improvement

- Avoiding Lengthy Outages
- Keeping you informed about outages

Price up 14 points YTD

Areas of Improvement

- Fairness in Pricing
- Efforts to help manage usage

CC up 18 points YTD

Areas of Improvement

- Involvement in local charities/civic orgs
- Efforts to develop energy supply plans for the future

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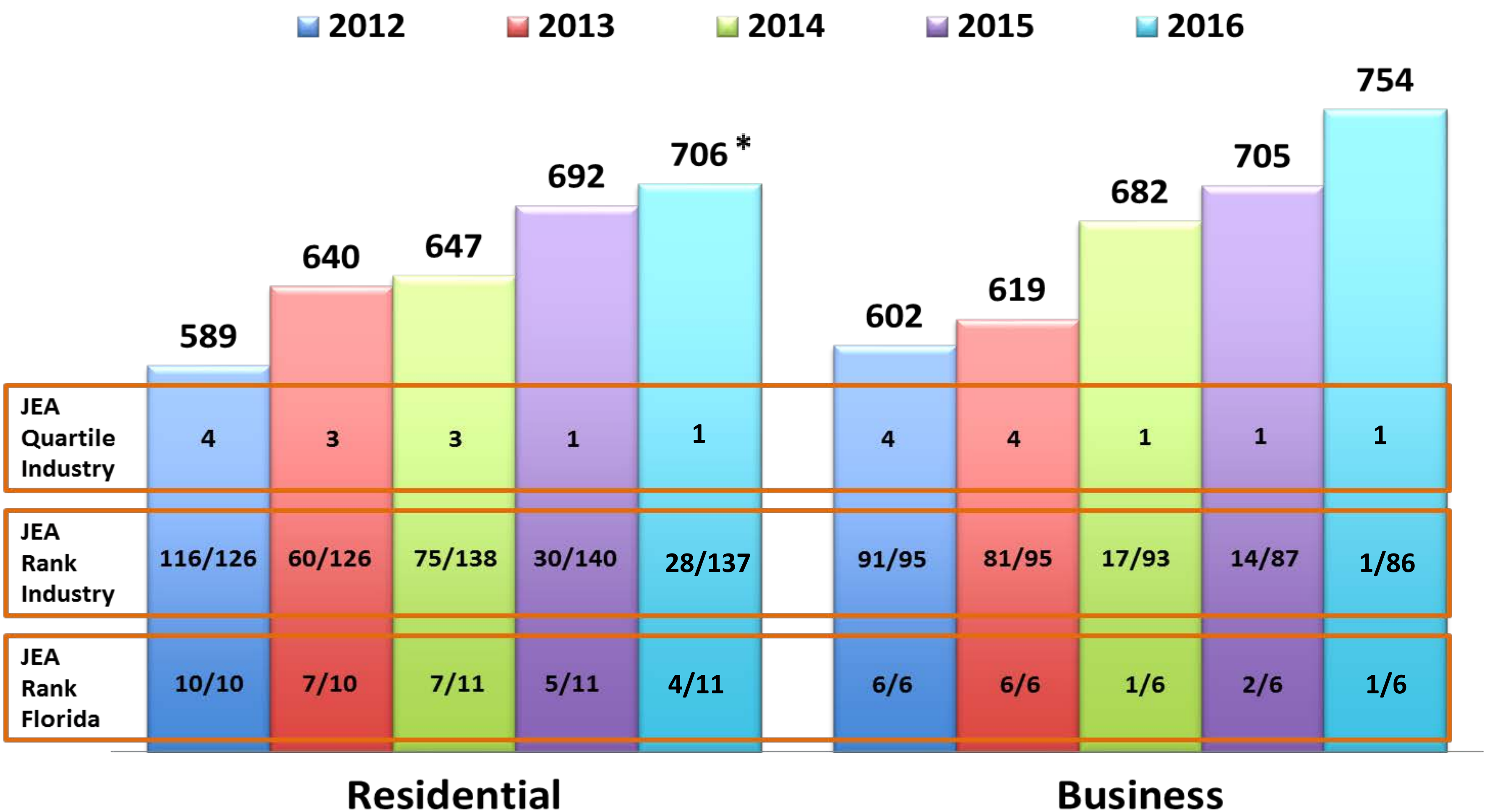
Customer Satisfaction Index Scores



* Data for residential is YTD with the recent Wave 3 survey results. Business is final for 2016

III. A. 1
5/17/2016

JEA
Board Workshop Minutes
April 7, 2016

The JEA Board met for a workshop on Thursday, April 7, 2016, on the 19th Floor, 21 W. Church Street, Jacksonville, Florida 32202. Members in attendance were Tom Petway, Delores Kesler, Husein Cumber, Alan Howard and Warren Jones. Others in attendance were Paul McElroy, Melissa Dykes, Monica Whiting, Dr. Johnny Gaffney, City of Jacksonville, Public Service Commissioner Art Graham and Jody Brooks, Office of General Counsel. Ed Burr and Kelly Flanagan were absent and excused.

1. Safety Briefing – Paul McElroy, Managing Director and Chief Executive Officer provided the Safety Briefing.

2. Sunshine Law/Public Records Statement – Jody Brooks, Office of General Counsel (OGC), stated that this Board Workshop is being held in compliance with Florida's Government in the Sunshine Law, §286.011.

3. Solar Today and Tomorrow – Paul McElroy, Managing Director/Chief Executive Officer, Melissa Dykes, Chief Financial Officer and Monica Whiting, Chief Customer Officer. Mr. McElroy provided an overview of the agenda and objectives for the workshop, including topics such as: ratemaking, JEA's history of solar projects and the long-term vision for solar.

   Melissa Dykes provided a review of the tariff changes to be presented for approval at the April 19, 2016 Board Meeting: a) Modification of the Electric Tariff Documentation creating a JEA SolarSmart Rider, b) Modification of the Electric Tariff Documentation modifying one and introducing four new street lighting options and c) Administrative changes to the electric tariff.

   Ms. Dykes introduced the net metering policy and explained JEA's current net metering policy, the starting point for the proposed policy and current options conceived through interactions with various stakeholders.

   Monica Whiting provided a review of JEA's community outreach efforts over the last 18 months to obtain input from the community on solar topics. Board Members were provided with community stakeholder communications.

   Mr. McElroy provided a review of the upcoming April 19, 2016 Board considerations, including the structure of the Public Hearings and the regular Board Meeting.

4. Pricing Electricity in the 21st Century – Paul McElroy, Managing Director/Chief Executive Officer and Melissa Dykes, Chief Financial Officer – Mr. McElroy provided a brief overview of the challenges and potential solutions facing the electric industry. Ms. Dykes reviewed an 18- month project, to review rate restructuring and to create a holistic approach to this issue.

With no further business claiming the attention of the Board, the workshop was adjourned at 2:22 PM.

APPROVED BY:

____
SECRETARY

DATE: ________________________________

Prepared by:

____
Cheryl Mock
Executive Assistant

JEA
BOARD MINUTES
April 19, 2016

The JEA Board met in regular session on Tuesday, April 19, 2016 on the 19th Floor, 21 W. Church Street, Jacksonville, Florida. Present were Tom Petway, Ed Burr, Delores Kesler, Husein Cumber, Kelly Flanagan and Warren Jones. Alan Howard was absent and excused.

Agenda Item I – Welcome

A. The meeting was **called to order** at 12:06 PM by Chair Petway.

B. A **Moment of Reflection** was observed by all.

C. The **Pledge of Allegiance** was led by Mr. Petway.

D. **Adoption of Agenda –** The agenda was approved on **motion** by Ms. Kesler and second by Mr. Cumber.

E. The **Safety Briefing** was given by Paul McElroy, Managing Director/Chief Executive Officer.

At the direction of the Chair, the 2016 FMEA Lineman Competition winners were recognized at this point; however, the minutes reflect the order of the agenda.

F. **Sunshine Law/Public Records Statement –** Jody Brooks, Office of General Counsel (OGC), stated this Board Meeting is being held in compliance with Florida's Government in the Sunshine Law, §286.011. The complete statement can be found in section I. F. of the Board package.

G. **2016 Florida Municipal Electric Association (FMEA) Lineman Competition –** AJ Smith, Manager, Distribution Electric, introduced JEA Journeymen Robert Hess, Clay Cook and Brian Gregg, as well as JEA Apprentice, Cody Stokes. JEA's journeyman team was awarded the State of Florida Journeyman Team Champs title for their performance at the March 12, 2016 FMEA Lineman Competition in Orlando, FL, competing against 21 other teams from across the state. Cody Stokes, JEA apprentice, won first place in the Hurtman Rescue and third place in the Pole Top Pin Insulator Change Out competition. The team went on to compete in Minnesota in freezing temperatures and winds of 30+ mph, to bring home the title American Public Power Association (APPA) Best Overall Journeyman Team. Mr. Smith presented a video demonstrating some of the various competitions that took place. Mr. Smith added that competing in these events provides the members of the team education and hands-on experience with the latest safety and industry equipment, as well as an opportunity to meet and learn from others in the industry. Mr. Smith reviewed the Water/Wastewater Competition to be held on April 25-26, 2016 and introduced Nate Rouse, Utilities C&M Crew Leader, one of the team captains from last year's Water/Wastewater competition. Mr. Petway thanked the teams for their hard work and acknowledged others who played a supporting role in these victories.

Prior to the commencement of the Public Hearings, Mr. Petway introduced the Board Members and Mr. McElroy.

Agenda Item II – Public Hearing - I

Public Hearing to Add New Customer Rate Options and Implement Administrative Changes to the Electric Tariff Documentation

Chair Petway suspended the JEA regular Board Meeting at 12:24 PM.

The JEA Board held a public hearing on April 19, 2016, as duly noticed in the Florida Times-Union to consider, as advertised:

1. Modification of the Electric Tariff Documentation creating a JEA SolarSmart Rider;
2. Modification of the Electric Tariff Documentation modifying one and introducing four new street lighting options; and
3. Administrative changes to the Electric Tariff Documentation.

A. **Call to Order and Comments from the Chair –** The Public Hearing was **called to order** at 12:24 PM by Chair Petway.

B. **Staff Presentation and Board Discussion –** Melissa Dykes, Chief Financial Officer, presented a summary of the proposed rate options, which were previously presented at the February 16, 2016 Board Meeting and the April 7, 2016 Board Workshop. Ms. Dykes provided an overview of JEA SolarSmart, which is an optional program for those customers that desire to utilize solar energy, but do not have the ability to do so individually. JEA SolarSmart would allow customers to allot a certain percentage of their energy use to be distributed from solar. JEA also proposed adding two additional standard decorative lighting options and two new LED lighting options for street lights, as well as removing an existing street light rate for an option that is no longer provided in the JEA service area. Ms. Dykes also advised there are two proposed administrative changes to the electric tariff, including a distributed generation application fee to recover engineering costs for large customer-owned distributed energy systems and a modification to the Economic Development Rider to allow these customers to participate in JEA SolarSmart.

C. **Comments from the Public –** Chair Petway called for comments from the public regarding the Public Hearing.

1. Barry Moline, PO Box 10114, Tallahassee, FL, addressed the Board regarding the JEA SolarSmart Program.
2. Nick Brissey, 16138 Magnolia Grive Way, Jacksonville, FL 32218, addressed the Board regarding centralized vs. decentralized power provision.

With no further public comments, Chair Petway adjourned the Public Hearing at 12:32 PM. However, another member of the public wished to address the Board concerning this matter. The Public Hearing was readjourned at 12:33 PM.

3. Dave Brudderly, 1221 Molokai Road, Jacksonville, FL 32256 addressed the Board regarding rooftop rates and fuel rates.

With no further public comments, Chair Petway adjourned the Public Hearing at 12:38 PM.

Agenda Item III – Action on Public Hearing I

Public Hearing to Add New Customer Rate Options and Implement Administrative Changes to the Electric Tariff Documentation – On **motion** by Mr. Cumber and second by Secretary Kesler, the Board unanimously adopted Resolution 2016-09 and its attachments to implement the JEA SolarSmart Program, make administrative changes including the addition of a Distributed Generation Application Fee and modify the Economic Development Program Rider; and implement two additional standard decorative lighting options, two new LED lighting options, and an edit and removal of an existing street light option, and authorized the staff to take any necessary administrative actions to implement the approved modifications as described in Exhibits II through VII as recommended by staff. Resolution 2016-09 and Exhibits II through VII are attached and made part of these minutes.

RESOLUTION 2016-09

A RESOLUTION REGARDING RATE SCHEDULE CHANGES AND ADDITIONS TO THE EXISTING TARIFF DOCUMENTATION; CONDUCTING A PUBLIC HEARING AND FINDING THE MODIFICATION OF THE TARIFF DOCUMENTATION TO BE REASONABLE; IMPOSING THESE MODIFICATIONS FOLLOWING THE PUBLIC HEARING; PROVIDING FOR THE IMPLEMENTATION OF THESE MODIFICATIONS, AND PROVIDING FOR AN EFFECTIVE DATE.

At the discretion of the Chair, The Honorable Bill Gulliford, Dr. Johnny Gaffney and Public Service Commissioner Art Graham were recognized at this point; however, the minutes reflect the original order of the agenda.

Agenda Item IV – Public Hearing - II

Public Hearing on Modification to the Net Metering and Distributed Generation Policies

A. Call to Order and Comments from the Chair – Chair Petway called Public Hearing II to order at 12:40 PM.

The JEA Board held a Public Hearing on April 19, 2016, as duly noticed in the Florida Times-Union to consider, as advertised:

1. Modification of the Net Metering Policy; and
2. Modification of the Distributed Generation Policy.

B. Staff Presentation and Board Discussion – Melissa Dykes, Chief Financial Officer, presented a plan similar to that at the February 16, 2016 Board Meeting and April 7, 2016 Board Workshop. Ms. Dykes provided an overview of net metering, reviewing JEA's current policy, the starting point for the new proposal and the current proposal, based on months of meetings with stakeholders, city leadership and customer focus groups. Ms. Dykes stated staff has created alternative proposals around the grandfathering of pricing, the capacity limit and implementation dates, to allow the Board flexibility in their decision-making. Ms. Dykes also advised the Board of two constitutional amendments that have been presented in the state of Florida. Floridians for Solar Choice's language was approved by the Supreme Court, but did not receive enough signatures to be placed on the ballot. The language for the constitutional amendment Yes on 1 for the Sun was approved by the Supreme Court and received enough signatures to appear on the ballot. The amendment would protect the rights of consumers to own or lease equipment to provide solar energy to their own homes, while allowing state and local governments to protect other consumers from subsidizing the costs of backup power and the electric grid, and will appear on the November 2016 ballot.

C. **Comments from the Public –** Chair Petway called for comments from the public regarding the Public Hearing.

1. David Shacter, 1321 N. Main Street, Jacksonville, FL 32206, addressed the Board regarding net metering.
2. Wayne Dunn, 3730 Harbor Acres Lane, Jacksonville, FL 32257, addressed the Board regarding net metering.
3. Mark Gelco, 2638 Stonegate Drive, Jacksonville, FL 32223, addressed the Board regarding net metering.
4. Gerald West, 2742 Coachman Lakes Drive, Jacksonville, FL 32246 and 5936 Sheffield Rd, Jacksonville, FL 32226, addressed the Board regarding net metering.
5. Jonathan Fletcher, 4310 Ish Brant Court E., Jacksonville, FL 32210, addressed the Board regarding net metering.
6. Sean Smith, 3820 Oak Street, Jacksonville, FL 32205, addressed the Board regarding net metering.
7. Kim Jowers, 463688 State Road 200, Yulee, FL 32097, addressed the Board regarding net metering.
8. David Berkhousen, 94 Carlson Court, Ponte Vedra, FL 32081, addressed the Board regarding net metering.
9. Tom Larson, 887 Marshside Court, Jacksonville, FL 32250, addressed the Board regarding net metering.
10. Kevin Doyle, 76 N Laura Street, Jacksonville, FL 32202, addressed the Board regarding net metering.
11. Michael Barger, 10418 New Berlin Road, Jacksonville, FL 32226, addressed the Board regarding net metering.
12. Pete Wilking, 10418 New Berlin Road, Jacksonville, FL 32226, addressed the Board regarding net metering.
13. Victor LeTourneaut, 324 E. 3rd Street, Jacksonville, FL 32206, addressed the Board regarding net metering.
14. Jared Elliott, 12165 Cheyenne Trail, Jacksonville, FL 32226, addressed the Board regarding net metering.
15. Barry Moline, PO Box 10114, Tallahassee, FL 32302, addressed the Board regarding net metering.
16. Derek Porter, 13773 Chipperfield Lane, Jacksonville, FL 32226, addressed the Board regarding net metering.
17. Jim Schwed, 2937 Egret Walk Terrace South, Jacksonville, FL 32226, addressed the Board regarding net metering.

18. Jeff Winkler, 40 E. Adams Street, Jacksonville, FL 32202, addressed the Board regarding net metering.
19. Geoff Selhorst, 3719 Salisbury Road, Jacksonville, FL 32216, addressed the Board regarding net metering.
20. Mary Kay O'Rourke, 2404 Hubbard Street, Jacksonville, FL 32206, left the meeting prior to being called.
21. Margaret Conner, 135 E 3rd. Street, Jacksonville, FL 32206, addressed the Board regarding net metering.
22. Dr. Todd Sack, Borland-Groover Clinic, left the meeting prior to being called.
23. The Rodriguez Family, Springfield area, address not provided, addressed the Board regarding net metering.
24. Louis Molina, 1317 Hubbard Street, Jacksonville, FL 32206, addressed the Board regarding net metering.
25. Manny Jaime, 1227 North Liberty Street, Jacksonville, FL 32202, was unable to attend the meeting, but provided written comments regarding net metering. His comments are on file.

With no further public comments, Chair Petway adjourned Public Hearing II at 1:59 PM.

<u>Agenda Item III – Action on Public Hearing II</u>

Public Hearing on Modification to the Net Metering and Distributed Generation Policies
At the request of the Chair, Mr. McElroy provided a summary of the information received and actions taken by JEA. Mr. McElroy indicated that JEA is committed to increasing its solar generation by 300% and allowing all JEA customers the opportunity to participate in solar. He advised the Board that JEA is broaching the subject now as the conversation is occurring across the world. He reminded the Board that a constitutional amendment will be on the November 2016 ballot. With that in mind, Mr. McElroy recommended that the Board defer action on this item until such time as the voters of Florida have decided and possibly until the Public Service Commission has weighed in on the voters' decision. On **motion** by Vice Chair Burr and second by Mr. Jones, the Board voted to defer this matter. While there was no timeframe given for the deferment, Board Members held discussions and recommended a decision be made as soon as possible after the November 2016 vote results.

<u>Agenda Item IV– Presentations and Comments</u>

A. Council Liaison's Comments – None

B. Office of the Mayor Liaison's Comments – None

C. Nassau County's Ex-Officio Representative – Mr. Mike Mullin was not in attendance.

D. Comments from the Public – None

Agenda Item III – For Board Consideration

A. **Consent Agenda –** used for items that require no explanation, discussion or presentation and are approved by one motion and vote. Upon **motion** by Mr. Cumber and second by Vice Chair Burr, item 1 on the Consent Agenda was unanimously approved and items 2 through 5 were received for information.

1. Approval of Board Meeting Minutes March 15, 2016 – approved
2. Real Estate Acquisition Status Report – received for information
3. Monthly JEA Financial Statements – received for information
4. Monthly FY16 Communications & Engagement Calendar and Plan Update – received for information
5. Monthly JEA Operations Report – received for information

B. **Strategic Discussions/Action**

1. JEA FY2015 Annual Disclosure Reports – Melissa Dykes, Chief Financial Officer, presented Board Members with drafts of the Annual Disclosure Reports (ADR) for the fiscal year ended September 30, 2015 for the (i) Electric Utility System and (ii) the Water and Sewer System and District Energy System in March for comment, prior to requesting authorization and approval of the ADRs at this meeting. Ms. Dykes stated the filing and use of the ADR is required in order to comply with JEA's continuing disclosure undertakings for its bonds and various credit agreements. Ms. Dykes provided Board Members with non-substantive revisions to the March draft ADRs. On **motion** by Secretary Kesler and second by Mr. Cumber, the Board approved and authorized the filing and use of the Annual Disclosure Reports.
2. Bi-Monthly Finance Presentation – Melissa Dykes, Chief Financial Officer, provided a presentation highlighting key financial metrics and results of JEA's Electric and Water and Sewer systems ending March 31, 2016. Ms. Dykes advised the Board that this presentation and the Financial Statements provided in the Consent Agenda are part of JEA's Standard & Poor's scorecard indicating JEA's financial transparency. As a result of the leadership shown by the attendance of the Mayor Curry and City Council President Anderson at the presentation provided to the ratings agencies, the stability of having a firm understanding of JEA's contribution to the city and JEA's financial health, JEA's senior lien water & sewer credit rating was upgraded by Standard & Poor's to a AAA rating.
3. JEA Hurricane Readiness – Ed Dendor, Director Emergency Preparedness & Business Continuity, delivered a presentation outlining JEA's current state of hurricane readiness and how JEA will communicate its readiness to its customers. JEA has a dedicated team that was established in 2013 that works on JEA's emergency preparedness every day and has fully implemented the National Incident Management System (NIMS). NIMS is a national, comprehensive approach to incident management that provides a common organizational structure that is fully integrated with County, State and Federal agencies. JEA's Senior Leadership Team and employees have completed over 7,600 hours of NIMS training requirements. On May 16 – 20, 2016, JEA staff will participate in a statewide table top exercise with participants from agencies across all 67 counties in Florida. While simulating an actual hurricane, staff will test its skills on JEA's hurricane readiness, which includes response and restoration, standards of preparedness, financial cost and reimbursement, and communication. Mr. Dendor provided information on

communication methods to the Board and customers. Mr. Dendor informed Board Members that on June 1, 2016 they will receive an email highlighting the types of communications they could expect during a storm. This presentation was provided for information only.

4. Sole Source & Emergency Procurement/Procurement Appeals Board Report – John McCarthy, Director Supply Chain Management, presented the quarterly report to the Board for the quarter ending March 31, 2016. The report included aggregated data for all formal/informal sole source and emergency awards during the current and previous 3 years, with detailed information for each formal award over the past year. Mr. McCarthy reported a combined Sole Source/Emergency Procurement award percentage of .24% for the second quarter of FY2016. Mr. McCarthy noted there were no Procurement Appeals Board actions taken during the most recent quarter. This presentation was received for information.

C. Other New Business – None

D. Old Business – None

<u>Agenda Item IV – Reports</u>

A. Managing Director/CEO's Report – Mr. McElroy thanked the Board for their participation in the Board Meeting and Public Hearings, and reviewed the following items:

1) Mr. McElroy shared with the Board a copy of a guest column written by Dr. Todd Sack. Dr. Sack was in attendance at today's meeting and requested to speak, but had to leave prior to the public comment period. Mr. McElroy complimented Dr. Sack and thanked him for his guidance and commitment to improving our environment. Unfortunately, Dr. Sack's column stated that JEA failed to meet a 7.5 percent renewable energy goal. Mr. McElroy provided Board Members with information and calculations consistent with Dr. Sack's methodology and reference to a renewable goal which demonstrates that JEA has achieved a 15% renewable energy goal. A copy is on file.

2) Mr. McElroy advised the Board that First Coast Connect, a local radio program, interviewed a representative from Groundswell, who issued a report regarding the inequity of the cost of electricity nationwide. According to the report, JEA was highest in the percentage of income paid for electricity by lower-income households. Mr. McElroy stated the report did not indicate that, nationwide, households are heated by other sources of energy, such as oil or gas. Yet, in Florida, heating is sourced by electricity. This increases the amount of electricity needed by lower-income households in Florida versus those nationwide. That said, this is a big concern for JEA, leading it to partner with local agencies to assist families impacted by this imbalance.

3) Mr. McElroy shared the potential for news coverage regarding a Joint Dispatch agreement that JEA is entering into with Gainesville Regional Utility. The agreement will have mutual benefits in lowering costs. JEA is working on public records requests that have been generated as a result of the news coverage.

4) Mr. McElroy recognized the linemen winning both the state and national lineman competitions. He also reiterated JEA is pleased that the senior lien water & sewer credit rating with Standard & Poor's was upgraded to AAA. JEA has received the

preliminary results for the 3rd wave of the J.D. Power Residential scores, which indicates JEA scored its highest ever with a raw score of 720. In addition, there will be some future news regarding an award for system reliability and safety success from APPA.

B. Chair's Report – Chair Petway thanked everyone for their hard work and participation in today's meetings.

Agenda Item V – Closing Considerations

A. Announcements – Next Board Meeting **–** May 17, 2016

B. Adjournment

With no further business claiming the attention of the Board, Chair Petway adjourned the meeting at 2:55 PM.

APPROVED BY:

____
SECRETARY

DATE: ________________________

Board Meeting recorded by:

____
Cheryl W. Mock
Executive Assistant

JEA Monthly Financial Summary

as of April 30, 2016

JEA
Building Community

III. A. 3
5/17/2016

Board of Directors
May 17, 2016

Key Financial Metrics

JEA
Building Community

Electric System	Year-to-Date FY2016	Year-to-Date FY2015	FY2016 Full Year Forecast	FY2016 Full Year Target	Result
Debt Service Coverage	2.5x	2.5x	**2.5x**	≥ 2.2x	✓
Days Liquidity	338	297	**328**	150 to 250 days[1]	✓
Days Cash on Hand	*215*	*184*	***206***		✓
Debt to Asset %	68%	72%	**66%**	72%[2]	✓

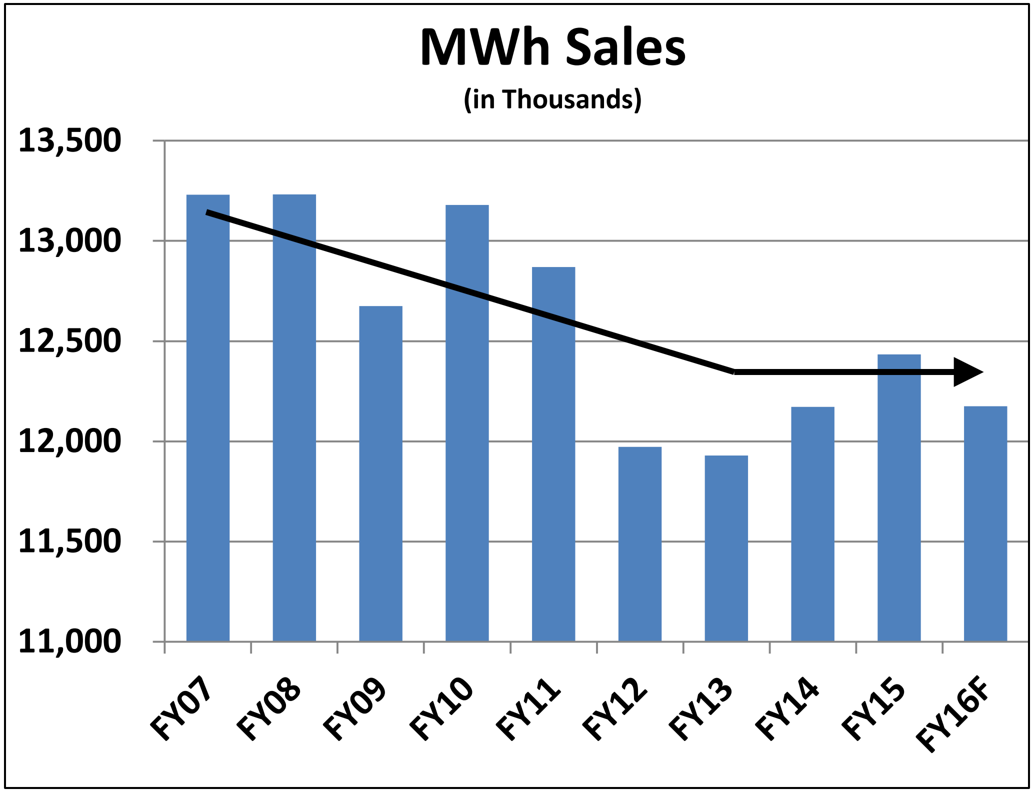
Water and Sewer System	FY2016	FY2015	Forecast	Target	Result
Debt Service Coverage	3.0x	2.8x	**2.7x**	≥ 1.8x	✓
Days Liquidity	278	240	**281**	≥ 100 days	✓
Days Cash on Hand	*155*	*128*	***160***		✓
Debt to Asset %	54%	54%	**53%**	55%[3]	✓

[1] Moody's Aa benchmark: 150 to 250 days
[2] Long-term target is 52%: per Moody's Sector In-Depth Report "Top 30 City Owned Utilities (by debt outstanding)", Sept. 2015
[3] Long-term target is 50%: calculated peer group from Moody's 214 Aa rated public water-sewer utilities, Dec. 2015

Building Community

JEA Electric System

MWh Sales



Month	FY15	FY16	% Change
Oct	971,595	952,515	(2.0%)
Nov	895,617	923,705	3.1%
Dec	943,753	922,956	(2.2%)
Jan	1,035,621	1,049,897	1.4%
Feb	934,102	894,563	(4.2%)
Mar	898,524	893,954	(0.1%)
Apr	954,803	900,013	(5.7%)
Year-to-Date	**6,634,015**	**6,537,603**	**(1.5%)**
May	1,062,459		
Jun	1,187,741		
Jul	1,254,252		
Aug	1,212,295		
Sep	1,083,446		
Total/Forecast	**12,434,208**	**12,175,219**	

Unit Sales Driver: Degree days 9% lower than last year.

YTD Degree Days		
30-yr. Avg.	**FY15**	**FY16**
1,819	1,895	1,722

Total System	**(1.5%)**
Residential	(4.1%)
Comm./Industrial	1.5%
Interruptible	(5.2%)
Wholesale (FPU)	(2.7%)

JEA Electric System

Financial Results and Cost Metrics

Building Community

($ in thousands)

Revenues	FY16 Forecast	FY15 Actual	FY16 Budget	FY16 vs FY15 ($)	Variance (%)
Fuel Revenue	$ 411,642[1]	$ 486,362[2]	$ 485,631	$ (74,720)	-15.4%
Base Revenue	725,254	741,411	711,502	(16,157)	-2.2%
Other Revenue	41,888	38,183	51,716	3,705	9.7%
Total Revenues	**$ 1,178,785**	**$ 1,265,956**	**$ 1,248,849**	**$ (87,171)**	**-6.9%**
		$(70M)			
Select Expenses					
Fuel Expense	$ 380,270	$ 441,076	$ 460,315	$ 60,806	13.8%
Fuel Fund Transfers	31,373	45,286	25,255	13,913	
O & M Expense	205,369	191,764	222,827	(13,605)	-7.1%
Non-fuel Purchased Power	97,717	114,804	113,015	17,087	14.9%
Net Revenues	**$ 449,036**	**$ 461,604**	**$ 405,311**	**$ (12,568)**	**-2.7%**
		$44M			
Capital Expenditures	$ 165,514	$ 116,728	$ 153,200[3]	$ (48,786)	-41.8%
Debt Service	$ 176,710	$ 175,779	$ 185,614	$ (931)	-0.5%

Electric Costs / MWh	Non-Fuel
Target	$ 49.44
Forecast	54.09
Difference	$ (4.65)

Fuel Fund *($ in millions)*	
Beginning Balance	$ 151
Surplus/(Deficit)	88
Fuel Credit	(57)
Ending Balance	$ 182

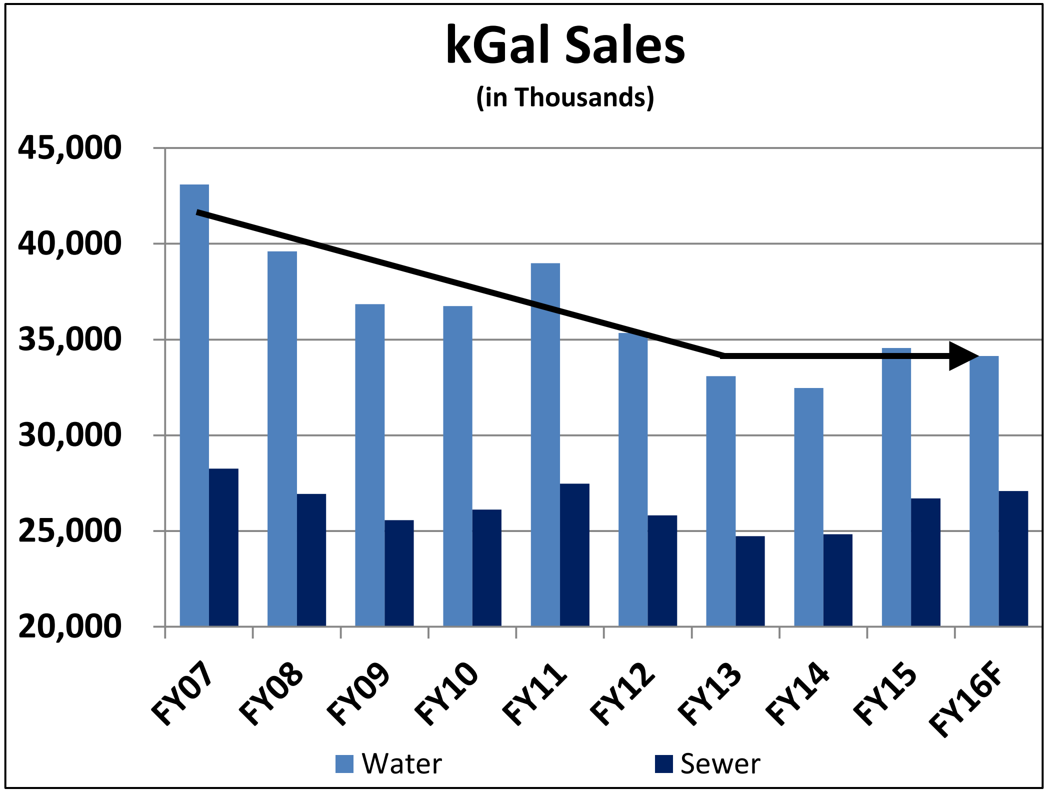
[1] Net of $57 million fuel credit in October bill and fuel rate reduction in February
[2] Net of $50 million fuel credit in FY15
[3] Council approved limit for capital expenditures in FY15 is $170 million

Building Community

JEA Water and Sewer System

kGal Sales

(in Thousands)



Month	FY15	FY16	% Change
Oct	3,052	3,120	2.2%
Nov	2,597	2,641	1.7%
Dec	2,708	2,758	1.8%
Jan	2,502	2,527	1.0%
Feb	2,239	2,479	10.8%
Mar	2,732	2,825	3.5%
Apr	2,765	2,914	5.4%
Year-to-Date	**18,595**	**19,264**	**3.6%**
May	3,509		
Jun	3,382		
Jul	3,300		
Aug	3,062		
Sep	2,712		
Total/Forecast	**34,558**	**34,145**	

Unit Sales Driver: Rainfall down 4 inches; rain days up 2.

YTD Rain			
	30-Yr. Avg.	FY15	FY16
Inches	22	21	17
Days	52	50	52

Total System	**3.6%**
Residential	2.2%
Comm./Industrial	5.5%
Irrigation	3.1%

Building Community

JEA Water and Sewer System

Financial Results and Cost Metrics

($ in thousands)

Revenues	FY16 Forecast	FY15 Actual	FY16 Budget	FY16F vs FY15 ($)	Variance (%)
Water & Sewer Revenues	$ 393,008	$ 393,167	$ 383,162	$ (159)	-0.0%
Other Revenue	35,385	43,750	34,529	(8,365)	-19.1%
Total Revenues	**$ 428,393**	**$ 436,917**	**$ 417,691**	**$ (8,524)**	**-2.0%**
		$11M			
Select Expenses					
O & M Expense	$ 134,260	$ 127,174	$ 138,368	$ (7,086)	-5.6%
Net Revenues	**$ 268,633**	**$ 278,471**	**$ 254,266**	**$ (9,838)**	**-3.5%**
		$14M			
Capital Expenditures	$ 163,904[1]	$ 100,806	$ 175,000	$ (63,098)	-62.6%
Debt Service	$ 98,017	$ 101,108	$ 105,370	$ 3,091	3.1%

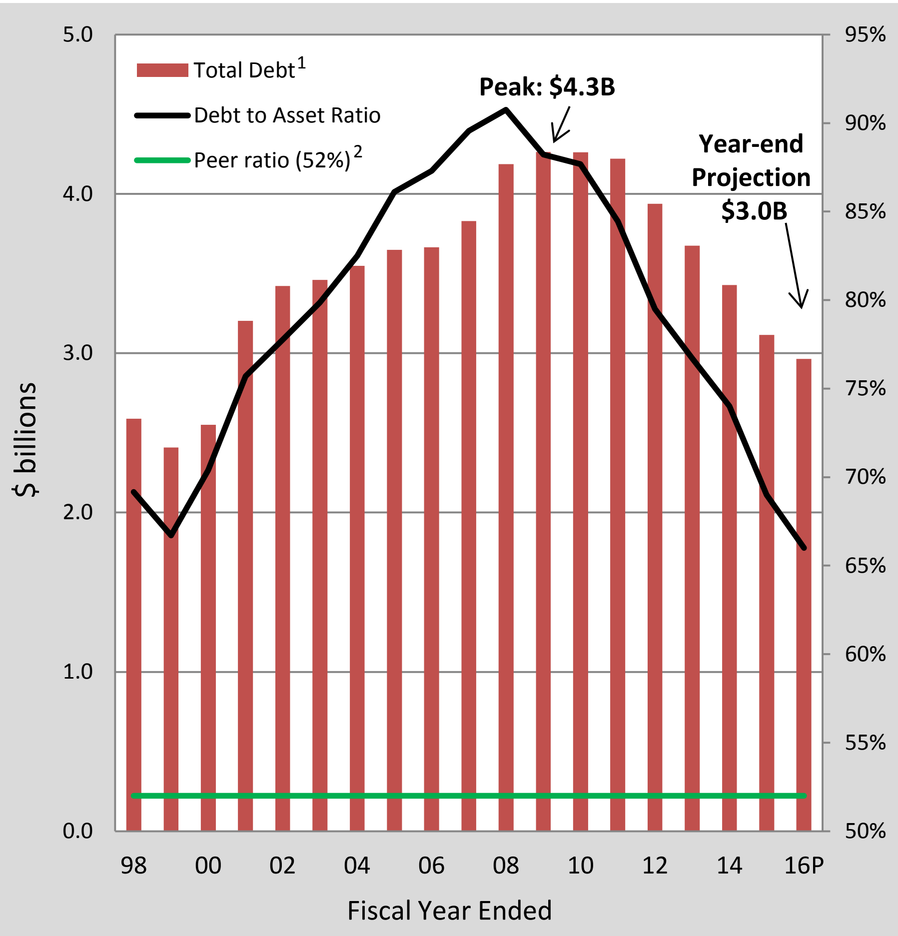
Cost / KGal	Water	Sewer
Target	$ 3.98	$ 7.25
Forecast	4.59	7.94
Difference	$ (0.61)	$ (0.69)

[1] Council approved limit for capital expenditures in FY16 is $195 million

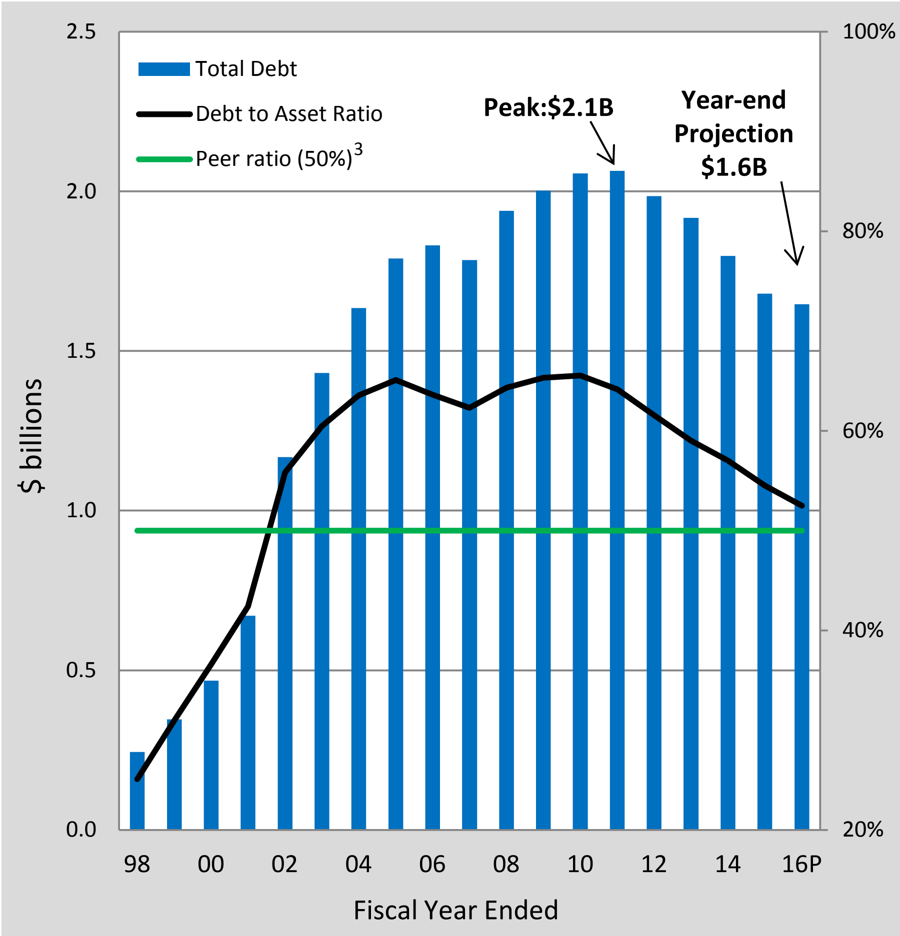
Building Community

JEA Debt and Debt to Asset Ratios

Electric System



Water and Sewer System



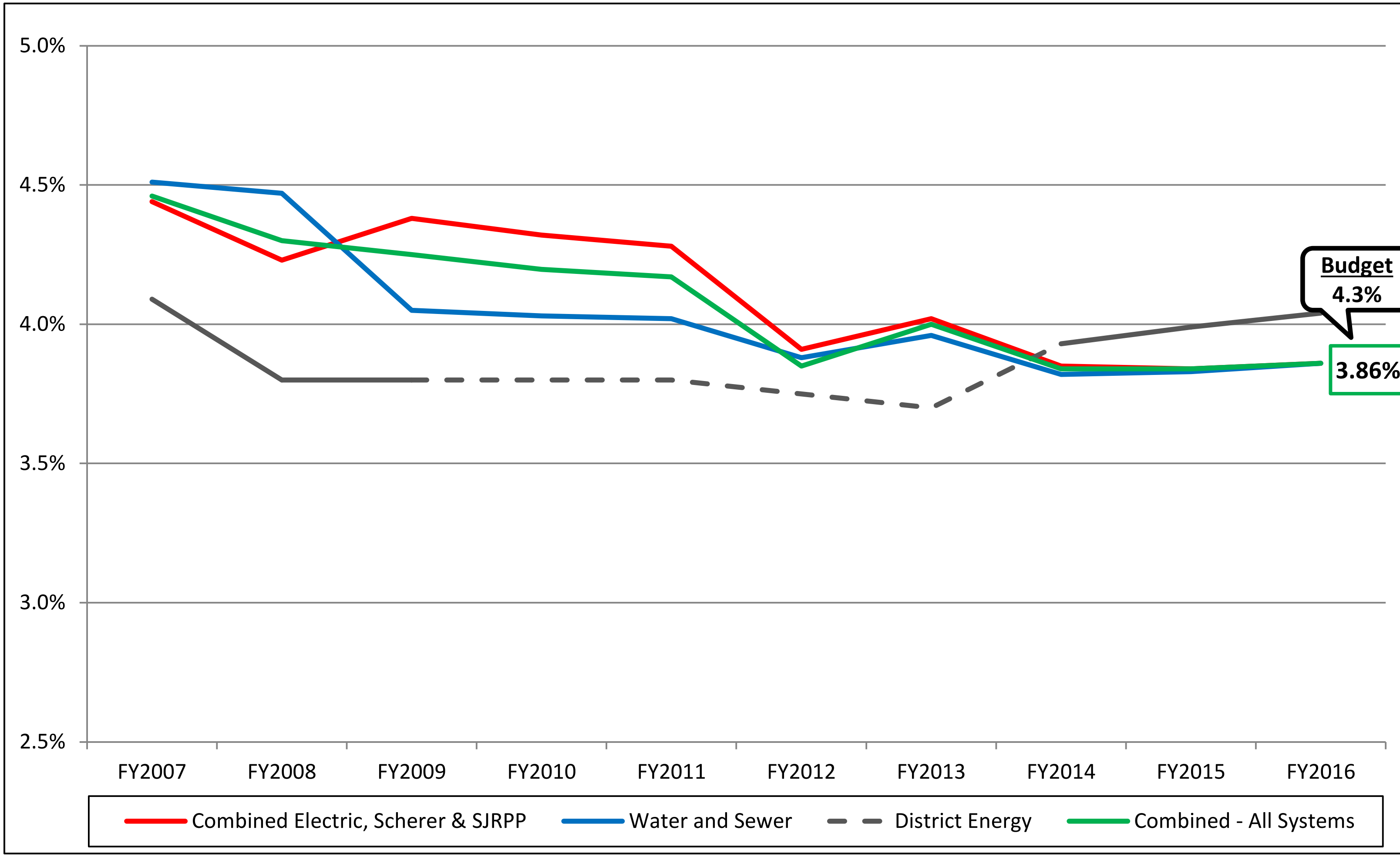
[1] Includes JEA, Scherer and SJRPP

[2] Per "Top 30 City Owned Utilities (By Debt Outstanding)" reported in Moody's Sector In-Depth Report, Sept. 8, 2015

[3] Calculated from Moody's Municipal Financial Ratio Analysis database of 214 Aa rated public water-sewer utilities, Dec. 17, 2015

Combined Debt Outstanding Weighted Average Interest Rates*

Building Community



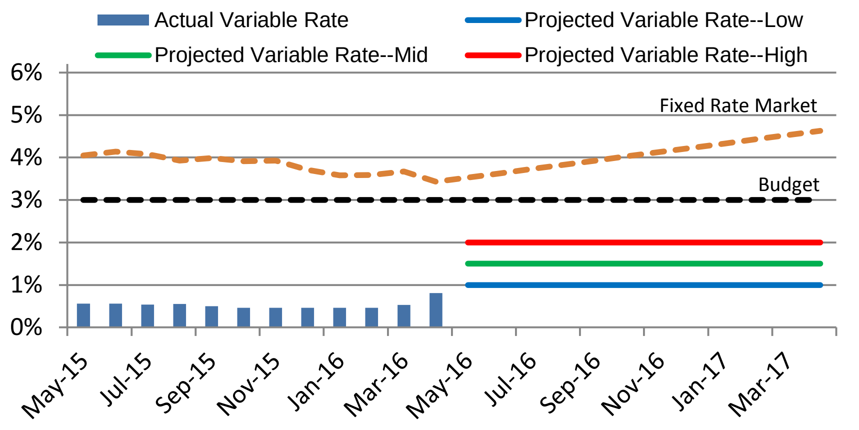
- Fiscal year end interest rates are net of BABs subsidy, original issue premiums / discounts and includes variable debt liquidity / remarketing fees and interest rate swap payments.
- – – – During FY2008 – FY2013 DES was funded with variable rate debt at an average of 1 percent.

Building Community

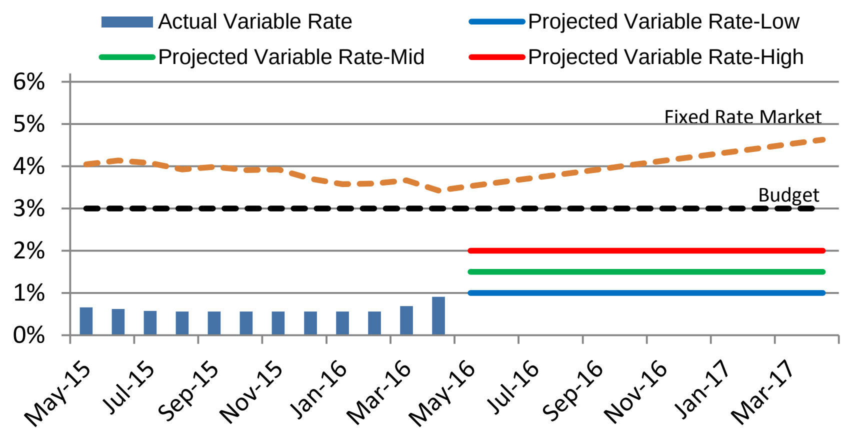
Variable Rate Debt Risk Analysis

($ in millions)

Electric System
Variable Interest Rates (including fees)



Water and Sewer
Variable Interest Rates (including fees)



Total variable rate debt of $890 with $532 swapped to fixed rate

Liquidity Facilities and Direct Purchase Bonds (DPBs)

Bank	Long-Term Ratings Moody's/S&P/Fitch	$ (in millions)	%
Wells Fargo Bank N.A. (100% DPBs)	Aa2/AA-/AA	$225	26
JP Morgan Chase Bank N.A.	Aa3/A+/AA-	199	23
Royal Bank of Canada	Aa3/AA-/AA	193	23
US Bank, N.A.	A1/AA-/AA	149	18
Sumitomo	A1/A/A	52	6
State Street Bank	Aa3/AA-/AA	31	4
Total		$849	

Swap Providers

Bank	Long-Term Ratings Moody's/S&P/Fitch	$ (in millions)	%
Morgan Stanley Capital Services	A3/BBB+/A	$184	35
Goldman Sachs Mitsui Marine Derivative Products	Aa2/AA+ /NR	136	25
JP Morgan Chase Bank N.A.	Aa3/A+/AA-	127	24
Merrill Lynch	Baa1/BBB+/A	85	16
Total		$532	

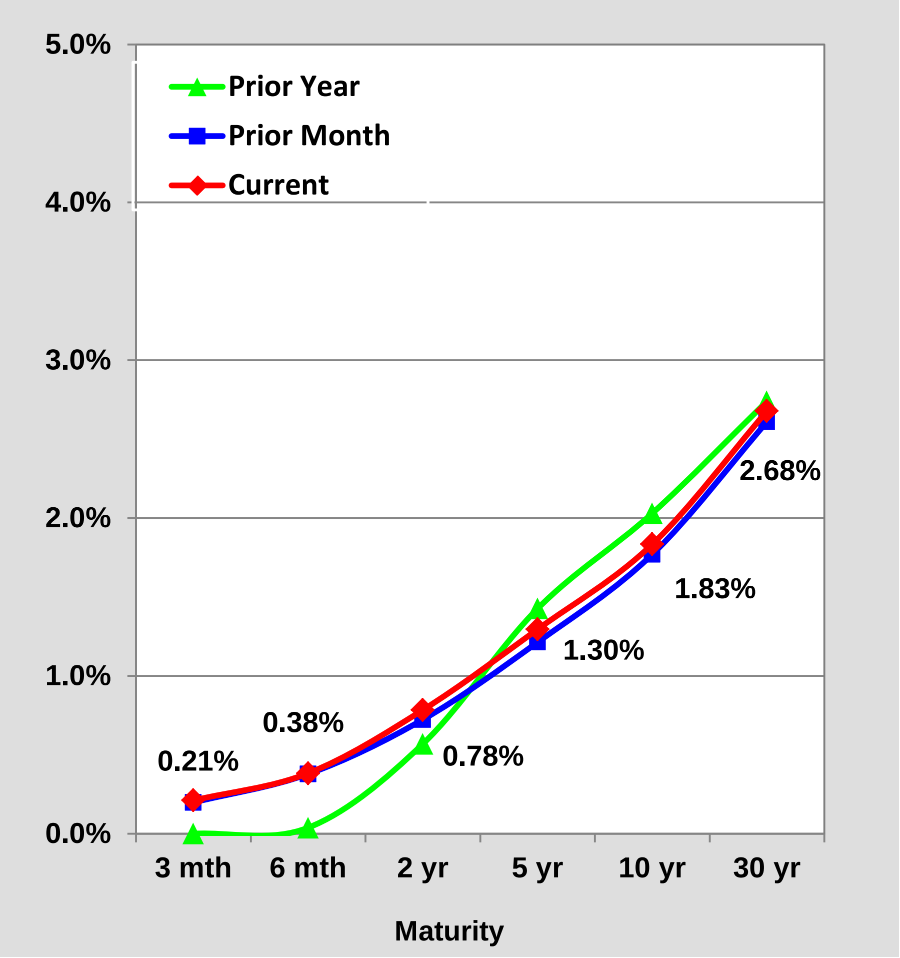
Items of Interest

- Variable debt as a percentage of total debt:
  - Unhedged variable at 6% for Electric and 10% for Water and Sewer.
  - Hedged variable at 14% for Electric and 7% for Water and Sewer.
- Liquidity facilities / direct purchase bonds are with highly rated providers.
- No change in swap counterparty credit quality.
- Wells Fargo direct purchase bonds - three year renewal in Sep 2015.
- State Street liquidity facility renewed in Feb 2015 through March 2018.
- Variable rate reserve to mitigate risk of higher rates – $62 million.

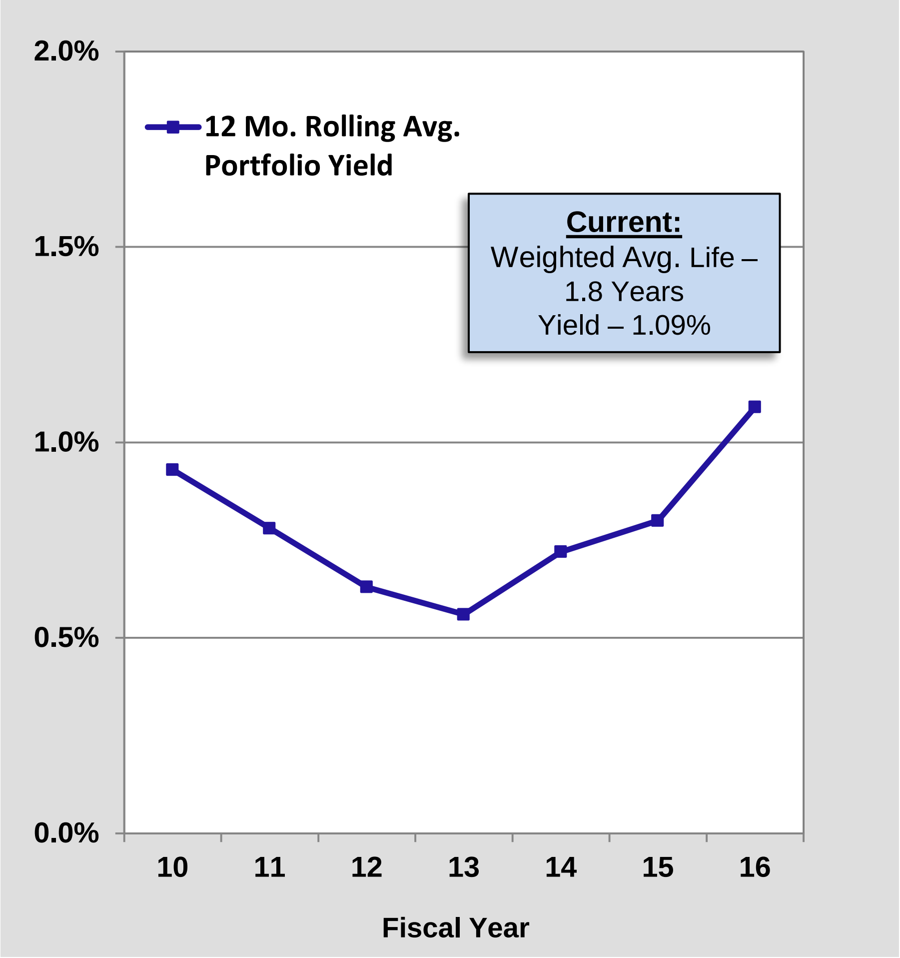
JEA Combined Investments Outstanding

JEA
Building Community

U. S. Treasury Yield Curve

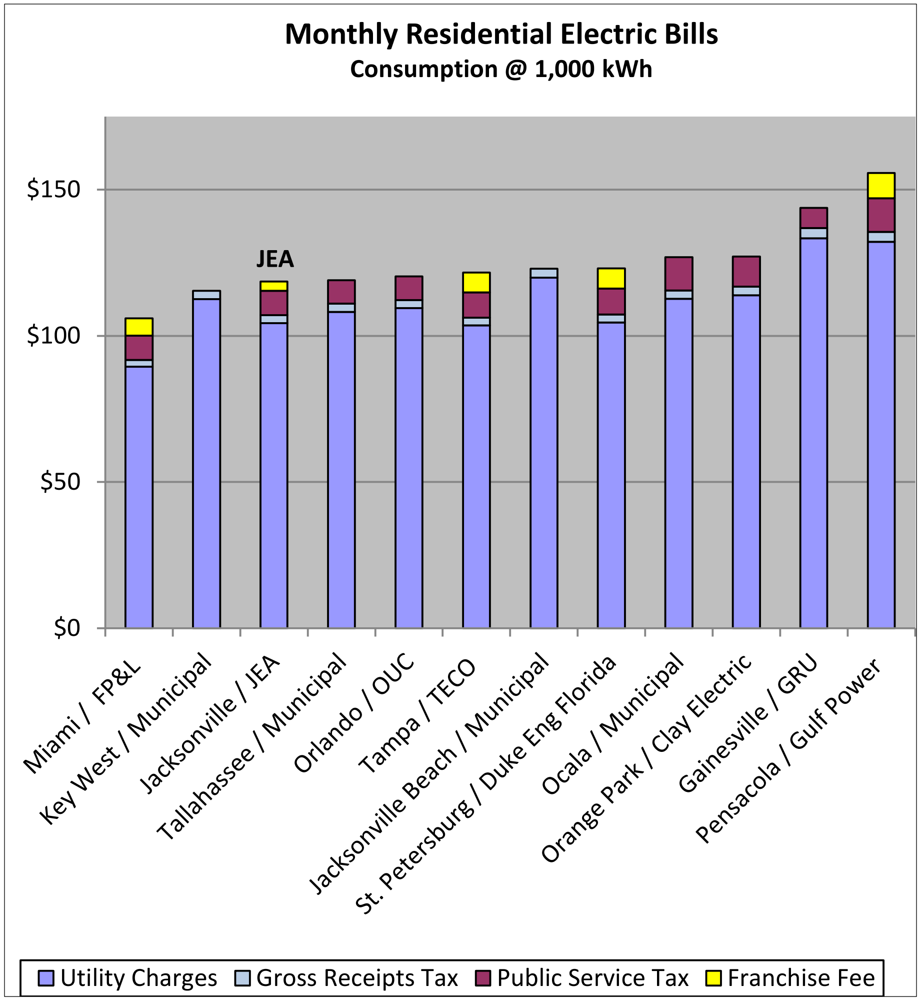


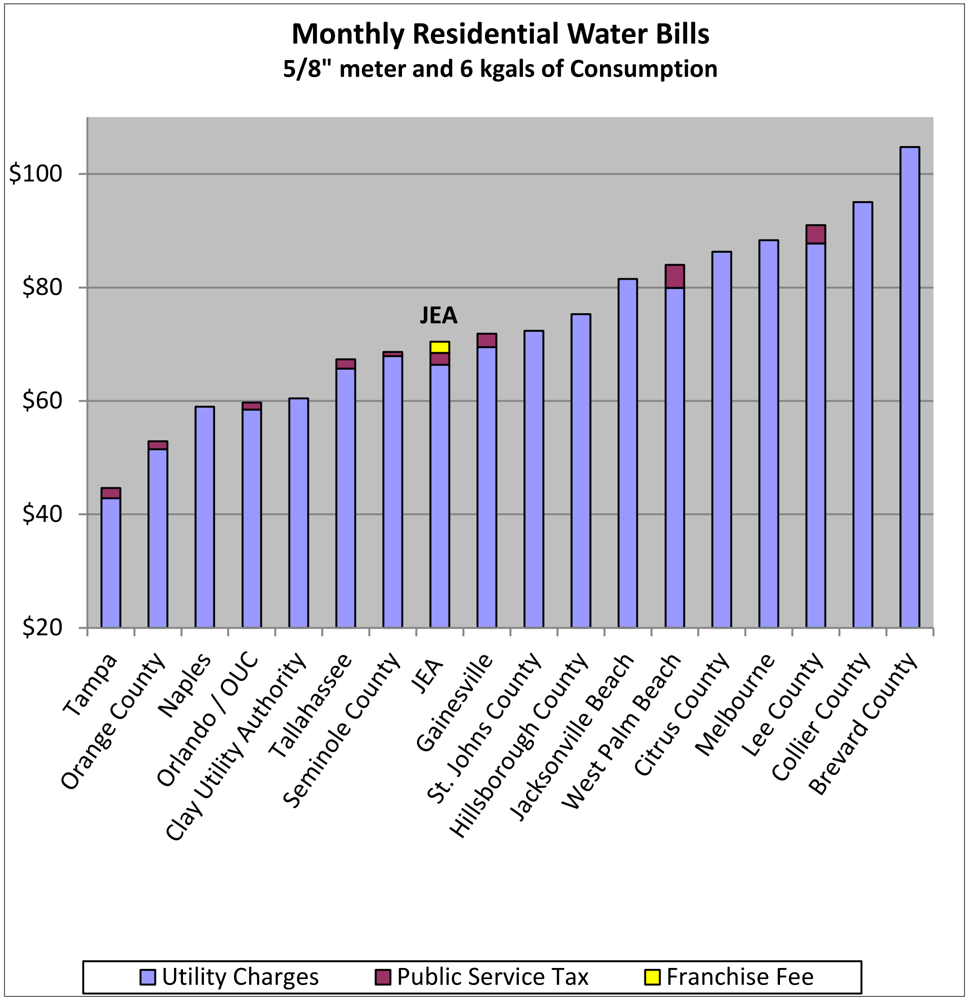
Investment Portfolio Yield



Building Community

Florida Utilities Monthly Bill Comparison





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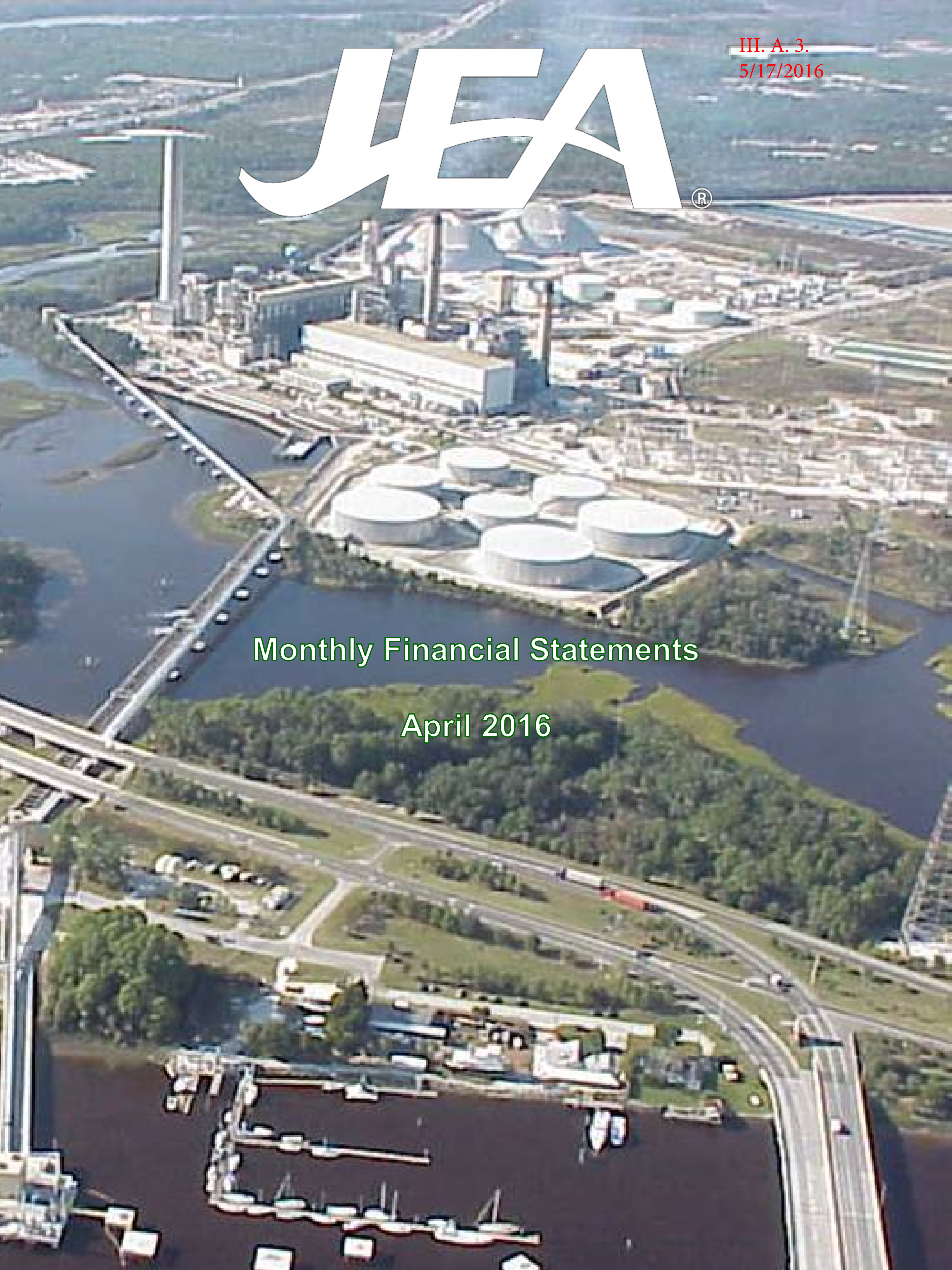
5/17/2016

JEA



Monthly Financial Statements

April 2016

Monthly Financial Statements

April 2016

Index

JEA
Statements of Net Position
(in thousands - unaudited) April 2016 and 2015 restated

	2016	2015 restated
Assets		
Current assets:		
Cash and cash equivalents	$ 220,598	$ 138,123
Investments	302,660	366,954
Customer accounts receivable, less allowance for doubtful accounts of $4,150 in 2016 and $4,141 in 2015 restated	160,315	138,686
Miscellaneous accounts receivable	20,212	22,536
Interest receivable	1,467	1,596
Inventories, less reserve of $157 in 2016 and $581 in 2015 restated:		
Fuel inventory - Electric System	75,469	62,490
Fuel inventory - Plant Scherer	8,440	4,216
Materials and supplies - Water and Sewer	44,369	44,136
Materials and supplies - Electric System	19,686	20,015
Materials and supplies - Plant Scherer	2,057	2,046
Total current assets	855,273	800,798
Noncurrent assets:		
Restricted assets:		
Cash and cash equivalents	52,257	24,611
Investments	806,478	877,545
Accounts and interest receivable	3,334	6,510
Total restricted assets	862,069	908,666
Costs to be recovered from future revenues	453,039	376,316
Investment in The Energy Authority	6,499	7,388
Notes receivable - City of Jacksonville	-	189
Other assets	16,456	19,407
Total noncurrent assets	1,338,063	1,311,966
Capital assets:		
Land and easements	164,176	160,275
Plant in service	10,731,020	10,594,401
Less accumulated depreciation	(5,283,243)	(4,818,594)
Plant in service, net	5,611,953	5,936,082
Construction work in progress	252,654	153,286
Net capital assets	5,864,607	6,089,368
Total assets	8,057,943	8,202,132
Deferred outflows of resources		
Unamortized losses on refundings	147,059	159,827
Accumulated decrease in fair value of interest swaps derivatives	167,867	153,143
Unrealized pension contributions and losses	83,970	39,131
Accumulated decrease in fair value of fuel hedging derivatives	3,192	1,904
Total deferred outflows of resources	402,088	354,005
Total assets and deferred outflows of resources	$ 8,460,031	$ 8,556,137

JEA
Statements of Net Position
(in thousands - unaudited) April 2016 and 2015 restated

	2016	2015 restated
Liabilities		
Current liabilities:		
Accounts and accrued expenses payable	$ 80,986	$ 68,204
Customer deposits	55,848	55,916
City of Jacksonville payable	9,575	9,352
Compensated absences due within one year	4,534	6,152
State utility taxes payable	2,152	1,254
Total current liabilities	153,095	140,878
Current liabilities payable from restricted assets:		
Revenue bonds and line of credit due within one year	181,525	187,370
Renewal and replacement reserve	79,514	86,664
Interest payable	15,970	16,990
Construction contracts and accounts payable	13,981	6,998
Total current liabilities payable from restricted assets	290,990	298,022
Noncurrent liabilities:		
Net pension liability	408,629	395,990
Compensated absences due after one year	24,096	20,465
Environmental liabilities	18,662	18,662
OPEB liability	425	2,142
Other liabilities	4,838	4,555
Total noncurrent liabilities	456,650	441,814
Long-term debt:		
Bonds payable, less current portion	4,470,195	4,783,610
Unamortized premium, net	151,988	174,408
Fair value of debt management strategy instruments	167,867	153,143
Commercial paper notes payable	-	40,800
Total long-term debt	4,790,050	5,151,961
Total liabilities	5,690,785	6,032,675
Deferred inflows of resources		
Revenues to be used for future costs	509,932	444,507
Unrealized pension gains	29,796	-
Total deferred inflows of resources	539,728	444,507
Net position		
Net investment in capital assets	1,430,732	1,167,496
Restricted	470,891	508,942
Unrestricted	327,895	402,517
Total net position	2,229,518	2,078,955
Total liabilities, deferred inflows of resources, and net position	$ 8,460,031	$ 8,556,137

JEA
Combining Statement of Net Position
(in thousands - unaudited) April 2016

	Electric System and Bulk Power Supply System	SJRPP System	Elimination of Intercompany transactions	Total Electric Enterprise Fund	Water and Sewer Enterprise Fund	District Energy System Fund	Total JEA
Assets							
Current assets:							
Cash and cash equivalents	$ 135,522	$ 17,529	$ -	$ 153,051	$ 63,437	$ 4,110	$ 220,598
Investments	295,739	6,921	-	302,660	-	-	302,660
Customer accounts receivable, less allowance for doubtful accounts of $4,150	125,380	-	-	125,380	34,604	331	160,315
Miscellaneous accounts receivable	13,721	15,404	(9,427)	19,698	514	-	20,212
Interest receivable	736	18	-	754	713	-	1,467
Inventories, less reserve of $157:							
Fuel inventory - Electric System	31,243	44,226	-	75,469	-	-	75,469
Fuel inventory - Plant Scherer	8,440	-	-	8,440	-	-	8,440
Materials and supplies - Water and Sewer	-	-	-	-	44,369	-	44,369
Materials and supplies - Electric System	-	19,686	-	19,686	-	-	19,686
Materials and supplies - Plant Scherer	2,057	-	-	2,057	-	-	2,057
Total current assets	612,838	103,784	(9,427)	707,195	143,637	4,441	855,273
Noncurrent assets:							
Restricted assets:							
Cash and cash equivalents	141	46,427	-	46,568	2,212	3,477	52,257
Investments	284,965	206,779	-	491,744	314,734	-	806,478
Accounts and interest receivable	1,096	1,179	-	2,275	1,059	-	3,334
Total restricted assets	286,202	254,385	-	540,587	318,005	3,477	862,069
Costs to be recovered from future revenues	228,564	6,801	-	235,365	217,674	-	453,039
Investment in The Energy Authority	6,499	-	-	6,499	-	-	6,499
Other assets	9,268	-	-	9,268	7,188	-	16,456
Total noncurrent assets	530,533	261,186	-	791,719	542,867	3,477	1,338,063
Capital assets:							
Land and easements	95,177	6,660	-	101,837	59,288	3,051	164,176
Plant in service	5,142,696	1,348,475	-	6,491,171	4,186,187	53,662	10,731,020
Less accumulated depreciation	(2,608,838)	(827,492)	-	(3,436,330)	(1,826,052)	(20,861)	(5,283,243)
Plant in service, net	2,629,035	527,643	-	3,156,678	2,419,423	35,852	5,611,953
Construction work in progress	116,630	15,720	-	132,350	119,929	375	252,654
Net capital assets	2,745,665	543,363	-	3,289,028	2,539,352	36,227	5,864,607
Total assets	3,889,036	908,333	(9,427)	4,787,942	3,225,856	44,145	8,057,943
Deferred outflows of resources							
Unamortized losses on refundings	82,099	17,270	-	99,369	47,475	215	147,059
Accumulated decrease in fair value of interest swaps derivatives	135,571	-	-	135,571	32,296	-	167,867
Unrealized pension contributions and losses	48,712	4,115	-	52,827	31,143	-	83,970
Accumulated decrease in fair value of fuel hedging derivatives	3,192	-	-	3,192	-	-	3,192
Total deferred outflows of resources	269,574	21,385	-	290,959	110,914	215	402,088
Total assets and deferred outflows of resources	$ 4,158,610	$ 929,718	$ (9,427)	$ 5,078,901	$ 3,336,770	$ 44,360	$ 8,460,031

(in thousands - unaudited) April 2016

	Electric System and Bulk Power Supply System	SJRPP System	Elimination of Intercompany transactions	Total Electric Enterprise Fund	Water and Sewer Enterprise Fund	District Energy System Fund	Total JEA
Liabilities							
Current liabilities:							
Accounts and accrued expenses payable	$ 55,672	$ 11,769	$ (498)	$ 66,943	$ 14,034	$ 9	$ 80,986
Customer deposits	41,792	-	-	41,792	14,056	-	55,848
City of Jacksonville payable	7,643	-	-	7,643	1,932	-	9,575
Compensated absences due within one year	1,824	1,486	-	3,310	1,217	7	4,534
State utility taxes payable	2,152	-		2,152	-	-	2,152
Total current liabilities	109,083	13,255	(498)	121,840	31,239	16	153,095
Current liabilities payable from restricted assets:							
Revenue bonds and line of credit due within one year	102,240	43,785	-	146,025	33,875	1,625	181,525
Renewal and replacement reserve	-	79,514	-	79,514	-	-	79,514
Interest payable	8,459	1,777	-	10,236	5,617	117	15,970
Construction contracts and accounts payable	4,781	10,307	(8,929)	6,159	7,674	148	13,981
Total current liabilities payable from restricted assets	115,480	135,383	(8,929)	241,934	47,166	1,890	290,990
Noncurrent liabilities:							
Net pension liability	246,724	4,163	-	250,887	157,742	-	408,629
Compensated absences due after one year	16,772	1,047	-	17,819	6,237	40	24,096
Environmental liabilities	18,662	-	-	18,662	-	-	18,662
OPEB liability	268	-	-	268	157	-	425
Other liabilities	3,192	-	-	3,192	1,646	-	4,838
Total noncurrent liabilities	285,618	5,210	-	290,828	165,782	40	456,650
Long-term debt:							
Bonds payable, less current portion	2,369,215	450,215	-	2,819,430	1,612,640	38,125	4,470,195
Unamortized premium (discount)	74,818	19,945	-	94,763	57,270	(45)	151,988
Fair value of debt management strategy instruments	135,571	-	-	135,571	32,296	-	167,867
Total long-term debt	2,579,604	470,160	-	3,049,764	1,702,206	38,080	4,790,050
Total liabilities	3,089,785	624,008	(9,427)	3,704,366	1,946,393	40,026	5,690,785
Deferred inflows of resources							
Revenues to be used for future costs	321,593	164,496	-	486,089	23,843	-	509,932
Unrealized pension gains	16,446	2,835	-	19,281	10,515	-	29,796
Total deferred inflows of resources	338,039	167,331	-	505,370	34,358	-	539,728
Net position			-				
Net investment in capital assets	309,642	9,728	-	319,370	1,114,773	(3,411)	1,430,732
Restricted	212,311	35,251	8,929	256,491	211,040	3,360	470,891
Unrestricted	208,833	93,400	(8,929)	293,304	30,206	4,385	327,895
Total net position	730,786	138,379	-	869,165	1,356,019	4,334	2,229,518
Total liabilities, deferred inflows of resources, and net position	$ 4,158,610	$ 929,718	$ (9,427)	$ 5,078,901	$ 3,336,770	$ 44,360	$ 8,460,031

(in thousands - unaudited) April 2015 restated

	Electric System and Bulk Power Supply System	SJRPP System	Elimination of Intercompany transactions	Total Electric Enterprise Fund	Water and Sewer Enterprise Fund	District Energy System Fund	Total JEA
Assets							
Current assets:							
Cash and cash equivalents	$ 66,616	$ 29,661	$ -	$ 96,277	$ 37,649	$ 4,197	$ 138,123
Investments	309,101	49,316	-	358,417	8,537	-	366,954
Customer accounts receivable, less allowance for doubtful accounts of $4,141	104,270	-	-	104,270	34,101	315	138,686
Miscellaneous accounts receivable	9,165	17,793	(7,301)	19,657	2,879	-	22,536
Interest receivable	871	2	-	873	723	-	1,596
Inventories, less reserve of $581:							
Fuel inventory - Electric System	34,133	28,357	-	62,490	-	-	62,490
Fuel inventory - Plant Scherer	4,216	-	-	4,216	-	-	4,216
Materials and supplies - Water and Sewer	-	-	-	-	44,136	-	44,136
Materials and supplies - Electric System	-	20,015	-	20,015	-	-	20,015
Materials and supplies - Plant Scherer	2,046	-	-	2,046	-	-	2,046
Total current assets	530,418	145,144	(7,301)	668,261	128,025	4,512	800,798
Noncurrent assets:							
Restricted assets:							
Cash and cash equivalents	382	19,674	-	20,056	844	3,711	24,611
Investments	315,793	233,161	-	548,954	328,591	-	877,545
Accounts and interest receivable	3,401	1,178	-	4,579	1,931	-	6,510
Total restricted assets	319,576	254,013	-	573,589	331,366	3,711	908,666
Costs to be recovered from future revenues	229,415	9,643	-	239,058	137,258	-	376,316
Investment in The Energy Authority	7,388	-	-	7,388	-	-	7,388
Notes receivable - City of Jacksonville	-	-	-	-	189	-	189
Other assets	8,980	-	-	8,980	10,427	-	19,407
Total noncurrent assets	565,359	263,656	-	829,015	479,240	3,711	1,311,966
Capital assets:							
Land and easements	88,310	6,660	-	94,970	62,254	3,051	160,275
Plant in service	5,059,445	1,376,944	-	6,436,389	4,105,596	52,416	10,594,401
Less accumulated depreciation	(2,422,088)	(797,319)	-	(3,219,407)	(1,580,618)	(18,569)	(4,818,594)
Plant in service, net	2,725,667	586,285	-	3,311,952	2,587,232	36,898	5,936,082
Construction work in progress	70,888	8,773	-	79,661	73,245	380	153,286
Capital assets, net	2,796,555	595,058	-	3,391,613	2,660,477	37,278	6,089,368
Total assets	3,892,332	1,003,858	(7,301)	4,888,889	3,267,742	45,501	8,202,132
Deferred outflows of resources							
Unamortized losses on refundings	87,142	22,404	-	109,546	50,058	223	159,827
Accumulated decrease in fair value of interest swaps derivatives	123,754	-	-	123,754	29,389	-	153,143
Unrealized pension contributions and losses	21,157	4,447	-	25,604	13,527	-	39,131
Accumulated decrease in fair value of fuel hedging derivatives	1,904	-	-	1,904	-	-	1,904
Total deferred outflows of resources	233,957	26,851	-	260,808	92,974	223	354,005
Total assets and deferred outflows of resources	$ 4,126,289	$ 1,030,709	$ (7,301)	$ 5,149,697	$ 3,360,716	$ 45,724	$ 8,556,137

JEA
Combining Statement of Net Position
(in thousands - unaudited) April 2015 restated

	Electric System and Bulk Power Supply System	SJRPP System	Elimination of Intercompany transactions	Total Electric Enterprise Fund	Water and Sewer Enterprise Fund	District Energy System Fund	Total JEA
Liabilities							
Current liabilities:							
Accounts and accrued expenses payable	$ 52,517	$ 10,504	$ (1,868)	$ 61,153	$ 7,037	$ 14	$ 68,204
Customer deposits	42,956	-	-	42,956	12,960	-	55,916
City of Jacksonville payable	7,509	-	-	7,509	1,843	-	9,352
Compensated absences due within one year	3,950	1,486	-	5,436	710	6	6,152
State utility taxes payable	1,254	-	-	1,254	-	-	1,254
Total current liabilities	108,186	11,990	(1,868)	118,308	22,550	20	140,878
Current liabilities payable from restricted assets:							
Revenue bonds and line of credit due within one year	98,765	50,815	-	149,580	36,180	1,610	187,370
Renewal and replacement reserve	-	86,664	-	86,664	-	-	86,664
Interest payable	8,841	2,111	-	10,952	5,920	118	16,990
Construction contracts and accounts payable	2,856	6,675	(5,433)	4,098	2,891	9	6,998
Total current liabilities payable from restricted assets	110,462	146,265	(5,433)	251,294	44,991	1,737	298,022
Noncurrent liabilities:							
Net pension liability	235,941	9,201	-	245,142	150,848	-	395,990
Compensated absences due after one year	12,978	1,280	-	14,258	6,151	56	20,465
Environmental liabilities	18,662	-	-	18,662	-	-	18,662
OPEB liability	1,355	-	-	1,355	787	-	2,142
Other liabilities	1,904	-	-	1,904	2,651		4,555
Total noncurrent liabilities	270,840	10,481	-	281,321	160,437	56	441,814
Long-term debt:							
Bonds payable, less current portion	2,498,685	528,295	-	3,026,980	1,716,880	39,750	4,783,610
Unamortized premium (discount), net	88,410	20,842	-	109,252	65,206	(50)	174,408
Fair value of debt management strategy instruments	123,754	-	-	123,754	29,389	-	153,143
Commercial paper notes payable	40,800	-	-	40,800	-	-	40,800
Total long-term debt	2,751,649	549,137	-	3,300,786	1,811,475	39,700	5,151,961
Total liabilities	3,241,137	717,873	(7,301)	3,951,709	2,039,453	41,513	6,032,675
Deferred inflows of resources							
Revenues to be used for future costs	240,294	174,688	-	414,982	29,525	-	444,507
Total deferred inflows of resources	240,294	174,688	-	414,982	29,525	-	444,507
Net position							
Net investment in capital assets	187,774	(28,255)	-	159,519	1,011,795	(3,818)	1,167,496
Restricted	241,288	34,529	5,433	281,250	224,099	3,593	508,942
Unrestricted	215,796	131,874	(5,433)	342,237	55,844	4,436	402,517
Total net position	644,858	138,148	-	783,006	1,291,738	4,211	2,078,955
Total liabilities, deferred inflows of resources, and net position	$ 4,126,289	$ 1,030,709	$ (7,301)	$ 5,149,697	$ 3,360,716	$ 45,724	$ 8,556,137

JEA
Schedule of Cash and Investments
(in thousands - unaudited) April 2016

	Electric System and Bulk Power Supply System	SJRPP System	Total Electric Enterprise Fund	Water and Sewer Enterprise Fund	District Energy System Fund	Total JEA
Unrestricted cash and investments						
Operations	$ 86,319	$ (45)	$ 86,274	$ 25,538	$ 1,373	$ 113,185
Rate stabilization:						
Fuel	153,297	-	153,297	-	-	153,297
Debt management	42,126	-	42,126	20,290	2,737	65,153
Environmental	27,244	-	27,244	3,553	-	30,797
Purchased Power	36,971	-	36,971	-	-	36,971
DSM/Conservation	2,894	-	2,894	-	-	2,894
Total rate stabilization funds	262,532	-	262,532	23,843	2,737	289,112
General reserve	-	24,495	24,495	-	-	24,495
Customer deposits	41,619	-	41,619	14,056	-	55,675
Self insurance reserve funds:						
Self funded health plan	12,129	-	12,129	-	-	12,129
Property insurance reserve	10,000	-	10,000	-	-	10,000
Total self insurance reserve funds	22,129	-	22,129	-	-	22,129
Environmental liability reserve	18,662	-	18,662	-	-	18,662
Total unrestricted cash and investments	$ 431,261	$ 24,450	$ 455,711	$ 63,437	$ 4,110	$ 523,258
Restricted assets						
Renewal and replacement funds	$ 148,542	$ 79,443	$ 227,985	$ 176,539	$ 2,413	$ 406,937
Debt service reserve account	65,433	136,735	202,168	108,086	-	310,254
Debt service funds	66,898	25,800	92,698	25,075	1,064	118,837
Construction funds	-	-	-	681	-	681
Environmental funds	-	-	-	1,443	-	1,443
Subtotal	280,873	241,978	522,851	311,824	3,477	838,152
Unrealized holding gain (loss) on investments	4,092	(1,249)	2,843	5,053	-	7,896
Other funds	141	12,477	12,618	69	-	12,687
Total restricted cash and investments	$ 285,106	$ 253,206	$ 538,312	$ 316,946	$ 3,477	$ 858,735

JEA
Schedule of Cash and Investments
(in thousands - unaudited) April 2015 restated

	Electric System and Bulk Power Supply System	SJRPP System	Total Electric Enterprise Fund	Water and Sewer Enterprise Fund	District Energy System Fund	Total JEA
Unrestricted cash and investments						
Operations	$ 114,782	$ 20,522	$ 135,304	$ 12,937	$ 1,460	$ 149,701
Rate stabilization:						
Fuel	102,754	-	102,754	-	-	102,754
Debt management	42,126	-	42,126	20,290	2,737	65,153
Environmental	20,295	-	20,295	-	-	20,295
Purchased Power	12,000	-	12,000	-	-	12,000
DSM/Conservation	3,273	-	3,273	-	-	3,273
Total rate stabilization funds	180,448	-	180,448	20,290	2,737	203,475
General reserve	-	58,455	58,455	-	-	58,455
Customer deposits	42,789	-	42,789	12,959	-	55,748
Self insurance reserve funds:						
Self funded health plan	9,036	-	9,036	-	-	9,036
Property insurance reserve	10,000	-	10,000	-	-	10,000
Total self insurance reserve funds	19,036	-	19,036	-	-	19,036
Environmental liability reserve	18,662	-	18,662	-	-	18,662
Total unrestricted cash and investments	$ 375,717	$ 78,977	$ 454,694	$ 46,186	$ 4,197	$ 505,077
Restricted assets						
Renewal and replacement funds	$ 176,826	$ 86,561	$ 263,387	$ 171,087	$ 2,654	$ 437,128
Debt service reserve account	69,446	129,573	199,019	114,182	-	313,201
Debt service funds	64,612	30,159	94,771	26,650	1,057	122,478
Environmental funds	-	-	-	11,937	-	11,937
Construction funds	8	44	52	664	-	716
Subtotal	310,892	246,337	557,229	324,520	3,711	885,460
Unrealized holding gain (loss) on investments	4,930	(550)	4,380	4,736	-	9,116
Other funds	353	7,048	7,401	179	-	7,580
Total restricted cash and investments	$ 316,175	$ 252,835	$ 569,010	$ 329,435	$ 3,711	$ 902,156

JEA
Regulatory Accounting Balances
(in thousands - unaudited) April 2016

DESCRIPTION	Electric System and Bulk Power Supply System	SJRPP System	Total Electric Enterprise Fund	Water and Sewer Enterprise Fund	Total JEA
Pension	214,133	2,883	**217,016**	136,905	**353,921**
Environmental	-	-	**-**	80,524	**80,524**
Scherer	12,168	-	**12,168**	-	**12,168**
Bond issue costs	2,263	3,918	**6,181**	245	**6,426**
Costs to be recovered from future revenues	**228,564**	**6,801**	**235,365**	**217,674**	**453,039**
SJRPP	-	164,496	**164,496**	-	**164,496**
Fuel	153,297	-	**153,297**	-	**153,297**
Debt management	42,126	-	**42,126**	20,290	**62,416**
Scherer	46,932	-	**46,932**	-	**46,932**
Purchased power	36,971	-	**36,971**	-	**36,971**
Environmental	27,244	-	**27,244**	3,553	**30,797**
Health self-insurance	12,129	-	**12,129**	-	**12,129**
DSM	2,894	-	**2,894**	-	**2,894**
Revenues to be used for future costs	**321,593**	**164,496**	**486,089**	**$ 23,843**	**509,932**

JEA
Regulatory Accounting Balances
(in thousands - unaudited) April 2015 restated

DESCRIPTION	Electric System and Bulk Power Supply System	SJRPP System	Total Electric Enterprise Fund	Water and Sewer Enterprise Fund	Total JEA
Pension	214,459	4,754	**219,213**	137,113	**356,326**
Scherer	13,248	-	**13,248**	-	**13,248**
Bond issue costs	1,708	4,889	**6,597**	145	**6,742**
Costs to be recovered from future revenues	**229,415**	**9,643**	**239,058**	**137,258**	**376,316**
SJRPP	-	174,688	**174,688**	-	**174,688**
Fuel	102,754	-	**102,754**	-	**102,754**
Debt management	42,126	-	**42,126**	20,290	**62,416**
Scherer	50,810	-	**50,810**	-	**50,810**
Purchased power	12,000	-	**12,000**	-	**12,000**
Environmental	20,295	-	**20,295**	9,235	**29,530**
Health self-insurance	9,036	-	**9,036**	-	**9,036**
DSM	3,273	-	**3,273**	-	**3,273**
Revenues to be used for future costs	**240,294**	**174,688**	**414,982**	**$ 29,525**	**444,507**

JEA
Statements of Revenues, Expenses and Changes in Net Position
(in thousands - unaudited)

	Month April 2016	Month April 2015 restated	Year-To-Date April 2016	Year-To-Date April 2015 restated
Operating revenues				
Electric - base	$ 56,926	$ 58,170	$ 416,621	$ 424,230
Electric - fuel and purchased power	38,972	40,104	264,539	309,941
Water and sewer	34,608	30,778	228,214	212,623
District energy system	622	681	4,615	4,724
Other	2,506	2,280	18,486	21,003
Total operating revenues	133,634	132,013	932,475	972,521
Operating expenses				
Operations:				
Fuel	29,989	32,535	210,380	257,075
Purchased power	6,355	3,234	32,984	28,269
Other	24,506	20,788	161,716	140,379
Depreciation	32,720	30,329	222,061	214,235
Maintenance	9,175	10,258	56,034	65,079
State utility and franchise taxes	5,106	3,385	37,483	38,920
Recognition of deferred costs and revenues, net	502	(896)	(4,655)	(6,260)
Total operating expenses	108,353	99,633	716,003	737,697
Operating income	25,281	32,380	216,472	234,824
Nonoperating revenues (expenses)				
Interest on debt	(13,711)	(14,569)	(95,650)	(104,049)
Debt management strategy	(1,504)	(1,665)	(11,346)	(11,277)
Net increase in fair value of investments	-	-	1,996	3,570
Investment income	2,346	817	8,033	6,144
Other revenue	691	1,781	6,427	5,487
Allowance for funds used during construction	732	452	4,702	2,707
Loss on sale of asset	-	-	-	(78)
Earnings from The Energy Authority	491	319	1,955	858
Other interest, net	(22)	(7)	(297)	(40)
Other expense	(22)	(2)	(216)	(13)
Total nonoperating expenses, net	(10,999)	(12,874)	(84,396)	(96,691)
Income before contributions and special item	14,282	19,506	132,076	138,133
Contributions (to) from				
General Fund, City of Jacksonville, Florida	(9,515)	(9,307)	(81,609)	(65,151)
Developers and other	4,371	4,225	35,798	29,096
Reduction of plant cost through contributions	(2,364)	(2,712)	(23,656)	(18,514)
Total contributions	(7,508)	(7,794)	(69,467)	(54,569)
Special Item	-	-	-	151,490
Change in net position	6,774	11,712	62,609	235,054
Net position, beginning of period	2,222,744	2,067,243	2,166,909	1,843,901
Net position, end of period	$ 2,229,518	$ 2,078,955	$ 2,229,518	$ 2,078,955

Combining Statement of Revenues, Expenses and Changes in Net Position
(in thousands - unaudited) for the month ended April 2016

	Electric System and Bulk Power Supply System	SJRPP System	Elimination of Intercompany transactions	Total Electric Enterprise Fund	Water and Sewer Enterprise Fund	District Energy System Fund	Eliminations	Total JEA
Operating revenues								
Electric - base	$ 57,199	$ -	$ -	$ 57,199	$ -	$ -	$ (273)	$ 56,926
Electric - fuel and purchased power	29,158	22,626	(11,782)	40,002	-	-	(1,030)	38,972
Water and sewer	-	-	-	-	34,670	-	(62)	34,608
District energy system	-	-	-	-	-	622	-	622
Other	1,961	-	-	1,961	726	-	(181)	2,506
Total operating revenues	88,318	22,626	(11,782)	99,162	35,396	622	(1,546)	133,634
Operating expenses								
Operations:								
Fuel	16,318	13,671	-	29,989	-	-	-	29,989
Purchased power	18,137	-	(11,782)	6,355	-	-	-	6,355
Other	14,475	1,958	-	16,433	9,357	262	(1,546)	24,506
Depreciation	16,521	3,563	-	20,084	12,445	191	-	32,720
Maintenance	6,165	1,989	-	8,154	969	52	-	9,175
State utility and franchise taxes	4,262	-	-	4,262	844	-	-	5,106
Recognition of deferred costs and revenues, net	(218)	(970)	-	(1,188)	1,690	-	-	502
Total operating expenses	75,660	20,211	(11,782)	84,089	25,305	505	(1,546)	108,353
Operating income	12,658	2,415	-	15,073	10,091	117	-	25,281
Nonoperating revenues (expenses)								
Interest on debt	(6,514)	(2,211)	-	(8,725)	(4,868)	(118)	-	(13,711)
Debt management strategy	(1,201)	-	-	(1,201)	(303)	-	-	(1,504)
Investment income	1,701	382	-	2,083	261	2	-	2,346
Other revenue	422	34	-	456	235	-	-	691
Allowance for funds used during construction	347	-	-	347	384	1	-	732
Earnings from The Energy Authority	491	-	-	491	-	-	-	491
Other interest, net	(22)	-	-	(22)	-	-	-	(22)
Other expense	(20)	-	-	(20)	(2)	-	-	(22)
Total nonoperating expenses, net	(4,796)	(1,795)	-	(6,591)	(4,293)	(115)	-	(10,999)
Income before contributions and special item	7,862	620	-	8,482	5,798	2	-	14,282
Contributions (to) from								
General Fund, City of Jacksonville, Florida	(7,643)	-	-	(7,643)	(1,872)	-	-	(9,515)
Developers and other	-	-	-	-	4,371	-	-	4,371
Reduction of plant cost through contributions	-	-	-	-	(2,364)			(2,364)
Total contributions	(7,643)	-	-	(7,643)	135	-	-	(7,508)
Change in net position	219	620	-	839	5,933	2	-	6,774
Net position, beginning of period	730,567	137,759	-	868,326	1,350,086	4,332	-	2,222,744
Net position, end of period	$ 730,786	$ 138,379	$ -	$ 869,165	$ 1,356,019	$ 4,334	$ -	$ 2,229,518

Combining Statement of Revenues, Expenses and Changes in Net Position
(in thousands - unaudited) for the month ended April 2015 restated

	Electric System and Bulk Power Supply System	SJRPP System	Elimination of Intercompany transactions	Total Electric Enterprise Fund	Water and Sewer Enterprise Fund	District Energy System Fund	Eliminations	Total JEA
Operating revenues								
Electric - base	$ 58,323	$ -	$ -	$ 58,323	$ -	$ -	$ (153)	$ 58,170
Electric - fuel and purchased power	31,248	20,057	(10,627)	40,678	-	-	(574)	40,104
Water and sewer	-	-	-	-	30,822	-	(44)	30,778
District energy system	-	-	-	-	-	681	-	681
Other	1,748	-	-	1,748	740	-	(208)	2,280
Total operating revenues	91,319	20,057	(10,627)	100,749	31,562	681	(979)	132,013
Operating expenses								
Operations:								
Fuel	24,118	8,417	-	32,535	-	-	-	32,535
Purchased power	13,861	-	(10,627)	3,234	-	-	-	3,234
Other	11,233	1,434	-	12,667	8,952	148	(979)	20,788
Depreciation	15,606	3,563	-	19,169	10,970	190	-	30,329
Maintenance	4,961	4,184	-	9,145	1,060	53	-	10,258
State utility and franchise taxes	2,540	-	-	2,540	845	-	-	3,385
Recognition of deferred costs and revenues, net	(312)	(573)	-	(885)	(11)	-	-	(896)
Total operating expenses	72,007	17,025	(10,627)	78,405	21,816	391	(979)	99,633
Operating income	19,312	3,032	-	22,344	9,746	290	-	32,380
Nonoperating revenues (expenses)								
Interest on debt	(6,707)	(2,670)	-	(9,377)	(5,073)	(119)	-	(14,569)
Debt management strategy	(1,290)	-	-	(1,290)	(375)	-	-	(1,665)
Investment income	270	289	-	559	258	-	-	817
Other revenue	363	34	-	397	1,384	-	-	1,781
Allowance for funds used during construction	218	-	-	218	233	1	-	452
Earnings from The Energy Authority	319	-	-	319	-	-	-	319
Other interest, net	(7)	-	-	(7)	-	-	-	(7)
Other expense	(2)	-	-	(2)	-	-	-	(2)
Total nonoperating expenses, net	(6,836)	(2,347)	-	(9,183)	(3,573)	(118)	-	(12,874)
Income before contributions	12,476	685	-	13,161	6,173	172	-	19,506
Contributions (to) from								
General Fund, City of Jacksonville, Florida	(7,509)	-	-	(7,509)	(1,798)	-	-	(9,307)
Developers and other	-	-	-	-	4,225	-	-	4,225
Reduction of plant cost through contributions	-	-	-	-	(2,712)	-	-	(2,712)
Total contributions	(7,509)	-	-	(7,509)	(285)	-	-	(7,794)
Change in net position	4,967	685	-	5,652	5,888	172	-	11,712
Net position, beginning of period	639,891	137,463	-	777,354	1,285,850	4,039	-	2,067,243
Net position, end of period	$ 644,858	$ 138,148	$ -	$ 783,006	$ 1,291,738	$ 4,211	$ -	$ 2,078,955

Combining Statement of Revenues, Expenses and Changes in Net Position
(in thousands - unaudited) for the seven months ended April 2016

	Electric System and Bulk Power Supply System	SJRPP System	Elimination of Intercompany transactions	Total Electric Enterprise Fund	Water and Sewer Enterprise Fund	District Energy System Fund	Eliminations	Total JEA
Operating revenues								
Electric - base	$ 418,401	$ -	$ -	$ 418,401	$ -	$ -	$ (1,780)	$ 416,621
Electric - fuel and purchased power	204,753	129,155	(62,671)	271,237	-	-	(6,698)	264,539
Water and sewer	-	-	-	-	228,550	-	(336)	228,214
District energy system	-	-	-	-	-	4,615	-	4,615
Other	14,243	-	-	14,243	5,504	-	(1,261)	18,486
Total operating revenues	637,397	129,155	(62,671)	703,881	234,054	4,615	(10,075)	932,475
Operating expenses								
Operations:								
Fuel	139,373	71,007	-	210,380	-	-	-	210,380
Purchased power	95,655	-	(62,671)	32,984	-	-	-	32,984
Other	87,602	13,318	-	100,920	69,127	1,744	(10,075)	161,716
Depreciation	112,640	24,940	-	137,580	83,145	1,336	-	222,061
Maintenance	37,815	9,516	-	47,331	7,989	714	-	56,034
State utility and franchise taxes	31,717	-	-	31,717	5,766	-	-	37,483
Recognition of deferred costs and revenues, net	(1,526)	(6,899)	-	(8,425)	3,770	-	-	(4,655)
Total operating expenses	503,276	111,882	(62,671)	552,487	169,797	3,794	(10,075)	716,003
Operating income	134,121	17,273	-	151,394	64,257	821	-	216,472
Nonoperating revenues (expenses)								
Interest on debt	(45,431)	(15,480)	-	(60,911)	(33,915)	(824)	-	(95,650)
Debt management strategy	(8,840)	-	-	(8,840)	(2,506)	-	-	(11,346)
Investment income	3,800	2,308	-	6,108	1,913	12	-	8,033
Other revenue	2,706	239	-	2,945	3,482	-	-	6,427
Allowance for funds used during construction	2,314	-	-	2,314	2,380	8	-	4,702
Net increase in fair value of investments	858	44	-	902	1,094	-	-	1,996
Earnings from The Energy Authority	1,955	-	-	1,955	-	-	-	1,955
Other interest, net	(251)	-	-	(251)	(46)	-	-	(297)
Other expense	(178)	-	-	(178)	(38)	-	-	(216)
Total nonoperating expenses, net	(43,067)	(12,889)	-	(55,956)	(27,636)	(804)	-	(84,396)
Income before contributions	91,054	4,384	-	95,438	36,621	17	-	132,076
Contributions (to) from								
General Fund, City of Jacksonville, Florida	(65,503)	-	-	(65,503)	(16,106)	-	-	(81,609)
Developers and other	-	-	-	-	35,798	-	-	35,798
Reduction of plant cost through contributions	-	-	-	-	(23,656)	-	-	(23,656)
Total contributions	(65,503)	-	-	(65,503)	(3,964)	-	-	(69,467)
Change in net position	25,551	4,384	-	29,935	32,657	17	-	62,609
Net position, beginning of year	705,235	133,995	-	839,230	1,323,362	4,317	-	2,166,909
Net position, end of period	$ 730,786	$ 138,379	$ -	$ 869,165	$ 1,356,019	$ 4,334	$ -	$ 2,229,518

Combining Statement of Revenues, Expenses and Changes in Net Position
(in thousands - unaudited) for the seven months ended April 2015 restated

	Electric System and Bulk Power Supply System	SJRPP System	Elimination of Intercompany transactions	Total Electric Enterprise Fund	Water and Sewer Enterprise Fund	District Energy System Fund	Eliminations	Total JEA
Operating revenues								
Electric - base	$ 426,101	$ -	$ -	$ 426,101	$ -	$ -	$ (1,871)	$ 424,230
Electric - fuel and purchased power	246,667	158,775	(88,462)	316,980	-	-	(7,039)	309,941
Water and sewer	-	-	-	-	212,925	-	(302)	212,623
District energy	-	-	-	-	-	4,724	-	4,724
Other	17,464	-	-	17,464	5,004	-	(1,465)	21,003
Total operating revenues	690,232	158,775	(88,462)	760,545	217,929	4,724	(10,677)	972,521
Operating expenses								
Operations:								
Fuel	167,750	89,325	-	257,075	-	-	-	257,075
Purchased power	116,731	-	(88,462)	28,269	-	-	-	28,269
Other	74,202	13,264	-	87,466	61,737	1,853	(10,677)	140,379
Depreciation	111,524	24,940	-	136,464	76,440	1,331	-	214,235
Maintenance	42,678	14,117	-	56,795	7,620	664	-	65,079
State utility and franchise taxes	33,274	-	-	33,274	5,646	-	-	38,920
Recognition of deferred costs and revenues, net	(2,187)	(4,009)	-	(6,196)	(64)	-	-	(6,260)
Total operating expenses	543,972	137,637	(88,462)	593,147	151,379	3,848	(10,677)	737,697
Operating income	146,260	21,138	-	167,398	66,550	876	-	234,824
Nonoperating revenues (expenses)								
Interest on debt	(48,168)	(18,689)	-	(66,857)	(36,362)	(830)	-	(104,049)
Debt management strategy	(9,051)	-	-	(9,051)	(2,226)	-	-	(11,277)
Investment income	2,258	2,106	-	4,364	1,777	3	-	6,144
Other revenue	2,568	238	-	2,806	2,681	-	-	5,487
Allowance for funds used during construction	1,233	-	-	1,233	1,468	6	-	2,707
Net increase in fair value of investments	1,730	637	-	2,367	1,203	-	-	3,570
Loss on sale of asset	(78)	-	-	(78)	-	-	-	(78)
Earnings from The Energy Authority	858	-	-	858	-	-	-	858
Other interest, net	(40)	-	-	(40)	-	-	-	(40)
Other expense	(13)	-	-	(13)	-	-	-	(13)
Total nonoperating expenses, net	(48,703)	(15,708)	-	(64,411)	(31,459)	(821)	-	(96,691)
Income before contributions and special item	97,557	5,430	-	102,987	35,091	55	-	138,133
Contributions (to) from								
General Fund, City of Jacksonville, Florida	(52,563)	-	-	(52,563)	(12,588)	-	-	(65,151)
Developers and other	-	-	-	-	29,096	-	-	29,096
Reduction of plant cost through contributions	-	-	-	-	(18,514)	-	-	(18,514)
Total contributions	(52,563)	-	-	(52,563)	(2,006)	-	-	(54,569)
Special Item	34,667	-	-	34,667	116,823	-	-	151,490
Change in net position	79,661	5,430	-	85,091	149,908	55	-	235,054
Net position, beginning of year	565,197	132,718	-	697,915	1,141,830	4,156	-	1,843,901
Net position, end of period	$ 644,858	$ 138,148	$ -	$ 783,006	$ 1,291,738	$ 4,211	$ -	$ 2,078,955

Statement of Cash Flows
(in thousands - unaudited)

	Year-To-Date April	
Operating activities	**2016**	**2015 restated**
Receipts from customers	$ 996,352	$ 1,059,413
Payments to suppliers	(416,240)	(462,695)
Payments to employees	(136,706)	(127,779)
Other receipts	23,439	20,537
Net cash provided by operating activities	466,845	489,476
Noncapital and related financing activities		
Contribution to General Fund, City of Jacksonville, Florida	(81,379)	(64,947)
Build America Bonds subsidies	3,626	3,628
Payment from City of Jacksonville, Florida	37	-
Net cash used in noncapital financing activities	(77,716)	(61,319)
Capital and related financing activities		
Repayment of debt principal	(187,500)	(257,869)
Interest paid on debt	(186,718)	(199,170)
Acquisition and construction of capital assets	(149,361)	(104,849)
Contribution from developers and others	12,143	10,582
Proceeds from issuance of debt	3,000	83,325
Proceeds from disposal of assets	866	(123)
Debt issue costs and discounts	(17)	(205)
Defeasance of debt	-	(83,166)
Net cash used in capital and related financing activities	(507,587)	(551,475)
Investing activities		
Purchase of investments	(1,273,448)	(1,115,494)
Proceeds from sale and maturities of investments	1,017,669	804,552
Investment income	8,070	5,831
Distributions from The Energy Authority	2,948	1,541
Net cash used in investing activities	(244,761)	(303,570)
Net change in cash and cash equivalents	(363,219)	(426,888)
Cash and cash equivalents, beginning of year	636,074	589,622
Cash and cash equivalents, end of period	$ 272,855	$ 162,734
Reconciliation of operating income to net cash provided by operating activities		
Operating income	$ 216,472	$ 234,824
Adjustments:		
Depreciation and amortization	224,660	215,102
Recognition of deferred costs and revenues, net	(4,655)	(6,259)
Gain on sale of noncore assets	1,949	1,241
Changes in noncash assets and noncash liabilities:		
Accounts receivable	70,371	79,956
Accounts receivable, restricted	3,004	(1,775)
Inventories	(20,445)	3,986
Other assets	(1,088)	(647)
Accounts and expenses payable	(20,571)	(37,022)
Liabilities payable, restricted	(13,137)	(11,393)
Other noncurrent liabilities and deferred inflows	10,285	11,463
Net cash provided by operating activities	$ 466,845	$ 489,476
Noncash activity		
Contribution of capital assets from developers	$ 23,656	$ 18,514

JEA
Combining Statement of Cash Flows
(in thousands - unaudited) for the seven months ended April 2016

	Electric System and Bulk Power Supply System	SJRPP System	Elimination of Intercompany transactions	Total Electric Enterprise Fund	Water and Sewer Enterprise Fund	District Energy System Fund	Eliminations	Total JEA
Operating activities								
Receipts from customers	$ 692,956	$ 129,155	$ (54,428)	$ 767,683	$ 232,235	$ 5,248	$ (8,814)	$ 996,352
Payments to suppliers	(317,997)	(114,132)	54,428	(377,701)	$ (46,396)	(2,218)	10,075	(416,240)
Payments to employees	(89,475)	(13,951)	-	(103,426)	$ (33,007)	(273)	-	(136,706)
Other receipts	15,858	-	-	15,858	$ 8,842	-	(1,261)	23,439
Net cash provided by operating activities	301,342	1,072	-	302,414	161,674	2,757	-	466,845
Noncapital and related financing activities								
Contribution to General Fund, City of Jacksonville, Florida	(65,369)	-	-	(65,369)	(16,010)	-	-	(81,379)
Build America Bonds subsidies	2,170	205	-	2,375	1,251	-	-	3,626
Payment from the City of Jacksonville, Florida	37	-	-	37	-	-	-	37
Net cash used in noncapital financing activities	(63,162)	205	-	(62,957)	(14,759)	-	-	(77,716)
Capital and related financing activities								
Repayment of debt principal	(98,765)	(50,945)	-	(149,710)	(36,180)	(1,610)	-	(187,500)
Interest paid on debt	(96,581)	(22,093)	-	(118,674)	(66,640)	(1,404)	-	(186,718)
Acquisition and construction of capital assets	(81,857)	-	-	(81,857)	(67,062)	(442)	-	(149,361)
Contribution from developers and others	-	-	-	-	12,143	-	-	12,143
Proceeds from issuance of debt	-	-	-	-	3,000	-	-	3,000
Proceeds from disposal of assets	540	-	-	540	326	-	-	866
Debt issue costs and discounts	(17)	-	-	(17)	-	-	-	(17)
Net cash used in capital and related financing activities	(276,680)	(73,038)	-	(349,718)	(154,413)	(3,456)	-	(507,587)
Investing activities								
Purchase of investments	(674,523)	(275,152)	-	(949,675)	(323,773)	-	-	(1,273,448)
Proceeds from sale and maturities of investments	525,607	268,801	-	794,408	223,261	-	-	1,017,669
Investment income	4,052	2,150	-	6,202	1,856	12	-	8,070
Distributions from The Energy Authority	2,948	-	-	2,948	-	-	-	2,948
Net cash used in investing activities	(141,916)	(4,201)	-	(146,117)	(98,656)	12	-	(244,761)
Net change in cash and cash equivalents	(180,416)	(75,962)	-	(256,378)	(106,154)	(687)	-	(363,219)
Cash and cash equivalents, beginning of year	316,079	139,918	-	455,997	171,803	8,274	-	636,074
Cash and cash equivalents, end of period	$ 135,663	$ 63,956	$ -	$ 199,619	$ 65,649	$ 7,587	$ -	$ 272,855
Reconciliation of operating income to net cash provided by operating activities								
Operating income	$ 134,121	$ 17,273	$ -	$ 151,394	$ 64,257	$ 821	$ -	$ 216,472
Adjustments:								
Depreciation and amortization	112,640	24,940	-	137,580	85,744	1,336	-	224,660
Recognition of deferred costs and revenues, net	(1,526)	(6,899)	-	(8,425)	3,770	-	-	(4,655)
Gain on sale of noncore assets	(35)	-	-	(35)	1,984	-	-	1,949
Changes in noncash assets and noncash liabilities:								
Accounts receivable	64,455	5,150	-	69,605	132	634	-	70,371
Accounts receivable, restricted	1,650	-	-	1,650	1,354	-	-	3,004
Inventories	(3,336)	(15,507)	-	(18,843)	(1,602)	-	-	(20,445)
Other assets	(874)	-	-	(874)	(214)	-	-	(1,088)
Accounts and expenses payable	(14,409)	(10,466)	-	(24,875)	4,320	(16)	-	(20,571)
Liabilities payable, restricted	-	(13,137)	-	(13,137)	-	-	-	(13,137)
Other noncurrent liabilities and deferred inflows	8,656	(282)	-	8,374	1,929	(18)	-	10,285
Net cash provided by operating activities	$ 301,342	$ 1,072	$ -	$ 302,414	$ 161,674	$ 2,757	$ -	$ 466,845
Noncash activity								
Contribution of capital assets from developers	$ -	$ -	$ -	$ -	$ 23,656	$ -	$ -	$ 23,656

JEA
Combining Statement of Cash Flows
(in thousands - unaudited) for the seven months ended April 2015 restated

	Electric System and Bulk Power Supply System	SJRPP System	Elimination of Intercompany transactions	Total Electric Enterprise Fund	Water and Sewer Enterprise Fund	District Energy System Fund	Eliminations	Total JEA
Operating activities								
Receipts from customers	$ 758,592	$ 158,775	$ (79,138)	$ 838,229	$ 225,088	$ 5,308	$ (9,212)	$ 1,059,413
Payments to suppliers	(369,191)	(136,068)	79,138	(426,121)	(45,043)	(2,208)	10,677	(462,695)
Payments to employees	(82,309)	(14,910)	-	(97,219)	(30,252)	(308)	-	(127,779)
Other receipts	15,285	-	-	15,285	6,717	-	(1,465)	20,537
Net cash provided by operating activities	322,377	7,797	-	330,174	156,510	2,792	-	489,476
Noncapital and related financing activities								
Contribution to General Fund, City of Jacksonville, Florida	(52,331)	-	-	(52,331)	(12,616)	-	-	(64,947)
Build America Bonds subsidies	2,180	204	-	2,384	1,244	-	-	3,628
Net cash used in noncapital financing activities	(50,151)	204	-	(49,947)	(11,372)	-	-	(61,319)
Capital and related financing activities								
Repayment of debt principal	(79,854)	(132,085)	-	(211,939)	(44,325)	(1,605)	-	(257,869)
Interest paid on debt	(102,860)	(27,246)	-	(130,106)	(67,651)	(1,413)	-	(199,170)
Acquisition and construction of capital assets	(53,514)	-	-	(53,514)	(51,136)	(199)	-	(104,849)
Proceeds from issuance of debt	83,325	-	-	83,325	-	-	-	83,325
Contribution from developers and others	-	-	-	-	10,582	-	-	10,582
Proceeds from disposal of assets	(263)	-	-	(263)	140	-	-	(123)
Debt issue costs and discounts	49	(106)	-	(57)	(148)	-	-	(205)
Defeasance of debt	(83,169)	1	-	(83,168)	2	-	-	(83,166)
Net cash used in capital and related financing activities	(236,286)	(159,436)	-	(395,722)	(152,536)	(3,217)	-	(551,475)
Investing activities								
Purchase of investments	(399,832)	(397,369)	-	(797,201)	(318,293)	-	-	(1,115,494)
Proceeds from sale and maturities of investments	249,574	328,358	-	577,932	226,620	-	-	804,552
Investment income	2,343	1,841	-	4,184	1,644	3	-	5,831
Distributions from The Energy Authority	1,541	-	-	1,541	-	-	-	1,541
Net cash used in investing activities	(146,374)	(67,170)	-	(213,544)	(90,029)	3	-	(303,570)
Net change in cash and cash equivalents	(110,434)	(218,605)	-	(329,039)	(97,427)	(422)	-	(426,888)
Cash and cash equivalents, beginning of year	177,432	267,940	-	445,372	135,920	8,330	-	589,622
Cash and cash equivalents, end of period	$ 66,998	$ 49,335	$ -	$ 116,333	$ 38,493	$ 7,908	$ -	$ 162,734
Reconciliation of operating income to net cash provided by operating activities								
Operating income	$ 146,260	$ 21,138	$ -	$ 167,398	$ 66,550	$ 876	$ -	$ 234,824
Adjustments:								
Depreciation and amortization	111,524	24,940	-	136,464	77,307	1,331	-	215,102
Recognition of deferred costs and revenues, net	(2,187)	(4,009)	-	(6,196)	(63)	-	-	(6,259)
Gain on sale of noncore assets	12	-	-	12	1,229	-	-	1,241
Changes in noncash assets and noncash liabilities:								
Accounts receivable	85,167	(5,959)	-	79,208	164	584	-	79,956
Accounts receivable, restricted	(2,200)	-	-	(2,200)	425	-	-	(1,775)
Inventories	780	1,570	-	2,350	1,636	-	-	3,986
Other assets	(402)	-	-	(402)	(245)	-	-	(647)
Accounts and expenses payable	(15,282)	(18,444)	-	(33,726)	(3,288)	(8)	-	(37,022)
Liabilities payable, restricted	-	(11,393)	-	(11,393)	-	-	-	(11,393)
Other noncurrent liabilities and deferred inflows	(1,295)	(46)	-	(1,341)	12,795	9	-	11,463
Net cash provided by operating activities	$ 322,377	$ 7,797	$ -	$ 330,174	$ 156,510	$ 2,792	$ -	$ 489,476
Noncash activity								
Contribution of capital assets from developers	$ -	$ -	$ -	$ -	$ 18,514	$ -	$ -	$ 18,514

JEA
Electric System
Changes in Debt Service, R & R and Construction Funds
(in thousands - unaudited) for the seven months ended April 2016 and April 2015 restated

	April 2016			April 2015 restated		
	Debt service funds	**Renewal and replacement funds**	**Construction funds**	**Debt service funds**	**Renewal and replacement funds**	**Construction funds**
Beginning balance	$ 211,749	$ 148,458	$ 4	$ 194,776	$ 148,110	$ 43
Transfer from:						
Revenue fund	107,086	79,469	-	109,148	85,793	-
R & R fund	-	-	2	-	-	-
Proceeds from property sales	-	540	-	-	-	-
Total additions	107,086	80,009	2	109,148	85,793	-
Deductions:						
Interest/principal payments from sinking funds	182,490	-	-	169,621	-	-
Increase in utility plant	-	67,129	2	-	48,124	25
Decrease in accounts payable	-	11,698	4	-	5,366	10
Transfer to:						
Revenue fund	4,014	-	-	245	-	-
Construction fund	-	2	-	-	-	-
Loss from property sales	-	-	-	-	185	-
Total deductions	186,504	78,829	6	169,866	53,675	35
Ending balance	$ 132,331	$ 149,638	$ -	$ 134,058	$ 180,228	$ 8

Renewal and replacement fund:						
Cash & investments		$ 148,542			$ 176,826	
Accounts / notes receivable:						
Accounts receivable		994			3,244	
Street light & other customer loans		102			158	
		$ 149,638			$ 180,228	
Construction fund:						
Generation projects			$ -			$ 4
T& D and other capital projects			-			4
Accounts receivable			-			-
			$ -			$ 8

Changes in Debt Service, R & R and Construction Funds
(in thousands - unaudited) for the seven months ended April 2016 and April 2015 restated

	April 2016				April 2015 restated			
	Debt service funds	Renewal and replacement funds	Construction funds	Environmental funds	Debt service funds	Renewal and replacement funds	Construction funds	Environmental funds
Beginning balance	$ 176,569	$ 149,130	$ 664	$ -	$ 191,848	$ 142,417	$ 670	$ -
Additions:								
Transfer from:								
Revenue fund	56,294	78,629	-	-	60,303	69,939	-	12,000
Proceeds from property sales	-	326	-	-	-	140	-	-
Contribution in aid of construction	-	12,143	-	-	-	10,582	-	-
Increase in accounts payable	-	-	17	1,443				
Total additions	56,294	91,098	17	1,443	60,303	80,661	-	12,000
Deductions:								
Increase in utility plant	-	51,644	-	-	-	40,336	-	-
Interest/principal payments from sinking funds	98,938	-	-	-	108,672	-	-	-
Transfer to:								
Revenue fund	764	-	-	-	2,647	-	-	63
Decrease in accounts payable	-	11,758	-	-	-	10,795	6	-
Total deductions	99,702	63,402	-	-	111,319	51,131	6	63
Ending balance	$ 133,161	$ 176,826	$ 681	$ 1,443	$ 140,832	$ 171,947	$ 664	$ 11,937

Recap:								
Renewal and replacement fund:								
Cash & investments		$ 176,539				$ 171,087		
Accounts / notes receivable:								
Accounts receivable		267				835		
Notes receivable		20				25		
		$ 176,826				$ 171,947		
Construction fund:								
Construction reserves			$ -				$ -	
Accounts receivable			-				-	
Project funds			681				664	
			$ 681				$ 664	
Environmental fund								
Cash & investments				1,443				11,937
				$ 1,443				$ 11,937

Electric System		Month			Prior Year Month	
Budget vs. Actual	ANNUAL BUDGET	BUDGET	ACTUAL	Variance	ACTUAL	Variance
April 2016 and 2015 restated	2015-16	2015-16	2015-16	%	2014-15	%
Fuel Related Revenues & Expenses						
Fuel Rate Revenues	$ 509,884,201	$ 37,543,376	$ 32,741,992	-12.79%	$ (2,792,877)	-1272.34%
Fuel Expense and Purchased Power:						
Fuel Expense - Electric System	288,573,382	24,636,160	16,163,921		21,278,488	
Fuel Expense - SJRPP	114,020,023	7,292,400	8,094,205		4,836,479	
Other Purchased Power	81,016,238	4,785,683	4,865,565		5,010,475	
Subtotal Energy Expense	483,609,643	36,714,243	29,123,691	20.67%	31,125,442	6.43%
Transfer to (from) Rate Stabilization, Net	25,254,789	-	3,563,369		(33,914,181)	
Fuel Related Uncollectibles	1,019,769	84,981	54,932		(4,138)	
Total	509,884,201	36,799,224	32,741,992	11.03%	(2,792,877)	1272.34%
Fuel Balance	-	744,152	-		(0)	
Nonfuel Related Revenues						
Base Rate Revenues	738,360,001	54,366,319	52,492,713		55,557,440	
Conservation Charge Revenue	989,059	72,826	20,604		20,838	
Environmental Charge Revenue	7,686,000	565,929	552,061		579,523	
Investment Income	3,776,585	314,715	1,697,235		265,643	
Natural Gas Revenue Pass Through	12,491,417	1,040,951	15,176		-	
Other Revenues	35,447,663	2,953,972	2,317,290		2,037,097	
Total	798,750,725	59,314,712	57,095,079	-3.74%	58,460,540	-2.34%
Nonfuel Related Expenses						
Non-Fuel O&M	200,570,314	15,860,191	15,046,289		13,783,652	
DSM / Conservation O&M	8,073,925	582,127	516,615		674,325	
Environmental O&M	2,442,000	203,500	60,257		158,201	
Net Transfer to Rate Stabilization - DSM	(784,866)	(21,403)	(49,430)		(194,264)	
Transfer to Environmental Fund/RSF	5,244,000	437,000	491,804		421,322	
Natural Gas Expense Pass Through	12,140,876	1,010,434	27,697		10,151	
Debt Principal - Electric System	89,845,000	7,487,083	8,016,250		7,928,385	
Debt Interest - Electric System	107,287,899	8,940,658	8,170,566		8,569,300	
R&R - Electric System	66,155,208	5,512,934	5,197,867		5,460,179	
Operating Capital Outlay	84,337,682	-	-		6,000,000	
City Contribution Expense	91,720,182	7,643,348	7,643,348		7,509,050	
Taxes & Uncollectibles	1,703,452	141,954	103,468		99,616	
Interlocal Agreements	12,000,000	-	-		-	
Emergency Reserve	5,000,000	-	-		-	
Nonfuel Purchased Power:						
* SJRPP D/S Principal	37,568,750	3,130,729	2,331,563		2,958,177	
* SJRPP D/S Interest	19,174,301	1,597,858	1,430,297		1,695,584	
** Other Non-Fuel Purchased Power	56,272,002	4,689,334	6,328,066		3,948,229	
Total Nonfuel Expenses	798,750,725	57,215,747	55,314,657	3.32%	59,021,908	6.28%
Non-Fuel Balance	-	2,098,965	1,780,422		(561,368)	
Total Balance	-	2,843,117	1,780,422		(561,368)	
Total Revenues	**1,308,634,926**	**96,858,088**	**89,837,071**	-7.25%	**55,667,663**	61.38%
Total Expenses	**1,308,634,926**	**94,014,971**	**88,056,649**	6.34%	**56,229,031**	-56.60%
KWH Sold - Territorial	**12,600,000,000**	**927,752,883**	**900,013,000**	-2.99%	**954,803,000**	-5.74%
KWH Sold - Off System	**-**	**-**	**1,414,000**		**4,457,000**	
	12,600,000,000	**927,752,883**	**901,427,000**	-2.84%	**959,260,000**	-6.03%

* Gross debt service

** Includes transmission capacity, SJRPP and Scherer R & R, O & M and Investment Income.

JEA Electric System Budget vs. Actual April 2016 and 2015 restated	ANNUAL BUDGET 2015-16	Year-To-Date BUDGET 2015-16	Year-To-Date ACTUAL 2015-16	Year-To-Date Variance %	Prior Year-To-Date ACTUAL 2014-15	Prior Year-To-Date Variance %
Fuel Related Revenues & Expenses						
Fuel Rate Revenues	$ 509,884,201	$ 270,408,681	$ 207,153,382	-23.39%	$ 242,019,578	-14.41%
Fuel Expense and Purchased Power:						
Fuel Expense - Electric System	288,573,382	144,703,462	124,650,482		146,615,235	
Fuel Expense - SJRPP	114,020,023	69,186,423	39,535,754		55,449,466	
Other Purchased Power	81,016,238	42,883,333	40,047,415		42,272,588	
Subtotal Energy Expense	483,609,643	256,773,218	204,233,651	20.46%	244,337,289	16.41%
Transfer to (from) Rate Stabilization, Net	25,254,789	-	2,547,367		(2,702,123)	
Fuel Related Uncollectibles	1,019,769	594,865	372,364		384,412	
Total	509,884,201	257,368,083	207,153,382	19.51%	242,019,578	14.41%
Fuel Balance	-	13,040,598	-		(0)	
Nonfuel Related Revenues						
Base Rate Revenues	738,360,001	391,577,056	386,700,626		393,144,156	
Conservation Charge Revenue	989,059	524,531	261,684		304,152	
Environmental Charge Revenue	7,686,000	4,076,143	4,005,892		4,041,100	
Investment Income	3,776,585	2,203,008	3,774,366		2,219,048	
Natural Gas Revenue Pass Through	12,491,417	7,286,660	90,689		-	
Other Revenues	35,447,663	20,677,804	16,475,075		19,384,657	
Total	798,750,725	426,345,202	411,308,332	-3.53%	419,093,113	-1.86%
Nonfuel Related Expenses						
Non-Fuel O&M	200,570,314	113,002,267	104,228,027		104,019,298	
DSM / Conservation O&M	8,073,925	4,514,089	3,563,588		3,940,369	
Environmental O&M	2,442,000	1,424,500	192,452		385,316	
Net Transfer to Rate Stabilization - DSM	(784,866)	(549,822)	7,656		(296,866)	
Transfer to Environmental Fund/RSF	5,244,000	3,059,000	3,813,440		3,655,784	
Natural Gas Expense Pass Through	12,140,876	7,082,492	181,344		63,463	
Debt Principal - Electric System	89,845,000	52,409,583	56,113,750		55,412,073	
Debt Interest - Electric System	107,287,899	62,584,608	57,461,603		61,107,937	
R&R - Electric System	66,155,208	38,590,538	36,385,067		38,221,254	
Operating Capital Outlay	84,337,682	43,084,420	43,084,420		47,571,316	
City Contribution Expense	91,720,182	53,503,440	53,503,439		52,563,349	
Taxes & Uncollectibles	1,703,452	993,680	832,499		739,012	
Interlocal Agreements	12,000,000	12,000,000	12,000,000		-	
Emergency Reserve	5,000,000	-	-		-	
Nonfuel Purchased Power:						
* SJRPP D/S Principal	37,568,750	21,915,104	16,320,938		20,707,240	
* SJRPP D/S Interest	19,174,301	11,185,009	9,968,411		11,869,091	
** Other Non-Fuel Purchased Power	56,272,002	32,825,335	24,338,303		18,870,873	
Total Nonfuel Expenses	798,750,725	457,624,243	421,994,937	7.79%	418,829,509	-0.76%
Non-Fuel Balance	-	(31,279,041)	(10,686,605)		263,603	
Total Balance	-	(18,238,443)	(10,686,605)		263,603	
Total Revenues	**1,308,634,926**	**696,753,883**	**618,461,714**	-11.24%	**661,112,690**	-6.45%
Total Expenses	**1,308,634,926**	**714,992,326**	**629,148,319**	12.01%	**660,849,087**	4.80%
KWH Sold - Territorial	**12,600,000,000**	**6,682,202,316**	**6,537,603,000**	-2.16%	**6,634,015,000**	-1.45%
KWH Sold - Off System	**-**	**-**	**18,694,000**		**66,841,000**	
	12,600,000,000	**6,682,202,316**	**6,556,297,000**	-1.88%	**6,700,856,000**	-2.16%

* Gross debt service

** Includes transmission capacity, SJRPP and Scherer R & R, O & M and Investment Income.

Water and Sewer System

Budget vs. Actual April 2016 and 2015 restated	ANNUAL BUDGET 2015-16	Month BUDGET 2015-16	Month ACTUAL 2015-16	Variance %	Prior Year Month ACTUAL 2014-15	Variance %
REVENUES						
Water & Sewer Revenues	$ 393,928,271	$ 32,941,530	$ 33,330,277		$ 31,842,607	
Capacity & Extension Fees	17,000,000	1,416,667	2,006,458		1,426,005	
Capital Contributions	-	-	-		86,591	
Investment Income	2,759,926	229,994	257,802		253,374	
Other Income	14,769,077	775,887	965,117		2,128,503	
Total	428,457,274	35,364,078	36,559,654	3.38%	35,737,080	2.30%
EXPENSES						
O & M Expenses	138,367,616	11,172,577	10,128,830		9,858,253	
Debt Principal - Water & Sewer	33,875,000	2,822,917	2,822,916		3,015,000	
Debt Interest - Water & Sewer	75,780,149	6,315,012	5,658,194		5,970,552	
Rate Stabilization - Environmental	-	-	(583,636)		-	
R&R - Water & Sewer	20,825,400	1,735,450	1,735,450		1,722,504	
Operating Capital Outlay	94,524,604	10,712,602	10,712,602		10,000,000	
Operating Capital Outlay - Capacity/Extension	17,000,000	1,416,667	2,006,458		1,426,005	
Operating Capital Outlay - Contributions	-	-	-		86,591	
Operating Capital Outlay - Environmental	20,758,150	1,729,846	1,698,169		1,798,751	
City Contribution Expense	22,467,356	1,872,280	1,872,280		1,798,245	
Uncollectibles & Fees	858,999	71,583	55,000		54,000	
Interlocal Agreements	3,000,000	-	-		-	
Emergency Reserve	1,000,000	-	-		-	
Total Expenses	428,457,274	37,848,934	36,106,263	4.60%	35,729,901	-1.05%
Total Balance	$ -	$ (2,484,856)	$ 453,391		$ 7,179	
Sales kgals						
Water	34,650,000	2,896,800	2,913,709	0.58%	2,765,088	5.37%
Sewer	26,985,000	2,247,569	2,293,146	2.03%	2,134,561	7.43%
Total	61,635,000	5,144,369	5,206,855	1.21%	4,899,649	6.27%

Budget vs. Actual April 2016 and 2015 restated	ANNUAL BUDGET 2015-16	Year-To-Date BUDGET 2015-16	Year-To-Date ACTUAL 2015-16	Variance %	Prior Year to Date ACTUAL 2014-15	Variance %
REVENUES						
Water & Sewer Revenues	$ 393,928,271	$ 223,922,608	$ 226,713,296		$ 219,660,365	
Capacity & Extension Fees	17,000,000	9,916,667	11,763,713		10,309,018	
Capital Contributions	-	-	378,795		272,751	
Investment Income	2,759,926	1,609,957	1,888,574		1,743,668	
Other Income	14,769,077	10,768,293	9,009,305		7,706,169	
Total	428,457,274	246,217,525	249,753,683	1.44%	239,691,971	4.20%
EXPENSES						
O & M Expenses	138,367,616	78,360,044	74,243,998		68,772,648	
Debt Principal - Water & Sewer	33,875,000	19,760,417	19,760,414		21,105,000	
Debt Interest - Water & Sewer	75,780,149	44,205,086	39,835,417		42,015,796	
Rate Stabilization - Environmental	-	-	3,252,096		-	
R&R - Water & Sewer	20,825,400	12,148,150	12,148,150		12,057,529	
Operating Capital Outlay	94,524,604	62,134,744	66,410,350		57,880,721	
Operating Capital Outlay - Capacity/Extension	17,000,000	9,916,667	11,763,713		10,309,018	
Operating Capital Outlay - Contributions	-	-	378,795		272,751	
Operating Capital Outlay - Environmental	20,758,150	12,108,921	3,842,209		11,937,050	
City Contribution Expense	22,467,356	13,105,958	13,105,958		12,587,715	
Uncollectibles & Fees	858,999	501,083	375,847		381,380	
Interlocal Agreements	3,000,000	3,000,000	3,000,000		-	
Emergency Reserve	1,000,000	-	-		-	
Total Expenses	428,457,274	255,241,070	248,116,947	2.79%	237,319,608	-4.55%
Total Balance	$ -	$ (9,023,545)	$ 1,636,736		$ 2,372,363	
Sales kgals						
Water	34,650,000	19,054,314	19,264,453	1.10%	18,593,324	3.61%
Sewer	26,985,000	14,870,004	15,546,530	4.55%	14,691,127	5.82%
Total	61,635,000	33,924,318	34,810,983	2.61%	33,284,451	4.59%

District Energy System

Budget vs. Actual April 2016 and 2015 restated	ANNUAL BUDGET 2015-16	Month BUDGET 2015-16	ACTUAL 2015-16	Variance %	Prior Year Month ACTUAL 2014-15	Variance %
REVENUES						
Revenues	$ 9,089,118	$ 647,285	$ 621,551		$ 681,187	
Investment Income	-	-	1,854		228	
Total	9,089,118	647,285	623,405	-3.69%	681,415	-8.51%
EXPENSES						
O & M Expenses	5,175,137	356,191	312,879		199,575	
Debt Principal - DES	1,625,000	135,417	135,417		134,167	
Debt Interest - DES	1,398,980	116,582	116,582		117,442	
R&R - DES	457,185	38,099	36,596		36,229	
Operating Capital Outlay	432,816	-	-		-	
Total Expenses	9,089,118	646,289	601,474	6.93%	487,413	-23.40%
Total Balance	$ -	$ 996	$ 21,931		$ 194,002	

Budget vs. Actual April 2016 and 2015 restated	ANNUAL BUDGET 2015-16	Year-To-Date BUDGET 2015-16	ACTUAL 2015-16	Variance %	Prior-Year-To-Date ACTUAL 2014-15	Variance %
REVENUES						
Revenues	$ 9,089,118	$ 4,831,104	$ 4,614,748		$ 4,724,783	
Investment Income	-	-	12,435		3,032	
Total	9,089,118	4,831,104	4,627,183	-4.22%	4,727,815	-2.13%
EXPENSES						
O & M Expenses	5,175,137	2,557,799	2,472,988		2,511,672	
Debt Principal - DES	1,625,000	947,917	947,917		939,167	
Debt Interest - DES	1,398,980	816,072	816,072		822,092	
R&R - DES	457,185	266,691	256,171		253,604	
Operating Capital Outlay	432,816	-	-		-	
Total Expenses	9,089,118	4,588,479	4,493,148	2.08%	4,526,535	0.74%
Total Balance	$ -	$ 242,625	$ 134,035		$ 201,280	

JEA
Electric System
Schedules of Debt Service Coverage
(in thousands - unaudited)

	Month April 2016	Month April 2015 restated	Year-To-Date April 2016	Year-To-Date April 2015 restated
Revenues				
Electric	$ 89,856	$ 55,884	$ 628,501	$ 673,425
Investment income (1)	313	140	1,782	1,344
Earnings from The Energy Authority	491	319	1,955	858
Other, net (2)	2,001	1,746	14,240	17,476
Plus: amounts paid from the rate stabilization fund into the revenue fund	1,031	44,679	61,200	47,946
Less: amounts paid from the revenue fund into the rate stabilization fund	(4,530)	(10,992)	(66,547)	(48,602)
Total revenues	89,162	91,776	641,131	692,447
Operating expenses (3)				
Fuel	16,156	21,278	124,643	146,615
Purchased power (4)	24,089	18,917	133,687	152,284
Other operations and maintenance	15,774	14,813	108,655	108,279
State utility taxes and franchise fees	4,173	2,458	31,023	32,728
Total operating expenses	60,192	57,466	398,008	439,906
Net revenues	$ 28,970	$ 34,310	$ 243,123	$ 252,541
Debt service	$ 6,672	$ 6,883	$ 45,882	$ 48,517
Less: investment income on sinking fund	(1,388)	(130)	(2,018)	(914)
Less: Build America Bonds subsidy	(126)	(126)	(885)	(880)
Debt service requirement	$ 5,158	$ 6,627	$ 42,979	$ 46,723
Senior debt service coverage (5), (min 1.20x)	5.62 x	5.18 x	5.66 x	5.41 x
Net revenues (from above)	$ 28,970	$ 34,310	$ 243,123	$ 252,541
Debt service requirement (from above)	$ 5,158	$ 6,627	$ 42,979	$ 46,723
Plus: aggregate subordinated debt service on outstanding subordinated bonds	8,215	8,191	57,285	57,341
Less: Build America Bonds subsidy	(174)	(174)	(1,216)	(1,217)
Total debt service requirement and aggregate subordinated debt service	$ 13,199	$ 14,644	$ 99,048	$ 102,847
Senior and subordinated debt service coverage (6), (min 1.15x)	2.19 x	2.34 x	2.45 x	2.46 x
Fixed charge coverage (7)	1.46 x	1.61 x	1.60 x	1.69 x

(1) Excludes investment income on sinking funds.
(2) Excludes the Build America Bonds subsidy.
(3) Excludes depreciation.
(4) In accordance with the requirements of the Electric System Resolution, all the contract debt payments from the Electric System to the SJRPP and Bulk Power Supply System with respect to the use by the Electric System of the capacity and output of the SJRPP and Bulk Power Systems are reflected as a purchased power expense on these schedules. These schedules do not include revenues of the SJRPP and Bulk Power Supply System, except that the purchased power expense is net of interest income on funds maintained under the SJRPP and Bulk Power Supply System resolutions.
(5) Net revenues divided by debt service requirement. Minimum annual coverage is 1.20x.
(6) Net revenues divided by total debt service requirement and aggregate subordinated debt service. Minimum annual coverage is 1.15x
(7) Net revenues plus JEA's share of SJRPP's and Bulk Power Supply System's debt service less city contribution divided by the sum of the adjusted debt service requirement and JEA's share of SJRPP's and Bulk Power Supply System's debt service.

JEA
Bulk Power Supply System
Schedules of Debt Service Coverage
(in thousands - unaudited)

	Month April 2016	Month April 2015 restated	Year-To-Date April 2016	Year-To-Date April 2015 restated
Revenues				
JEA	$ 5,952	$ 5,057	$ 38,031	$ 35,552
Investment income	10	9	75	63
Total revenues	5,962	5,066	38,106	35,615
Operating expenses (1)				
Fuel	162	2,840	14,730	21,135
Other operations and maintenance	3,020	1,554	11,055	8,376
Total operating expenses	3,182	4,394	25,785	29,511
Net revenues	$ 2,780	$ 672	$ 12,321	$ 6,104
Aggregate debt service	$ 897	$ 817	$ 6,276	$ 5,717
Less: Build America Bonds subsidy	(61)	(64)	(430)	(446)
Aggregate debt service	$ 836	$ 753	$ 5,846	$ 5,271
Debt service coverage (2)	3.33 x	0.89 x	2.11 x	1.16 x

(1) Excludes all current expenses paid or accrued to the extent that such expenses are to be paid from revenues.
(2) Net revenues divided by aggregate debt service. Minimum annual coverage is 1.15x.

St. Johns River Power Park System
Schedule of Debt Service Coverage - 1st Resolution
(in thousands - unaudited)

	Month April 2016	Month April 2015 restated	Year-To-Date April 2016	Year-To-Date April 2015 restated
Revenues				
JEA	$ 10,735	$ 8,735	$ 58,715	$ 78,528
FPL	10,844	9,430	66,485	70,314
Investment income	365	280	2,193	2,054
Total revenues	21,944	18,445	127,393	150,896
Operating expenses (1)				
Fuel	13,671	8,417	71,007	89,325
Other operations and maintenance	3,403	5,066	19,033	23,514
Total operating expenses	17,074	13,483	90,040	112,839
Net revenues	$ 4,870	$ 4,962	$ 37,353	$ 38,057
Aggregate debt service	$ 4,344	$ 4,419	$ 30,405	$ 30,932
Debt service coverage (2)	1.12 x	1.12 x	1.23 x	1.23 x

(1) Excludes depreciation.
(2) Net revenues divided by aggregate debt service. Semiannual minimum coverage is 1.25x.

St. Johns River Power Park System
Schedule of Debt Service Coverage - 2nd Resolution
(in thousands - unaudited)

	Month April 2016	Month April 2015 restated	Year-To-Date April 2016	Year-To-Date April 2015 restated
Revenues				
JEA	$ 1,047	$ 1,892	$ 8,302	$ 14,976
Investment income	17	9	114	52
Total revenues	1,064	1,901	8,416	15,028
Operating expenses	-	-	-	-
Net revenues	$ 1,064	$ 1,901	$ 8,416	$ 15,028
Aggregate debt service	$ 1,081	$ 1,926	$ 7,524	$ 13,481
Less: Build America Bonds subsidy	(34)	(34)	(239)	(238)
Aggregate debt service	$ 1,047	$ 1,892	$ 7,285	$ 13,243
Debt service coverage (1)	1.02 x	1.00 x	1.16 x	1.13 x

(1) Net revenues divided by aggregate debt service. Semiannual minimum coverage is 1.15x.

Water and Sewer System
Schedule of Debt Service Coverage
(in thousands - unaudited)

	Month April 2016	Month April 2015 restated	Year-To-Date April 2016	Year-To-Date April 2015 restated
Revenues				
Water	$ 13,799	$ 13,244	$ 92,491	$ 89,925
Water capacity fees (1)	734	552	4,216	3,719
Sewer	20,320	19,390	139,612	135,000
Sewer capacity fees (1)	1,272	874	7,547	6,590
Investment Income	261	258	1,913	1,777
Other (2)	753	1,917	7,526	6,233
Plus: amounts paid from the rate stabilization fund into the revenue fund	2,427	-	8,988	-
Less: amounts paid from the revenue fund into the rate stabilization fund	(1,876)	(1,812)	(12,541)	(12,000)
Total revenues	37,690	34,423	249,752	231,244
Operating expenses				
Operations and maintenance (3)	11,169	10,846	82,882	74,940
Total operating expenses	11,169	10,846	82,882	74,940
Net revenues	$ 26,521	$ 23,577	$ 166,870	$ 156,304
Aggregate debt service	$ 7,131	$ 7,643	$ 49,646	$ 53,490
Less: Build America Bonds subsidy	(209)	(207)	(1,460)	(1,452)
Aggregate debt service	$ 6,922	$ 7,436	$ 48,186	$ 52,038
Senior debt service coverage (4), (min 1.25x)	3.83 x	3.17 x	3.46 x	3.00 x
Net revenues (from above)	$ 26,521	$ 23,577	$ 166,870	$ 156,304
Aggregate debt service (from above)	$ 6,922	$ 7,436	$ 48,186	$ 52,038
Plus: aggregate subordinated debt service on outstanding subordinated debt	1,059	1,018	7,241	7,117
Total aggregate debt service and aggregate subordinated debt service	$ 7,981	$ 8,454	$ 55,427	$ 59,155
Senior and subordinated debt service coverage (5)	3.32 x	2.79 x	3.01 x	2.64 x
Fixed charge coverage	3.09 x	2.58 x	2.72 x	2.43 x

(1) Effective October 1, 2001, the Water and Sewer Bond Resolution was amended to include capacity fees in total revenues. Had such capacity fees not been included in the calculation for the year-to-date periods ending April 2016 and 2015, then the debt service coverage would have been 2.80x and 2.47x.
(2) Excludes the Build America Bonds subsidy.
(3) Excludes depreciation.
(4) Net revenues divided by aggregate debt service. Minimum annual coverage is 1.25x.
(5) Net revenues divided by total aggregate debt service and aggregate subordinated debt service. Minimum annual coverage is either 1.00x aggregate debt service and aggregate subordinated debt service (excluding capacity charges) or the sum of 1.00x aggregate debt service and 1.20x aggregate subordinated debt service (including capacity charges). Based on the first requirement, minimum annual coverage is 2.80x and 2.47x. Based on the second requirement, net revenues must exceed 100% of aggregate debt service and 120% of aggregate subordinated debt service, or $56,875 and $60,578 for the year-to-date period ending April 2016 and 2015.

District Energy System
Schedule of Debt Service Coverage
(in thousands - unaudited)

	Month April 2016	Month April 2015 restated	Year-To-Date April 2016	Year-To-Date April 2015 restated
Revenues				
Service revenues	$ 622	$ 681	$ 4,615	$ 4,724
Investment income	2	-	12	3
Total revenues	624	681	4,627	4,727
Operating expenses (1)				
Operations and maintenance	314	201	2,458	2,517
Total operating expenses	314	201	2,458	2,517
Net revenues	$ 310	$ 480	$ 2,169	$ 2,210
Aggregate debt service (2)	$ 252	$ 252	$ 1,764	$ 1,761
Debt service coverage (3) (min 1.15x)	1.23 x	1.91 x	1.23 x	1.25 x

(1) Excludes depreciation.
(2) On June 19, 2013, the closing date of the District Energy System Refunding Revenue Bonds, 2013 Series A, the JEA covenanted to deposit into the 2013 Series A Bonds Subaccount from Available Water and Sewer System Revenues an amount equal to the Aggregate DES Debt Service Deficiency that exists with respect to the 2013 Series A Bonds, in the event that the amount on deposit in the Debt Service Account in the Debt Service Fund in accordance with the District Energy System Resolution is less than Accrued Aggregate Debt Service as of the last Business Day of the then current month.
(3) Net Revenues divided by aggregate debt service. Minimum annual coverage is 1.15x.

Electric System, St. Johns River Power Park System and Scherer
Principal Amount of Debt Outstanding and Average Interest Rates
April 2016

Issue/Average Coupon Rate	Interest Rates	Principal Payment Dates	Par Amount Principal Outstanding	Current Portion of Long-Term Debt
Electric System - Fixed Rate Bonds				
Series Three 2004 A	5.000%	2039	$ 5,000	$ -
Series Three 2005 B	4.750%	2033	100,000	-
Series Three 2009 C	5.000%	2016-2017	15,730,000	12,375,000
Series Three 2009 D	6.056%	2033-2044	45,955,000	-
Series Three 2010 A	4.000%	2016-2020	24,960,000	4,835,000
Series Three 2010 C	4.000 - 4.500%	2021-2031	11,420,000	-
Series Three 2010 D	4.000 - 5.000%	2016-2038	92,100,000	5,265,000
Series Three 2010 E	5.350 - 5.482%	2028-2040	34,255,000	-
Series Three 2012A	4.000 - 4.500%	2023-2033	60,750,000	-
Series Three 2012B	2.000 - 5.000%	2016-2039	133,390,000	620,000
Series Three 2013A	2.500 - 5.000%	2016-2026	111,130,000	7,860,000
Series Three 2013B	1.875 - 5.000%	2021-2038	7,600,000	-
Series Three 2013C	3.000 - 5.000%	2016-2030	30,940,000	2,255,000
Series Three 2014A	2.600 - 5.000%	2016-2034	47,565,000	1,855,000
Series Three 2015A	2.500 - 5.000%	2016-2041	81,810,000	135,000
Series Three 2015B	2.000 - 5.000%	2016-2031	42,355,000	6,350,000
Total Fixed Rate Senior Bonds			**740,065,000**	**41,550,000**
2009 Series A	5.625%	2029-2032	21,140,000	-
2009 Series D	5.000%	2017-2018	23,925,000	-
2009 Series E	4.000%	2016-2018	4,065,000	1,850,000
2009 Series F	4.125 - 6.406%	2016-2034	65,600,000	930,000
2009 Series G	4.000 - 5.000%	2016-2021	22,975,000	4,675,000
2010 Series A	3.000 - 5.000%	2016-2017	4,960,000	4,250,000
2010 Series B	3.000 - 5.000%	2016-2024	35,380,000	855,000
2010 Series C	3.125 - 4.000%	2020-2027	15,925,000	-
2010 Series D	3.500 - 5.582%	2017-2027	45,575,000	-
2010 Series E	4.000%	2016	4,505,000	4,505,000
2012 Series A	3.000 - 5.000%	2016-2033	110,780,000	2,715,000
2012 Series B	2.250 - 5.000%	2016-2037	105,800,000	2,355,000
2013 Series A	2.500 - 5.000%	2017-2030	59,330,000	-
2013 Series B	2.500 - 5.000%	2016-2026	41,215,000	10,085,000
2013 Series C	1.375 - 5.000%	2016-2038	88,605,000	590,000
2013 Series D	2.625 - 5.250%	2016-2035	145,055,000	9,360,000
2014 Series A	3.000 - 5.000%	2016-2039	223,770,000	9,330,000
Total Fixed Rate Subordinated Bonds			**1,018,605,000**	**51,500,000**
Total Fixed Rate Electric System Bonds/4.561%			**1,758,670,000**	**93,050,000**
Electric System - Variable Rate Bonds	Current Interest Rates (1)			
Series Three 2008 A	0.396%	2027-2036	51,680,000	-
Series Three 2008 B-1	0.801%	2016-2040	60,745,000	350,000
Series Three 2008 B-2	0.396%	2025-2040	41,900,000	-
Series Three 2008 B-3	0.396%	2024-2036	37,000,000	-
Series Three 2008 B-4	0.801%	2016-2036	50,185,000	375,000
Series Three 2008 C-1	0.427%	2024-2034	44,145,000	-
Series Three 2008 C-2	0.431%	2024-2034	43,900,000	-
Series Three 2008 C-3	0.130%	2030-2038	25,000,000	-
Series Three 2008 D-1	0.801%	2016-2036	113,840,000	2,420,000
Total Variable Rate Senior Bonds			**468,395,000**	**3,145,000**
Series 2000 A	0.396%	2021-2035	30,965,000	-
Series 2000 F-1	0.406%	2026-2030	37,200,000	-
Series 2000 F-2	0.455%	2026-2030	24,800,000	-
Series 2008 D	0.270%	2024-2038	39,455,000	-
Total Variable Rate Subordinated Bonds			**132,420,000**	**-**
Total Variable Rate Bonds			**600,815,000**	**3,145,000**
Total Electric System Bonds			**2,359,485,000**	**96,195,000**
St. Johns River Power Park - Fixed Rate Bonds				
Issue 2 Series 17	4.700%	2019	100,000	-
Issue 2 Series 18	4.500%	2018	50,000	-
Issue 2 Series 19	4.600%	2017	100,000	-
Issue 2 Series 20	4.500%	2021	100,000	-
Issue 2 Series 21	5.000%	2021	5,000	-
Issue 2 Series 22	4.000%	2019	5,000	-
Issue 2 Series 23	3.000 - 5.000%	2017-2021	64,910,000	-
Issue 2 Series 24	4.000%	2017-2021	29,625,000	-
Issue 2 Series 25	3.000 - 5.000%	2016-2021	42,195,000	42,150,000
Issue 2 Series 26	2.000 - 5.000%	2019-2021	65,970,000	-
Issue 2 Series 27	1.888 - 2.505%	2019-2021	7,025,000	-
Issue 3 Series 1	4.500%	2037	100,000	-
Issue 3 Series 2	5.000%	2034-2037	29,370,000	-
Issue 3 Series 4	3.875 - 5.450%	2016-2028	25,720,000	1,635,000
Issue 3 Series 6	2.375 - 5.000%	2019-2037	91,330,000	-
Issue 3 Series 7	2.000 - 5.000%	2019-2033	79,500,000	-
Issue 3 Series 8	2.000 - 5.000%	2019-2039	57,895,000	-
Total Fixed Rate St. Johns River Power Park Bonds/4.120%			**494,000,000**	**43,785,000**
Bulk Power Supply System, Scherer 4 Project - Fixed Rate Bonds				
Series 2010A	3.900 - 5.920%	2016-2030	42,785,000	2,910,000
Series 2014A	2.000 - 5.000%	2016-2038	69,185,000	3,135,000
Total Fixed Rate Bulk Power Supply System Bonds/4.293%			**111,970,000**	**6,045,000**
Weighted Average Cost(2) / Total Outstanding Debt		3.340%	**$ 2,965,455,000**	**$ 146,025,000**

(1) Current month interest rate excluding variable debt fees.

(2) Weighted Average Cost of debt is net of BABs subsidy, original issue premiums/discounts and exlcudes variable debt liquidity/remarketing fees and interest rate swap payments.

	Electric System	Power Park Issue Three
• Remaining New Money Authorization	$ 465,160,992	$ 103,865,000
• Remaining Senior Refunding Authorization	$ 1,239,602,381	$ 250,810,000
• Remaining Subordinated Refunding Authorization	$ 892,378,000	n/a

JEA
Water and Sewer System
Principal Amount of Debt Outstanding and Average Interest Rates
April 2016

Issue/Average Coupon Rate	Interest Rates	Principal Payment Dates	Par Amount Principal Outstanding	Current Portion of Long-Term Debt
Fixed Rate Bonds				
2009 Series B	3.750 - 5.000%	2017-2019	$ 25,565,000	$ -
2010 Series A	6.210 - 6.310%	2026-2044	83,115,000	-
2010 Series B	4.300 - 5.700%	2016-2025	17,300,000	1,730,000
2010 Series C	4.000 - 5.000%	2016-2020	10,650,000	1,105,000
2010 Series D	4.000 - 5.000%	2017-2039	101,850,000	-
2010 Series E	4.000 - 5.000%	2021-2039	60,990,000	-
2010 Series F	3.200 - 5.887%	2017-2040	45,520,000	-
2010 Series G	3.000%	2016	785,000	785,000
2012 Series A	3.000 - 5.000%	2017-2041	317,935,000	-
2012 Series B	2.000 - 5.000%	2016-2041	131,765,000	1,680,000
2013 Series A	4.000 - 5.000%	2016-2027	91,085,000	1,345,000
2013 Series B	1.286 - 1.882%	2016-2017	16,730,000	12,900,000
2014 Series A	2.000 - 5.000%	2016-2040	289,565,000	4,970,000
Total Fixed Rate Senior Bonds			**1,192,855,000**	**24,515,000**
2010 Series A	3.000 - 5.000%	2016-2022	14,065,000	915,000
2010 Series B	3.000 - 5.000%	2020-2025	12,770,000	-
2012 Series A	3.000 - 4.000%	2021-2033	20,320,000	-
2012 Series B	3.250 - 5.000%	2030-2043	41,640,000	-
2013 Series A	2.125 - 5.000%	2016-2029	76,040,000	3,790,000
Total Fixed Rate Subordinated Bonds			**164,835,000**	**4,705,000**
Total Fixed Rate Bonds/4.618%			**1,357,690,000**	**29,220,000**
Variable Rate Bonds	Current Interest Rates (1)			
2006 Series B - CPI Bonds	1.126% (2)	2016-2022	38,730,000	4,105,000
2008 Series A-2	0.405%	2028-2042	51,820,000	-
2008 Series B	0.432%	2023-2041	85,290,000	-
Total Variable Rate Senior Bonds			**175,840,000**	**4,105,000**
2008 Series A-1	0.271%	2016-2038	53,500,000	550,000
2008 Series A-2	0.441%	2030-2038	25,600,000	-
2008 Series B-1	0.390%	2030-2036	30,885,000	-
Total Variable Rate Subordinated Bonds			**109,985,000**	**550,000**
Total Variable Rate Bonds			**285,825,000**	**4,655,000**
Other Obligations				
Revolving Credit Agreement	1.478%	2018	3,000,000	-
Total Other Obligations			**3,000,000**	**-**
Weighted Average Cost(3) / Total Outstanding Debt		**3.612%**	**$ 1,646,515,000**	**$ 33,875,000**

(1) Current month interest rate excluding variable debt fees.
(2) Designated swap obligation. The rate shown is the weighted average of the variable CPI Index rates for the 6 month re-set period.
(3) Weighted Average Cost of debt is net of BABs subsidy, original issue premiums/discounts and exlcudes variable debt liquidity/remarketing fees and interest rate swap payments.

- Remaining New Money Authorization $ 218,078,023
- Remaining Refunding Authorization $ 1,231,973,942

JEA
District Energy System
Principal Amount of Debt Outstanding and Average Interest Rates
April 2016

Issue/Average Coupon	Interest Rates	Principal Payment Dates	Par Amount Principal Outstanding	Current Portion of Long-Term Debt
Fixed Rate Bonds				
2013 Series A/4.036%	1.017 - 4.538%	2016-2034	$ 39,750,000	$ 1,625,000
Weighted Average Cost(1) / Total Outstanding Debt		**4.041%**	**$ 39,750,000**	**$ 1,625,000**

(1) Weighted Average Cost of debt is net of original issue premiums/discounts.

- Remaining New Money Authorization $ 54,321,245
- Remaining Refunding Authorization $ 106,670,000

JEA
INVESTMENT PORTFOLIO REPORT
April 2016
All Funds

	INVESTMENT	BOOK VALUE	YIELD	% OF TOTAL	LAST MONTH	6 MONTH AVERAGE
*	Treasuries	$ 3,298,969	1.01%	0.24%	0.23%	0.24%
	Agencies					
	Federal Farm Credit Bank	315,483,437	0.74%	22.77%	20.08%	19.22%
	Federal Home Loan Bank	329,366,081	1.00%	23.77%	23.38%	26.33%
	Federal Home Loan Mortgage Corp.	-	0.00%	0.00%	0.00%	0.29%
	Total	644,849,518	0.87%	46.54%	43.47%	45.84%
	Municipal Bonds	270,570,997	2.07%	19.53%	19.84%	20.34%
	Commercial Paper	333,369,399	0.58%	24.06%	15.74%	22.88%
	U.S. Treasury Money Market Funds (1)	7,084,741	0.24%	0.51%	3.53%	1.34%
	Agency Money Market Funds (2)	26,425,000	0.25%	1.91%	6.16%	2.09%
	Wells Fargo Bank Accounts (3)					
	Electric, Scherer	52,672,745	0.09%	3.80%	4.89%	3.14%
	SJRPP	35,922,555	0.09%	2.59%	3.67%	2.78%
	Water & Sewer, DES	11,493,702	0.09%	0.83%	2.46%	1.20%
	Total Portfolio	$1,385,687,625	0.98%	100.00%	100.00%	100.00%

* Backed by Full Faith and Credit of U. S. Government
Weighted Avg. Annual Yield for April 2016, Excluding Bank & Money Market Funds: 1.06%

Weighted Avg. Annual Yield for April 2016, Including Bank & Money Market Funds: 0.98%

Some investments listed above may be classified as Cash Equivalents on the Statements of Net Position in accordance with generally accepted accounting principles.

(1) Morgan Stanley Treasury Fund; Fidelity Treasury Fund; Federated Treasury Fund
(2) Morgan Stanley Government Fund, Wells Fargo Government Fund
(3) Month-end bank balances

JEA
Interest Rate Swap Position Report
April 2016

JEA Debt Management Swaps Variable to Fixed

ID	Dealer	Effective Date	Terminat'n Date	Electric System Allocation	Water/Sewer Allocation	Fixed Rate	Floating Rate (1)	Spread	Rate Cap	Index
1	Goldman Sachs	9/18/2003	9/18/2033	$ 84,800,000	$ -	3.717	0.295	3.422	n/a	68% 1 mth Libor
3	Morgan Stanley	1/27/2005	10/1/2039	82,575,000	-	4.351	0.401	3.950	n/a	SIFMA
4	JPMorgan	1/27/2005	10/1/2035	86,375,000	-	3.661	0.295	3.366	n/a	68% 1 mth Libor
6	JPMorgan	1/27/2005	10/1/2037	39,175,000	-	3.716	0.295	3.421	n/a	68% 1 mth Libor
7	Morgan Stanley	10/31/2006	10/1/2022	-	38,730,000	3.996	2.329	1.667	n/a	CPI
8	Morgan Stanley	1/31/2007	10/1/2031	62,980,000	-	3.907	0.401	3.506	n/a	SIFMA
9	Merrill Lynch	3/8/2007	10/1/2041	-	85,290,000	3.895	0.401	3.494	n/a	SIFMA
10	Goldman Sachs	1/31/2008	10/1/2036	51,680,000	-	3.836	0.401	3.435	n/a	SIFMA
			Total	$ 407,585,000	$ 124,020,000	Wtd Avg Spread		3.390		

Notes: (1) The "Floating Rate" column is the average of the floating rate for each instrument for this month.

Electric System
Operating Statistics

	Month April 2016	Month April 2015 restated	Variance	Year-To-Date April 2016	Year-To-Date April 2015 restated	Variance
Electric revenue sales (000's omitted):						
Residential	$ 39,090	$ 27,111	44.19%	$ 291,599	$ 316,552	-7.88%
Commercial	31,082	19,492	59.46%	208,367	214,141	-2.70%
Industrial	16,757	6,615	153.32%	107,158	117,869	-9.09%
Public street lighting	1,154	585	97.26%	7,824	6,856	14.12%
Sales for resale - territorial	1,882	2,003	-6.04%	14,086	16,699	-15.65%
Electric revenues - territorial	89,965	55,806	61.21%	629,034	672,117	-6.41%
Sales for resale - off system	34	151	-77.48%	493	2,259	-78.18%
Electric revenues	89,999	55,957	60.84%	629,527	674,376	-6.65%
Less: rate stabilization & recovery	(3,499)	33,687	-110.39%	(5,347)	(657)	713.85%
Less: allowance for doubtful accounts	(143)	(73)	95.89%	(1,026)	(951)	7.89%
Net electric revenues	86,357	89,571	-3.59%	623,154	672,768	-7.37%
MWh sales						
Residential	334,374	374,939	-10.82%	2,626,338	2,737,970	-4.08%
Commercial	310,452	323,751	-4.11%	2,173,474	2,114,780	2.78%
Industrial	226,438	226,925	-0.21%	1,518,540	1,552,414	-2.18%
Public street lighting	6,930	7,043	-1.60%	47,890	52,815	-9.33%
Sales for resale - territorial	21,819	22,145	-1.47%	171,361	176,036	-2.66%
Total MWh sales - territorial	900,013	954,803	-5.74%	6,537,603	6,634,015	-1.45%
Sales for resale - off system	1,414	4,457	-68.27%	18,694	66,841	-72.03%
Total MWH sales	901,427	959,260	-6.03%	6,556,297	6,700,856	-2.16%
Number of accounts (1)						
Residential	397,213	389,803	1.90%	395,133	387,558	1.95%
Commercial	51,304	50,729	1.13%	51,115	50,512	1.19%
Industrial	201	209	-3.83%	203	211	-3.79%
Public street lighting	3,660	3,558	2.87%	3,630	3,530	2.83%
Sales for resale	2	2	0.00%	2	2	0.00%
Total average accounts	452,380	444,301	1.82%	450,083	441,813	1.87%
Residential averages						
Revenue per account - $	98.41	69.55	41.50%	737.98	816.79	-9.65%
kWh per account	842	962	-12.47%	6,647	7,065	-5.92%
Revenue per kWh - ¢	11.69	7.23	61.69%	11.10	11.56	-3.98%
Degree days						
Heating degree days	21	-	21	943	1,335	(392)
Cooling degree days	134	220	(86)	779	560	219
Total degree days	155	220	(65)	1,722	1,895	(173)
Degree days - 30 year average	168			1,819		

(1) The year-to-date column represents a fiscal year-to-date average.

	Month April 2016	Month April 2015 restated	Month Variance	Year-To-Date April 2016	Year-To-Date April 2015 restated	Year-To-Date Variance
Water						
Revenues (000's omitted):						
Residential	$ 7,310	$ 7,050	3.69%	$ 49,430	$ 48,092	2.78%
Commercial and industrial	3,804	3,573	6.47%	26,532	25,725	3.14%
Irrigation	2,708	2,642	2.50%	16,679	16,261	2.57%
Total water revenues	13,822	13,265	4.20%	92,641	90,078	2.85%
Less: rate stabilization environmental	(1,116)	(1,062)	5.08%	(7,356)	(7,029)	4.65%
Less: allowance for doubtful accounts	(22)	(22)	0.00%	(150)	(153)	-1.96%
Net water revenues	$ 12,684	$ 12,181	4.13%	$ 85,135	$ 82,896	2.70%
Kgal sales (000s omitted)						
Residential	1,381,730	1,339,026	3.19%	9,105,513	8,910,095	2.19%
Commercial and industrial	1,077,256	976,579	10.31%	7,556,657	7,160,026	5.54%
Irrigation	454,723	449,483	1.17%	2,602,283	2,523,203	3.13%
Total kgals sales	2,913,709	2,765,088	5.37%	19,264,453	18,593,324	3.61%
Number of accounts (1):						
Residential	272,555	265,700	2.58%	270,628	263,919	2.54%
Commercial and industrial	24,792	23,954	3.50%	24,427	23,889	2.25%
Irrigation	36,238	35,972	0.74%	36,158	35,900	0.72%
Total average accounts	333,585	325,626	2.44%	331,213	323,708	2.32%
Residential averages:						
Revenue per account - $	26.82	26.53	1.08%	182.65	182.22	0.23%
kgals per account	5.07	5.04	0.59%	33.65	33.76	-0.34%
Revenue per kgals - $	5.29	5.27	0.48%	5.43	5.40	0.58%
Reuse						
Revenues (000's omitted):						
Reuse revenues	$ 897	$ 603	48.76%	$ 4,711	$ 3,433	37.23%
Kgal sales (000s omitted)						
Reuse sales (kgals)	226,776	145,890	55.44%	1,224,272	796,933	53.62%
Number of accounts (1):						
Reuse accounts	7,581	5,909	28.30%	7,116	5,606	26.94%
Sewer						
Revenues (000's omitted):						
Residential	$ 11,119	$ 10,838	2.59%	$ 75,020	$ 73,475	2.10%
Commercial and industrial	8,337	7,981	4.46%	60,107	58,321	3.06%
Total sewer revenues	19,456	18,819	3.38%	135,127	131,796	2.53%
Less: rate stabilization environmental	1,666	(749)	-322.43%	3,803	(4,971)	-176.50%
Less: allowance for doubtful accounts	(33)	(32)	3.13%	(226)	(229)	-1.31%
Net sewer revenues	21,089	18,038	16.91%	138,704	126,596	9.56%
Kgal sales (000s omitted)						
Residential	1,179,335	1,147,705	2.76%	7,807,637	7,664,222	1.87%
Commercial and industrial	887,035	840,966	5.48%	6,514,621	6,229,972	4.57%
Total kgals sales	2,066,370	1,988,671	3.91%	14,322,258	13,894,194	3.08%
Number of accounts (1):						
Residential	240,091	233,561	2.80%	238,273	231,786	2.80%
Commercial and industrial	17,998	17,782	1.21%	17,928	17,728	1.13%
Total average accounts	258,089	251,343	2.68%	256,201	249,514	2.68%
Residential averages:						
Revenue per account - $	46.31	46.40	-0.20%	314.85	316.99	-0.68%
kgals per account	4.91	4.91	-0.04%	32.77	33.07	-0.90%
Revenue per kgals - $	9.43	9.44	-0.16%	9.61	9.59	0.23%
Rainfall			Diff in Inches			Diff in Inches
Normal	2.64	2.64		21.92	21.92	
Actual	2.69	2.67	0.02	16.85	20.93	(4.08)
Rain Days	7	10		52	50	

(1) The year-to-date column represents a fiscal year-to-date average.

	Month April 2016	Month April 2015 restated	Month Variance	Year-To-Date April 2016	Year-To-Date April 2015 restated	Year-To-Date Variance
Generated power:						
Steam:						
Fuel oil						
Fuel expense	$ -	$ 86,226	-100.00%	$ 2,722,252	$ 1,262,985	115.54%
Barrels #6 oil consumed	-	797	-100.00%	25,588	11,680	119.08%
$/ per barrel consumed		108.19		$ 106.39	$ 108.13	-1.61%
kWh oil generated (1)	-	-		14,404,324	4,480,583	221.48%
Cost per MWh - oil				$ 188.99	$ 281.88	-32.95%
Natural gas units #1-3						
Gas expense - variable	$ 1,453,716	$ 4,883,320	-70.23%	$ 17,018,183	$ 9,572,075	77.79%
MMBTU's consumed	565,167	1,736,042	-67.45%	7,180,712	3,069,363	133.95%
$/ per MMBTU consumed	$ 2.57	$ 2.81	-8.54%	$ 2.37	$ 3.12	-24.04%
kWh - gas generated (1)	49,013,865	139,015,491	-64.74%	677,960,641	240,627,918	181.75%
Cost per MWh - gas	$ 29.66	$ 35.13	-15.57%	$ 25.10	$ 39.78	-36.90%
Cost per MWh - gas & oil - steam	$ 29.66	$ 35.75	-17.03%	$ 28.51	$ 44.21	-35.51%
Coal						
Coal expense	$ 2,471,375	$ 1,552,926	59.14%	$ 13,932,441	$ 27,010,428	-48.42%
kWh generated	118,828,075	60,510,502	96.38%	625,420,006	846,020,015	-26.08%
Cost per MWh - coal	$ 20.80	$ 25.66	-18.94%	$ 22.28	$ 31.93	-30.22%
Pet coke and limestone						
Expense	$ 3,920,196	$ 2,687,464	45.87%	$ 23,625,229	$ 20,163,741	17.17%
kWh generated	221,902,541	103,238,072	114.94%	1,116,172,742	643,593,330	73.43%
Cost per MWh - pet coke and limestone	$ 17.67	$ 26.03	-32.12%	$ 21.17	$ 31.33	-32.43%
Cost per MWh - coal & petcoke - steam	$ 18.76	$ 25.90	-27.57%	$ 21.57	$ 31.67	-31.89%
Combustion turbine:						
Fuel oil						
Fuel expense	$ 30,073	$ 22,965	30.95%	$ 316,116	$ 390,890	-19.13%
Barrels #2 oil consumed	116	68	70.59%	1,574	3,089	-49.04%
$/ per barrel consumed	$ 259.25	$ 337.72	-23.24%	$ 200.84	$ 126.54	58.72%
kWh - oil generated	61,692	15,972	286.25%	343,451	872,381	-60.63%
Cost per MWh - oil	$ 487.47	$ 1,437.83	-66.10%	$ 920.41	$ 448.07	105.42%
Natural gas (includes landfill)						
Gas expense Kennedy & landfill - variable	$ 83,230	$ 55,377	50.30%	$ 499,843	$ 565,584	-11.62%
MMBTU's consumed	32,349	19,691	64.28%	207,609	160,468	29.38%
$/ per MMBTU consumed	$ 2.57	$ 2.81	-8.54%	$ 2.41	$ 3.52	-31.53%
kWh - gas generated (1)	2,482,241	1,267,993	95.76%	15,732,542	10,930,332	43.93%
Cost per MWh - gas	$ 33.53	$ 43.67	-23.22%	$ 31.77	$ 51.74	-38.60%
Gas expense BB simple - variable	$ 202,680	$ 294,826	-31.25%	$ 952,229	$ 664,154	43.37%
MMBTU's consumed	56,928	$ 101,355	-43.83%	412,177	216,846	90.08%
$/ per MMBTU consumed	$ 3.56	$ 2.91	22.34%	$ 2.31	$ 3.06	-24.51%
kWh - gas generated (1)	3,846,010	9,030,500	-57.41%	35,021,505	17,769,099	97.09%
Cost per MWh - gas simple	$ 52.70	$ 32.65	61.41%	$ 27.19	$ 37.38	-27.26%
Gas expense BB combined - variable	$ (44,739)	$ 6,715,366	-100.67%	$ 25,698,339	$ 52,541,590	-51.09%
MMBTU's consumed	(11,352)	2,383,261	-100.48%	11,101,600	15,561,943	-28.66%
$/ per MMBTU consumed	$ 3.94	$ 2.82	39.72%	$ 2.31	$ 3.38	-31.66%
kWh - gas generated (1)	(638,405)	339,634,064	-100.19%	1,622,017,692	2,198,258,392	-26.21%
Cost per MWh - gas combined	$ 70.08	$ 19.77	254.48%	$ 15.84	$ 23.90	-33.72%
Gas expense GEC simple - variable	$ 3,372,939	$ 340,989	889.16%	$ 4,343,708	$ 992,830	337.51%
MMBTU's consumed	1,805,164	125,441	1339.05%	2,226,410	364,720	510.44%
$/ per MMBTU consumed	$ 1.87	$ 2.72	-31.25%	$ 1.95	$ 2.72	-28.31%
kWh - gas generated	162,964,982	11,113,859	1366.32%	198,498,609	29,566,260	571.37%
Cost per MWh - gas simple	$ 20.70	$ 30.68	-32.53%	$ 21.88	$ 33.58	-34.84%
Cost per MWh - gas & oil ct	$ 21.60	$ 20.58	4.96%	$ 17.00	$ 24.43	-30.41%
Natural gas expense - fixed	$ 1,908,888	$ 2,195,510	-13.05%	$ 17,163,467	$ 17,861,689	-3.91%
Total generated power:						
Fuels expense	$ 13,398,358	$ 18,834,969	-28.86%	$ 106,271,807	$ 131,025,966	-18.89%
kWh generated	558,461,001	663,826,453	-15.87%	4,305,571,512	3,992,118,310	7.85%
Cost per MWh	$ 23.99	$ 28.37	-15.44%	$ 24.68	$ 32.82	-24.80%

(1) Allocation of kWh generated is based upon a ratio of gas MBTU's (adjusted to oil equivalent - 95.5%) and oil MBTU's.

Cost of fuels	Month 2016	Month 2015 restated	Year-To-Date 2016	Year-To-Date 2015 restated
Fuel oil #6	$ -	$ 86,226	$ 2,722,252	$ 1,262,985
Natural gas units #1-3 with landfill - variable	1,453,716	4,883,320	17,018,183	9,572,075
Coal	2,471,375	1,552,926	13,932,441	27,010,428
Petcoke	3,920,196	2,687,464	23,625,229	20,163,741
Fuel oil #2	30,073	22,965	316,116	390,890
Natural gas - simple cycle (BB & GEC) - variable	3,658,849	691,192	5,795,780	2,222,568
Natural gas - combined (BB) - variable	(44,739)	6,715,366	25,698,339	52,541,590
Natural gas - fixed	1,908,888	2,195,510	17,163,467	17,861,689
Total	$ 13,398,358	$ 18,834,969	$ 106,271,807	$ 131,025,966

	Month April 2016	Month April 2015 restated	Month Variance	Year-To-Date April 2016	Year-To-Date April 2015 restated	Year-To-Date Variance
Production Statistics (Con't.)						
Purchased power:						
Plant Scherer						
Purchases	$ 5,117,379	$ 4,303,682	18.91%	$ 32,185,150	$ 30,281,097	6.29%
kWh purchased	-	109,391,000	-100.00%	541,678,000	743,044,000	-27.10%
Cost per MWh		$ 39.34		$ 59.42	$ 40.75	45.80%
TEA & other						
Purchases	$ 6,355,059	$ 3,233,358	96.55%	$ 32,984,475	$ 28,269,680	16.68%
kWh purchased	175,234,388	75,131,603	133.24%	924,611,178	594,904,119	55.42%
Cost per MWh	$ 36.27	$ 43.04	-15.73%	$ 35.67	$ 47.52	-24.93%
SJRPP						
Purchases	$ 11,782,192	$ 10,627,394	10.87%	$ 62,670,613	$ 88,461,695	-29.16%
kWh purchased	194,716,000	128,217,000	51.86%	1,033,907,000	1,589,769,000	-34.96%
Cost per MWh	$ 60.51	$ 82.89	-27.00%	$ 60.62	$ 55.64	8.93%
Total purchased power:						
Purchases	$ 23,254,630	$ 18,164,434	28.02%	$ 127,840,238	$ 147,012,472	-13.04%
kWh purchased	369,950,388	312,739,603	18.29%	2,500,196,178	2,927,717,119	-14.60%
Cost per MWh	$ 62.86	$ 58.08	8.22%	$ 51.13	$ 50.21	1.83%
Subtotal - generated and purchased power:	$ 36,652,988	$ 36,999,403	-0.94%	$ 234,112,045	$ 278,038,438	-15.80%
Fuel interchange sales	(34,249)	(151,177)	-77.35%	(493,064)	(2,259,312)	-78.18%
Earnings of The Energy Authority	(491,373)	(319,014)	54.03%	(1,955,094)	(858,096)	127.84%
Realized and Unrealized (Gains) Losses:	568,200	-		2,805,000	-	
Fuel procurement and handling	834,571	793,236	5.21%	6,199,182	6,960,747	-10.94%
By product reuse	1,355,275	1,650,283	-17.88%	9,366,976	8,628,524	8.56%
Total generated and net purchased power:						
Cost, net	38,885,412	38,972,731	-0.22%	250,035,045	290,510,301	-13.93%
kWh generated and purchased	928,411,389	976,566,056	-4.93%	6,805,767,690	6,919,835,429	-1.65%
Cost per MWh	$ 41.88	$ 39.91	4.95%	$ 36.74	$ 41.98	-12.49%
Reconciliation:						
Generated and purchased power per above	$ 38,885,412	$ 41.88		$ 250,035,045	$ 36.74	
SJRPP operating expenses:						
SJRPP O & M	(2,115,912)	(2.28)		(11,807,494)	(1.73)	
SJRPP debt service	(3,317,732)	(3.57)		(23,649,333)	(3.47)	
SJRPP R & R	1,745,657	1.88		12,321,970	1.81	
SCHERER operating expenses:						
Scherer power production	(2,474,342)	(2.67)		(7,277,820)	(1.07)	
Scherer R & R	(1,935,740)	(2.09)		(6,399,958)	(0.94)	
Scherer transmission	(456,383)	(0.49)		(3,083,786)	(0.45)	
Scherer taxes	(89,371)	(0.10)		(693,602)	(0.10)	
Florida and other capacity	(611,004)	(0.66)		(4,189,977)	(0.62)	
MEAG	(514,409)	(0.55)		(1,028,908)	(0.15)	
	$ 29,116,176	$ 31.36		$ 204,226,137	$ 30.01	

	Month April 2016	Month April 2015 restated	Year-To-Date April 2016	Year-To-Date April 2015 restated
MWh sales				
JEA	194,716	128,217	1,033,907	1,589,769
FPL saleback	133,753	94,815	824,312	968,022
FPL direct portion	82,117	55,758	464,555	639,448
Total MWh sales	410,586	278,790	2,322,774	3,197,239
Fuel costs	$ 8,095,611	$ 4,838,996	$ 39,563,368	$ 55,464,588
(Includes fuel handling expenses)				
Less interest credits: inventory bank	(1,129)	(2,475)	(28,348)	(15,124)
Plus (less): true-up interest	(277)	(42)	734	2
Total	8,094,205	4,836,479	39,535,754	55,449,466
Cost per MWh	$ 41.57	$ 37.72	$ 38.24	$ 34.88
Operating and maintenance expenses	2,116,849	3,155,546	11,808,297	14,689,603
Less: operations bank interest	(938)	(545)	(3,841)	(3,161)
Less: annual variable o & m true-up	-	-	3,039	(1,184)
Total	2,115,911	3,155,001	11,807,495	14,685,258
Cost per MWh	$ 10.87	$ 24.61	$ 11.42	$ 9.24
Debt service contribution				
Principal	2,331,562	2,958,177	16,320,938	20,707,240
Interest	1,464,488	1,729,591	10,165,426	12,107,139
Less credits:				
Reserve Issue 2	(256,877)	(246,548)	(1,772,031)	(1,707,389)
Reserve Issue 3	(13,130)	-	(96,669)	-
Debt service Issue 2	(288)	(490)	(9,505)	(22,893)
Debt service Issue 3	-	-	(3,058)	-
Bond proceeds COB	-	(412)	(2,137)	(8,868)
General reserve Issue 2	(6,646)	(1,247)	(6,735)	(40,720)
General reserve Issue 3	(3,472)	(26)	(14,704)	(158)
Build America Bonds subsidy	(34,190)	(34,007)	(239,331)	(238,048)
Inventory carrying costs	(65,028)	(52,506)	(424,808)	(392,237)
Build America Bonds subsidy	3,416,419	4,352,532	23,917,386	30,404,066
Total	$ 17.55	$ 33.95	$ 23.13	$ 19.12
R & R contribution	339,343	345,221	2,375,401	2,416,550
Less: interest credit	(98,686)	(36,840)	(368,202)	(305,615)
Less: cumulative capital recovery amount	(2,085,000)	(2,025,000)	(14,597,221)	(14,188,028)
Total	(1,844,343)	(1,716,619)	(12,590,022)	(12,077,093)
Total	$ (9.47)	$ (13.39)	$ (12.18)	$ (7.60)
Debt service coverage	2,230,000	-	6,577,000	5,043,000
Transfer to JEA	(2,230,000)	-	(6,577,000)	(5,043,000)
Total	-	-	-	-
Cost per MWh	-	-	-	-
Total	$ 11,782,192	$ 10,627,393	$ 62,670,613	$ 88,461,697
kWh purchased	194,716,000	128,217,000	1,033,907,000	1,589,769,000
Total	$ 60.51	$ 82.89	$ 60.62	$ 55.64

JEA Community Engagement Calendar - April - June 2016

(Events highlighted in blue are either JEA sponsored or corporate events)

III. A. 4.
5/17/2016

	A	B	C	D	E	F	G
1	**Date**	**Event/Activity**	**Location**	**Time**	**Type**	**Opportunity for Public to Attend or Participate**	
2	**Apr-16**						
3	4/1, 7, 8, 21 & 22/2016	Habijax	New Town Success Zone	7:45am - 3:45pm	Volunteer Project	Yes	
4	4/1/2016	Arlington Middle School Career Fair	8141 Lone Star Rd	8:45am	Ambassador Event	No	
5	4/1 - 2/2016	Robotics Competition	Palm Beach Fl	8am	Ambassador Instructor	Yes	
6	4/2/2016	Hubbard House Awareness Walk	Unity Plaza	7am	Volunteer Project	Yes	
7	4/4 - 6/2016	Construction Career Fair	Jax Equestrian Center	All Day	Ambassador Speaker	Yes	
8	4/4 -6/2016	Construction Career Fair	Jax Equestrian Center	All Day	Ambassador Event	Yes	
9	4/4/2016	Combustion Turbine Ops Forum	World Golf Village	6pm	Ambassador Speaker	Yes	
10	4/5/2016	CEO Pastor's Lunch	JEA Tower	11:30am	Ambassador Event	Yes	
11	4/5/2016	Pastor's Luncheon	JEA Tower	11:30am	Ambassador Speaker	Yes	
12	4/5/2016	RealSense Senior Fair	Wells Fargo - Springfield	10am	Ambassador Event	Yes	
13	4/7/2016	Construction Career Fair	Jax Equestrian Center	11am - 3pm	Ambassador Instructor	yes	
14	4/9/2016	Specila Olympics	Atlantic Coast High	7am - 4pm	Volunteer Project	Yes	
15	4/15/2016	Arlington Elem. School Career Day	Arlington Elem. School	8am - 2:30pm	Ambassador Event	No	
16	4/16/2016	Magnolia Gardens Community Fair	5803 Begonia Road	12pm	Ambassador Event	Yes	
17	4/16/2016	Earth Day at the Zoo	Jax Zoo & Gardens	10am - 3pm	Ambassador Event	Yes	
18	4/16/2016	Delta Sigma Theta EMBODI	NGS	10am	Ambassador Tour	No	
19	4/16/2016	MDA Muscle Walk	Jax Landing	7am - Noon	Volunteer Project	Yes	
20	4/20/2016	INDOUS Community Event	Marriot	9am	Ambassador Speaker	Yes	
21	4/21/2016	Florida Times Union Reporter	NGS	1pm	Ambassador Tour	No	
22	4/21/2016	Terry Parker High Career Fair	7301 Parker School Rd	7:30am - 1:30am	Ambassador Event	No	
23	4/22/2016	Feeding NE FL Food Bank	1116 Edgewood Ave	8:30am	Volunteer Project	Yes	

JEA Community Engagement Calendar - April - June 2016

(Events highlighted in blue are either JEA sponsored or corporate events)

	A	B	C	D	E	F	G
24	4/22/2016	Family Fit & Fun - Loretto Elem.	3900 Loretto Rd.	5pm	Ambassador Event	Yes	
25	4/23 - 24/2016	COJ World of Nations	Metropolitan Park	All Day	Ambassador Event	Yes	
26	4/23/2016	Earth Day at the Landing	Jax Landing	10am - 3pm	Ambassador Event	Yes	
27	4/25/2016	Power Pals - Rufus E Payne Elem	6725 Hema Rd.	8:45am	Ambassador Instructor	No	
28	4/23/2016	Walk MS	Unity Plaza	7am	Volunteer Project	Yes	
29	4/28/2016	Windy Hills Elem. Career Fair	3831 Forest Blvd.	8am - 2pm	Ambassador Event	No	
30	4/29/2016	PBS Positive Behavior	Baker County Kindergarten	10am	Ambassador Speaker	No	
31	4/30/2016	Butterfly Festival	Tree Hill Nature Center	10am- 4pm	Volunteer Project	Yes	
32	**May-16**						
33	5/2/2016	Power Pals - Rufus E Payne Elem	6725 Hema Rd.	8:45am	Ambassador Instructor	No	
34	5/4/2016	North Shore Elem.	5701 Silver Plaza	12pm	Ambassador Speaker	No	
35	5/6, 7, 19 &20/2016	Habijax	New Town Success Zone	7:45am - 3:45pm	Volunteer Project	Yes	
36	5/7/2016	Tour de Cure	World Golf Village	Various	Volunteer Project	Yes	
37	5/7/2016	Caregiver Expo	Hyatt Regency - Riverfront	9:30am	Ambassador Event	Yes	
38	5/9/2016	Greater Englewood Neighborhood Assoc.	4614 Clinton Ave.	7pm	Ambassador Speaker	Yes	
39	5/9/2016	Power Pals - Rufus E Payne Elem	6725 Hema Rd.	8:45am	Ambassador Instructor	No	
40	5/11/2016	Biscayne Elem. Career Fair	12230 Biscayne Blvd.	9am - 1pm	Ambassador Event	No	
41	5/13/2016	S Bryan Jennings Elem. Career Day	215 Corona Rd	8am - 12noon	Ambassador Event	No	
42	5/13/2016	34th Annual Mental Health Conference	Edward Waters College	8:30am	Ambassador Event	Yes	
43	5/14/2016	Daysprings Baptist Church Annual Block Party	5654 Dunn Ave.	11am - 4pm	Ambassador Event	Yes	
44	5/13/2016	Rufus E Payne Elem. Career Fair	6725 Hema Rd.	9am - 12:30pm	Ambassador Event	No	

JEA Community Engagement Calendar - April - June 2016

(Events highlighted in blue are either JEA sponsored or corporate events)

	A	B	C	D	E	F	G
45	5/16/2016	Power Pals - Rufus E Payne Elem	6725 Hema Rd.	8:45am	Ambassador Instructor	No	
46	5/18/2016	Rotary Club of Southpoint	Embassy Suites - 9300 Baymeadows Rd	12noon	Ambassador Speaker	No	
47	5/18/2016	West Jacksonville Elem. Career Fair	2115 Commonwealth Ave.	8:30am - 12:30pm	Ambassador Event	No	
48	5/19/2016	Mandarin Community Club	12447 Mandari n Rd	7pm	Ambassador Speaker	Yes	
49	5/19/2016	Arlington Heights Elem. STEAM Night	1520 Sprinkle Dr.	6pm	Ambassador Event	Yes	
50	5/20/2016	Miracle on Ashley St	Clara White Mission	10am - 1pm	Volunteer Project	Yes	
51	5/20/2016	Carter G Woodson Career Day	2334 Butler Ave.	9am - 2:30pm	Ambassador Speaker	No	
52	5/20/2016	Carter G Woodson Career Day	2334 Butler Ave.	9am - 2:30pm	Ambassador Event	No	
53	5/20 - 21/2016	Kids Triatholon	EverBank Field	Various	Volunteer Project	Yes	
54	5/21/2016	FL Stem & Health Expo	River City Science Academy	11am - 3pm	Ambassador Event	Yes	
55	5/21/2016	St Paul Lutheran Curch Community Day	2730 W Edgewood Ave.	9:30am - 1:30pm	Ambassador Event	Yes	
56	5/25/2016	TransAmerica Financial	8081 Philips Hway, Suite 22	5:30pm	Ambassador Speaker	Yes	
57	5/26/2016	Mandarin Oaks Elem. STEM Night	10600 Hornet's Nest Rd	6pm	Ambassador Event	No	
58	5/26 - 29/2016	Jax Jazz Festival	Downtown Jax	Various	Volunteer Project	Yes	
59	5/27/2016	Feeding NE FL Food Bank	1116 Edgewood Ave	8:30am - 3:30pm	Volunteer Project	Yes	
60	5/27/2016	Westview Academy Career Day	5270 Connie Jean Rd	8am - 12noon	Ambassador Event	No	
61	**Jun-16**						
62	6/4/2016	Home Buyers Expo	UNF	9am	Ambassador Event	Yes	
63	6/4/2016	Home Buyers Expo	UNF	10am	Ambassador Instructor	Yes	
64	6/6 - 11/2016	Habijax Home Blitz Build	TBA	Various	Volunteer Project	No	
65	6/8/2016	Southside Business Men's Club	San Jose Country Club	12noon	Ambassador Speaker	No	
66	6/10/2016	The Learning Center	819 Park St.	12:30pm	Ambassador Speaker	Yes	
67	6/22/2016	Henry Schein Inc.	8691 Jesse B Smith Court	10am - 1pm	Ambassador Speaker	No	
68	6/27/2016	Downtown Kiwanis Club	Doubletree Hotel	12:30pm	Ambassador Speaker	No	

JEA Community Engagement Calendar - April - June 2016

(Events highlighted in blue are either JEA sponsored or corporate events)

	A	B	C	D	E	F	G
69							
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72	**Jul-16**						
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FY16 Communications & Community Engagement
Overview and April/May Update

Overview: Each month we update the board on communications and community engagement activities for the previous and current months. The purpose is to keep you informed about these activities so that you are knowledgeable about JEA's efforts to keep our customers informed, to assist them in the management of their utility services and to be a good corporate citizen.

Communications: We started our "Apples or Apple" campaign to promote ebill through April and May. April and May are especially important months as they make up the last fielding period for the J.D. Power residential customer satisfaction study for FY16 so we gave our communications an extra push to help us complete the survey year at a high level. We increased both paid and owned communications focusing on all key messages that were identified by J.D. Power as critical to customers. All paid and owned messaging is supported by social media, using Twitter, Facebook, Linkedin, Google+ and YouTube to provide additional timely, relevant information.

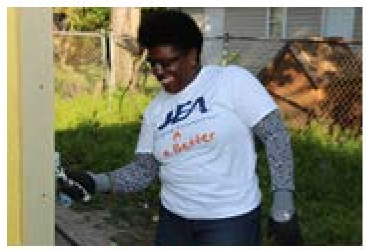
Community Engagement: JEA employees are actively involved in our community engagement efforts. JEA Ambassadors participate in activities where we have an opportunity to help customers manage their utility services and/or to educate customers about how JEA provides critical utility services to our community. These employees are trained and certified ahead of time to help JEA deliver on our mission. On the other hand, JEA Volunteers go out into the community to assist nonprofits accomplish their goals by offering their time and talents to help the nonprofit deliver their mission. Volunteers do not have to have any special training or talent; they just have a caring heart.

In April, Ambassador activities included participation in 17 speaking engagements and community events/activities in support of DOT Construction Career Fair, Combustion Turbine Forum, Pastors Luncheon, INDOUS Event, PBS Positive Behavior, Arlington Middle Career Fair, RealSense Senior Fair, Arlington Elementary School Career Fair, Magnolia Gardens Community Fair, Earth Day at the Zoo, Terry Parker Career Fair, Loretto Road Elementary Family Fit & Fun, World of Nations, Earth Day at the Landing, and Windy Hill Elementary Career Fair.

JEA Employee Ambassadors participated in the Arlington Middle School Career Fair, sharing information about their JEA careers and the path they followed to get their with future JEA customers and potential employees.

In April, JEA volunteers came out in support of Habijax, One Spark, Special Olympics, Feeding NE Florida Food Bank, Walk MS, Rethreaded, Relay for Life, and Tree Hill Butterfly Festival.


Rethreaded


HabiJax Build


Tree Hill Butterfly Festival

As a community-owned utility, JEA employees take a great pride in the Ambassador and Volunteer programs and these programs go a long way to tangibly demonstrate to customers and the community the incredible "Heart of JEA."

Communications Contacts* Generated Year to Date	**142,409,111**
• Number of Paid Communications Contacts (Radio, Television, Out of Home, Online, Print)	114,622,602
• Number of Other Communications Contacts (Bill Insert, Bill Envelop, Brochure, etc.)	7,578,730
• Number of E-communications Contacts (jea.com Visitors, Email, Social Media, Videos)	19,879,590
• Number of Community Engagement Communications Contacts (Events, Public Speaking, Presentations, Training, Workshops, etc.)	328,189

*Communications Contacts are the opportunities we have to communication information to our customers.

III. B. 1.
5/17/2016

Building Community

AGENDA ITEM SUMMARY

May 2, 2016

SUBJECT:	**JEA 401(A) DEFINED CONTRIBUTION RETIREMENT PLAN RESTATEMENT – RESOLUTION 2016-10**

Purpose: ☒ Information Only ☐ Action Required ☐ Advice/Direction

Issue: Periodically, to maintain a retirement plan's tax-qualified status, it is necessary or advisable to amend and restate the retirement plan's written governing plan documents to reflect updates in the law and/or plan design changes. Massachussetts Mutual Life Insurance Company, the plan document provider for the JEA 401(a) Defined Contribution Retirement Plan ("Plan"), has provided restated governing plan documents for the Plan. The Board is required to approve the restated Plan documents in order for JEA to file the documents.

Significance: N/A

Effect: The participants in the Plan are JEA employees in appointed status positions. The restated Plan documents generally reflect the same Plan operations as currently in effect, and reflect updates in the law.

Cost or Benefit: The restated Plan documents do not include any cost increases in comparison to Plan operations currently in effect. The benefit of the restated Plan documents is that they reflect updates in the law to maintain the Plan's tax-qualified status.

Recommended Board action: This item is presented for information only. At the June 21, 2016 Board Meeting, staff will recommend that the Board approve the attached Resolution 2016-10 for the restated governing Plan documents and authorize JEA's Managing Director/CEO to execute all implementing documents.

For additional information, contact: Pat Maillis - Director, Employee Services, (904) 665-4132

Submitted by: PEM/ARH/PM

Commitments to Action

1 Earn Customer Loyalty

2 Deliver Business Excellence

3 Develop an Unbeatable Team

Building Community

INTER-OFFICE MEMORANDUM
May 2, 2016

SUBJECT:	**JEA 401(A) DEFINED CONTRIBUTION RETIREMENT PLAN RESTATEMENT – RESOLUTION 2016-10**
FROM:	Paul E. McElroy, Managing Director/CEO
TO:	JEA Board of Directors

BACKGROUND:
JEA, as Plan sponsor, originally established the JEA 401(a) Defined Contribution Retirement Plan ("Plan") in 2002. The employees who are eligible to participate in the Plan are JEA employees in appointed status positions. Generally, appointed status employees can be described as JEA management staff employees who are exempt from the Civil Service System and serve under the JEA Board of Directors or the JEA Managing Director/CEO.

The Plan is a voluntary, defined contribution plan that permits, but does not require, eligible employees to defer a percentage of their compensation and annual incentive pay (if any) into the Plan to allow saving on a tax-deferred basis. The Plan also permits, but does not require, JEA to make discretionary contributions to the Plan to provide discretionary incentive pay to eligible employees on a tax-deferred basis.

Massachusetts Mutual Life Insurance Company ("MassMutual") is the current plan and trust document provider for the Plan, and MassMutual is the custodian for the participants' Plan accounts. Reliance Trust Company is the current trustee of the Plan's trust.

JEA is the Plan Administrator, with the ministerial day-to-day operations carried out by JEA benefits personnel within the Human Resources Department. Participants direct the investments of their own Plan accounts from a menu of investment options that the Plan offers to them. The menu of investment options is chosen and monitored by an Investment Committee, whose members are JEA employees with appropriate financial expertise.

DISCUSSION:
Periodically, to maintain any retirement Plan's tax-qualified status, it is necessary or advisable to amend the retirement Plan's written plan documents to reflect updates in the law and/or plan design changes. Periodically, it is also beneficial to restate (i.e., re-write) the plan documents in a single written Plan document to reflect all prior amendments and to achieve consistency and legal compliance.

MassMutual has advised that it has received a favorable Internal Revenue Service ("IRS") advisory letter for its new governmental volume submitter plan and trust documents. As a result of the favorable IRS advisory letter, MassMutual will not be maintaining its prior suggested form of governing plan documents. Therefore, it is necessary for the Plan to be amended and restated in conformity with MassMutual's new, IRS-approved, volume-submitter plan and trust documents and to comply with various updates in the law, including the Pension Protection Act of 2006.

MassMutual has prepared restated governing documents for the Plan, which JEA benefits personnel have reviewed with legal counsel. The restated Plan documents are intended to maintain substantially the same Plan design and operations that are currently in effect.

The restated Plan documents consist of:

- Governmental Defined Contribution Volume Submitter Plan and Trust Basic Plan Document [DC-BPD #05] (attached Exhibit A)
- Governmental Volume Submitter Plan Adoption Agreement (attached Exhibit B)

A copy of the IRS favorable advisory letter serial no. J5988573a dated March 31, 2014 issued to MassMutual is also attached (Exhibit C).

Collective bargaining considerations: There is no collectively bargained unit of employees impacted by the restated Plan documents.

Cost considerations: Since the Plan is a defined contribution plan, not a defined benefit pension plan, there is no actuarial cost impact study needed. The Plan benefits payable to any particular participant are determined purely by reference to the balance in the particular participant's account at the time of distribution. The terms of the restated Plan documents will not result in any additional cost of benefits in comparison to current Plan operations.

RECOMMENDATION:
This item is presented for information only. At the June 21, 2016 Board Meeting, staff will recommend that the Board approve the attached Resolution 2016-10 for the restated governing Plan documents and authorize JEA's Managing Director/CEO to execute all implementing documents.

____
Paul E. McElroy, Managing Director/CEO

PEM/ARH

JEA Board Resolution No. 2016-10

RESOLUTION APPROVING THE RESTATED GOVERNING DOCUMENTS FOR THE JEA 401(a) DEFINED CONTRIBUTION RETIREMENT PLAN EFFECTIVE JANUARY 1, 2016

WHEREAS, JEA ("Employer") previously adopted the JEA 401(a) Defined Contribution Retirement Plan ("Plan") effective January 1, 2002, which Plan has subsequently been amended and restated thereafter, and is currently in effect; and

WHEREAS, from time to time, it is necessary to further amend and restate the Plan due to changes in governing laws and regulations or for other good and sufficient cause; and

WHEREAS, Section 19.01 of the current governing Plan document provides that the Plan may be amended by written instrument executed by the Employer; and

WHEREAS, Section 8.1 of the current governing trust document for the Plan provides that the trust document may be amended with the written agreement of the Employer; and

WHEREAS, the custodian and current document provider for the Plan, Massachusetts Mutual Life Insurance Company ("MassMutual"), has obtained a favorable Internal Revenue Service advisory letter for MassMutual's new forms of governing plan and trust documents; and

WHEREAS, it has been proposed that the JEA Board of Directors, acting for and on behalf of the Employer, approve and adopt, effective January 1, 2016, the documents attached hereto entitled "Governmental Defined Contribution Volume Submitter Plan and Trust Basic Plan Document [DC-BPD #05]" and "Governmental Volume Submitter Plan Adoption Agreement" (collectively, the "Restated Plan Documents") to amend and restate the Plan's governing documents to conform to MassMutual's new forms of IRS-approved governing plan and trust documents and to comply with various updates in the law; and

WHEREAS, the JEA Board of Directors has reviewed the Restated Plan Documents and has been advised that all necessary prerequisites to adoption of the Restated Plan Documents have been completed.

NOW, THEREFORE, BE IT RESOLVED that the JEA Board of Directors hereby approves and adopts the documents attached hereto and entitled "Governmental Defined Contribution Volume Submitter Plan and Trust Basic Plan Document [DC-BPD #05]" and "Governmental Volume Submitter Plan Adoption Agreement", for and on behalf of JEA, as the amendment and restatement of the governing documents for the JEA 401(a) Defined Contribution Retirement Plan, effective January 1, 2016; and

BE IT FURTHER RESOLVED that the JEA Managing Director/CEO is hereby authorized to execute the document attached hereto and entitled "Governmental Volume Submitter Plan Adoption Agreement", for and on behalf of JEA; and

BE IT FURTHER RESOLVED that the JEA Managing Director/CEO, or his designee, is hereby authorized to take all actions and steps and to execute any and all other instruments, documents, and certificates necessary to effectuate this resolution.

IN WITNESS WHEREOF, the JEA Board of Directors has caused this Resolution to be duly executed by its duly authorized officer this 21st day of June, 2016.

JEA

By:___________________________________
Thomas F. Petway, III, JEA Board Chair

ATTEST:

____
Delores Pass Kesler, JEA Board Secretary

Form Approved

____
Cindy Laquidara, Akerman, LLP

GOVERNMENTAL DEFINED CONTRIBUTION VOLUME SUBMITTER PLAN AND TRUST

BASIC PLAN DOCUMENT

[DC-BPD #05]

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SECTION 1
PLAN DEFINITIONS

This Section contains definitions for common terms that are used throughout the Plan. All capitalized terms under the Plan are defined in this Section or in the relevant section of the Plan document where such term is used.

1.01 **Account.** The separate Account maintained for each Participant under the Plan. A Participant may have any (or all) of the following separate Accounts, to the extent authorized under the Plan:

- Employer Contribution Account
- Matching Contribution Account
- After-Tax Employee Contribution Account
- Employer Pick-Up Contribution Account
- Rollover Contribution Account
- Transfer Account

In addition, if this Plan qualifies as a Grandfathered 401(k) Arrangement (as defined in Section 1.54), a Participant also may have any (or all) of the following separate Accounts:

- Pre-Tax Salary Deferral Account
- Roth Deferral Account
- Roth Rollover Contribution Account

The Plan Administrator may establish other Accounts, as it deems necessary, for the proper administration of the Plan.

1.02 **Account Balance.** Account Balance shall mean a Participant's balances in all of the Accounts maintained by the Plan on his or her behalf.

1.03 **Actuarial Factor.** A Participant's Actuarial Factor is used for purposes of determining the Participant's allocation under the age-based formula under AA §6-3(f) of the Profit Sharing Plan Adoption Agreement or under the age-based contribution formula under AA §6-2(d) of the Money Purchase Plan Adoption Agreement. See Section 3.02(a)(1)(i)(E) or 3.02(b)(4).

1.04 **Adoption Agreement ("Agreement").** The Adoption Agreement contains the elective provisions that an Employer may complete to supplement or modify the provisions under the Plan. Each adopting Employer must complete and execute the Adoption Agreement. If the Plan covers Employees of an Employer other than the Employer that executes the Employer Signature Page of the Adoption Agreement, such additional Employer(s) must execute a Participating Employer Adoption Page under the Adoption Agreement. (See Section 16 for rules applicable to adoption by Participating Employers.) An Employer may adopt more than one Adoption Agreement associated with this Plan document. Each executed Agreement is treated as a separate Plan. The Employer may adopt a Profit Sharing Plan Adoption Agreement or a Money Purchase Plan Adoption Agreement. The Employer also may elect under the Profit Sharing Plan Adoption Agreement to provide for a Grandfathered 401(k) Arrangement under the Plan. Any reference to the Profit Sharing Plan Adoption Agreement includes the Grandfathered 401(k) Plan Adoption Agreement, unless specifically provided otherwise.

1.05 **After-Tax Employee Contributions.** Employee Contributions that may be made to the Plan by a Participant that are included in the Participant's gross income in the year such amounts are contributed to the Plan and are maintained under a separate After-Tax Employee Contribution Account to which earnings and losses are allocated. See Section 3.04. For this purpose, Roth Deferrals are not considered as After-Tax Employee Contributions.

1.06 **Alternate Payee.** A person designated to receive all or a portion of the Participant's benefit pursuant to a QDRO. See Section 1.76.

1.07 **Anniversary Years.** An alternative period for measuring Eligibility Computation Periods (under Section 2.03(a)(3)) and Vesting Computation Periods (under Section 6.05). An Anniversary Year is any 12-month period which commences with the Employee's Employment Commencement Date or which commences with the anniversary of the Employee's Employment Commencement Date.

1.08 **Annual Additions.** The amounts taken into account under a Defined Contribution Plan for purposes of applying the limitation on allocations under Code §415. See Section 5.02(c)(1) for the definition of Annual Additions.

1.09 **Annuity Starting Date.** The date an Employee commences distribution from the Plan. If a Participant commences distribution with respect to a portion of his/her Account Balance, a separate Annuity Starting Date applies to any subsequent distribution. If distribution is made in the form of an annuity, the Annuity Starting Date is the first day of the first period for which annuity payments are made.

1.10 **Beneficiary.** A person designated by the Participant (or by the terms of the Plan) to receive a benefit under the Plan upon the death of the Participant. See Section 7.07(c) for the applicable rules for determining a Participant's Beneficiaries under the Plan.

1.11 **Break in Service.** The Computation Period (as defined in Section 2.03(a)(3) for purposes of eligibility and Section 6.05 for purposes of vesting) during which an Employee does not complete more than five hundred (500) Hours of Service with the Employer. However, if the Employer elects under AA §4-3(a) or AA §8-5(a) to require less than 1,000 Hours of Service to earn a Year of Service for eligibility or vesting purposes, a Break in Service will occur for any Computation Period during which the Employee does not complete more than one-half (1/2) of the Hours of Service required to earn a Year of Service for eligibility or vesting purposes, as applicable. However, if the Elapsed Time method applies under AA §4-3(c) (for purposes of eligibility) or AA §8-5(c) (for purposes of vesting), an Employee will incur a Break in Service if the Employee incurs at least a one year Period of Severance (as defined under Section 1.69). (See Section 2.07 for a discussion of the eligibility Break in Service rules and Section 6.08 for a discussion of the vesting Break in Service rules.)

1.12 **Cash-Out Distribution.** A total distribution made to a terminated Participant in accordance with Section 6.10(a).

1.13 **Catch-Up Contributions.** Salary Deferrals that may be made under a Grandfathered 401(k) Arrangement that are in excess of an otherwise applicable Plan limit and that are made by a Participant who is aged 50 or over by the end of the taxable year. See Section 3.02(c)(2)(iv).

1.14 **Catch-Up Contribution Limit.** The annual limit applicable to Catch-Up Contributions as set forth in Section 3.02(c)(2)(iv)(A).

1.15 **Code.** The Internal Revenue Code of 1986, as amended.

1.16 **Code §415 Limitation.** The limit on the amount of Annual Additions a Participant may receive under the Plan during a Limitation Year. See Section 5.02.

1.17 **Collectively Bargained Employee.** An Employee who is included in a unit of Employees covered by a collective bargaining agreement between the Employer and Employee representatives and whose retirement benefits are subject to good faith bargaining. Such Employees may be excluded from the Plan if designated under AA §3-1(b). See Section 2.02(b)(1) for additional requirements related to the exclusion of Collectively Bargained Employees.

1.18 **Compensation Limit.** The maximum amount of compensation that can be taken into account for any Plan Year for purposes of determining a Participant's Plan Compensation. For Plan Years beginning on or after January 1, 1994, and before January 1, 2002, the Compensation Limit taken into account for determining benefits provided under the Plan for any Plan Year is $150,000, as adjusted for increases in cost-of-living in accordance with Code §401(a)(17)(B). For any Plan Years beginning on or after January 1, 2002, the Compensation Limit is $200,000, as adjusted for cost-of-living increased in accordance with Code §401(a)(17)(B). In determining the Compensation Limit for any applicable period (the "determination period"), the cost-of-living adjustment in effect for a calendar year applies to any determination period that begins with or within such calendar year.

If a determination period consists of fewer than 12 months, the Compensation Limit for such period is an amount equal to the otherwise applicable Compensation Limit multiplied by a fraction, the numerator of which is the number of months in the short determination period, and the denominator of which is 12. A determination period will not be considered to be less than 12 months merely because compensation is taken into account only for the period the Employee is a Participant. If Salary Deferrals, Matching Contributions, or After-Tax Employee Contributions are separately determined on the basis of specified periods within the determination period (e.g., on the basis of payroll periods), no proration of the Compensation Limit is required with respect to such contributions.

If compensation for any prior determination period is taken into account in determining a Participant's allocations for the current Plan Year, the compensation for such prior determination period is subject to the applicable Compensation Limit in effect for that prior period. However, solely for purposes of determining a Participant's allocations for Plan Years beginning on or after January 1, 2002, the Compensation Limit in effect for determination periods beginning before that date is $200,000.

In determining the amount of a Participant's Salary Deferrals under a Grandfathered 401(k) Arrangement, a Participant may defer with respect to Plan Compensation that exceeds the Compensation Limit, provided the total deferrals made by the Participant satisfy the Elective Deferral Dollar Limit and any other limitations under the Plan.

1.19 **Computation Period.** The 12-consecutive month period used for measuring whether an Employee completes a Year of Service for eligibility or vesting purposes.

(a) **Eligibility Computation Period.** The 12-consecutive month period used for measuring Years of Service for eligibility purposes. See Section 2.03(a)(3).

(b) **Vesting Computation Period.** The 12-consecutive month period used for measuring Years of Service for vesting purposes. See Section 6.05.

1.20 **Custodian.** An organization that has custody of all or any portion of the Plan assets. See Section 12.13.

1.21 **Defined Benefit Plan.** A plan under which a Participant's benefit is based solely on the Plan's benefit formula without the establishment of separate Accounts for Participants.

1.22 **Defined Contribution Plan.** A plan that provides for individual Accounts for each Participant to which all contributions, forfeitures, income, expenses, gains and losses under the Plan are credited or deducted. A Participant's benefit under a Defined Contribution Plan is based solely on the fair market value of his/her vested Account Balance.

1.23 **Designated Beneficiary.** A Beneficiary who is designated by the Participant (or by the terms of the Plan) and whose life expectancy is taken into account in determining minimum distributions under Code §401(a)(9) and Treas. Reg. §1.401(a)(9)-4. See Section 8.05(a).

1.24 **Differential Pay.** Certain payments made by the Employer to an individual while the individual is performing service in the Uniformed Services. See Section 1.89(e).

1.25 **Directed Account.** The Plan assets under a Trust which are held for the benefit of a specific Participant. See Section 10.03(d)(2).

1.26 **Directed Trustee.** A Trustee is a Directed Trustee to the extent that the Trustee's investment powers are subject to the direction of another person. See Section 12.02(a).

1.27 **Direct Rollover.** A rollover, at the Participant's direction, of all or a portion of the Participant's vested Account Balance directly to an Eligible Retirement Plan. See Section 7.04.

1.28 **Disabled.** Unless provided otherwise under AA §9-4(b), an individual is considered Disabled for purposes of applying the provisions of this Plan if the individual is unable to engage in any substantial gainful activity by reason of a medically determinable physical or mental impairment that can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than 12 months. The permanence and degree of such impairment shall be supported by medical evidence. The Plan Administrator may establish reasonable procedures for determining whether a Participant is Disabled.

1.29 **Discretionary Trustee.** A Trustee is a Discretionary Trustee to the extent the Trustee has exclusive authority and discretion to invest, manage or control the Plan assets without direction from any other person. See Section 12.02(b).

1.30 **Distribution Calendar Year.** A calendar year for which a minimum distribution is required. See Section 8.05(b).

1.31 **Early Retirement Age.** The age and/or Years of Service set forth in AA §7-2. Early Retirement Age may be used to determine distribution rights and/or vesting rights. If a Participant separates from service before satisfying the age requirement for early retirement, but has satisfied the service requirement, the Participant will be entitled to elect an early retirement benefit upon satisfaction of such age requirement. The Plan is not required to have an Early Retirement Age.

1.32 **Effective Date.** The date this Plan, including any restatement or amendment of this Plan, is effective. The Effective Date of the Plan is designated on the Employer Signature Page under the Adoption Agreement. See Section 14.01(d)(2) for special rules concerning the retroactive effective date of provisions under the Plan designed to comply with the requirements of the Pension Protection Act of 2006 (PPA).

1.33 **Elapsed Time.** A special method for crediting service for eligibility or vesting. See Section 2.03(a)(6) for more information on the Elapsed Time method of crediting service for eligibility purposes and Section 6.04(b) for more information on the Elapsed Time method of crediting service for vesting purposes. Also see Section 3.07 for the ability to use the Elapsed Time method for applying allocation conditions under the Plan.

1.34 **Elective Deferral Dollar Limit.** The maximum amount of Elective Deferrals a Participant may make for any calendar year. See Section 5.03.

1.35 **Elective Deferrals.** A Participant's Elective Deferrals is the sum of all Salary Deferrals (as defined in Section 1.83) and other contributions made pursuant to a Salary Deferral Election under a SARSEP described in Code §408(k)(6), a SIMPLE IRA plan described in Code §408(p), a plan described under Code §501(c)(18), and a custodial account or other arrangement described in Code §403(b). Elective Deferrals shall not include any amounts properly distributed as an Excess Amount under Code §415.

1.36 **Eligible Employee.** An Employee who is not excluded from participation under Section 2.02 of the Plan or AA §3-1.

1.37 **Eligible Retirement Plan.** A qualified retirement plan or IRA that may receive a rollover contribution. See Section 7.04(a)(2).

1.38 **Eligible Rollover Distribution.** An amount distributed from the Plan that is eligible for rollover to an Eligible Retirement Plan. See Section 7.04(a)(1).

1.39 **Employee.** An Employee is any individual employed by the Employer (including any Related Employers). An independent contractor is not an Employee. An Employee is not eligible to participate under the Plan if the individual is not an Eligible Employee under Section 2.02. A Leased Employee is also treated as an Employee of the recipient organization, as provided in Section 2.02(b)(3).

1.40 **Employer.** Except as otherwise provided, Employer means the Employer that adopts this Plan and any Related Employer. The Employer must be qualified to maintain a Governmental Plan under Code §414(d). (See Section 2.02(c) for rules regarding coverage of Employees of Related Employers. Also see Section 16 for rules that apply to Employers that execute a Participating Employer Adoption Page.)

1.41 **Employer Contributions.** Contributions the Employer makes pursuant to AA §6. See Section 3.02.

1.42 **Employer Pick-up Contributions.** Contributions made by the Employee and picked up by the Employer in accordance with Code §414(h)(2). See Section 3.03.

1.43 **Employment Commencement Date.** The date the Employee first performs an Hour of Service for the Employer.

1.44 **Entry Date.** The date on which an Employee becomes a Participant upon satisfying the Plan's minimum age and service conditions. See Section 2.03(b).

1.45 **Equivalency Method.** An alternative method for crediting Hours of Service for purposes of eligibility and vesting. See Section 2.03(a)(5) for eligibility provisions and Section 6.04(a)(2) for vesting provisions.

1.46 **ERISA.** The Employee Retirement Income Security Act of 1974, as amended.

1.47 **Excess Amount.** Amounts which exceed the Code §415 Limitation. See Section 5.02(c)(4).

1.48 **Excess Compensation.** The amount of Plan Compensation that exceeds the Integration Level for purposes of applying the permitted disparity allocation formula. See Section 3.02(a)(1)(i)(B) (Profit Sharing Plan) and Section 3.02(b)(2) (Money Purchase Plan).

1.49 **Excess Deferrals.** Elective Deferrals that exceed the Elective Deferral Dollar Limit (as defined in Section 5.03). (See Section 5.03(b) for rules regarding the correction of Excess Deferrals.)

1.50 **Favorable IRS Letter.** An advisory letter issued by the IRS to a Volume Submitter Sponsor as to the qualified status of a Volume Submitter Plan.

1.51 **FICA Replacement Plan.** This Plan may qualify as a FICA Replacement Plan under Code §3121(b)(7)(F) if the requirements under Section 4.03 are satisfied.

1.52 **General Trust Account.** The Plan assets under a Trust which are held for the benefit of all Plan Participants as a pooled investment. See Section 10.03(d)(1).

1.53 **Governmental Plan.** A plan established and maintained for its Employees by any State or political subdivision of a State, any State agency or instrumentality or an Indian Tribal Government (provided the requirements under Section 4.02 of the Plan are satisfied), as provided under Code §414(d).

1.54 **Grandfathered 401(k) Arrangement.** An arrangement under Code §401(k) maintained by a governmental employer that was in existence on May 6, 1986. If a governmental entity adopted a 401(k) plan before May 6, 1986, then all 401(k) plans adopted by the governmental entity are treated as adopted before such date, including a 401(k) plan that is actually adopted after such date. A Grandfathered 401(k) Arrangement also may be adopted by an Indian Tribal Government, as defined in Section 1.57.

The Employer may elect to provide a Grandfathered 401(k) Arrangement under AA §2-3 of the Profit Sharing Plan Adoption Agreement. Any such election under AA §2-3 will be null and void if the Employer does not satisfy the requirements for maintaining a Grandfathered 401(k) Arrangement. If the Employer elects a Grandfathered 401(k) Arrangement under AA §2-3, the Employer may authorize Employees to make Salary Deferrals under the Plan in addition to Matching Contributions, Employer Contributions and After-Tax Employee Contributions, to the extent provided under AA §6 - §6B of the Adoption Agreement.

1.55 **Hardship.** A heavy and immediate financial need which meets the requirements of Section 7.10(e).

1.56 **Hour of Service.** Each Employee of the Employer will receive credit for each Hour of Service he/she works for purposes of applying the eligibility and vesting rules under the Plan. An Employee will not receive credit for the same Hour of Service under more than one category listed below.

(a) **Performance of duties.** Hours of Service include each hour for which an Employee is paid, or entitled to payment, for the performance of duties for the Employer. These hours will be credited to the Employee for the computation period in which the duties are performed. In the case of Hours of Service to be credited to an Employee in connection with a period of no more than 31 days which extends beyond one computation period, all such Hours of Service may be credited to the first computation period or the second computation period. Hours of Service under this subsection (a) must be credited consistently for all Employees within the same job classifications.

(b) **Nonperformance of duties.** Hours of Service include each hour for which an Employee is paid, or entitled to payment, by the Employer on account of a period of time during which no duties are performed (irrespective of whether the employment relationship has terminated) due to vacation, holiday, illness, incapacity (including disability), layoff, jury duty, military duty or leave of absence. No more than 501 hours of service will be credited under this paragraph for any single continuous period (whether or not such period occurs in a single Computation Period). Hours under this paragraph will be calculated and credited pursuant to §2530.200b-2 of the Department of Labor Regulations which is incorporated herein by this reference.

(c) **Back pay award.** Hours of Service include each hour for which back pay, irrespective of mitigation of damages, is either awarded or agreed to by the Employer. The same Hours of Service will not be credited both under subsection (a) or subsection (b), as the case may be, and under this subsection (c). These hours will be credited to the Employee for the Computation Period(s) to which the award or agreement pertains rather than the Computation Period(s) in which the award, agreement or payment is made.

(d) **Related Employers/Leased Employees.** Hours of Service will be credited for employment with any Related Employer. Hours of Service also include hours credited as a Leased Employee or as an employee under Code §414(o).

(e) **Maternity/paternity leave.** Solely for purposes of determining whether a Break in Service has occurred in a Computation Period, an individual who is absent from work for maternity or paternity reasons will receive credit for the Hours of Service which would otherwise have been credited to such individual but for such absence, or in any case in which such hours cannot be determined, 8 Hours of Service per day of such absence. For purposes of this paragraph, an absence from work for maternity or paternity reasons means an absence:

(1) by reason of the pregnancy of the individual,

(2) by reason of a birth of a child of the individual,

(3) by reason of the placement of a child with the individual in connection with the adoption of such child by such individual, or

(4) for purposes of caring for such child for a period beginning immediately following such birth or placement.

The Hours of Service credited under this paragraph will be credited in the Computation Period in which the absence begins if the crediting is necessary to prevent a Break in Service in that period, or in all other cases, in the following Computation Period.

1.57 **Indian Tribal Government.** The governing body of any tribe, band, community, village, or group of Indians, or (if applicable) Alaska Natives, which is determined by the Secretary of Treasury, after consultation with the Secretary of Interior, to exercise governmental functions, as defined under Code §7701(a)(40) and regulations thereunder. See Section 4.02 of the Plan for special rules applicable to Indian Tribal Governments.

1.58 **Insurer.** An insurance company that issues a life insurance policy on behalf of a Participant under the Plan in accordance with the requirements under Section 10.08.

1.59 **Integration Level.** The amount used for purposes of applying the permitted disparity allocation formula. The Integration Level is the Taxable Wage Base, unless the Employer designates a different amount under the Adoption Agreement. See Section 3.02(a)(1)(i)(B) (Profit Sharing Plan) and Section 3.02(b)(2) (Money Purchase Plan).

1.60 **Leased Employee.** An individual who performs services for the Employer pursuant to an agreement between the Employer and a leasing organization, and who satisfies the definition of a Leased Employee under Code §414(n). See Section 2.02(b)(3) for rules regarding the treatment of a Leased Employee as an Employee of the Employer.

1.61 **Limitation Year.** The measuring period for determining whether the Plan satisfies the Code §415 Limitation under Section 5.02. See Section 5.02(c)(5).

1.62 **Matching Contributions.** Matching Contributions are contributions made by the Employer on behalf of a Participant on account of other contributions made by the Participant under this Plan or another plan maintained by the Employer. See Section 3.02(c)(3).

1.63 **Maximum Disparity Rate.** The maximum amount that may be allocated with respect to Excess Compensation under the permitted disparity allocation formula. See Section 3.02(a)(1)(i)(B) (Profit Sharing Plan) and Section 3.02(b)(2) (Money Purchase Plan).

1.64 **Normal Retirement Age.** The age selected under AA §7-1. For purposes of applying the Normal Retirement Age provisions under AA §7-1, an Employee's participation commencement date is the first day of the first Plan Year in which the Employee commenced participation in the Plan.

1.65 **Participant.** Except as provided under AA §3-1, a Participant is an Employee (or former Employee) who has satisfied the conditions for participating under the Plan, as described in Section 2.03 and AA §4-1. A Participant also includes any Employee (or former Employee) who has an Account Balance under the Plan, including an Account Balance derived from a rollover or transfer from another qualified plan or IRA. A Participant is entitled to share in an allocation of contributions or forfeitures under the Plan for a given year only if the Participant is an Eligible Employee as defined in Section 2.02, and satisfies the allocation conditions set forth in Section 3.07.

An Employee is treated as a Participant with respect to Salary Deferrals and After-Tax Employee Contributions once the Employee has satisfied the eligibility conditions under AA §4-1 for making such contributions, even if the Employee chooses not to actually make such contributions to the Plan. An Employee is treated as a Participant with respect to Matching Contributions once the Employee has satisfied the eligibility conditions under AA §4-1 for receiving such contributions, even if the Employee does not receive a Matching Contribution because of the Employee's failure to make contributions eligible for the Matching Contribution.

1.66 **Participating Employer.** An Employer that adopts this Plan by executing the Participating Employer Adoption Page under the Adoption Agreement. See Section 16 for the rules applicable to contributions and deductions for contributions made by a Participating Employer.

1.67 **Participating Employer Adoption Page.** The signature page in the Adoption Agreement for a Related Employer to adopt the Plan as a Participating Employer.

1.68 **Part-Time Employee.** Unless designated otherwise under AA 3-1(k), a Part-Time Employee is an Employee who is normally scheduled to work 20 or fewer hours per week. Notwithstanding the foregoing, if the Employer is a post-secondary educational institution, an Employee who is a teacher shall not be considered a Part-Time Employee if he/ she normally has classroom hours of one-half or more of the number of classroom hours designated by the Employer as constituting full-time employment, provided that such designation is reasonable under all of the facts and circumstances.

1.69 **Period of Severance.** A continuous period of time during which the Employee is not employed by the Employer and which is used to determine an Employee's Participation under the Elapsed Time method. See Section 2.03(a)(6) for rules regarding eligibility and Section 6.04(b) for rules regarding vesting.

1.70 **Plan.** The Plan is the retirement plan established or continued by the Employer for the benefit of its Employees under this Plan document. The Plan consists of the basic plan document and the elections made under the Adoption Agreement. The basic plan document is the portion of the Plan that contains the non-elective provisions. The Employer may supplement or modify the basic plan document through its elections in the Adoption Agreement or by separate governing documents that are expressly authorized by the Plan. If the Employer adopts more than one Adoption Agreement under this Plan, then each executed Adoption Agreement represents a separate Plan.

1.71 **Plan Administrator.** The Plan Administrator is the person designated to be responsible for the administration and operation of the Plan. Unless otherwise designated by the Employer, the Plan Administrator is the Employer. If another Employer has executed a Participating Employer Adoption Page, the Employer referred to in this Section is the Employer that executes the Employer Signature Page of the Adoption Agreement. A Plan Administrator also includes a Qualified Termination Administrator (QTA) that assumes the responsibilities of Plan Administrator.

1.72 **Plan Compensation.** Plan Compensation is Total Compensation, as modified under AA §5-3, which is actually paid to an Employee during the determination period (as defined in subsection (a) below). In determining Plan Compensation, the Employer may elect under AA §5-3(b) to exclude all Elective Deferrals (as defined in Section 1.35), pre-tax contributions to a cafeteria plan or a Code §457 plan, and qualified transportation fringes under Code§132(f)(4). In addition, the Employer may elect under AA §5-3 to exclude other designated elements of compensation.

Plan Compensation generally includes amounts an Employee earns with a Participating Employer and amounts earned with a Related Employer (even if the Related Employer has not executed a Participating Employer Adoption Page under the Adoption Agreement). However, the Employer may elect under AA §5-3(h) to exclude all amounts earned with a Related Employer that has not executed a Participating Employer Adoption Page.

In no case may Plan Compensation for any Participant exceed the Compensation Limit (as defined in Section 1.18).

(a) **Determination period.** Unless designated otherwise under AA §5-4(a), Plan Compensation is determined based on the Plan Year. Alternatively, the Employer may elect under AA §5-4(a) to determine Plan Compensation on the basis of the calendar year ending in the Plan Year or any other 12-month period ending in the Plan Year. If the determination period is the calendar year or other 12-month period ending in the Plan Year, for any Employee whose date of hire is less than 12 months before the end of the designated 12-month period, Plan Compensation will be determined over the Plan Year.

(b) **Partial period of participation.** If an Employee is a Participant for only part of a Plan Year, Plan Compensation may be determined over the entire Plan Year or over the period during which such Employee is a Participant. In determining whether an Employee is a Participant for purposes of applying this subsection (b), the Employee's status will be determined solely with respect to the contribution type for which the definition of Plan Compensation is being determined. Plan Compensation does not include any amounts earned for any period while an individual is not an Eligible Employee (as defined in Section 2.02).

1.73 **Plan Year.** The 12-consecutive month period designated under AA §2-4 on which the records of the Plan are maintained. The Plan Year can be a 52-53 week period by designating the appropriate ending date in AA §2-4(b).If the Plan Year is amended to create a Short Plan Year or if a new Plan has an initial Short Plan Year, the Employer may document such Short Plan Year under AA §2-4(c).

1.74 **Predecessor Employer.** An employer that previously employed the Employees of the Employer. See Sections 2.06 (eligibility), 3.07(b) (allocation conditions) and 6.07 (vesting) for the rules regarding the crediting of service with a Predecessor Employer.

1.75 **Pre-Tax Deferrals.** Pre-tax Deferrals are a Participant's Salary Deferrals that are not includible in the Participant's gross income at the time deferred.

1.76 **Qualified Domestic Relations Order (QDRO).** A domestic relations order that provides for the payment of all or a portion of the Participant's benefits to an Alternate Payee and satisfies the requirements under Code §414(p). See Section 11.05.

1.77 **Reemployment Commencement Date.** The first date upon which an Employee is credited with an Hour of Service following a Break in Service (or Period of Severance, if the Plan is using the Elapsed Time method of crediting service).

1.78 **Related Employer.** A Related Employer includes all members of a controlled group of corporations (as defined in Code §414(b)), all commonly controlled trades or businesses (as defined in Code §414(c)) or affiliated service groups (as defined in Code §414(m)) of which the Employer is a part, and any other entity required to be aggregated with the Employer pursuant to regulations under Code §414(o). For purposes of applying the provisions under this Plan, the Employer and any Related Employers are treated as a single Employer, unless specifically stated otherwise. See Section 16.06 for operating rules that apply when the Employer is a member of a Related Employer group. Also see Section 16 for rules regarding participation of Employees of Related Employers.

1.79 **Required Beginning Date.** The date by which minimum distributions must commence under the Plan. See Section 8.05(e).

1.80 **Rollover Contribution.** A contribution made by an Employee to the Plan attributable to an Eligible Rollover Distribution (as defined in Section 7.04(a)(1) from another qualified plan or IRA. See Section 3.05 for rules regarding the acceptance of Rollover Contributions under this Plan.

1.81 **Roth Deferrals.** Roth Deferrals are Salary Deferrals that are includible in the Participant's gross income at the time deferred and have been irrevocably designated as Roth Deferrals in the Participant's Salary Deferral Election. A Participant's Roth Deferrals will be maintained in a separate Account containing only the Participant's Roth Deferrals and gains and losses attributable to those Roth Deferrals. See Section 3.02(c)(2)(v).

1.82 **Salary Deferral Election.** An agreement between a Participant and the Employer, whereby the Participant elects to have a specific percentage or dollar amount withheld from his/her Plan Compensation and the Employer agrees to contribute such amount into the Plan. A Salary Deferral Election may only be made if the Plan qualifies as a Grandfathered 401(k) Arrangement as designated under AA §2-3 of the Profit Sharing Plan Adoption Agreement. See Section 3.02(c)(2)(i).

1.83 **Salary Deferrals.** Amounts contributed under a Grandfathered 401(k) Arrangement at the election of the Participant, in lieu of cash compensation, which are made pursuant to a Salary Deferral Election or other deferral mechanism. Salary Deferrals include Roth Deferrals and Pre-Tax Deferrals. Salary Deferrals shall not include any amounts properly distributed as an Excess Amount under Code §415 pursuant to Section 5.02(c)(4). An Employee's Salary Deferrals are treated as employer contributions for all purposes under this Plan, except as otherwise provided under the Code or Treasury regulations. See Section 3.02(c)(2).

1.84 **Seasonal Employee.** An Employee who normally works on a full-time basis less than five months during any year.

1.85 **Short Plan Year.** Any Plan Year that is less than 12 months long, either because of the amendment of the Plan Year, or because the Effective Date of a new Plan is less than 12 months prior to the end of the first Plan Year.

1.86 **Spouse.** Subject to any additional guidance by the IRS or other agency or court, a Spouse is any individual who is lawfully married to the Participant under a state or foreign jurisdiction, without regard to the location of the Employer or the state where the Participant and Spouse are domiciled. However, a former Spouse of the Participant will be treated as the Spouse or surviving Spouse and any current Spouse will not be treated as the Spouse or surviving Spouse to the extent provided under a valid QDRO.

1.87 **Taxable Wage Base.** The maximum amount of wages taken into account for Social Security purposes. The Taxable Wage Base is used to determine the Integration Level for purposes of applying the permitted disparity allocation formula. See Section 3.02(a)(1)(i)(B) (Profit Sharing Plan) and Section 3.02(b)(2) (Money Purchase Plan).

1.88 **Temporary Employee.** Any Employee performing services under a contractual arrangement with the Employer of two years or less duration. Possible contract extensions may be considered in determining the duration of a contractual arrangement, but only if, under the facts and circumstances, there is a significant likelihood that the Employee's contract will be extended. Future contract extensions are considered significantly likely to occur for purposes of this rule if:

(a) on average 80 percent of similarly situated Employees have had bona fide offers to renew their contracts in the immediately preceding two academic or calendar years; or

(b) the Employee with respect to whom the determination is being made has a history of contract extensions with respect to his or her current position.

An Employee is not considered a Temporary Employee solely because he or she is included in a unit of Employees covered by a collective bargaining agreement of two years or less duration.

1.89 **Total Compensation.** A Participant's compensation for services with the Employer, as defined in this Section 1.89. Total Compensation may be defined in AA §5-1 to be either W-2 Wages, Wages under Code §3401(a), or Code §415 Compensation. Each definition of Total Compensation includes Elective Deferrals (as defined in Section 1.35), elective contributions to a cafeteria plan under Code §125 or to an eligible deferred compensation plan under Code §457, Employer Pick-Up Contributions under Code §414(h)(2), and elective contributions that are not includible in the Employee's gross income as a qualified transportation fringe under Code §132(f)(4).

(a) **Total Compensation definitions.** The Employer may elect under AA §5-1 to define Total Compensation as any of the following definitions:

(1) **W-2 Wages.** Wages within the meaning of Code §3401(a) and all other payments of compensation to an Employee by the Employer (in the course of the Employer's trade or business) for which the Employer is required to furnish the Employee a written statement under Code §6041(d), 6051(a)(3), and 6052, determined without regard to any rules under Code §3401(a) that limit the remuneration included in wages based on the nature or location of the employment or the services performed.

(2) **Wages under Code §3401(a).** Wages within the meaning of Code §3401(a) for the purposes of income tax withholding at the source but determined without regard to any rules that limit the remuneration included in wages based on the nature or location of the employment or the services performed.

(3) **Code §415 Compensation.** Wages, salaries, fees for professional services and other amounts received for personal services actually rendered in the course of employment with the Employer (without regard to whether or not such amounts are paid in cash) to the extent that the amounts are includible in gross income, including amounts that are includible in the gross income of an Employee under the rules of Code §409A or §457(f)(1)(A) or because the amounts are constructively received by the Employee. Such amounts include, but are not limited to, commissions, compensation for services on the basis of a percentage of profits, tips, bonuses, fringe benefits, and reimbursements or other expense allowances under a nonaccountable plan (as described in Treas. Reg. §1.62-2(c)), and excluding the following:

(i) Employer contributions (other than elective contributions described in Code §402(e)(3), §408(k)(6), §408(p)(2)(A)(i), or §457(b)) to a plan of deferred compensation (including a SEP described in Code §408(k) or a SIMPLE IRA described in Code §408(p), and whether or not qualified) to the extent such contributions are not includible in the Employee's gross income for the taxable year in which contributed, and any distributions (whether or not includible in gross income when distributed) from a plan of deferred compensation (whether or not qualified);

(ii) Amounts realized from the exercise of a non-qualified stock option, or when restricted stock (or property) held by the Employee either becomes freely transferable or is no longer subject to a substantial risk of forfeiture.

(iii) Amounts realized from the sale, exchange or other disposition of stock acquired under a qualified stock option.

(iv) Other amounts which received special tax benefits, or contributions made by the Employer (other than Elective Deferrals) towards the purchase of an annuity contract described in Code §403(b) (whether or not the contributions are actually excludable from the gross income of the Employee).

(b) **Post-severance compensation.** Effective for the first Limitation Year beginning on or after July 1, 2007, Total Compensation includes compensation that is paid after an Employee severs employment with the Employer, provided the compensation is paid by the later of 2½ months after severance from employment with the Employer maintaining the Plan or the end of the Limitation Year that includes such date of severance from employment. For this purpose, compensation paid after severance of employment may only be included in Total Compensation to the extent such amounts would have been included as compensation if they were paid prior to the Employee's severance from employment.

For purposes of applying this subsection (b), unless designated otherwise under AA §5-2(a), the following amounts that are paid after a Participant's severance of employment are included in Total Compensation:

(1) **Regular pay.** Compensation for services during the Employee's regular working hours, or compensation for services outside the Employee's regular working hours (such as overtime or shift differential), commissions, bonuses, or other similar payments;

(2) **Unused leave payments.** Payment for unused accrued bona fide sick, vacation, or other leave, but only if the Employee would have been able to use the leave if employment had continued; and

(3) **Deferred compensation.** Payments received by an Employee pursuant to a nonqualified unfunded deferred compensation plan, but only if the payment would have been paid to the Employee at the same time if the Employee had continued in employment and only to the extent that the payment is includible in the Employee's gross income.

Other post-severance payments (such as severance pay, parachute payments within the meaning of Code §280G(b)(2), or post-severance payments under a nonqualified unfunded deferred compensation plan that would not have been paid if the Employee had continued in employment) are not included as Total Compensation, even if such amounts are paid within the time period described in this subsection (b).

In determining the amount of a Participant's Employer Contributions, Matching Contributions or Salary Deferrals, Plan Compensation may not include any amounts that do not satisfy the requirements of this subsection (b) or subsection (c). If Total Compensation is defined to include post-severance compensation, the Employer may elect to exclude all such compensation paid after termination of employment from the definition of Plan Compensation under AA §5-3(j) or may elect to exclude any of the specific types of post-severance compensation defined in subsections (1), (2) and/or (3) above, by designating such compensation types under AA §5-3(l). The exclusion of post-severance compensation from the definition of Plan Compensation that is otherwise includible in Total Compensation may cause the Plan to fail the nondiscriminatory compensation rules under Treas. Reg. §1.414(s)-1.

(c) **Continuation payments for disabled Participants.** Unless designated otherwise under AA §5-2(b), Total Compensation does not include compensation paid to a Participant who is permanently and totally disabled (as defined in Code §22(e)(3)). If elected under AA §5-2(b), the Plan may take into account compensation the Participant would have received for the year if the Participant was paid at the rate of compensation paid immediately before becoming permanently and totally disabled (if such compensation is greater than the Participant's compensation determined without regard to this subsection (c)), provided contributions made with respect to amounts treated as compensation under this subsection (c) are nonforfeitable when made. If so elected under AA §5-2(b), payment to disabled Participants will be included as Total Compensation, notwithstanding the rules under subsection (b).

(d) **Deemed §125 compensation.** A reference to elective contributions under a Code §125 cafeteria plan includes any amounts that are not available to a participant in cash in lieu of group health coverage because the Participant is unable to certify that he or she has other health coverage. Such deemed §125 compensation will be treated as an amount under Code §125 only if the Employer does not request or collect information regarding the Participant's other health coverage as part of the enrollment process for the health plan. If the Employer elects under AA §5-3(i) to exclude deemed §125 compensation from the definition of Plan Compensation, such exclusion also will apply for purposes of determining Total Compensation under this Section 1.89.

(e) **Differential Pay.** Effective for years beginning on or after January 1, 2009, in the case of an individual who receives Differential Pay from the Employer:

(1) such individual will be treated as an Employee of the Employer making the payment, and

(2) the Differential Pay shall be treated as wages and will be included in calculating an Employee's Total Compensation under the Plan.

If all Employees performing service in the Uniformed Services are entitled to receive Differential Pay on reasonably equivalent terms and are eligible to make contributions based on the payments on reasonably equivalent terms, the Plan shall not be treated as failing to meet the requirements of any provision described in Code §414(u)(1)(C) by reason of any contribution or benefit based on Differential Pay. However, for purposes of applying this subparagraph, the provisions of Code §§410(b)(3), (4), and (5) shall apply. The Employer may elect to exclude Differential Pay from the definition of Plan Compensation under AA §5-3(k).

For purposes of this subsection (e), Differential Pay means any payment which is made by an Employer to an individual while the individual is performing service in the Uniformed Services while on active duty for a period of more than 30 days, and represents all or a portion of the wages the individual would have received from the Employer if the individual were performing services for the Employer. In applying the provisions of this subsection (e), Uniformed Services are services as described in Code §3401(h)(2)(A).

1.90 **Trust.** The Trust is the separate funding vehicle under the Plan.

1.91 **Trustee.** The Trustee is the person or persons (or any successor to such person or persons) identified in the Adoption Agreement or under a separate Trust document. The Trustee may be a Discretionary Trustee or a Directed Trustee. See Section 12 for the rights and duties of a Trustee under this Plan.

1.92 **Valuation Date.** The date or dates upon which Plan assets are valued. Plan assets will be valued as of the last day of each Plan Year. In addition, the Employer may elect under AA §11-1 to establish additional Valuation Dates. Notwithstanding any election under AA §11-1, Plan assets may be valued on a more frequent basis within the complete discretion of the Employer. See Section 10.02.

1.93 **Year of Service.** A Year of Service is a 12-consecutive month Computation Period during which an Employee completes 1,000 Hours of Service. For purposes of applying the eligibility rules under Section 2.03 of the Plan, an Employee will earn a Year of Service if he/she completes 1,000 Hours of Service with the Employer during an Eligibility Computation Period (as defined in Section 2.03(a)(3)). For purposes of applying the vesting rules under Section 6, an Employee will earn a Year of Service if he/she completes 1,000 Hours of Service with the Employer during a Vesting Computation Period (as defined in

Section 6.05). The Employer may elect under AA §4-3(a) (for eligibility purposes) and AA §8-5(a) (for vesting purposes) to require the completion of any lesser number of Hours of Service to earn a Year of Service. Alternatively, the Employer may elect to apply the Elapsed Time method (for eligibility and/or vesting purposes) in calculating an Employee's Years of Service under the Plan.

SECTION 2
ELIGIBILITY AND PARTICIPATION

2.01 **Eligibility.** In order to participate in the Plan, an Employee must be an Eligible Employee (as defined in Section 2.02) and must satisfy the Plan's minimum age and service conditions (as defined in Section 2.03). Once an Employee satisfies the Plan's minimum age and service conditions, such Employee shall become a Participant on the appropriate Entry Date (as selected in AA §4-2). An Employee who meets the minimum age and service requirements set forth herein, but who is not an Eligible Employee, will be eligible to participate in the Plan only upon becoming an Eligible Employee. For purposes of determining eligibility to make Salary Deferrals, an Employee will be deemed to commence participation on a timely basis if the Employee is permitted to commence making Salary Deferrals as soon as administratively feasible after satisfying the eligibility conditions under the Plan.

2.02 **Eligible Employees.** Unless specifically excluded under AA §3-1 or under this Section 2.02, all Employees of the Employer are Eligible Employees. AA §3-1 lists various classes of Employees that may be excluded from Plan participation. If an Employee is not an Eligible Employee (e.g., such Employee is a member of a class of Employees excluded under AA §3-1), that individual may not participate under the Plan, unless he/she subsequently becomes an Eligible Employee.

(a) **Only Employees may participate in the Plan.** To participate in the Plan, an individual must be an Employee. If an individual is not an Employee (e.g., the individual performs services with the Employer as an independent contractor) such individual may not participate under the Plan. If an individual who is classified as a non-Employee is later determined by the Employer or by a court or other government agency to be an Employee of the Employer, the reclassification of such individual as an Employee will not create retroactive rights to participate in the Plan. Thus, for example, if the IRS or DOL should find that an independent contractor is really an Employee, such individual will be eligible to participate in the Plan as of the date the IRS or DOL issues a final determination declaring such individual to be an Employee (provided the individual has satisfied all conditions for participating in the Plan (as described in this Section 2)). For periods prior to the date of such final determination, the reclassified Employee will not have any rights to accrued benefits under the Plan, except as agreed to by the Employer or mandated by a court or government agency, or as set forth in an amendment adopted by the Employer.

(b) **Excluded Employees.** The Employer may elect under AA §3-1 to exclude designated classes of Employees. Since a governmental plan is exempt from minimum coverage testing, the Employer may elect to exclude any class of Employees without subjecting the Plan to minimum coverage or nondiscrimination testing.

(1) **Collectively Bargained Employees.** The Employer may elect under AA §3-1(b) to exclude Collectively Bargained Employees. For this purpose, a Collectively Bargained Employee is an Employee who is included in a unit of Employees covered by a collective bargaining agreement between the Employer and Employee representatives and whose retirement benefits are subject to good faith bargaining.

(2) **Nonresident aliens.** The Employer may elect under AA §3-1(c) to exclude Employees who are nonresident aliens. For this purpose, a nonresident alien is neither a citizen of the United States nor a resident of the United States for U.S. tax purposes (as defined in Code §7701(b)), and who does not have any earned income (as defined in Code §911) for the Employer that constitutes U.S. source income (within the meaning of Code §861). If a nonresident alien Employee has U.S. source income, he/she is treated as satisfying this definition if all of his/her U.S. source income from the Employer is exempt from U.S. income tax under an applicable income tax treaty.

(3) **Leased Employees.** The Employer may elect under AA §3-1(d) to exclude Leased Employees. For this purpose, a Leased Employee is any person (other than an Employee of the Employer) who pursuant to an agreement between the recipient Employer and a leasing organization performs services for the recipient Employer on a substantially full time basis for a period of at least one year, and such services are performed under the primary direction or control of the recipient Employer. (See Code §414(n) for rules applicable to the determination of Leased Employees.)

(c) **Employees of Related Employers.** If the Employer is a member of a Related Employer group, Employees of each member of the Related Employer group may participate under this Plan, provided the Related Employer executes a Participating Employer Adoption Page under the Adoption Agreement. If a Related Employer does not execute a Participating Employer Adoption Page, any Employees of such Related Employer are not eligible to participate in the Plan. See Section 16.06 for operating rules that apply when the Employer is a member of a Related Employer group. Also see Section 16 for rules regarding participation of Employees of Related Employers.

(d) **Ineligible Employee becomes Eligible Employee.** If an Employee changes status from an ineligible Employee to an Eligible Employee, such Employee will become a Participant immediately on the date he/she changes status to an Eligible Employee, provided the Employee has satisfied the Plan's minimum age and service conditions and has passed the Entry Date (as defined in AA §4-2) that would otherwise have applied had the Employee been an Eligible Employee. If the Employee's original Entry Date (determined as if the Employee was always an Eligible Employee) has not passed as of the date the Employee becomes an Eligible Employee, the Employee will not become a Participant until such Entry Date. This requirement is deemed satisfied with respect to Salary Deferrals if the Employee is permitted to commence making Salary Deferrals under the Plan as soon as administratively feasible after the Employee becomes an Eligible Employee. If an ineligible Employee has not satisfied the Plan's minimum age and service conditions at the time such Employee becomes an Eligible Employee, such Employee will become a Participant on the appropriate Entry Date following satisfaction of the Plan's minimum age and service requirements.

(e) **Eligible Employee becomes ineligible Employee.** If an Employee ceases to qualify as an Eligible Employee (i.e., the Employee changes status from an eligible class to an ineligible class of Employees), such Employee will immediately cease to participate in the Plan. If such Employee should subsequently become an Eligible Employee, he/she will be able to participate in the Plan in accordance with subsection (d) above.

(f) **Improper exclusion of eligible Participant.** If the Plan improperly excludes a Participant who has satisfied the requirements under this Section 2 for participating under the Plan, the Employer may take reasonable action to correct such violation, provided such corrective action is consistent with the requirements of the Employee Plans Compliance Resolution System (EPCRS) program. For example, the violation may be corrected by making an additional contribution to the Plan on behalf of the omitted Participant or by allocating any available forfeitures under the Plan to such Participant to restore any missed contributions under the Plan. (See Rev. Proc. 2013-12 or subsequent IRS guidance for a description of the EPCRS program.)

2.03 **Minimum Age and Service Conditions.** AA §4-1 contains specific elections as to the minimum age and service conditions which an Employee must satisfy prior to becoming eligible to participate under the Plan. A Governmental Plan is exempt from both the ERISA and pre-ERISA eligibility requirements. Therefore, the plan may provide any minimum age and service requirements under AA §4-1 without the need to comply with the requirements of Code §410(a).

The Employer may elect to apply different minimum age and service requirements for different groups of Employees or for different contribution formulas under AA §4-1(c). In addition, the Employer may select different age and service conditions under AA §4-1 for Salary Deferrals, Matching Contributions, and/or Employer Contributions if the Plan qualifies as a Grandfathered 401(k) Arrangement.

(a) **Application of age and service conditions.** The Employer may elect under AA §4-1 to impose minimum age and service conditions that an Employee must satisfy in order to participate under the Plan.

(1) **Year of Service.** In applying the minimum service requirements under AA §4-1, unless designated otherwise under AA §4-3, an Employee will earn a Year of Service if the Employee completes at least 1,000 Hours of Service with the Employer during an Eligibility Computation Period (as defined in subsection (3) below). The Employer may modify the definition of Year of Service under AA §4-3(a) to require a different number of Hours of Service to earn a Year of Service. An Employee will receive credit for a Year of Service, as of the end of the Eligibility Computation Period during which the Employee completes the required Hours of Service needed to earn a Year of Service. Unless otherwise provided under AA §4-3, an Employee need not be employed for the entire Eligibility Computation Period to receive credit for a Year of Service, provided the Employee completes the required Hours of Service during such period.

(2) **Months of service.** The Employer may elect under AA§4-1(a) to require a specific number of Hours of Service during a designated number of months of employment. If an Employee is required under AA §4-1(a) to complete a certain number of Hours of Service during a designated period, an Employee generally will satisfy the eligibility conditions as of the end of the designated period, regardless of whether the Employee is employed during the entire period. Alternatively, the Employer may elect under AA §4-1(a)(3)(ii) to require an Employee to be employed continuously throughout the designated period provided the Employee is eligible to participate in the Plan upon completing a Year of Service as defined in subsection (1) above.

If an Employee does not complete the required Hours of Service during the designated period or does not work continuously during the designated period, if required under AA §4-1(a)(3)(ii), the Employee will satisfy eligibility upon completion of a Year of Service as defined in subsection (1) above. For purposes of applying the Year of Service requirement, an Employee need not be employed during the entire measuring period as long as the Employee completes the required Hours of Service, as specified under subsection (1) above. For example, an Employee who is not employed throughout the designated period, if required under AA §4-1(a)(5)(ii), would still satisfy the eligibility conditions as of the end of the Eligibility Computation Period if the Employee completes a Year of Service, regardless of whether the Employee is employed during the entire period.

(3) **Eligibility Computation Periods.** Unless provided otherwise under AA §4-3, in determining whether an Employee has earned a Year of Service for eligibility purposes, an Employee's initial Eligibility Computation Period is the 12-month period beginning on the Employee's Employment Commencement Date. Subsequent Eligibility Computation Periods will either be based on Plan Years or Anniversary Years (as set forth in AA §4-3).

(i) **Plan Years.** If the Employer elects under AA §4-3 to base subsequent Eligibility Computation Periods on Plan Years, the Plan will begin measuring Years of Service on the basis of Plan Years beginning with the first Plan Year commencing after the Employee's Employment Commencement Date. Thus, for the first Plan Year following the Employee's Employment Commencement Date, the initial Eligibility Computation Period and the first Plan Year Eligibility Computation Period may overlap.

(ii) **Anniversary Years.** If the Employer elects under AA §4-3(b) to base subsequent Eligibility Computation Periods on Anniversary Years, the Plan will measure Years of Service after the initial Eligibility Computation Period on the basis of 12-month periods commencing with the anniversaries of the Employee's Employment Commencement Date.

(iii) **Rehired Employee.** If an Employee is rehired following a Break in Service, the Employee's initial Eligibility Computation Period following the Employee's return to employment will be measured from the Employee's Reemployment Commencement Date. Subsequent Eligibility Computation Periods will be measured based on the Plan Year or anniversaries of the Reemployment Commencement Date, as designated under subsection (i) or (ii) above. For this purpose, an Employee's Reemployment Commencement Date is the first day the Employee is entitled to be credited with an Hour of Service after the first Eligibility Computation Period in which the Employee incurs a Break in Service.

(4) **Hours of Service.** In calculating an Employee's Hours of Service for purposes of applying the eligibility rules under this Section 2.03, the Employer will count the actual Hours of Service an Employee works during the year. (See Section 1.56 for the definition of Hours of Service). The Employer may elect under AA §4-3 to use an alternative method for crediting service, such as the Equivalency Method or Elapsed Time method (instead of counting the actual Hours of Service an Employee works). (See subsections (5) and (6) below for a description of the Equivalency Method and Elapsed Time method of crediting service.)

(5) **Equivalency Method.** Instead of counting actual Hours of Service in applying the minimum service conditions under this Section 2.03, the Employer may elect under AA §4-3(d) to determine Hours of Service based on the Equivalency Method. Under the Equivalency Method, an Employee receives credit for a specified number of Hours of Service based on the period worked with the Employer.

(i) **Monthly.** Under the monthly Equivalency Method, an Employee is credited with 190 Hours of Service for each calendar month during which the Employee completes at least one Hour of Service with the Employer.

(ii) **Daily.** Under the daily Equivalency Method, an Employee is credited with 10 Hours of Service for each day during which the Employee completes at least one Hour of Service with the Employer.

(iii) **Weekly.** Under the weekly Equivalency Method, an Employee is credited with 45 Hours of Service for each week during which the Employee completes at least one Hour of Service with the Employer.

(iv) **Semi-monthly.** Under the semi-monthly Equivalency Method, an Employee is credited with 95 Hours of Service for each semi-monthly period during which the Employee completes at least one Hour of Service with the Employer.

(6) **Elapsed Time method.** Instead of counting actual Hours of Service in applying the minimum service requirements under this Section 2.03, the Employer may elect under AA §4-3(c) to apply the Elapsed Time method for calculating an Employee's service with the Employer. Under the Elapsed Time method, an Employee receives credit for the aggregate period of time worked for the Employer commencing with the Employee's first day of employment (or reemployment, if applicable) and ending on the date the Employee terminates employment with the Employer. If an Employee's aggregate period of service includes fractional years, such fractional years are expressed in terms of days.

In calculating an Employee's aggregate period of service, the Employer may credit an Employee with service for any Period of Severance that lasts less than 12 consecutive months. For this purpose, a Period of Severance is any continuous period of time during which the Employee is not employed by the Employer. A Period of Severance begins on the date the Employee retires, quits or is discharged, or if earlier, the 12-month anniversary of the date on which the Employee is first absent from service for a reason other than retirement, quit or discharge. In the case of an Employee who is absent from work for maternity or paternity reasons, the 12-consecutive month period beginning on the first anniversary of the first date of such absence shall not constitute a Period of Severance. For purposes of this paragraph, an absence from work for maternity or paternity reasons means an absence

(i) by reason of the pregnancy of the Employee,

(ii) by reason of the birth of a child of the Employee,

(iii) by reason of the placement of a child with the Employee in connection with the adoption of such child by the Employee, or

(iv) for purposes of caring for a child of the Employee for a period beginning immediately following the birth or placement of such child.

(7) **Amendment of age and service requirements.** If the Plan's minimum age and service conditions are amended, the amendment may consider an Employee who is a Participant immediately prior to the effective date of the amendment as satisfying the amended requirements or may require all Employees to satisfy the amended minimum age and service conditions. If an Employee has not satisfied the minimum age and service conditions as of the effective date of the amendment, the Employee must satisfy the eligibility requirements as amended.. This provision may be modified under the special Effective Date provisions under Appendix A of the Adoption Agreement or under a separate amendment implementing the updated minimum age and service provisions.

(b) **Entry Dates.** Once an Eligible Employee satisfies the minimum age and service conditions (as set forth in AA §4-1), the Employee will be eligible to participate under the Plan as of his/her Entry Date (as set forth in AA §4-2). If the Employer adopts a Grandfathered 401(k) Arrangement as designated under AA §2-3 of the Profit Sharing Plan Adoption Agreement, the Employer may elect different Entry Dates with respect to Salary Deferrals, Matching Contributions, and Employer Contributions.

2.04 **Participation on Effective Date of Plan.** Unless designated otherwise under AA §4-4, an Eligible Employee who has satisfied the minimum age and service conditions and reached his/her Entry Date as of the Effective Date of the Plan will be eligible to participate in the Plan as of such Effective Date. If an Employee has satisfied the minimum age and service conditions as of the Effective Date of the Plan but has not yet reached his/her Entry Date, the Employee will be eligible to participate on the appropriate Entry Date. The Employer may modify this rule under AA §4-4 by electing to treat all Employees employed on the Effective Date of the Plan as Participants (regardless of whether they have satisfied the Plan's minimum age and service conditions) or by designating a specific date as of which all Eligible Employees will be deemed to be a Participant, (regardless of whether the Employee has otherwise satisfied the minimum age and service conditions).

2.05 **Rehired Employees**. If a terminated Employee is subsequently rehired, such Employee will be eligible to participate in the Plan on his/her reemployment date, if the Employee is an Eligible Employee and the Employee had satisfied the Plan's minimum age and service conditions prior to his/her termination of employment. If a rehired Employee had not satisfied the Plan's minimum age and service conditions prior to termination of employment, such Employee is eligible to participate in the Plan on the appropriate Entry Date following satisfaction of the eligibility requirements under this Section 2.

2.06 **Service with Predecessor Employers.** To the extent provided under AA §4-5, if the Employer maintains the plan of a Predecessor Employer, any service with such Predecessor Employer is treated as service with the Employer for purposes of applying the provisions of this Plan.

2.07 **Break in Service Rules.** Generally, an Employee will be credited with all service earned for the Employer, including service earned prior to the effective date of the Plan and service earned while the Employee is an ineligible Employee. However, the Employer may elect under AA §4-6 to disregard an Employee's service with the Employer under the Break in Service rules. For this purpose, an Employee incurs a Break in Service for any Eligibility Computation Period (as defined in Section 2.03(a)(3)) during which the Employee does not complete more than five hundred (500) Hours of Service with the Employer. However, if the Employer elects to require less than 1,000 Hours of Service to earn a Year of Service for eligibility purposes, a Break in Service will occur for any Eligibility Computation Period during which the Employee does not complete more than one-half (1/2) of the Hours of Service required to earn an eligibility Year of Service.

2.08 **Waiver of Participation.** An Employee may not waive participation under the Plan unless specifically permitted under AA §11-4. For this purpose, the mere failure to make Salary Deferrals or After-Tax Employee Contributions is not a waiver of participation. The Employer may elect under AA §11-4 to permit Employees to make a one-time irrevocable election to not participate under the Plan or may permit Employees to make a one-time irrevocable election to waive any Employer Pick-Up Contributions under the Plan.

SECTION 3
PLAN CONTRIBUTIONS

This Section 3 describes the type of contributions that may be made to the Plan. The type of contributions that may be made to the Plan and the method for allocating such contributions may vary depending on the type of Plan involved. (See Section 5 for a discussion of the limits that apply to any contributions made under the Plan.)

3.01 **Types of Contributions.** An Employer may designate under the Adoption Agreement the amount and type of contributions that may be made under the Plan. The Plan may provide for Employer Contributions (as authorized under AA §6) and, if so elected under AA §6-6, After-Tax Employee Contributions. In addition, the Profit Sharing Plan may provide for Matching Contributions with respect to any After-Tax Employee Contributions under the Plan or Elective Deferrals made under another plan maintained by the Employer. If the Plan qualifies as a Grandfathered 401(k) Arrangement (as designated under AA §2-3 of the Profit Sharing Plan Adoption Agreement, the Plan may provide for Salary Deferrals, Employer Contributions, Matching Contributions and After-Tax Employee Contributions.

To share in a contribution under the Plan, an Employee must satisfy all of the conditions for being a Participant (as described in Section 2) and must satisfy any allocation conditions (as described in Section 3.07) applicable to the particular type of contribution. The Employer may designate under AA §2-5 that the Plan is a frozen Plan. As a frozen Plan, the Employer will not make any Employer Contributions or Matching Contributions with respect to Plan Compensation earned after the date identified in AA §2-5 and no Participant will be permitted to make Salary Deferrals or Employee After-Tax Employee Contributions to the Plan for any period following the effective date of the freeze as identified in AA §2-5.

3.02 **Employer Contribution Formulas.** If permitted under AA §6, the Employer may make an Employer Contribution to the Plan, in accordance with the contribution formula selected under AA §6-2. Subsection (a) below describes the Employer Contributions that may be selected under the Profit Sharing Plan Adoption Agreement, subsection (b) below describes the Employer Contributions that may be made under the Money Purchase Plan Adoption Agreement and subsection (c) below describes the Employer Contributions that may be made under a Grandfathered 401(k) Arrangement Since a governmental plan is exempt from the nondiscrimination requirements, the contribution formulas described in this Section 3.02 need not satisfy the nondiscrimination tests under Code §401(a)(4) or the regulations thereunder.

(a) **Contribution formulas (Profit Sharing Plan).** The Employer may elect under AA §6-2 of the Profit Sharing Plan Adoption Agreement to make any of the following Employer Contributions. If the Employer elects more than one Employer Contribution formula, each formula is applied separately. The Employer's aggregate Employer Contribution for a Plan Year will be the sum of the Employer Contributions under all such formulas. Any reference to the Adoption Agreement under this subsection (a) is a reference to the Profit Sharing Plan Adoption Agreement.

(1) **Employer Contributions.** An Employer may designate under AA §6 of the Profit Sharing Adoption Agreement the amount of Employer Contributions that may be made under the Plan. Any Employer Contributions selected under AA §6 will be made in accordance with the contribution formula selected under AA §6-2. Any Employer Contribution must be allocated in accordance with a definite allocation formula as set forth in AA §6-3. To receive an allocation of Employer Contributions, a Participant must satisfy any allocations conditions designated under the Plan, as described in Section 3.07 below.

In determining the amount of Employer Contributions to be allocated to Participants under the Plan, the Plan will take into account Plan Compensation (as defined in Section 1.72) for the Plan Year. The Employer may designate under AA §6-4(a) alternative periods for determining the allocation of Employer Contributions. If alternative periods are designated under AA §6-4(a), a Participant's allocation of Employer Contributions will be determined separately for each designated period based on Plan Compensation earned during such period. If an alternative period is designated under AA §6-4(a), the Employer need not actually make the Employer Contribution during the designated period, provided the total Employer Contribution for the Plan Year is allocated based on the proper Plan Compensation. (If the permitted disparity allocation method applies under AA §6-2(b), the allocation will be based on the Plan Year.)

If the Employer maintains any other qualified plan(s) which cover any Participants under this Plan, the Employer may elect under AA §6-4(c) to reduce such Participants' allocation under this Plan to take into account the benefits provided under the Employer's other qualified plan(s). The Employer describe how the offset will be applied under AA §6-4(c)(2).

(i) **Discretionary Employer Contribution.** If a discretionary contribution is selected under AA §6-2(a), the Employer may decide on an annual basis how much (if any) it wishes to contribute to the Plan as an Employer Contribution. If the Employer elects to make a discretionary contribution, such amount may be allocated under the pro rata, permitted disparity, Employee group, age-based or uniform points allocation method (as selected in AA §6-3).

(A) **Pro rata allocation formula**. Under the pro rata allocation formula, a pro rata share of the Employer Contribution is allocated to each Participant's Employer Contribution Account. A Participant's pro rata share may be determined based on the ratio such Participant's Plan Compensation bears to the total Plan Compensation of all Participants or as a uniform dollar amount, as designated in AA§6-3(a).

(B) **Permitted disparity allocation formula.** Under the permitted disparity allocation formula, the Employer Contribution is allocated to Participants' Employer Contribution Accounts using a two-step method. The Employer may not elect the permitted disparity allocation formula under the Plan if the Employer maintains another qualified plan, covering any of the same Employees, which uses permitted disparity in determining the allocation of contributions or the accrual of benefits under such plan.

(I) **Two-step method.** Under the two-step method, the discretionary Employer Contribution is allocated under the following method:

(a) **Step one.** The Employer Contribution is allocated to each Participant's Employer Contribution Account in the ratio that the sum of each Participant's Plan Compensation plus Excess Compensation (as defined in subsection (II) below) bears to the sum of the total Plan Compensation plus Excess Compensation of all Participants, but not in excess of the Maximum Disparity Rate (as defined in subsection (IV) below).

(b) **Step two.** Any Employer Contribution remaining after the allocation in subsection (a) above one will be allocated in the ratio that each Participant's Plan Compensation bears to the total Plan Compensation of all Participants.

(II) **Excess Compensation.** The amount of Plan Compensation that exceeds the Integration Level.

(III) **Integration Level.** The Taxable Wage Base, unless specified otherwise under AA §6-3(c)(1).

(IV) **Maximum Disparity Rate.** The Maximum Disparity Rate is the maximum amount that may be allocated with respect to Excess Compensation. Unless provided otherwise under AA §6-3(c)(2), the maximum amount that may be allocated as a percentage of Plan Compensation and Excess Compensation under step one of the two-step allocation method under subsection (I) above, may not exceed the following percentage:

Integration Level (as a percentage of the Taxable Wage Base)	Maximum Disparity Rate
100%	5.7%
More than 80% but less than 100%	5.4%
More than 20% and not more than 80%	4.3%
20% or less	5.7%

The Employer may elect to apply a greater Maximum Disparity Rate under AA §6-3(c)(2).

(V) **Taxable Wage Base.** The maximum amount of wages that are considered for Social Security purposes as in effect at the beginning of the Plan Year.

(C) **Uniform points allocation.** Under the uniform points allocation, the Employer will allocate the discretionary Employer Contribution on the basis of each Participant's total points for the Plan Year, as determined under AA §6-3(d). A Participant's allocation of the Employer Contribution is determined by multiplying the Employer Contribution by a fraction, the numerator of which is the Participant's total points for the Plan Year and the denominator of which is the sum of the points for all Participants for the Plan Year.

A Participant will receive points for each year(s) of age and/or each Year(s) of Service designated under AA §6-3(d). In addition, a Participant also may receive points based on his/her Plan Compensation. Each Participant will receive the same number of points for each designated year of age and/or service and the same number of points for each designated level of Plan Compensation.

(D) **Employee group allocation.** Under the Employee group allocation method, the Employer may make a different discretionary contribution to each Participant's Employer Contribution Account based on the Employee allocation groups designated under AA §6-3(e). The Employer Contribution made for an allocation group will be allocated as a uniform percentage of Plan Compensation or as a uniform dollar amount. If the Employer Contribution is allocated as a percentage of Plan Compensation, the amount that will be allocated to each Participant within an allocation group is determined by multiplying the Employer Contribution made for that allocation group by the following fraction:

$$\frac{\text{Participant's Plan Compensation}}{\text{Plan Compensation of all Participants in the allocation group}}$$

Alternatively, the Employer may set forth in the description of the Employee groups under AA §6-3(e)(2) a fixed contribution amount for a designated Employee group. If a fixed contribution is provided for a specific Employee group, the amount designated as the fixed contribution will be allocated to each Participant within the designated Employee group.

The Employer must designate how much of the Employer Contribution is made for each of the Employee allocation groups and whether such amounts are allocated on the basis of Plan Compensation or as a uniform dollar amount. The portion of the Employer Contribution designated for a specific allocation group will be allocated only to Participants within that allocation group. If a Participant is in more than one allocation group during the Plan Year, the Participant will receive an Employer Contribution based on the Participant's status on the last day of the Plan Year. In the event a Participant is in two or more allocation groups on the last day of the Plan Year, the Participant will receive an Employer Contribution based on the first allocation group listed under AA §6-3(e)(2) in which the Participant is a part. The Employer can provide for a different treatment of Employees in multiple groups under AA §6-3(e)(3)(i).

(E) **Age-based allocation formula.** Under the age-based allocation formula, the Employer will allocate the discretionary Employer Contribution on the basis of each Participant's adjusted Plan Compensation. For this purpose, a Participant's adjusted Plan Compensation is determined by multiplying the Participant's Plan Compensation by an Actuarial Factor. A Participant's Actuarial Factor is determined based on standard actuarial assumptions using a testing age that is the later of Normal Retirement Age or the Employee's current age. Unless designated otherwise under AA §6-3(f), a Participant's Actuarial Factor is determined based on an 8.5% interest rate and the UP-1984 mortality table. (See Appendix A of the Plan for the Actuarial Factors associated with an 8.5% interest rate and the UP-1984 mortality table and a testing age of 65. If an interest rate other than 8.5% or a mortality table other than the UP-1984 mortality table is selected under AA §6-3(f), or if a testing age other than age 65 is used, the Plan must determine the appropriate Actuarial Factors based on the designated interest rate, mortality table and testing age.)

(ii) **Fixed Employer Contribution.** The Employer may elect under AA §6-2(b) to make a fixed contribution to the Plan. The Employer may elect under AA §6-2(b)(1) or (2) to make a fixed contribution as a designated percentage of Plan Compensation or as a uniform dollar amount. If a fixed contribution is selected under AA §6-2(b)(1) or (2), the Employer Contribution will be allocated under the fixed contribution formula under AA §6-3(b) in accordance with the selections made in AA §6-2(b).

(iii) **Service-based Employer Contribution.** If elected in AA §6-2(c), the Employer may make a contribution based on an Employee's service with the Employer during the Plan Year (or other period designated under AA §6-4(a)).The Employer may elect to make the service-based contribution as a discretionary contribution or as a fixed contribution. Any such contribution will be allocated on the basis of Participants' Hours of Service, weeks of employment or other measuring period selected under AA §6-2(c). The Employer Contribution will be allocated under the service-based allocation formula under AA §6-3(g).

(iv) **Frozen Plan.** The Employer may designate under AA §2-5 that the Plan is a frozen Plan. As a frozen Plan, the Employer will not make any Employer Contributions with respect to Plan Compensation earned after the date identified in AA §2-5. If the Plan holds any unallocated forfeitures at the time of the termination, such forfeitures may be allocated to all eligible Participants in accordance with Section 6.11 in the year of the termination, regardless of any contrary selections under AA §8-7.

(2) **Matching Contributions.** The Employer may elect under AA §6A of the Profit Sharing Plan Adoption Agreement to authorize Matching Contributions under the Plan. The Employer may elect to provide Matching Contributions with respect to After-Tax Employee Contributions or Employer Pick-Up Contributions authorized under AA §6-6 or with respect to Elective Deferrals under another plan, 457(b) plan or 403(b) plan maintained by the Employer. If the Employer elects to make a Matching Contribution based on the Employee's Elective Deferrals or Roth Deferrals under another plan, 457(b) plan or 403(b) plan, the Employer shall make a Matching Contribution on behalf of any Eligible Participant who makes Elective Deferrals or Roth Deferrals to the plan designated under AA §6A-3(b). Any such Matching Contribution made to the Plan will be allocated under the formula elected in AA §6A-2. Any such Matching Contributions will be in addition to any Matching Contributions made with respect to After-Tax Employee Contributions or Employer Pick-Up Contributions under the Plan.

If the Employer elects more than one Matching Contribution formula under AA §6A-2, each formula is applied separately. A Participant's aggregate Matching Contributions will be the sum of the Matching Contributions under all such formulas. Any Matching Contribution made under the Plan will be allocated to Participants' Matching Contribution Account. To receive an allocation of Matching Contributions, a Participant must satisfy any allocations conditions designated under the Plan, as described in Section 3.07 below.

(i) **Period for determining Matching Contributions.** AA §6A-5 sets forth the period for which the Matching Contribution formula(s) applies. For this purpose, the period designated in AA §6A-5 applies for purposes of determining the amount of Elective Deferrals (and After-Tax Employee Contributions or Employer Pick-Up Contributions, if applicable) taken into account in applying the Matching Contribution formula(s) and in applying any limits on the amount of Elective Deferrals, After-Tax Employee Contributions or Employer Pick-Up Contributions that may be taken into account under the Matching Contribution formula(s). (See subsection (ii) for rules applicable to true-up contributions where the Employer contributes Matching Contributions to the Plan on a different period than selected under AA §6A-5.)

(ii) **True-up contributions.** If the Employer makes Matching Contributions more frequently than annually, the Employer may have to make true-up contributions for Participants. Such true-up contributions will be required if the Employer actually contributes Matching Contributions to the Plan on a more frequent basis than is used for purposes of determining the amount of Salary Deferrals taken into account under AA §6A-5. If a true-up contribution is required under this subsection (ii), the Employer may make such additional contribution as required to satisfy the contribution requirements under the Plan.

(b) **Employer Contribution formulas (Money Purchase Plan).** The Employer may elect under AA §6 of the Money Purchase Plan Adoption Agreement to make any of the following Employer Contributions. Each Participant will receive an allocation of Employer Contributions equal to the amount determined under the contribution formula elected under AA §6-2. Any reference to the Adoption Agreement under this subsection (b) is a reference to the Money Purchase Plan Adoption Agreement. To receive an allocation of Employer Contributions, a Participant must satisfy any allocations conditions designated under the Plan, as described in Section 3.07 below.

In determining the amount of Employer Contributions to be allocated to Participants under the Plan, the Plan will take into account Plan Compensation (as defined in Section 1.72) for the Plan Year. The Employer may designate under AA §6-4 alternative periods for determining the allocation of Employer Contributions. If alternative periods are designated under AA §6-4, a Participant's allocation of Employer Contributions will be determined separately for each designated period based on Plan Compensation earned during such period. If an alternative period is designated under AA §6-4, the Employer need not actually make the Employer Contribution during the designated period, provided the total Employer Contribution for the Plan Year is allocated based on the proper Plan Compensation. (If the permitted disparity allocation method applies under AA §6-2(b), the allocation will be based on the Plan Year.)

If the Employer maintains any other qualified plan(s) which cover any Participants under this Plan, the Employer may elect under AA §6-3(b) to reduce such Participants' allocation under this Plan to take into account the benefits provided under the Employer's other qualified plan(s). The Employer may describe under AA §6-3(b)(2) how the offset will be applied.

(1) **Uniform Employer Contribution.** If elected under AA §6-2(a), the Employer will make a contribution to each Participant under the Plan as a uniform percentage of Plan Compensation or as a uniform dollar amount, as designated in AA§6-2(a).

(2) **Permitted disparity contribution formula.** If elected under AA §6-2(b), the Employer will make a permitted disparity contribution to each Participant using either the individual or group method. The Employer may not elect the permitted disparity contribution formula under the Plan if the Employer maintains another qualified plan, covering any of the same Employees, which uses permitted disparity in determining the allocation of contributions or the accrual of benefits under such plan.

(i) **Individual method**. Under the individual method, each Participant will receive an allocation of the Employer Contribution equal to the amount determined under the contribution formula under AA §6-2(b)(1). A Participant may not receive an allocation with respect to Excess Compensation that exceeds the Maximum Disparity Rate.

(A) **Excess Compensation.** The amount of Plan Compensation that exceeds the Integration Level.

(B) **Integration Level.** The Taxable Wage Base, unless specified otherwise under AA §6-2(b)(3).

(C) **Maximum Disparity Rate.** The Maximum Disparity Rate is the maximum amount that may be allocated with respect to Excess Compensation under the permitted disparity formula. Unless provided otherwise under AA §6-2(b)(3), the maximum amount that may be allocated as a percentage of Plan Compensation and Excess Compensation is the following percentage:

Integration Level (as a percentage of the Taxable Wage Base)	Maximum Disparity Rate
100%	5.7%
More than 80% but less than 100%	5.4%
More than 20% and not more than 80%	4.3%
20% or less	5.7%

The Employer may elect to apply a greater Maximum Disparity Rate under AA §6-2(b)(3)(ii).

(D) **Taxable Wage Base.** The maximum amount of wages that are considered for Social Security purposes as in effect at the beginning of the Plan Year.

(ii) **Group method.** Under the group method, the Employer contributes a fixed percentage of total Plan Compensation of all Participants. The Employer Contribution is then allocated under the two-step method (as described in subsection (a)(1)(i)(B)(I) above). In determining Excess Compensation, the Integration Level is the Taxable Wage Base, unless designated otherwise under AA §6-2(b)(3).

(3) **Employee group contribution formula.** Under the Employee group contribution formula, the Employer may make a different contribution to each Participant's Employer Contribution Account based on the designated Employee groups identified under AA §6-2(c).

The Employer Contribution made for a designated Employee group will be allocated to each eligible Participant in such group as a uniform percentage of Plan Compensation or as a uniform dollar amount, as designated in AA §6-2(c)(2). The Employer also may elect to allocate an amount to each eligible Participant in a designated Employee group the maximum amount permissible under Code §415. See Section 5.02.

The Employee groups designated in AA §6-2(c) must be clearly defined in a manner that will not violate the definite determinable requirement of Treas. Reg. §1.401-1(b)(1)(ii). The portion of the Employer Contribution designated for a specific Employee group will be allocated only to Participants within that group. If a Participant is in more than one Employee group during the Plan Year, the Participant will receive an Employer Contribution based on the Participant's status on the last day of the Plan Year. In the event a Participant is in two or more Employee groups on the last day of the Plan Year, the Participant will receive an Employer Contribution based on the first Employee group listed under AA §6-2(c) in which the Participant is a part. The Employer can provide for a different treatment of Employees in multiple groups as part of the group description in AA §6-2(c)(1).

(4) **<u>Age-based contribution formula.</u>** Under the age-based contribution formula, the Employer will contribute a specific percentage of each Participant's adjusted Plan Compensation. For this purpose, a Participant's adjusted Plan Compensation is determined by multiplying the Participant's Plan Compensation by an Actuarial Factor. A Participant's Actuarial Factor must be determined based on standard actuarial assumptions using a testing age that is the later of Normal Retirement Age or the Employee's current age. Unless designated otherwise under AA §6-2(d), a Participant's Actuarial Factor is determined based on an 8.5% interest rate and the UP-1984 mortality table. (See Appendix A of the Plan for the Actuarial Factors associated with an 8.5% interest rate and the UP-1984 mortality table and a testing age of 65. If an interest rate other than 8.5% or a mortality table other than the UP-1984 mortality table is selected under AA §6-2(d), or if a testing age other than age 65 is used, the Plan must determine the appropriate Actuarial Factors based on the designated interest rate, mortality table and testing age.)

(5) **<u>Service-based Employer Contribution.</u>** If elected in AA §6-2(e), the Employer will make a contribution based on an Employee's service with the Employer during the Plan Year (or other period designated under AA §6-4.) The Employer Contribution will be allocated on the basis of Participants' Hours of Service, weeks of employment or other measuring period selected under AA §6-2(e).

(6) **<u>Frozen Plan.</u>** The Employer may designate under AA §2-5 that the Plan is a frozen Plan. As a frozen Plan, the Employer will not make any Employer Contributions with respect to Plan Compensation earned after the date identified in AA §2-5. If the Plan holds any unallocated forfeitures at the time of the termination, such forfeitures may be allocated to all eligible Participants in accordance with Section 6.11 in the year of the termination, regardless of any contrary selections under AA §8-5.

(c) **<u>Contribution formulas (Grandfathered 401(k) Plan).</u>** If the Employer is eligible to maintain a Grandfathered 401(k) Arrangement (as defined under Section 2-3(b)), the Employer may elect under the Adoption Agreement to make Employer Contributions, Matching Contributions and/or Salary Deferrals. Any reference to the Adoption Agreement under this subsection (c) is a reference to the Grandfathered 401(k) Plan Adoption Agreement.

(1) **Employer Contributions.** An Employer may designate under AA §6 of the Grandfathered 401(k) Plan Adoption Agreement the amount of Employer Contributions that may be made under the Plan. The same rules apply with respect to Employer Contributions under the Grandfathered 401(k) Arrangement as apply under the Profit Sharing Plan, as set forth under subsection (a), above. If the Employer elects more than one Employer Contribution formula, each formula is applied separately. The Employer's aggregate Employer Contribution for a Plan Year will be the sum of the Employer Contributions under all such formulas.

(2) **<u>Salary Deferrals.</u>** The Employer may elect under AA §6A of the Grandfathered 401(k) Plan Adoption Agreement to authorize Participants to make Salary Deferrals under the Plan. A Participant's total Salary Deferrals may not exceed the lesser of any limitation designated under AA §6A-2, the Elective Deferral Dollar Limit described under Section 5.03, or the amount permitted under the Code §415 Limitation described under Section 5.02. The Employer may elect under AA §6A-2(b) of the Grandfathered 401(k) Plan Adoption Agreement to apply a different limit on Salary Deferrals to the extent such Salary Deferrals are withheld from a Participant's bonus payments.

(i) **<u>Salary Deferral Election.</u>** In order to make Salary Deferrals under the Plan, a Participant must enter into a Salary Deferral Election which authorizes the Employer to withhold a specific dollar amount or a specific percentage from the Participant's Plan Compensation. The Salary Reduction Agreement may permit a Participant to specify a different percentage or dollar amount be withheld from specified components of Plan Compensation, such as base pay, bonuses, commissions, etc. In addition, the Salary Deferral Election may provide that the Employee's deferral election will increase by a designated amount unless the Employee affirmatively elects otherwise. The Employer will deposit any amounts withheld from a Participant's Plan Compensation as Salary Deferrals into the Participant's Salary Deferral Account under the Plan. A Salary Deferral Election may only relate to Plan Compensation that is not currently available at the time the Salary Deferral Election is completed. In determining the amount to be withheld from a Participant's Plan Compensation, a Salary Deferral election may be rounded to the next highest or lowest whole dollar amount.

The Employer may designate under AA §6A-8 of the Grandfathered 401(k) Plan Adoption Agreement to apply a special effective date as of which Participants may begin making Salary Deferrals under the Plan. Regardless of any special effective date designated under AA §6A-8, a Salary Deferral Election may not be effective prior to the later of:

(A) the date the Employee becomes a Participant;

(B) the date the Participant executes the Salary Deferral Election; or

(C) the date the Plan is first adopted or effective.

In addition, Salary Deferrals made pursuant to a Salary Deferral Election may not be made earlier than the date the Participant performs the services to which such Salary Deferrals relate or the date the compensation subject to such Salary Deferral Election would be currently available to the Participant absent the deferral election (if earlier). Regardless of when a Participant elects to commence making Salary Deferrals, the Employer may delay commencement for a reasonable period of time in order to implement the Salary Deferral election.

A Salary Deferral Election is valid even though it is executed by an Employee before he/she actually has qualified as a Participant, so long as the Salary Deferral Election is not effective before the date the Employee is a Participant.

(ii) **Change in deferral election.** An Employee must be permitted to enter into a new Salary Deferral Election or to modify or terminate an existing Salary Deferral Election at least once a year. The Employer may designate additional dates on the Salary Deferral Election form (or other written procedures) as to when a Participant may modify or terminate a Salary Deferral Election Alternatively, the Employer may designate under AA §6A-6 of the Grandfathered 401(k) Plan Adoption Agreement specific dates for a Participant to modify or terminate an existing Salary Deferral Election. Any election to modify or terminate a Salary Deferral Election will take effect within a reasonable period following such election and will apply only on a prospective basis. Regardless of any specific dates designated under AA §6A-6, the Employer may allow an Employee to increase his/her deferral election up to the Elective Deferral Dollar Limit at any time during the last two months of the Plan Year.

(iii) **Automatic Contribution Arrangement.** The Employer may elect under AA §6A-7 of the Grandfathered 401(k) Plan Adoption Agreement to provide for an automatic deferral election under the Plan. If the Employer elects to apply an automatic deferral election, the Employer will automatically withhold the amount designated under AA §6A-7 from Participants' Plan Compensation, unless the Participant completes a Salary Deferral Election electing a different deferral amount (including a zero deferral amount). Unless provided otherwise under AA §6A-7, an Employee who is automatically enrolled under a prior plan document will continue to be automatically enrolled under the current Plan document.

(A) **Automatic increase.** The Plan may provide under AA §6A-7 of the Grandfathered 401(k) Plan Adoption Agreement that the automatic deferral amount will automatically increase by a designated percentage each Plan Year. Unless designated otherwise under AA §6A-7(a)(4), in applying any automatic deferral increase under AA §6A-7, the initial deferral amount will apply for the period that begins when the employee first participates in the automatic contribution arrangement and ends on the last day of the following Plan Year. The automatic increase will apply for each Plan Year beginning with the Plan Year immediately following the initial deferral period and for each subsequent Plan Year.

(B) **Annual notice requirement.** Each eligible Employee must receive a written notice describing the Participant's rights and obligations under the Plan which is sufficiently accurate and comprehensive to apprise the Employee of such rights and obligations, and is written in a manner calculated to be understood by the average Plan Participant. The annual notice only needs to be provided to those Employees who are covered under the Automatic Contribution Arrangement. If it is impractical to provide the annual notice to a newly eligible Participant before the date such individual becomes eligible to participate under the Plan, the notice will be treated as timely if it is provided as soon as practicable after such date and the Employee is permitted to defer from Plan Compensation earned beginning on the date of participation.

(C) **Timing of annual notice.** The annual notice must be provided within a reasonable period before the beginning of each Plan Year (or, in the year an Employee becomes an eligible Employee, within a reasonable period before the Employee becomes an eligible Employee). In addition, a notice satisfies the timing requirements only if it is provided sufficiently early so that the Employee has a reasonable period of time after receipt of the notice and before the first Salary Deferral made under the arrangement to make an alternative deferral election. The annual notice will be deemed timely if it is provided to each eligible Employee at least 30 days (and no more than 90 days) before the beginning of each Plan Year. In the case of an Employee who does not receive the notice within such period because the Employee becomes an eligible Employee after the 90th day before the beginning of the Plan Year, the timing requirement is deemed to be satisfied if the notice is provided no more than 90 days before the Employee becomes an eligible Employee (and no later than the date the Employee becomes an eligible Employee).

(D) **Timing of automatic deferral.** Generally, the automatic deferral will commence as of the date the Employee is otherwise eligible to make Salary Deferrals under the Plan, if the Employee had completed a Salary Deferral Election. However, the automatic deferral will be treated as timely if the automatic deferral commences no later than the earlier of the pay date for the second payroll period or the pay date that occurs at least 30 days following the later of:

(I) the date on which the Employee first becomes an Eligible Employee (or becomes an Eligible Employee following a rehire); or

(II) the date on which such Employee is provided notice of the automatic deferral,

but in no event later then the time period prescribed in Code §410(a) or any other regulations thereunder.

(E) **Permissible Withdrawals.** If so elected under AA §6A-7(b) of the Grandfathered 401(k) Plan Adoption Agreement, effective for Plan Years beginning on or after January 1, 2008, any Employee who has Salary Deferrals contributed to the Plan pursuant to an automatic deferral election may elect to withdraw such contributions (and earnings attributable thereto) in accordance with the requirements of this subsection (E). A permissible withdrawal under this subsection (E) may be made without regard to any elections under AA §10 and will not cause the Plan to fail the prohibition on in-service distribution applicable to Salary Deferrals under Section 7.10(c).

(I) **Amount of distribution.** A distribution satisfies the requirement of this subsection (E) if the distribution is equal to the amount of Salary Deferrals made pursuant to the automatic deferral election through the effective date of the withdrawal election (as described in subsection (III)) adjusted for allocable gains and losses as of the date of the distribution.

The distribution amount determined under this subsection (I) may be reduced by any generally applicable fees. However, the Plan may not charge a greater fee for a permissible distribution under this subsection (E) than applies with respect to other Plan distributions.

(II) **Timing of permissive withdrawal election.** An election to withdraw Salary Deferrals under this subsection (E) must be made no later than 90 days after the date of the first default Salary Deferral. The date of the first default Salary Deferral is the date that the Plan Compensation from which such Salary Deferrals are withheld would otherwise have been included in gross income. The Employer may designate an alternative period for making permissive withdrawals under AA §6A-7(b)(3).

(III) **Effective date of permissible withdrawal.** The effective date of a permissible withdrawal election cannot be later than the pay date for the second payroll period that begins after the election is made or, if earlier, the first pay date that occurs at least 30 days after the election is made. If an Employee does not make automatic deferrals to the Plan for an entire Plan Year (e.g., due to termination of employment), the Plan may allow such Employee to take a permissive withdrawal, but only with respect to default contributions made after the Employee's return to employment.

(IV) **Consequences of permissible withdrawal.** Any amount distributed under this subsection (E) is includible in the Employee's gross income for the taxable year in which the distribution is made. However, the portion of any distribution consisting of Roth Deferrals is not included in an Employee's gross income a second time. In addition, a permissible withdrawal under this subsection (E) is not subject to any penalty tax under Code §72(t). Unless the Employee affirmatively elects otherwise, any withdrawal request will be treated as an affirmative election to stop having Salary Deferrals made on the Employee's behalf as of the date specified in subsection (III) above.

(iv) **Catch-Up Contributions.** If permitted under AA §6A-4 of the Grandfathered 401(k) Plan Adoption Agreement, a Participant who is aged 50 or over by the end of his/her taxable year beginning in the calendar year may make Catch-Up Contributions, provided such Catch-Up Contributions are in excess of an otherwise applicable limit under the Plan. For this purpose, an otherwise applicable Plan limit is a limit in the Plan that applies to Salary Deferrals without regard to Catch-up Contributions, such as a Plan-imposed Salary Deferral limit under AA §6A-2, the Code §415 Limitation (described in Section 5.02), or the Elective Deferral Dollar Limit (described in Section 5.03).

(A) **Catch-Up Contribution Limit.** Catch-up Contributions for a Participant for a taxable year may not exceed the Catch-Up Contribution Limit. The Catch-Up Contribution Limit for taxable years beginning in 2010 through 2014 is $5,500. For taxable years beginning after 2014, the Catch-Up Contribution Limit will be adjusted for cost-of-living increases under Code §414(v)(2)(C). The Employer may operationally limit Catch-Up Contributions so that a Participant's total Catch-Up Contributions, when added to other Salary Deferrals, may not exceed 75 percent of the Participant's Plan Compensation for the taxable year.

(B) **Special treatment of Catch-Up Contributions.** Catch-up Contributions are not subject to the Elective Deferral Dollar Limit or the Code §415 Limitation.

(v) **Roth Deferrals.** For Plan Years beginning on or after January 1, 2006, if permitted under AA §6A-5 of the Grandfathered 401(k) Plan Adoption Agreement, a Participant may designate all or a portion of his/her Salary Deferrals as Roth Deferrals. For this purpose, a Roth Deferral is a Salary Deferral that satisfies the following conditions.

(A) **Irrevocable election.** The Participant makes an irrevocable election (at the time the Participant enters into his/her Salary Deferral Election) designating all or a portion of his/her Salary Deferrals as Roth Deferrals. The irrevocable election applies with respect to Salary Deferrals that are made pursuant to such election. A Participant may modify or change a Salary Deferral Election to increase or decrease the amount of Salary Deferrals designated as Roth Deferrals, provided such change or modification applies only with respect to Salary Deferrals made after such change or modification. (See subsection (ii) above for rules regarding the timing of permissible changes or modifications to a Participant's Salary Deferral Election.)

(B) **Subject to immediate taxation.** To the extent a Participant designates all or a portion of his/her Salary Deferrals as Roth Deferrals, such amounts will be includible in the Participant's income at the time the Participant would have received the contribution amounts in cash if the Employee had not made the Salary Deferral election.

(C) **Separate account.** Any amounts designated as Roth Deferrals will be maintained by the Plan in a separate Roth Deferral Account. The Plan will credit and debit all contributions and withdrawals of Roth Deferrals to such separate Account. The Plan will separately allocate gains, losses, and other credits and charges to the Roth Deferral Account on a reasonable basis that is consistent with such allocations for other Accounts under the Plan. However, in no event may the Plan allocate forfeitures under the Plan to the Roth Deferral Account. The Plan will separately track Participants' accumulated Roth Deferrals and the earnings on such amounts.

(D) **Satisfaction of Salary Deferral requirements.** Roth Deferrals are subject to the same requirements as apply to Salary Deferrals. Thus Roth Deferrals are subject to the following requirements:

(I) Roth Deferrals are always 100% vested, as provided in Section 6.01.

(II) Roth Deferrals are subject to the Elective Deferral Dollar Limit, as described in Section 5.03. For this purpose, all Salary Deferrals (both Pre-Tax Salary Deferrals and Roth Deferrals) are aggregated in applying the Elective Deferral Dollar Limit.

(III) Roth Deferrals are subject to the same distribution restrictions as apply to Salary Deferrals under Section 7.10(c). See Section 7.11(b) for special distribution provisions applicable to Roth Deferrals.

(IV) Roth Deferrals are subject to the required minimum distribution requirements under Code §401(a)(9), as set forth in Section 8.

(E) **Rollover of Roth Deferrals.**

(I) **Rollovers from this Plan.** For purposes of the rollover rules under Section 7.04, a Direct Rollover of a distribution from a Participant's Roth Deferral Account will only be made to another Roth Deferral Account under a qualified plan described in Code §401(a) or an annuity contract or custodial account described in Code §403(b) or to a Roth IRA described in §408A, and only to the extent the rollover is permitted under the rules of Code §402(c).

(II) **Rollovers to this Plan.** Subject to the provisions under Section 3.05, a Participant may make a Rollover Contribution to his/her Roth Deferral Account only if the rollover is a Direct Rollover from another Roth Deferral Account under a qualified retirement plan (as described in Section 3.05) and only to the extent the rollover is permitted under the rules of Code §402(c). A rollover of Roth Deferrals may not be made to this Plan from a Roth IRA. Any rollover of Roth Deferrals to this Plan will be held in a separate Roth Rollover Account.

(III) **Minimum rollover amount.** The Plan will not provide for a Direct Rollover for distributions from a Participant's Roth Deferral Account if it is reasonably expected (at the time of the distribution) that the total amount the Participant will receive as a distribution during the calendar year will total less than $200. In addition, any distribution from a Participant's Roth Deferral Account is not taken into account in determining whether distributions from a Participant's other Accounts are reasonably expected to total less than $200 during a year.

(IV) **Separate treatment of Roth Deferrals.** The provisions under Section 7.04 that allow a Participant to elect a Direct Rollover of only a portion of an Eligible Rollover Distribution but only if the amount rolled over is at least $500 is applied by treating any amount distributed from the Participant's Roth Deferral Account as a separate distribution from any amount distributed from the Participant's other Accounts in the Plan, even if the amounts are distributed at the same time.

(3) **Matching Contributions.** The Employer may elect under AA §6B of the Grandfathered 401(k) Plan Adoption Agreement to authorize Matching Contributions under the Plan. If the Employer elects more than one Matching Contribution formula under AA §6B-2, each formula is applied separately. A Participant's aggregate Matching Contributions will be the sum of the Matching Contributions under all such formulas. Any Matching Contribution made under the Plan will be allocated to Participants' Matching Contribution Account. To receive an allocation of Matching Contributions, a Participant must satisfy any allocations conditions designated under the Plan, as described in Section 3.07 below.

(i) **Contributions eligible for Matching Contributions.** The Matching Contribution formula(s) apply to Salary Deferrals, Catch-Up Contributions, After-Tax Employee Contributions and/or Employer Pick-Up Contributions made under the Plan, to the extent authorized under the Adoption Agreement. In addition, the Employer may elect under AA §6B-3(g) to match Elective Deferrals under another qualified plan, 403(b) plan or 457(b) plan maintained by the Employer. If the Employer elects to make a Matching Contribution based on the Employee's Elective Deferrals or Roth Deferrals under another qualified plan, 403(b) plan or 457(b) plan, the Employer shall make a Matching Contribution on behalf of any eligible Participant who makes Elective Deferrals or Roth Deferrals to the plan designated under AA §6B-3(g). Any such Matching Contribution made to the Plan will be allocated in accordance with any special provisions added under AA §6B-3(b). Any such Matching Contributions will be in addition to any Matching Contributions made with respect to Salary Deferrals, After-Tax Employee Contributions, Catch-Up Contributions and/or Employer Pick-Up Contributions under this Plan.

(ii) **Period for determining Matching Contributions.** AA §6B-5 sets forth the period for which the Matching Contribution formula(s) applies. For this purpose, the period designated in AA §6B-5 applies for purposes of determining the amount of Salary Deferrals, Catch-Up Contributions, After-Tax Employee Contributions, and/or Employer Pick-Up Contributions taken into account in applying the Matching Contribution formula(s) and in applying any limits on the amount of Salary Deferrals that may be taken into account under the Matching Contribution formula(s). (See subsection (iii) for rules applicable to true-up contributions where the Employer contributes Matching Contributions to the Plan on a different period than selected under AA §6B-5.)

If the Employer elects a discretionary Matching Contribution under the Plan, the Employer may elect to make a different Matching Contribution for each period for which Matching Contributions are determined under the Plan. Thus, for example, if the discretionary Matching Contribution is based on the

Plan Year quarter, the Employer may elect to make a different level of Matching Contribution for each Plan Year quarter. The Matching Contribution for the full Plan Year must be taken into account in applying the ACP Test with respect to such Plan Year.

(iii) **True-up contributions.** If the Employer makes Matching Contributions more frequently than annually, the Employer may have to make true-up contributions for Participants. True-up contributions will be required if the Employer actually contributes Matching Contributions to the Plan on a more frequent basis than the period that is used to determine the amount of the Matching Contributions under AA §6B-5. For example, if Matching Contributions apply with respect to Salary Deferrals made for the Plan Year, but the Employer contributes the Matching Contributions on a quarterly basis, the Employer may have to make a true-up contribution to any Participant based on Salary Deferrals for the Plan Year. If a true-up contribution is required under this subsection (iii), the Employer may make such additional contribution as required to satisfy the contribution requirements under the Plan. If true-up contributions will not be made for any Participant under the Plan, payroll period should be selected under AA §6B-5(a).

If Matching Contributions are determined on a period other than the Plan Year, the Employer may make an additional discretionary Matching Contribution equal to the true-up contribution that would otherwise be required if Matching Contributions were determined on a Plan Year basis. If an additional discretionary Matching Contribution is made under this subsection (iii), such contribution must be provided to all eligible Participants who would otherwise be entitled to a true-up contribution based on Plan Compensation for the Plan Year.

3.03 **Employer Pick-Up Contributions.** The Employer may elect under AA §6-6(c) to make Employer Pick-Up Contributions. A Employer Pick-Up Contribution is a contribution made by an Employee that is "picked up" by the Employer in accordance with Code §414(h)(2). If the Employer elects to provide Employer Pick-Up Contributions under AA §6-6(c), a Participant who meets the eligibility requirements of AA §4-1 shall be deemed to have authorized the Employer to deduct the amount designated under AA §-6-6(c) from the Participant's Plan Compensation prior to payment. Contributions picked-up under this Section 3.03 will be withheld from the Employee's compensation and deposited into the Participant's Employer Pick-up Contribution Account. Contributions that are picked up under this Section 3.03 will be treated as Employer Contributions under the Plan and such contributions and earnings thereon will be 100% vested at all times.

To constitute an Employer Pick-up Contribution under this Section 3.03, the Employer must:

(a) specify that the contributions, although designated as Employee contributions, are being paid by the Employer in lieu of contributions by the Employee,

(b) take the action necessary to effectuate the pick-up, which must be completed before the period to which such contributions relate,

(c) exclude from the Employee's gross income the contributions picked up by the Employer until such time as they are distributed to the Employee, and

(d) prohibit an Employee from opting out of the Employer Pick-up Contribution and prohibit the receipt of the contributed amounts directly instead of having them paid by the Employer to the Plan.

To satisfy the requirements of this Section 3.03, the Employer Pick-Up Contributions must be effectuated by a person duly authorized to take such action with respect to the Employer and must be evidenced by a contemporaneous written document, such as minutes from a meeting, a resolution, an ordinance or this Plan document. Any Participating Employee may not enter into a cash or deferred election (within the meaning of Treas. Reg. § 1.401(k)-1(a)(3)) with respect to the designated Employee contributions, at any time from or after the date of the implementation of the Employer Pick-Up Contribution. For example, a Participant may not opt out of the Employer Pick-Up Contribution or receive the contributed amounts directly instead of having them paid by the Employer into the Plan.

3.04 **After-Tax Employee Contributions.** The Employer may elect under AA §6-6 to allow Participants to make After-Tax Employee Contributions under the Plan. If permitted under AA §6-6, a Participant's compensation will be reduced by the amount the Participant elects to contribute as an After-Tax Employee Contribution. The After-Tax Employee Contributions may be Voluntary After-Tax Employee Contributions as designated under AA §6-6(a) or may be Mandatory After-Tax Employee Contributions as designated under AA §6-6(b). Any After-Tax Employee Contributions made under the Plan will be held in Participants' After-Tax Employee Contribution Account, which is always 100% vested.

A Participant may increase, decrease, discontinue or resume his/her After-Tax Employee Contributions as designated under AA §6-6. An Employee must be permitted to modify or terminate an existing After-Tax Employee Contribution election at least once a year. The Employer may designate additional dates on the After-Tax Employee Contribution election form (or other written procedures) as to when a Participant may commence, modify or terminate After-Tax Employee Contributions. Alternatively, the Employer may designate under AA §6-6(a)(2) specific dates as of which a Participant may commence, modify or terminate Voluntary After-Tax Employee Contributions. Any election to modify or terminate an After-Tax Employee Contribution election will take effect within a reasonable period following such election and will apply only on a prospective basis.

A Participant may withdraw amounts from his/her After-Tax Employee Contribution Account at any time, in accordance with the distribution rules under Section 7.10(a), except as otherwise provided under AA §10. No forfeitures will occur solely as a result of an Employee's withdrawal of After-Tax Employee Contributions. The Employer may collect Participants' After-Tax Employee Contributions using payroll reduction or other collection procedures. The Employer may designate in AA §6-6(a)(3) or AA §6-6(b)(2), as applicable, or in separate administrative procedures any special rules regarding the acceptance of After-Tax Employee Contributions. Any separate procedures will apply uniformly to all Participants under the Plan.

3.05 **Rollover Contributions.** An Employee (or former Employee) may make a Rollover Contribution to this Plan from a qualified retirement plan or from an IRA, if the acceptance of rollovers is permitted under AA §C-2 or if the Plan Administrator adopts administrative procedures regarding the acceptance of Rollover Contributions. Subject to the provisions under Section 3.02(c)(2)(v)(E) relating to rollovers of Roth Deferrals, any Rollover Contribution an Employee (or former Employee) makes to this Plan will be held in the Employee's Rollover Contribution Account, which is always 100% vested. A Participant may withdraw amounts from his/her Rollover Contribution Account at any time, in accordance with the distribution rules under Section 7, except as prohibited under AA §10. Any amounts received as a Rollover Contribution under this Section 3.05 will not be treated as an Annual Addition for purposes of applying the Code §415 Limitation described in Section 5.02.

For purposes of this Section 3.05, a qualified retirement plan is a tax-qualified retirement plan described in Code §401(a) or Code §403(a), an annuity contract described in §403(b) of the Code, or an eligible plan under §457(b) of the Code which is maintained by a state, political subdivision of a state, or any agency or instrumentality of a state or political subdivision of a state. To qualify as a Rollover Contribution under this Section, the Rollover Contribution must be transferred directly from the qualified retirement plan or IRA in a Direct Rollover or must be transferred to the Plan by the Employee within sixty (60) days following receipt of the amounts from the qualified plan or IRA.

If Rollover Contributions are permitted, an Employee (or former Employee) may make a Rollover Contribution to the Plan even if the Employee is not a Participant with respect to any or all other contributions under the Plan, unless otherwise prohibited under AA §C-2 or separate administrative procedures adopted by the Plan Administrator. An Employee who makes a Rollover Contribution to this Plan prior to becoming a Participant shall be treated as a Participant only with respect to such Rollover Contribution Account, but shall not be treated as a Participant with respect to other contribution sources under the Plan until he/she otherwise satisfies the eligibility conditions under the Plan. To the extent Participant loans are authorized under the Plan, a "limited Participant" under this paragraph may request a Participant loan from the Rollover Contribution Account, unless provided otherwise under AA §B-3 or separate administrative procedures adopted by the Plan Administrator.

The Plan Administrator may refuse to accept a Rollover Contribution if the Plan Administrator reasonably believes the Rollover Contribution:

(a) is not being made from a proper plan or IRA;

(b) is not being made within sixty (60) days from receipt of the amounts from a qualified retirement plan or IRA;

(c) could jeopardize the tax-exempt status of the Plan; or

(d) could create adverse tax consequences for the Plan or the Employer.

Prior to accepting a Rollover Contribution, the Plan Administrator may require the Employee to provide satisfactory evidence establishing that the Rollover Contribution meets the requirements of this Section.

The Plan Administrator may apply different conditions for accepting Rollover Contributions from qualified retirement plans and IRAs. For example, the Plan Administrator may decide in its discretion whether to accept a Direct Rollover of a loan note from another qualified plan. Any conditions on Rollover Contributions must be applied uniformly to all Employees under the Plan.

3.06 **Deductible Employee Contributions.** The Plan Administrator will not accept deductible employee contributions that are made for a taxable year beginning after December 31, 1986. Contributions made prior to that date will be maintained in a separate Account which will be nonforfeitable at all times. The Account will share in the gains and losses under the Plan in the same manner as described in Section 10.03(d). No part of the deductible voluntary contribution Account will be used to purchase life insurance. The Participant may withdraw any part of the deductible voluntary contribution Account by making a written application to the Plan Administrator.

3.07 **Allocation Conditions.** In order to receive an allocation of Employer Contributions and/or Matching Contributions, a Participant must satisfy any allocation conditions designated under the Adoption Agreement with respect to such contributions. If the Employer elects to apply a minimum service requirement for Employer Contributions and/or Matching Contributions, the Employer may elect to base such minimum service requirement on the basis of Hours of Service or on the basis of consecutive days of employment under the Elapsed Time method.

(a) **Special rule for year of termination.** A last day employment condition automatically applies for any Plan Year in which the Plan is terminated, regardless of whether the Employer has elected to apply a last day employment condition under the Adoption Agreement. If there are unallocated forfeitures at the time of Plan termination, such forfeitures will be allocated to Participants under the Plan's procedures for allocating forfeitures.

(b) **Service with Predecessor Employers.** To the extent provided by the Employer under AA §4-5, if the Employer maintains the plan of a Predecessor Employer, any service with such Predecessor Employer is treated as service with the Employer for purposes of applying the allocation conditions under this Section 3.07.

3.08 **Contribution of Property.** Subject to the consent of the Trustee, the Employer may make its contribution to the Plan in the form of property.

SECTION 4
SPECIAL RULES AFFECTING GOVERNMENTAL PLANS AND INDIAN TRIBAL GOVERNMENT PLANS

4.01 **Governmental Plan**. Provided the Plan is properly adopted by an entity that meets the requirements for establishing and maintaining a Governmental Plan under Code §414(d), this Plan is a qualified plan under Code §401(a).

(a) **Governmental Plan exemptions.** As a Governmental Plan, this Plan is exempt from Title I of ERISA and certain qualification rules under Code §401(a), including:

(1) The minimum age and service rules under Code §410(a) and the minimum coverage rules under Code §410(b).

(2) The minimum vesting requirements of Code §411, including minimum vesting schedules, consent requirements for plan distributions, and the anti-cutback rule under Code §411(d)(6).

(3) The nondiscrimination requirements under Code §§401(a)(4), 401(k) and 401(m).

(4) The top-heavy rules under Code §416.

(5) The joint and survivor annuity rules under Code §§401(a)(11) and 417.

(6) The requirements for protecting benefits pursuant to a plan merger or a transfer of plan assets and liabilities, as prescribed by Code §401(a)(12).

(7) The anti-assignment rule under Code §401(a)(13). However, the Code provisions relating to the taxability of benefits distributed pursuant to a Qualified Domestic Relations Order (QDRO) are applicable to benefits payable to an alternate payee under the QDRO. See Code §414(p)(11).

(8) The commencement of benefit requirements under Code §401(a)(14).

(9) The protections under Code §401(a)(19).

(b) **Adoption Agreement elections.** An Employer's election of provisions similar to requirements applicable to plans covered under Title I of ERISA or to otherwise inapplicable qualification requirements under Code §401(a) will not affect the Plan's status as a Governmental Plan under Section 1.53. Provided the Employer is qualified to maintain a Governmental Plan, the Plan remains exempt from ERISA and certain Code requirements as a Governmental Plan.

4.02 **Plan of Indian Tribal Government Treated as Governmental Plan.** A Plan established and maintained by:

(a) an Indian Tribal Government, as defined in Code §7701(a)(40),

(b) a subdivision of an Indian Tribal Government, determined in accordance with Code §7871(d), or

(c) an agency or instrumentality of either subsection (a) or (b)

is treated as a Governmental Plan, provided the conditions in this Section 4.02 are satisfied.

To qualify as a Governmental Plan, the Plan must cover only Employees substantially all of whose services are in the performance of essential government functions, but not in the performance of commercial activities (whether or not essential government functions). The interpretation of these conditions, including the meaning of essential government function and commercial activities, is determined under applicable regulations. Provided the requirements of this Sections 4.02 are satisfied, the Plan may include a cash or deferred arrangement as provided under Code §401(k).

4.03 **FICA Replacement Plan,** An Employee who satisfies the requirements as a Qualified Participant under subsection (b) will be exempt from FICA tax as provided under Code §3121(b)(7)(F) if the requirements under this Section 4.03are satisfied. The Plan may be identified as a FICA Replacement Plan under AA §2-3(c).

(a) **Minimum benefit requirement.** The Plan must provide a minimum retirement benefit as set forth under this subsection (a). For this purpose, the Plan satisfies the minimum retirement benefit requirement with respect to an Employee if allocations to the Employee's Account (without regard to any earnings allocated to the Employee's Account) are at least 7.5% of the Employee's Plan Compensation for service with the Employer. Matching Contributions by the Employer may be taken into account for this purpose.

(1) **Definition of Plan Compensation.** The definition of Plan Compensation used in determining whether the minimum retirement benefit requirement under this subsection (a) is satisfied must be at least equal to the Employee's base pay, provided such designation is reasonable under all the facts and circumstances. Thus, the Employer may elect under AA §5-3 to exclude items such as overtime pay, bonuses, or fringe benefits. In addition, the Employer may elect under AA §5-3(l) to exclude any compensation in excess of the contribution base described in Code §3121(x) as of the beginning of the Plan Year.

(2) **Reasonable rate of earnings.** An Employee's Account must be credited with a reasonable rate of earnings. This requirement is satisfied if Employees' Accounts are held in a separate trust that is subject to general fiduciary standards and are credited with actual earnings under the Plan.

(3) **Employee Contributions.** Contributions from both the Employer and Employee may be used to make up the 7.5% allocation requirement under subsection (a). If the Plan only provides for Employee Contributions, the Plan will satisfy the minimum benefit requirement under subsection (a) if the total Employee Contributions are at least 7.5% of Plan Compensation.

(b) **Qualified Participant.** An Employee is a Qualified Participant under the Plan with respect to the services performed on a given day if, on that day, the Employee has satisfied all conditions (other than vesting) for receiving an allocation under the Plan that meets the minimum retirement benefit requirement under subsection (a). An Employee will be a Qualified Participant on any day with respect to compensation earned during a period ending on that day and beginning on or after the beginning of the Plan Year, regardless of whether the allocations were made or accrued before the effective date of Code §3121(b)(7)(F).

(1) **Part-Time, Seasonal and Temporary Employees.** A Part-Time, Seasonal, or Temporary Employee is not a Qualified Participant on a given day unless any benefit relied upon to meet the minimum benefit requirement under subsection (a) is 100% vested. A Part-Time, Seasonal or Temporary Employee's benefit is considered 100% vested on a given day if on that day the Employee is unconditionally entitled to a single-sum distribution on account of death or separation from service of an amount that is at least equal to 7.5% of Plan Compensation for all periods of service taken into account in determining whether the Employee's benefit meets the minimum retirement benefit requirement under subsection (a).

(2) **Alternative lookback rule.** The Employer may elect to apply the alternative lookback rule described in Treas. Reg. §31.3121(b)(7)-2(d)(3) in determining whether an Employee is a Qualified Participant. Under the alternative lookback rule, an Employee may be treated as a Qualified Participant throughout a calendar year if the Employee is a Qualified Participant at the end of the Plan Year ending in the previous calendar year. For this purpose, if the alternative lookback rule is used, an Employee may be treated as a Qualified Participant on any given day during the first Plan Year of participation if it is reasonable on such day to believe that the Employee will be a Qualified Participant on the last day of such Plan Year.

(c) **Special rule for short period.**. An Employee may not be treated as a Qualified Participant if Plan Compensation for less than a full plan year or other 12-month period is regularly taken into account in determining allocations to the Employee's Account for the Plan Year unless, under all of the facts and circumstances, such arrangement is not a device to avoid the imposition of FICA taxes. For example, an arrangement under which Plan Compensation taken into account under AA §5-3 is limited to the contribution base described in section 3121(x)(1) is not considered a device to avoid FICA taxes by reason of such limitation.

SECTION 5
LIMITS ON CONTRIBUTIONS

5.01 **Limits on Employer Contributions.** Any contributions the Employer makes under the Plan are subject to the limitations set forth in this Section 5.

(a) **Limitation on total Employer Contributions.** All Employer Contributions the Employer makes under the Plan are subject to the Code §415 Limitation, as described in Section 5.02 below. For purposes of applying the Code §415 Limitation, Employer Contributions include any Employer Contributions, Matching Contributions, or Salary Deferrals made under the Plan. See the definition of Annual Additions under Section 5.02(c)(1) below.

(b) **Limitation on Salary Deferrals.** If the Employer adopts the Grandfathered 401(k) Arrangement, any Salary Deferrals made under the Plan are subject to the Elective Deferral Dollar Limit, as described in Section 5.03 below.

5.02 **Code §415 Limitation.**

(a) **No other plan participation.** If the Participant does not participate in, and has never participated in another qualified retirement plan, a welfare benefit fund (as defined under Code §419(e)), an individual medical account (as defined under Code §415(l)(2)), or a SEP (as defined under Code §408(k)) maintained by the Employer which provides an Annual Addition as defined in subsection (c)(1), then the amount of Annual Additions which may be credited to the Participant's Account for any Limitation Year will not exceed the lesser of the Maximum Permissible Amount or any other limitation contained in this Plan.

If an Employer Contribution that would otherwise be contributed or allocated to a Participant's Account will cause that Participant's Annual Additions for the Limitation Year to exceed the Maximum Permissible Amount, the amount to be contributed or allocated to such Participant will be reduced so that the Annual Additions allocated to such Participant's Account for the Limitation Year will equal the Maximum Permissible Amount. However, if a contribution or allocation is made to a Participant's Account in an amount that exceeds the Maximum Permissible Amount, such excess Annual Additions may be corrected pursuant to the correction procedures outlined under the IRS' Employee Plans Compliance Resolution System (EPCRS) as set forth in Rev. Proc. 2013-12.

(b) **Participation in another plan.** This subsection (b) applies if, in addition to this Plan, the Participant receives an Annual Addition during any Limitation Year from another Defined Contribution Plan, a welfare benefit fund (as defined under Code §419(e)), an individual medical account (as defined under Code §415(l)(2)), or a SEP (as defined under Code §408(k)) maintained by the Employer.

(1) **This Plan's Code §415 Limitation.** The Annual Additions that may be credited to a Participant's Account under this Plan for any Limitation Year will not exceed the Maximum Permissible Amount (defined in subsection (c)(6) below) reduced by the Annual Additions credited to a Participant's Account under any other Defined Contribution Plan, welfare benefit fund, individual medical account, or SEP maintained by the Employer for the same Limitation Year.

(2) **Annual Additions reduction.** If the Annual Additions with respect to the Participant under any other Defined Contribution Plan, welfare benefit fund, individual medical account, or SEP maintained by the Employer are less than the Maximum Permissible Amount and the Annual Additions that would otherwise be contributed or allocated to the Participant's Account under this Plan would exceed the Code §415 Limitation for the Limitation Year, the amount contributed or allocated will be reduced so that the Annual Additions under all such Plans and funds for the Limitation Year will equal the Maximum Permissible Amount. However, if a contribution or allocation is made to a Participant's Account in an amount that exceeds the Maximum Permissible Amount, such excess Annual Additions may be corrected pursuant to the correction procedures outlined under the IRS' Employee Plans Compliance Resolution System (EPCRS) as set forth in Rev. Proc. 2013-12.

(3) **No Annual Additions permitted**. If the Annual Additions with respect to the Participant under such other Defined Contribution Plan(s), welfare benefit fund(s), individual medical account(s), or SEP(s) in the aggregate are equal to or greater than the Maximum Permissible Amount, no amount will be contributed or allocated to the Participant's Account under this Plan for the Limitation Year. However, if a contribution or allocation is made to a Participant's Account in an amount that exceeds the Maximum Permissible Amount, such excess Annual Additions may be corrected pursuant to the correction procedures outlined under the IRS' Employee Plans Compliance Resolution System (EPCRS) as set forth in Rev. Proc. 2013-12.

(c) **<u>Definitions.</u>**

(1) **<u>Annual Additions.</u>** The amounts credited to a Participant's Account for the Limitation Year that are taken into account in applying the Code §415 Limitation, including:

(i) Employer Contributions, including Matching Contributions and Salary Deferrals;

(ii) After-Tax Employee Contributions;

(iii) Forfeitures;

(iv) Amounts allocated to an individual medical account (as defined in Code §415(l)(2)), which is part of a pension or annuity plan maintained by the Employer;

(v) Amounts derived from contributions paid or accrued which are attributable to post-retirement medical benefits allocated to the separate account of a key employee (as defined in Code §419A(d)(3)) under a welfare benefit fund (as defined in Code §419(e)) maintained by the Employer ; and

(vi) Allocations under a SEP (as defined in Code §408(k)).

An Annual Addition is credited to a Participant's Account for a particular Limitation Year if such amount is allocated to the Participant's Account as of any date within that Limitation Year. An Annual Addition will not be deemed credited to a Participant's Account for a particular Limitation Year unless such amount is actually contributed to the Plan no later than 30 days after the time prescribed by law for filing the Employer's income tax return (including extensions) for the taxable year with or within which the Limitation Year ends. In the case of After-Tax Employee Contributions, such amount shall not be deemed credited to a Participant's Account for a particular Limitation Year unless the contributions are actually contributed to the Plan no later than 30 days after the close of that Limitation Year.

(2) **<u>Defined Contribution Dollar Limitation.</u>** $40,000, as adjusted under Code §415(d).

(3) **<u>Employer.</u>** For purposes of this Section 5.02, Employer shall mean the Employer that adopts this Plan, and all members of a controlled group of corporations (as defined in §414(b) of the Code as modified by §415(h)), all commonly controlled trades or businesses (as defined in §414(c) of the Code as modified by §415(h)) or affiliated service groups (as defined in §414(m)) of which the adopting Employer is a part, and any other entity required to be aggregated with the Employer pursuant to regulations under §414(o) of the Code.

(4) **<u>Excess Amount.</u>** The excess of the Participant's Annual Additions for the Limitation Year over the Maximum Permissible Amount.

(5) **<u>Limitation Year.</u>** The Plan Year, unless the Employer elects another 12-consecutive month period under AA §11-2(a). If the Limitation Year is amended to a different 12-consecutive month period, the new Limitation Year must begin on a date within the Limitation Year in which the amendment is made. If the Plan has an initial Plan Year that is less than 12 months, the Limitation Year for such first Plan Year is the 12-month period ending on the last day of that Plan Year, unless otherwise specified in AA §11-2(a).

If an Employer has multiple Limitation Years (e.g., due to the maintenance of multiple Defined Contribution Plans by a group of Related Employers), and a Participant is credited with Annual Additions in only one Defined Contribution Plan, the Code §415 Limitation is applied only with respect to that Plan. If a Participant is credited with Annual Additions in more than one Defined Contribution Plan, each such Plan satisfies the Code §415 Limitation based on Annual Additions for the Limitation Year with respect to such plan, plus any amounts credited to the Participant's Account under all other plans required to be aggregated pursuant to Code §415(f).

(6) **<u>Maximum Permissible Amount.</u>** For Limitation Years beginning on or after January 1, 2002, the maximum Annual Additions that may be contributed or allocated to a Participant's Account under the Plan for any Limitation Year shall not exceed the lesser of:

(i) the Defined Contribution Dollar Limitation, or

(ii) 100 percent of the Participant's Total Compensation for the Limitation Year.

The Total Compensation limitation referred to in (ii) shall not apply to any contribution for medical benefits (within the meaning of Code §401(h) or §419A(f)(2)) which is otherwise treated as an Annual Addition.

If a short Limitation Year is created because of an amendment changing the Limitation Year to a different 12-consecutive month period, the Maximum Permissible Amount will not exceed the Defined Contribution Dollar Limitation multiplied by the following fraction:

$$\frac{\text{Number of months in the short Limitation Year}}{12}$$

If a short Limitation Year is created because the Plan has an *initial* Plan Year that is less than 12 months, no proration of the Defined Contribution Dollar Limitation is required, unless provided otherwise under AA §11-2(d). (See subsection (5) above for the rule allowing the use of a full 12-month Limitation Year for the first year of the Plan, thereby avoiding the need to prorate the Defined Contribution Dollar Limitation.)

(7) **Total Compensation.** The amount of compensation as defined under Section 1.89, subject to the Employer's election under AA §5-2.

(i) **Self-Employed Individuals.** For a Self-Employed Individual, Total Compensation is such individual's Earned Income.

(ii) **Total Compensation actually paid or made available.** For purposes of applying the limitations of this Section 5.02, Total Compensation for a Limitation Year is the Total Compensation actually paid or made available to an Employee during such Limitation Year. However, if elected in AA §5-4(c), the Employer may include in Total Compensation for a Limitation Year amounts earned but not paid in the Limitation Year because of the timing of pay periods and pay days, but only if:

(A) the amounts are paid during the first few weeks of the next Limitation Year,

(B) such amounts are included on a uniform and consistent basis with respect to all similarly-situated employees, and

(C) no amounts are included in Total Compensation in more than one Limitation Year.

(iii) **Disabled Participants.** Total Compensation does not include any imputed compensation for the period a Participant is Disabled. However, the Employer may elect under AA §11-2(b) to include under the definition of Total Compensation, the amount a terminated Participant who is permanently and totally Disabled (as defined in Section 1.28) would have received for the Limitation Year if the Participant had been paid at the rate of Total Compensation paid immediately before becoming permanently and totally Disabled. If the Employer elects under AA §11-2(b) to include imputed compensation for a Disabled Participant, a Disabled Participant will receive an allocation of any Employer Contribution the Employer makes to the Plan based on the Employee's imputed compensation for the Plan Year. Any Employer Contributions made to a Disabled Participant under this subsection (iii) are fully vested when made and will be made only to Non-Highly Compensated Employees. Any modifications made to the definition of Disabled (under AA §9-4(b)) will not apply to this section.

(d) **Restorative payments.** Restorative payments are not considered Annual Additions for any Limitation Year. For this purpose, restorative payments are payments made to restore losses to the Plan resulting from actions (or a failure to act) by a fiduciary for which there is a reasonable risk of liability under applicable federal or state law, where Participants who are similarly situated are treated similarly with respect to the payments.

(e) **Corrective provisions.** The Plan is amended to eliminate any specific correction methods for correcting excess annual additions. If the Plan is eligible for self-correction under Rev. Proc. 2013-12 (or successive guidance), the Employer may use reasonable correction methods (including the correction methods described in § 1.415-6(b)(6) of the 1981 IRS regulations) to the extent permitted under the IRS correction program.

(f) **Change of Limitation Year**. Where there is a change of Limitation Year, a "short" Limitation Year exists for the period beginning with the first day of the Limitation Year and ending on the day before the change in Limitation Year is effective. For this purpose, if the Plan is terminated effective as of a date other than the last day of the Limitation Year, the Plan is treated as if it were amended to change its Limitation Year.

5.03 **Elective Deferral Dollar Limit.** The Elective Deferral Dollar Limit under this Section 5.03 applies with respect to Salary Deferrals under the Grandfathered 401(k) Arrangement. Under this Elective Deferral Dollar Limit, an Employee may not make Elective Deferrals under this Plan (and any other plan, contract or arrangement maintained by the Employer) during any calendar year in an amount that exceeds the Elective Deferral Dollar Limit in effect for the Participant's taxable year beginning in such calendar year. Additional restrictions apply if a Participant participates in a plan maintained by an unrelated employer. (See subsection (b)(6) below.)

The Elective Deferral Dollar Limit is $17,500 for taxable years beginning in 2013 and 2014. For taxable years beginning after 2014, the Elective Deferral Dollar Limit will be adjusted for cost-of-living increases under Code §402(g)(4). Any such adjustments will be in multiples of $500.

If a Participant is aged 50 or over by the end of the taxable year, the Elective Deferral Dollar Limit is increased by the Catch-Up Contribution Limit (as defined in Section 3.02(c)(2)(iv)(A)). If the Plan does not provide for Catch-up Contributions, the Elective Deferral Dollar Limit is not increased by the Catch-Up Contribution Limit.

(a) **Excess Deferrals.** Excess Deferrals are Elective Deferrals made during the Participant's taxable year that exceed the Elective Deferral Dollar Limit (as described above) for such year; counting only Elective Deferrals made under this Plan and any other plan, contract or arrangement maintained by the Employer. (See subsection (b)(6) below for provisions that apply when a Participant makes Elective Deferrals to a plan of an unrelated Employer.)

(b) **Correction of Excess Deferrals.** If a Participant makes Excess Deferrals (i.e., Elective Deferrals in excess of the Elective Deferral Dollar Limit) under this Plan and any other plan maintained by the Employer, such Excess Deferrals (plus allocable income or loss) shall be distributed to the Participant. A distribution of Excess Deferrals may be made at any time (subject to the correction provisions under the IRS voluntary correction program as described in Rev. Proc. 2013-12 or subsequent guidance). If the corrective distribution of Excess Deferrals is made by April 15 of the calendar year following the year the Excess Deferrals are made to the Plan, such amounts will be taxable in the year of deferral but not in the year of distribution. If a corrective distribution of Excess Deferrals is made after April 15 of the following calendar year, such amounts will be taxable in both the year of deferral and the year of distribution. See subsection (3) below.

(1) **Amount of corrective distribution.** The amount to be distributed from this Plan as a correction of Excess Deferrals equals the amount of Elective Deferrals the Participant contributes during the taxable year to this Plan and any other plan maintained by the Employer in excess of the Elective Deferral Dollar Limit, reduced by any corrective distribution of Excess Deferrals the Participant receives during the calendar year from this Plan or other plan(s) maintained by the Employer. If a Participant has both a Pre Tax-Deferral Account and a Roth Deferral Account, the Participant may designate the extent to which the corrective distribution of Excess Deferrals is taken from the Pre-Tax Deferral Account or from the Roth Deferral Account under AA §6A-5. If a Participant does not designate the Account(s) from which the distribution will be made, the corrective distribution will be made first from the Participant's Pre-Tax Deferral Account.

(2) **Allocable gain or loss.** A corrective distribution of Excess Deferrals must include any allocable gain or loss for the taxable year in which the Excess Deferrals are contributed to the Plan. The gain or loss allocable to Excess Deferrals may be determined in any reasonable manner, provided the manner used to determine allocable gain or loss is applied consistently for all Participants and in a manner that is reasonably reflective of the method used by the Plan for allocating income to Participants' Accounts. A corrective distribution of Excess Deferrals will not include any income or loss allocable to the period between the end of the taxable year and the date of distribution.

(3) **Taxation of corrective distribution.** If a corrective distribution of Excess Deferrals is made by April 15 of the following calendar year, amounts attributable to the Excess Deferrals will be includible in the Participant's gross income in the taxable year in which such amounts are deferred under the Plan and amounts attributable to income or loss on the Excess Deferrals will be includible in gross income in the year of distribution. However, a corrective distribution of Excess Deferrals will not be included in gross income to the extent such distribution is comprised of Roth Deferrals. A Roth Deferral is treated as an Excess Deferral only to the extent that the total amount of Roth Deferrals for an individual exceeds the applicable limit for the taxable year or the Roth Deferrals are identified as Excess Deferrals and the individual receives a distribution of the Excess Deferrals and allocable income under this paragraph.

If a corrective distribution of Excess Deferrals is made after April 15, the amount of the corrective distribution attributable to Excess Deferrals will be includible in the Participant's gross income in both the taxable year in which such amounts are deferred under the Plan and the taxable year in which such amounts are distributed. (See Section 7.11(b)(2) for a discussion of the ordering rules for determining the Accounts from which the corrective distribution is made where a Participant has both a Pre-Tax Deferral Account and a Roth Deferral Account.)

If a corrective distribution of Excess Deferrals made after April 15 of the following calendar year apply to Excess Deferrals that are Roth Deferrals, such amounts are includible in gross income (without adjustment for any return of investment in the contract under Code §72(e)(8)). In addition, such distribution cannot be a "qualified distribution" as described in Code §402A(d)(2) and is not an Eligible Rollover Distributions (within the meaning of Code §402(c)(4)). For this purpose, if a Roth Deferral account includes any Excess Deferrals, any distributions from the Roth Deferral account are treated as attributable to those Excess Deferrals until the total amount distributed from the Roth Deferral account equals the total of such Excess Deferrals and attributable income.

(4) **Coordination with other provisions.** A corrective distribution of Excess Deferrals made by April 15 of the following calendar year may be made without consent of the Participant or the Participant's Spouse, and without regard to any distribution restrictions applicable under Section 7. A corrective distribution of Excess Deferrals made by the appropriate April 15 also is not treated as a distribution for purposes of applying the required minimum distribution rules under Section 8.

(5) **Suspension of Salary Deferrals.** If a Participant's Salary Deferrals under this Plan, in combination with any Elective Deferrals the Participant makes during the calendar year under any other plan maintained by the Employer, equal or exceed the Elective Deferral Dollar Limit, the Employer may suspend the Participant's Salary Deferrals under this Plan for the remainder of the calendar year without the Participant's consent.

(6) **Correction of Excess Deferrals under plans not maintained by the Employer.** The correction provisions under this subsection (b) apply only if a Participant makes Excess Deferrals under this Plan (or under this Plan and other plans maintained by the Employer). However, if a Participant has Excess Deferrals for a calendar year on account of making Elective Deferrals to a plan of an unrelated employer, the Participant may assign to this Plan any portion of his/her Elective Deferrals made under all plans during the calendar year to the extent such Elective Deferrals exceed the Elective Deferral Dollar Limit. The Participant must notify the Plan Administrator in writing on or before March 1 of the following calendar year of the amount of the Excess Deferrals to be assigned to this Plan. If any Roth Deferrals were made to a plan, the notification must also identify the extent to which, if any, the Excess Deferrals are comprised of Roth Deferrals.

Upon receipt of a timely notification, the Excess Deferrals assigned to this Plan will be distributed (along with any allocable income or loss) to the Participant in accordance with the corrective distribution provisions under this subsection (b). A Participant is deemed to notify the Plan Administrator of Excess Deferrals (including any portion of Excess Deferrals that are comprised of Roth Deferrals) to the extent such Excess Deferrals arise only under this Plan and any other plan maintained by the Employer.

SECTION 6
PARTICIPANT VESTING AND FORFEITURES

6.01 **Vesting of Contributions.** A Participant's vested interest in his/her Employer Contribution Account and Matching Contribution Account is determined based on the vesting schedule elected in AA §8. A Participant is always fully vested in his/her Employer Pick-Up Contribution Account, Salary Deferral Account, After-Tax Employee Contribution Account, and Rollover Contribution Account.

6.02 **Vesting Schedules.** A Participant's vested interest in his/her Employer Contribution Account and/or Matching Contribution Account is determined by multiplying the Participant's vesting percentage (determined under the applicable vesting schedule selected in AA §8) by the total amount under the applicable Account.

(a) **Full and immediate vesting schedule.** Under the full and immediate vesting schedule, the Participant is always 100% vested in his/her Account Balance.

(b) **6-year graded vesting schedule.** Under the 6-year graded vesting schedule, an Employee vests in his/her Employer Contribution Account and/or Matching Contribution Account in the following manner:

After 2 Years of Service – 20% vesting
After 3 Years of Service – 40% vesting
After 4 Years of Service – 60% vesting
After 5 Years of Service – 80% vesting
After 6 Years of Service – 100% vesting

(c) **3-year cliff vesting schedule.** Under the 3-year cliff vesting schedule, an Employee is 100% vested after 3 Years of Service. Prior to the third Year of Service, the vesting percentage is zero.

(d) **Modified vesting schedule.** Under the modified vesting schedule, the Employer may designate the vesting percentage that applies for each Year of Service.

6.03 **Special vesting rules.**

(a) **Normal Retirement Age.** Unless designated otherwise under AA §8-2(b), regardless of the Plan's vesting schedule, an Employee's right to his/her Account Balance is fully vested upon the date he/she attains Normal Retirement Age (as defined in AA §7-1), provided the Employee is still employed at such time.

(b) **100% vesting upon death, disability, or Early Retirement Age.** The Employer may elect under AA §8-4 to allow a Participant's vesting percentage to automatically increase to 100% if the Participant dies, becomes Disabled, and/or attains Early Retirement Age while employed by the Employer.

(c) **Vesting upon merger, consolidation or transfer.** No accelerated vesting will be required solely because a Defined Contribution Plan is merged with another Defined Contribution Plan, or because assets are transferred from a Defined Contribution Plan to another Defined Contribution Plan.

(d) **Vesting schedules applicable to prior contributions.** If the Plan holds Employer Contributions and/or Matching Contributions that are subject to vesting, but the Plan no longer provides for such contributions, the Plan will continue to apply the vesting schedule applicable to those contributions as determined under the prior Plan document. See Section 6.11(e) for the rules applicable to forfeitures of such prior contributions. The Employer may document any prior vesting schedule in AA §A-7.

6.04 **Year of Service.** An Employee's position on the vesting schedule is dependent on the Employee's Years of Service with the Employer. Generally, an Employee will earn a vesting Year of Service for each Vesting Computation Period (as defined in Section 6.05) during which the Employee completes at least 1,000 Hours of Service (or the Hours of Service designated under AA §8-5(a)). Alternatively, the Employer may elect to calculate Years of Service using the Elapsed Time method (as defined in subsection (b) below).

(a) **Hours of Service.** Unless the Employer elects to use the Elapsed Time method under AA §8-5(c), vesting Years of Service will be determined based on an Employee's Hours of Service earned during the Vesting Computation Period.

(1) **Actual Hours of Service.** In determining an Employee's vesting Years of Service, the Employer will credit an Employee with the actual Hours of Service earned during the Vesting Computation Period, unless the Employer elects under AA §8-5(d) to determine Hours of Service using the Equivalency Method.

(2) **Equivalency Method.** Instead of counting actual Hours of Service in applying the Plan's vesting schedules, the Employer may elect under AA §8-5(d) to determine Hours of Service based on the Equivalency Method. Under the Equivalency Method, an Employee receives credit for a specified number of Hours of Service based on the period worked with the Employer.

(i) **Monthly.** Under the monthly Equivalency Method, an Employee is credited with 190 Hours of Service for each calendar month during which the Employee completes at least one Hour of Service with the Employer.

(ii) **Daily.** Under the daily Equivalency Method, an Employee is credited with 10 Hours of Service for each day during which the Employee completes at least one Hour of Service with the Employer.

(iii) **Weekly.** Under the weekly Equivalency Method, an Employee is credited with 45 Hours of Service for each week during which the Employee completes at least one Hour of Service with the Employer.

(iv) **Semi-monthly.** Under the semi-monthly Equivalency Method, an Employee is credited with 95 Hours of Service for each semi-monthly period during which the Employee completes at least one Hour of Service with the Employer.

(3) **Employee need not be employed for entire Vesting Computation Period.** Unless provided otherwise under AA §8-5(e), if an Employee completes the required Hours of Service during a Vesting Computation Period, the Employee will receive credit for a Year of Service as of the end of such Vesting Computation Period, even if the Employee is not employed for the entire Vesting Computation Period.

(b) **Elapsed Time method.** Instead of using Hours of Service in applying the Plan's vesting schedules, the Employer may elect under AA §8-5(c) to apply the Elapsed Time method for calculating an Employee's vesting service with the Employer. Under the Elapsed Time method, an Employee receives credit for the aggregate period of time worked for the Employer commencing with the Employee's first day of employment (or reemployment, if applicable) and ending on the date the Employee terminates employment with the Employer. If an Employee's aggregate period of service includes fractional years, such fractional years are expressed in terms of days.

In calculating an Employee's aggregate period of service, the Employer may credit an Employee with service for any Period of Severance that lasts less than 12 consecutive months. For this purpose, a Period of Severance is any continuous period of time during which the Employee is not employed by the Employer. A Period of Severance begins on the date the Employee retires, quits or is discharged, or if earlier, the 12-month anniversary of the date on which the Employee is first absent from service for a reason other than retirement, quit or discharge. In the case of an Employee who is absent from work for maternity or paternity reasons, the 12-consecutive month period beginning on the first anniversary of the first date of such absence shall not constitute a Period of Severance. For purposes of this paragraph, an absence from work for maternity or paternity reasons means an absence:

(1) by reason of the pregnancy of the Employee,

(2) by reason of the birth of a child of the Employee,

(3) by reason of the placement of a child with the Employee in connection with the adoption of such child by the Employee, or

(4) for purposes of caring for a child of the Employee for a period beginning immediately following the birth or placement of such child.

For purposes of applying the Elapsed Time method, unless otherwise provided, service will be credited for employment with any Related Employer.

6.05 **Vesting Computation Period.** Generally, the Vesting Computation Period is the Plan Year. Alternatively, the Employer may elect under AA §8-5(b) to use the 12-month period commencing on the Employee's date of hire (or reemployment date, if applicable) and each subsequent 12-month period commencing on the anniversary of such date or the Employer may elect to use any other 12-consecutive month period as the Vesting Computation Period.

6.06 **Excluded service.** Generally, all service with the Employer counts for purposes of applying the Plan's vesting schedules. However, the Employer may elect under AA §8-3 to exclude certain service with the Employer in calculating an Employee's vesting Years of Service.

(a) **Service before the Effective Date of the Plan.** The Employer may elect under AA §8-3(b) to exclude service earned during any period prior to the date the Employer established the Plan or a Predecessor Plan. For this purpose, a Predecessor Plan is a qualified plan maintained by the Employer that is terminated within the 5-year period immediately preceding or following the establishment of this Plan. A Participant's service under a Predecessor Plan must be counted for purposes of determining the Participant's vested percentage under this Plan.

(b) **Service before a specified age.** The Employer may elect under AA §8-3(c) to exclude service before an Employee attains a specified age. An Employee will be credited with a Year of Service for the Vesting Computation Period during which the Employee attains the required age, provided the Employee satisfies all other conditions required for a Year of Service.

6.07 **Service with Predecessor Employers.** To the extent provided, if the Employer maintains the plan of a Predecessor Employer, any service with such Predecessor Employer is treated as service with the Employer for purposes of applying the provisions of this Plan.

6.08 **Break in Service Rules.** In addition to any service excluded under Section 6.06, the Employer may elect under AA §8-6 to disregard an Employee's vesting service with the Employer earned prior to a Break in Service. For this purpose, an Employee incurs a Break in Service for any Vesting Computation Period (as defined in Section 6.05) during which the Employee does not complete more than five hundred (500) Hours of Service with the Employer. However, if the Employer elects to require less than 1,000 Hours of Service to earn a vesting Year of Service, a Break in Service will occur for any Vesting Computation Period during which the Employee does not complete more than one-half (1/2) of the Hours of Service required to earn a vesting Year of Service.

6.09 **Special Vesting Rule - In-Service Distribution When Account Balance is Less than 100% Vested.** If amounts are distributed from a Participant's Employer Contribution Account or Matching Contribution Account at a time when the Participant's vested percentage in such amounts is less than 100% and the Participant may increase the vested percentage in the Account Balance:

(a) A separate Account will be established for the Participant's interest in the Plan as of the time of the distribution, and

(b) At any relevant time the Participant's vested portion of the separate Account will be equal to an amount ("X") determined by the formula:

$$X = P\,(AB + D) - D$$

Where:

P is the vested percentage at the relevant time;

AB is the Account Balance at the relevant time; and

D is the amount of the distribution.

6.10 **Forfeiture of Benefits.** A Participant will forfeit the nonvested portion of his/her Employer Contribution and/or Matching Contribution Account upon the occurrence of any of the events described below or at any such time as the Plan Administrator determines. The Plan Administrator has the responsibility to determine the amount of a Participant's forfeiture. Until an amount is forfeited pursuant to this Section 6.10, a Participant's entire Account must remain in the Plan and continue to share in gains and losses of the Trust. A Participant will not forfeit any of his/her nonvested Account until the occurrence of one of the following events.

(a) **Cash-Out Distribution.** Following termination of employment, a Participant may receive a total distribution of his/her vested benefit under the Plan (a Cash-Out Distribution) in accordance with the distribution provisions under Section 7. If a Participant receives a Cash-Out Distribution upon termination of employment, the Participant's nonvested benefit under the Plan will be forfeited in accordance with subsection (1) below. If at the time of termination, a Participant is totally nonvested in his/her entire Account Balance, the Participant will be deemed to receive a total Cash-Out Distribution of his/her entire vested Account Balance (i.e., a deemed Cash-Out Distribution of zero dollars) as of the date of termination, subject to the forfeiture provisions under subsection (1) below.

A Cash-Out Distribution does not occur until such time as the Participant receives a distribution of his/her entire vested Account Balance, including amounts attributable to Salary Deferrals. If a Participant receives a distribution of less than the entire vested portion of his/her Account Balance (including any additional amounts to be allocated under subsection (1)(ii) below), the Participant will not be treated as receiving a Cash-Out Distribution until such time as the Participant receives a distribution of the remainder of the vested portion of his/her Account Balance.

(1) **Timing of forfeiture.** Unless elected otherwise under AA §8-8(b), if a Participant receives a Cash-Out Distribution of his/her vested Account Balance (as defined in subsection (a) above), the Participant will immediately forfeit the nonvested portion of such Account Balance, as of the date of the distribution or deemed distribution (as determined under subsection (i) or (ii) below, whichever applies). (See Section 6.11 below for a discussion of the treatment of forfeitures under the Plan.)

(i) **No further allocations.** For purposes of applying the Cash-Out Distribution rules, a terminated Participant who receives a total distribution of his/her vested Account Balance will be treated as receiving the Cash-Out Distribution as of the date the Participant receives such distribution (or in the case of a deemed Cash-Out Distribution (as described in subsection (a) above) as of the date the Participant terminates employment), provided the Participant is not entitled to any further allocations under the Plan for the Plan Year in which the Participant terminates employment. The Participant' will forfeit his/her nonvested benefit as of the date the Participant receives the Cash-Out Distribution, in accordance with the provisions under Section 6.11.

(ii) **Additional allocations.** For purposes of applying the Cash-Out Distribution rules, if upon termination of employment, a Participant is entitled to an additional allocation for the Plan Year in which the Participant terminates, such Participant will not be deemed to receive a Cash-Out Distribution until such time as the Participant receives a distribution of his/her entire vested Account Balance, including any amounts that are still to be allocated under the Plan. Thus, a terminated Participant who is entitled to an additional allocation (e.g., an additional Employer Contribution) for the Plan Year of termination will not be deemed to have a total Cash-Out Distribution until the Participant receives a distribution of such additional amounts. In the case of a deemed Cash-Out Distribution (as described in subsection (a) above), if the Participant is entitled to an additional allocation under the Plan for the Plan Year in which the Participant terminates employment, the deemed Cash-Out Distribution is deemed to occur on the first day of the Plan Year following the Plan Year in which the termination occurs, provided the Participant is still totally nonvested in his/her Account Balance.

(iii) **Modification of Cash-Out Distribution rules.** The Employer may elect under AA §8-8(a) to modify the Cash-Out Distribution provision under subsection (ii) above to provide that the Cash-Out Distribution and related forfeiture occur immediately upon distribution (or deemed distribution) of the terminated Participant's vested Account Balance, without regard to whether the Participant is entitled to an additional allocation under the Plan.

(b) **Five-Year Forfeiture Break in Service.** If a Participant has five (5) consecutive one-year Breaks in Service (a Five-Year Forfeiture Break in Service), all Years of Service after such Breaks in Service will be disregarded for the purpose of vesting in the portion of the Participant's Employer Contribution Account and/or Matching Contribution Account that accrued before such Breaks in Service. A Participant who incurs a Five-Year Forfeiture Break in Service will forfeit the nonvested portion of his/her Employer Contribution and/or Matching Contribution Account as of the end of the Vesting Computation Period in which the Participant incurs the fifth consecutive Break in Service. Except as provided under Section 6.08, a Participant who is rehired after incurring a Five-Year Forfeiture Break in Service will be credited with both pre-break and post-break service for purposes of determining his/her vested percentage in amounts that accrue under the Plan after the Five Year Forfeiture Break in Service.

(c) **Missing Participant or Beneficiary.** If a Participant or Beneficiary cannot be located within a reasonable period following a reasonable diligent search, the missing Participant's or Beneficiary's Account may be forfeited, as provided in subsection (2) below. An Employer will be deemed to have performed a reasonable diligent search if it performs the actions described in subsection (1) below. In determining whether a reasonable period has elapsed following a reasonable diligent search, the Employer or Plan Administrator may follow any applicable guidance provided under statute, regulation, or other IRS or DOL guidance of general applicability. However, the Employer or Plan Administrator will be deemed to have waited a reasonable period following a reasonable diligent search if the Employer or Plan Administrator waits at least 6 months following the completion of the actions described in subsection (1) below.

(1) **Reasonable diligent search.** The Employer or Plan Administrator will be deemed to have performed a reasonable diligent search if it performs the following actions:

(i) Send a certified letter to the Participant's or Beneficiary's last known address.

(ii) Check related plan records of the Employer (e.g., health plan records) to determine if a more current address exists for the Participant or Beneficiary.

(iii) If the Participant cannot be located, the Employer or Plan Administrator may attempt to identify and contact any individual that the Participant has designated as a Beneficiary under the Plan for updated information concerning the location of the missing Participant.

(iv) Utilize the Social Security Administration (SSA) letter-forwarding service for locating lost participants. Additional information regarding the SSA letter forwarding program can be located at www.ssa.gov.)

(v) In addition to the search methods discussed above, the Employer or Plan Administrator may use other search methods, including the use of Internet search tools, commercial locator services, and credit reporting agencies to locate the missing Participant.

(2) **Forfeiture of Account of missing Participant or Beneficiary.** If a Participant or Beneficiary is deemed to be missing (as described in this subsection (c)), the Plan Administrator may forfeit the distributable amount attributable to such missing Participant or Beneficiary, as permitted under applicable laws and regulations. If, after an amount is forfeited under this subsection (2), the missing Participant or Beneficiary is located, the Plan will restore the forfeited amount (unadjusted for gains or losses) to such Participant or Beneficiary within a reasonable time. However, if a missing Participant or Beneficiary has not been located by the time the Plan terminates, the forfeiture of such Participant's or Beneficiary's distributable amount will be irrevocable.

(3) **Expenses attributable to search for missing Participant,** Reasonable expenses attendant to locating a missing Participant may be charged to such Participant's Account, provided that the amount of such expenses is reasonable. The Plan Administrator may take into account the size of a Participant's Account in relation to the cost of the search when deciding how extensive a search is required before declaring such Participant as missing under subsection (c).

(d) **Excess Deferrals.** If a Participant receives a distribution of Excess Deferrals, the portion of his/her Matching Contribution Account (whether vested or not) which is attributable to such distributed amounts will be forfeited. A forfeiture of Matching Contributions under this subsection (d) occurs in the Plan Year in which the Participant receives the distribution of Excess Deferrals.

6.11 **Allocation of Forfeitures.** The Employer may elect in AA §8-7 how it wishes to allocate forfeitures under the Plan. Forfeitures may be used in the Plan Year in which the forfeitures occur or in the Plan Year following the Plan Year in which the forfeitures occur. In applying the forfeiture provisions under the Plan, if there are any unused forfeitures as of the end of the Plan Year designated in AA §8-7(d) or (e), as applicable, any remaining forfeiture will be used (as designated in AA §8-7) in the immediately following Plan Year. The Employer may elect under AA §8-7 to allocate forfeitures in any manner permitted under this Section 6.11.

(a) **Reallocation as additional contributions under Profit Sharing Plan Adoption Agreement.** The Employer may elect in AA §8-7 to reallocate forfeitures as additional contributions under the Plan. If the Employer elects under the Profit Sharing Plan Adoption Agreement to reallocate forfeitures as additional contributions, the Employer may allocate such amounts as additional Employer Contributions and/or additional Matching Contributions. If the forfeitures allocated under this subsection (a) relate to discretionary contributions, such amounts may be allocated in the same manner as selected under AA §6-3 with respect to the contribution type being allocated. If the forfeitures relate to fixed contributions, such amounts may be allocated in addition to such fixed contributions in the ratio that the Plan Compensation of each Participant bears to the Plan Compensation of all Participants. In allocating forfeitures under this subsection (a), the Employer may take into account any limits under AA §6B-4 in determining the amount of forfeitures to be allocated as additional Matching Contributions. In applying the provisions of this subsection (a), no allocation of forfeitures will be made to any Participant with respect to forfeitures that arise out of his/her own Account. A Participant may share in any additional forfeitures to the extent the Participant is eligible to receive an allocation of such forfeitures under AA §8-6.

(b) **Reallocation as additional Employer Contributions under Money Purchase Plan Adoption Agreement.** The Employer may elect in AA §8-7 to reallocate forfeitures as additional Employer Contributions under the Plan. If the Employer elects under the Money Purchase Plan Adoption Agreement to reallocate forfeitures as additional Employer Contributions, such amounts will be allocated in the ratio that the Plan Compensation of each Participant bears to the Plan Compensation of all Participants. In applying the provisions of this subsection (b), no allocation of forfeitures will be made to any Participant with respect to forfeitures that arise out of his/her own Account.

(c) **Reduction of contributions.** The Employer may elect in AA §8-7 to use forfeitures to reduce Employer Contributions and/or Matching Contributions under the Plan. If the Employer elects to use forfeitures to reduce contributions, the Employer may, in its discretion, use such forfeitures to reduce Employer Contributions, Matching Contributions, or both. The Employer may adjust its contribution deposits in any manner, provided the total Employer Contributions and/or Matching Contributions made for the Plan Year properly take into account the forfeitures that are to be used to reduce such contributions for that Plan Year. If contributions are allocated over multiple allocation periods, the Employer may reduce its contribution for any allocation periods within the Plan Year in which the forfeitures are to be allocated so that the total amount allocated for the Plan Year is proper. If the Plan provides for a discretionary Employer or Matching Contribution and the Employer elects not to make an Employer or Matching Contribution for the Plan Year, any forfeitures will be allocated to eligible Participants as an additional Employer or Matching Contribution, as provided under subsection (a) above.

(d) **Payment of Plan expenses.** The Employer may elect under AA §8-7 to use forfeitures to pay Plan expenses for the Plan Year in which the forfeitures would otherwise be applied. If any forfeitures remain after the payment of Plan expenses under this subsection, the remaining forfeitures will be allocated as selected under AA §8-7. This subsection (d) only applies to the extent Plan expenses are paid by the Plan. Nothing herein affects the ability of the Employer to pay Plan expenses, as authorized under Section 11.04(a). In determining the Plan expenses that may be offset by Plan forfeitures, the Employer may use any reasonable method to determine the Plan expenses attributable to a particular year. In addition, the Employer may elect to use forfeitures first to reduce Employer and/or Matching Contributions or as an additional allocation (as set forth in AA §8-7) prior to using forfeitures to pay Plan expenses.

(e) **Forfeiture rules for other contribution types.**

(1) **Prior Employer and/or Matching Contributions.** If the Plan maintains Employer Contribution and/or Matching Contribution Accounts, but the Plan no longer provides for such contributions, such amounts will continue to vest under the vesting schedule applicable to such contributions under the prior Plan or under any vesting schedule designated under Appendix A of the Adoption Agreement. If there are any forfeitures related to such prior contributions, such amounts may be reallocated as an additional Employer Contribution or as an additional Matching Contribution in accordance with the provisions of subsection (a) or (b), to the extent such contributions are authorized under the Plan, or may be used to reduce any Employer Contribution or Matching Contribution, consistent with the provisions of subsection (c) above. If the Plan does not provide for either Employer Contributions or Matching Contributions, the Employer may reallocate forfeitures of prior contributions as an Employer Contribution (using the pro rata allocation formula) or as a discretionary Matching Contribution under the Profit Sharing Plan Adoption Agreement, as applicable, or as a fixed contribution under the Money Purchase Plan Adoption Agreement. Alternatively, the Employer may use such forfeitures to pay Plan expenses as authorized under subsection (d). The Employer may elect to use such forfeitures in the Plan Year the forfeiture occurs or in the following Plan Year.

(2) **Other contributions.** If a Participant has any other amounts under the Plan which are treated as forfeited (e.g. a forfeiture for a missing Participant under Section 6.10(c)), and no selections are made under AA §8-7 regarding the treatment of forfeitures under the Plan, such amounts may be forfeited in accordance with any of the forfeiture options described in this Section 6.11.

SECTION 7
PLAN DISTRIBUTIONS

A Participant may receive a distribution of his/her vested Account Balance at the time and in the manner provided under this Section 7. Upon reaching the Required Beginning Date (defined in Section 8.05(e)), a Participant must begin receiving distributions under the Plan (in accordance with the provisions of Section 8.)

7.01 **Available Forms of Distribution.** The Employer may elect under AA §9-1 the forms of distribution that are available to a Participant or Beneficiary under the Plan. Different distribution options may apply depending on whether a distribution is made upon termination of employment, death, disability or as an in-service withdrawal. Available distribution options under AA §9-1 may include a lump sum of all or a portion of the Participant's vested Account Balance, installments, annuity payments, or any other form designated in AA §9-1. In addition, distribution options may be available as provided under a guaranteed income product to the extent such distribution options are consistent with qualification requirements applicable to such distributions. Any distribution options selected under the Plan must comply with the required minimum distribution rules under Section 8.

If the Plan provides for installment payments as an optional form of distribution, such payments may be made in monthly, quarterly, semi-annual, or annual payments over a period not exceeding the life expectancy of the Participant and his/her designated Beneficiary. The Plan Administrator may permit a Participant or Beneficiary to accelerate the payment of all, or any portion, of an installment distribution. If the Plan provides for annuity payments, the Plan must purchase an annuity that provides for payments over a period that does not extend beyond either the life of the Participant (or the lives of the Participant and his/her designated Beneficiary) or the life expectancy of the Participant (or the life expectancy of the Participant and his/her designated Beneficiary). (The availability of installments and or annuity payments may be restricted under AA §9-1(e).)

7.02 **Amount Eligible for Distribution.** For purposes of determining the amount a Participant or Beneficiary may receive as a distribution from the Plan, a Participant's Account Balance is determined as of the Valuation Date (as specified in AA §11-1) immediately preceding the date the Participant or Beneficiary receives his/her distribution from the Plan. For this purpose, the Account Balance must be increased for any contributions allocated to the Participant's Account since the most recent Valuation Date and must be reduced for any distributions made from the Participant's Account since the most recent Valuation Date. A Participant or Beneficiary does not share in any allocation of gains or losses attributable to the period between the most recent Valuation Date and the date of the distribution, unless provided otherwise under uniform funding and valuation procedures established by the Plan Administrator. See Section 10.03.

7.03 **Participant Consent.** To the extent elected under AA §9-2, if the value of a Participant's entire vested Account Balance exceeds the Involuntary Cash-Out threshold (as defined in subsection (a) below), the Participant must consent to any distribution of such Account Balance prior to his/her Required Beginning Date (as defined in Section 8.05(e)) or, if so provided in AA §9-2(a)(3), as of the date the Participant attains (or would have attained if not deceased) the later of Normal Retirement Age or age 62. A failure by the Participant (and Spouse, if applicable) to consent to a distribution while a benefit is immediately distributable shall be deemed to be an election to defer commencement of payment of any benefit sufficient to satisfy this section.

(a) **Involuntary Cash-Out threshold.** For purposes of determining whether a distribution is subject to the Participant consent requirements as described in Section 7.03, the Involuntary Cash-Out threshold is $5,000 unless a different amount is designated under AA §9-2(a). (See Section 7.05 for a discussion of the Automatic Rollover rules that apply if a Participant does not consent to a distribution that is otherwise available without Participant consent.) For purposes of determining whether a Participant's vested Account Balance exceeds the Involuntary Cash-Out threshold, the value of the Participant's vested Account Balance shall be determined without regard to that portion of the Account Balance that is attributable to Rollover Contributions (and earnings allocable thereto) within the meaning of Code §§402(c), 403(a)(4), 403(b)(8), 408(d)(3)(A)(ii), and 457(e)(16). The Employer may elect in AA §9-2(a)(4) to include Rollover Contributions (and earnings allocable thereto) in determining whether the Participant's vested Account Balance exceeds the Involuntary Cash-Out threshold.

(b) **Participant notice.** If a distribution is subject to Participant consent, the Participant must consent in writing to the distribution within a reasonable period prior to the Annuity Starting Date (as defined in Section 1.09). For this purpose, any consent made within the 180-day period ending on the Annuity Starting Date will be deemed to be made within a reasonable period. If the distribution is subject to spousal consent under AA §9-2(b), the Participant's Spouse also must consent to the distribution in accordance with Section 9.02.

Prior to receiving a distribution from the Plan, a Participant must be notified of his/her right to defer any distribution from the Plan. The notification shall include a general description of the material features and the relative values of the optional forms of benefit available under the Plan (consistent with the requirements under Code §417(a)(3)). Effective for Plan Years beginning on or after January 1, 2007, the Participant notice must include a description of the consequences of a Participant's decision not to defer the receipt of a distribution. The notice must be provided no less than 30 days and no more than 180 days prior to the Participant's Annuity Starting Date. However, distribution may commence less than 30 days after the notice is given, if the Participant is clearly informed of his/her right to take 30 days after receiving the notice to decide whether or not to elect a distribution (and, if applicable, a particular distribution option), and the Participant, after receiving the notice, affirmatively elects to receive the distribution prior to the expiration of the 30-day minimum period. The notice requirements described in this paragraph may be satisfied by providing a summary of the required information, so long as the conditions described in applicable regulations for the provision of such a summary are satisfied, and the full notice is also provided (without regard to the 180-day period described in this subsection).

(c) **Special rules.** The consent rules under this Section 7.03 apply to distributions made after the Participant's termination of employment and to distributions made prior to the Participant's termination of employment. However, the consent of the Participant (and the Participant's Spouse, if applicable) shall not be required to the extent that a distribution is required to satisfy the required minimum distribution rules under Section 8 or to satisfy the requirements of Code §415, as described in Section 5.02. A Participant also will not be required to consent to a corrective distribution of Excess Deferrals.

7.04 **Direct Rollovers.** Notwithstanding any provision in the Plan to the contrary, a Participant may elect, at the time and the manner prescribed by the Plan Administrator, to have all or any portion of an Eligible Rollover Distribution paid directly to an Eligible Retirement Plan in a Direct Rollover. If an Eligible Rollover Distribution is less than $500, the Participant may not elect a Direct Rollover of only a portion of such distribution (i.e., a Participant must elect a complete Direct Rollover if the Eligible Rollover Distribution is less than $500). For purposes of this Section 7.04, a Participant includes a Participant or former Participant. In addition, this Section applies to any distribution from the Plan made to a Participant's surviving Spouse or to a Participant's Spouse or former Spouse who is the Alternate Payee under a QDRO, as defined in Section 1.76. For distributions made on or after January 1, 2007, this Section 7.04 also applies to distributions made to a Participant's non-Spouse beneficiary, as set forth in subsection (c) below.

(a) **Definitions.**

(1) **Eligible Rollover Distribution.** An Eligible Rollover Distribution is any distribution of all or any portion of a Participant's Account Balance, except an Eligible Rollover Distribution does not include:

(i) any distribution that is one of a series of substantially equal periodic payments (not less frequently than annually) made for the life (or life expectancy) of the Participant or the joint lives (or joint life expectancies) of the Participant and the Participant's Beneficiary, or for a specified period of ten years or more;

(ii) any distribution to the extent such distribution is a required minimum distribution under Code §401(a)(9), as described under Section 8;

(iii) any Hardship distribution, as described in Section 7.10(e);

(iv) the portion of any distribution that is not includible in gross income (determined without regard to the exclusion for net unrealized appreciation with respect to Employer securities);

(v) any distribution if it is reasonably expected (at the time of the distribution) that the total amount the Participant will receive as a distribution during the calendar year will total less than $200;

(vi) a distribution made to satisfy the requirements of Code §415 (as described in Section 5.02) or a distribution to correct Excess Deferrals.

(2) **Eligible Retirement Plan.** For purposes of applying the Direct Rollover provisions under this Section 7.04, an Eligible Retirement Plan is:

(i) a qualified plan described in Code §401(a);

(ii) an individual retirement account described in Code §408(a);

(iii) an individual retirement annuity described in Code §408(b);

(iv) an annuity plan described in Code §403(a);

(v) an annuity contract described in Code §403(b); or

(vi) an eligible plan under Code §457(b) which is maintained by a state, political subdivision of a state, or any agency or instrumentality of a state or political subdivision of a state and which agrees to separately account for amounts transferred into such plan from this Plan

The definition of Eligible Retirement Plan also applies in the case of a distribution to a surviving Spouse, or to a Spouse or former Spouse who is the Alternate Payee under a QDRO.

To the extent any portion of an Eligible Rollover Distribution is attributable to Roth Deferrals (as defined in Section 3.02(c)(2)(v)), an Eligible Retirement Plan with respect to such portion of the distribution shall include only another designated Roth account of the Participant or a Roth IRA. To the extent any portion of an Eligible Rollover Distribution is attributable to After-Tax Employee Contributions, an Eligible Retirement Plan with respect to such portion of the distribution shall include only an individual retirement account or annuity described in Code §408(a) or (b) or a qualified Defined Contribution Plan described in Code §401(a) or §403(a) that agrees to separately account for amounts so transferred, including separately accounting for the portion of such distribution which is includible in gross income and the portion of such distribution which is not includible in gross income.

(3) **Direct Rollover.** A Direct Rollover is a payment made directly from the Plan to the Eligible Retirement Plan specified by the Participant. The Plan Administrator may develop reasonable procedures for accommodating Direct Rollover requests.

(b) **Direct Rollover notice.** A Participant entitled to an Eligible Rollover Distribution must receive a written explanation of his/her right to a Direct Rollover, the tax consequences of not making a Direct Rollover, and, if applicable, any available special income tax elections. The notice must be provided within 30 –180 days prior to the Participant's Annuity Starting Date in the same manner as described in Section 7.03(b). The Direct Rollover notice must be provided to all Participants, unless the total amount the Participant will receive as a distribution during the calendar year is expected to be less than $200.

If a Participant terminates employment and is eligible for a distribution which is not subject to Participant consent, and the Participant does not respond to the Direct Rollover notice indicating whether a Direct Rollover is desired and the name of the Eligible Retirement Plan to which the Direct Rollover is to be made, the Plan Administrator may distribute the Participant's entire vested Account Balance in the form of an Automatic Rollover (pursuant to Section 7.05) . If a distribution would qualify for Automatic Rollover, the Direct Rollover notice must describe the procedures for making an Automatic Rollover, including the name, address, and telephone number of the IRA trustee and information regarding IRA maintenance and withdrawal fees and how the IRA funds will be invested. The Direct Rollover notice also must describe the timing of the Automatic Rollover and the Participant's ability to affirmatively opt out of the Automatic Rollover.

(c) **Direct Rollover by non-Spouse beneficiary.** Effective for Plan Years beginning after December 31, 2009, the Plan must permit a non-Spouse beneficiary (as defined in Code §401(a)(9)(E)) to make a direct rollover of an eligible rollover distribution to an individual retirement account under Code §408(a) or an individual retirement annuity under Code §408(b) that is established on behalf of the designated beneficiary and that will be treated as an inherited IRA pursuant to the provisions of Code §402(c)(11). A non-Spouse rollover made after December 31, 2009 will be subject to the direct rollover requirements under Code §401(a)(31), the rollover notice requirements under Code §402(f) or the mandatory withholding requirements under Code §3405(c).

(d) **Direct Rollover of non-taxable amounts.** Notwithstanding any other provision of the Plan, effective for taxable years beginning on or after January 1, 2007, an Eligible Rollover Distribution may include the portion of any distribution that is not includible in gross income. For this purpose, an Eligible Retirement Plan includes a Defined Contribution or Defined Benefit Plan qualified under Code §401(a) and a tax-sheltered annuity plan under Code §403(b), provided the rollover is accomplished through a direct rollover and the recipient Eligible Retirement Plan separately accounts for any amounts attributable to the rollover of any nontaxable distribution and earnings thereon.

(e) **Rollovers to Roth IRA.** For distributions occurring on or after January 1, 2008, a Participant or beneficiary (including a non-spousal beneficiary to the extent permitted under subsection (c) above), may rollover an Eligible Rollover Distribution (as defined in subsection (a)(1)) to a Roth IRA, provided the Participant (or beneficiary) satisfies the requirements for making a Roth contribution under Code §408A(c)(3)(B). Any amounts rolled over to a Roth IRA will be included in gross income to the extent such amounts would have been included in gross income if not rolled over (as required under Code §408A(d)(3)(A)). For purposes of this subsection (e), the Plan Administrator is not responsible for assuring the Participant (or beneficiary) is eligible to make a rollover to a Roth IRA.

7.05 **<u>Automatic Rollover.</u>** The Automatic Rollover rules in this Section 7.05 are effective for distributions made on or after the close of the first regular legislative session of the legislative body with the authority to amend the Plan that begins on or after January 1, 2006.

(a) **<u>Automatic Rollover requirements.</u>** If a Participant is entitled to an Involuntary Cash-Out Distribution (as defined in subsection (b)), and the Participant does not elect to receive a distribution of such amount (either as a Direct Rollover to an Eligible Retirement Plan or as a direct distribution to the Participant), then the Plan Administrator may pay the distribution in a Direct Rollover to an individual retirement plan (IRA) designated by the Plan Administrator. (The Automatic Rollover provisions under this subsection (a) apply to any Involuntary Cash-Out Distribution for which the Participant fails to consent to a distribution, without regard to whether the Participant can be located. See Section 6.10(c) for alternatives if the Participant cannot be located after a reasonable diligent search.)

(b) **<u>Involuntary Cash-Out Distribution.</u>** An Involuntary Cash-Out Distribution is any distribution that is made from the Plan without the Participant's consent. Unless elected otherwise under AA §9-2(a)(3), an Involuntary Cash-Out Distribution, for purposes of applying the Automatic Rollover requirements under this Section 7.05 does not include any amounts below $1,000. (See Section 7.03 for the Participant consent requirements with respect to distributions under the Plan.)

(c) **<u>Treatment of Rollover Contributions.</u>** Unless elected otherwise under AA §9-2(a)(5), for purposes of determining whether a mandatory distribution is greater than $1,000, the portion of the Participant's distribution attributable to any Rollover Contribution is excluded.

7.06 **<u>Distribution Upon Termination of Employment.</u>** Subject to the required minimum distribution provisions under Section 8, a Participant who terminates employment for any reason (other than death) is entitled to receive a distribution of his/her vested Account Balance in accordance with this Section 7.06. (See Section 7.07 for the applicable rules when a Participant dies before distribution of his/her vested Account Balance is completed.)

(a) **<u>Account Balance not exceeding Cash-Out threshold.</u>** If a Participant's vested Account Balance does not exceed $5,000 (or other Cash-Out threshold designated under AA §9-2(a)(2)) at the time of distribution, the only distribution option available under the Plan is a lump sum option. The Participant will be eligible to receive a distribution of his/her vested Account Balance as of the date selected in AA §9-3(b).

(b) **<u>Account Balance exceeding Cash-Out threshold.</u>** If a Participant's vested Account Balance exceeds $5,000 (or other Cash-Out threshold designated under AA §9-2(a)(2)) at the time of distribution, the Participant may elect to receive a distribution of his/her vested Account Balance in any form permitted under AA §9-1. The Participant will be eligible to receive a distribution of his/her vested Account Balance as of the date selected in AA §9-3(a). The Employer may elect to accelerate the distribution to Employees upon special circumstances, such as termination after attainment of Normal Retirement Age or other special circumstances.

7.07 **<u>Distribution Upon Death.</u>** Subject to the Required Minimum Distribution rules in Section 8, a Participant's vested Account Balance will be distributed to the Participant's Beneficiary(ies) in accordance with this Section 7.07. (See subsection (c) for rules regarding the determination of Beneficiaries upon the death of the Participant.) The form of benefit payable with respect to a deceased Participant will depend on whether the Participant dies before or after distribution of his/her Account Balance has commenced.

(a) **<u>Death after commencement of benefits.</u>** If a Participant begins receiving a distribution of his/her benefits under the Plan, and subsequently dies prior to receiving the full value of his/her vested Account Balance, the remaining benefit will continue to be paid to the Participant's Beneficiary(ies) in accordance with the form of payment that has already commenced. If a Participant commences distribution prior to death only with respect to a portion of his/her Account Balance, then the rules in subsection (b) apply to the rest of the Account Balance.

(b) **<u>Death before commencement of benefits.</u>** If a Participant dies before commencing distribution of his/her benefits under the Plan, the form and timing of any death benefits will depend on whether the value of the death benefit exceeds $5,000 (or other threshold designated under AA §9-2(a)(2)).

(1) **<u>Death benefit not exceeding $5,000.</u>** If the value of the death benefit does not exceed $5,000, such benefit will be paid to the Participant's Beneficiary(ies) in a single sum as soon as administratively feasible following the Participant's death.

(2) **<u>Death benefit exceeding $5,000.</u>** If the value of the death benefit exceeds $5,000, will be paid in a lump sum as soon as administratively feasible following the Participant's death. However, the death benefit may be payable in a different form if prescribed by the Participant's Beneficiary designation, or the Beneficiary, before a lump sum payment of the benefit is made, elects to receive the distribution in an alternative form of benefit permitted under Section 7.01.

In no event will any death benefit be paid in a manner that is inconsistent with the Required Minimum Distribution rules under Section 8. The Beneficiary of any pre-retirement death benefit described in this subsection (b) may postpone the commencement of the death benefit to a date that is not later than the latest commencement date permitted under Section 8.

(c) **Determining a Participant's Beneficiary.** The determination of a Participant's Beneficiary(ies) to receive any death benefits under the Plan will be based on the Participant's Beneficiary designation under the Plan. If a Participant does not designate a Beneficiary to receive the death benefits under the Plan, distribution will be made to the default Beneficiaries, as set forth in subsection (3) below.

(1) **Post-retirement death benefit.** If a Participant dies after commencing distribution of benefits under the Plan (but prior to receiving a distribution of his/her entire vested Account Balance under the Plan), the Beneficiary of any post-retirement death benefit is determined in accordance with the Beneficiary selected under the distribution option in effect prior to death.

(2) **Pre-retirement death benefit.** If a Participant dies before commencing distribution of his/her benefits under the Plan, the surviving Spouse (determined at the time of the Participant's death) will be treated as the sole Beneficiary, unless:

(i) there is a valid contrary Beneficiary designation,

(ii) there is no surviving Spouse, or

(iii) the Spouse makes a valid disclaimer.

(3) **Default beneficiaries.** To the extent a Beneficiary has not been named by the Participant and is not designated under the terms of this Plan to receive all or any portion of the deceased Participant's death benefit, such amount shall be distributed to the Participant's surviving Spouse (if the Participant was married at the time of death). If the Participant does not have a surviving Spouse at the time of death, distribution will be made to the Participant's surviving children, in equal shares. If the Participant has no surviving children, distribution will be made to the Participant's estate. The Employer may modify the default beneficiary rules described in this subparagraph under AA §9-5.

(4) **Identification of Beneficiaries.** The Plan Administrator may request proof of the Participant's death and may require the Beneficiary to provide evidence of his/her right to receive a distribution from the Plan in any form or manner the Plan Administrator may deem appropriate. The Plan Administrator's determination of the Participant's death and of the right of a Beneficiary to receive payment under the Plan shall be conclusive. If a distribution is to be made to a minor or incompetent Beneficiary, payments may be made to the person's legal guardian, conservator recognized under state law, or custodian in accordance with the Uniform Gifts to Minors Act or similar law as permitted under the laws of the state where the Beneficiary resides. The Plan Administrator or Trustee will not be liable for any payments made in accordance with this subsection (4) and will not be required to make any inquiries with respect to the competence of any person entitled to benefits under the Plan. (See Section 9.03 for a special one-year marriage rule that may apply under AA §9-5(b).)

(5) **Death of Beneficiary.** Unless specified otherwise in the Participant's Beneficiary designation form or under AA §9-5, if a Beneficiary does not predecease the Participant but dies before distribution of the death benefit is made to the Beneficiary, the death benefit will be paid to the Beneficiary's estate. If the Participant and the Participant's Beneficiary die simultaneously and the Participant's Beneficiary designation form does not address simultaneous death, the determination of the death beneficiary will be determined under any state simultaneous death laws, to the extent applicable. If no applicable state law applies, the death benefit will be paid to the any contingent beneficiaries named under the Participant's beneficiary designation. If there are no contingent beneficiaries, the death benefit will be paid to the Participant's default beneficiaries, as described in subsection (3).

(6) **Divorce from Spouse.** Unless designated otherwise under AA §9-5(c), if a Participant designates his/her Spouse as Beneficiary and subsequent to such Beneficiary designation, the Participant and Spouse are divorced, the designation of the Spouse as Beneficiary under the Plan is automatically rescinded unless specifically provided otherwise under a divorce decree or QDRO, or unless the Participant enters into a new Beneficiary designation naming the prior Spouse as Beneficiary. In addition, the provisions under this subsection (6) will not apply if the Participant has entered into a Beneficiary designation that specifically overrides the provisions of this subsection

(6). For periods prior to the date this Plan is executed by the Employer, this subsection (6) also applies to situations where the Participant and Spouse are legally separated.

7.08 **Distribution to Disabled Employees.** Unless elected otherwise under AA §9-4, no special distribution rules apply to Disabled Employees. However, the Employer may elect in AA §9-4 to permit a distribution at an earlier date for Disabled Employees.

7.09 **Qualified Distributions for Retired Public Safety Officers.** A Participant who is an eligible retired public safety officer may elect, after separation from service, to have qualified health insurance premiums deducted from amounts to be distributed from the Plan that would otherwise be includible in gross income, and to have such amounts paid directly to the insurer or group health plan. The distribution shall be excluded from the Participant's gross income to the extent that the aggregate amount of the distribution does not exceed the lesser of the amount used to pay the qualified health insurance premiums of the Participant, the Participant's spouse, and the Participant's dependents (as defined in Code §152), or $3,000, determined by aggregating all distributions with respect to the Participant that are used to pay qualified health insurance premiums from all eligible retirement plans of the Employer as defined in Code §414(d).

(a) **Qualified health insurance premiums.** The term "qualified health insurance premiums" means premiums for coverage for the Participant, the Participant's spouse, and the Participant's dependents (as defined in Code §152) by an accident or health insurance plan (including under a self-insured plan) or qualified long-term care insurance contract (within the meaning of Code §7702B(b)).

(b) **Eligible retired public safety officer.** The term "eligible retired public safety officer" means an individual who separated from service, either by reason of disability or after attainment of Normal Retirement Age, as a public safety officer with the Employer. For this purpose, a public safety officer is an individual serving the Employer in an official capacity, with or without compensation, as a law enforcement officer, a firefighter, a chaplain, or a member of a rescue squad or ambulance crew.

7.10 **In-Service Distributions.** The Employer may elect under AA §10 to permit in-service distributions under the Plan. Except to the extent provided under subsection (a) below, if an in-service distribution is not specifically permitted under AA §10, a Participant may not receive a distribution from the Plan until termination of employment, death or disability.

(a) **After-Tax Employee Contributions and Rollover Contributions.** Unless designated otherwise under AA §10-2, a Participant may withdraw at any time, upon written request, all or any portion of his/her Account Balance attributable to After-Tax Employee Contributions or Rollover Contributions. No forfeiture will occur solely as a result of an Employer's withdrawal of After-Tax Employee Contributions.

(b) **Employer Contributions and Matching Contributions.** The Employer may elect under AA §10 the extent to which in-service distributions will be permitted from Employer Contributions (including Matching Contributions, if applicable) under the Plan. If permitted under AA §10 of the Profit Sharing Plan Adoption Agreement, Employer Contributions may be withdrawn upon the occurrence of a specified event (such as attainment of a designated age or the occurrence of a Hardship, as defined in subsection (e) below). In addition, a Participant may take withdraw his/her Employer Contributions (and Matching Contributions, if applicable) upon the completion of a certain number of years, provided no distribution solely on account of years may be made with respect to Employer Contributions that have been accumulated in the Plan for less than 2 years, unless the Participant has been a Participant in the Plan for at least 5 years. (See Section 6.09 for special vesting rules that apply if a Participant takes an in-service distribution prior to becoming 100% vested in such contributions.)

For Plan Years beginning after January 1, 2007, if the Plan is a pension plan (e.g., a money purchase plan or if the Plan holds transferred assets from a money purchase plan), a Participant may not receive an in-service distribution of his/her vested Account Balance prior to the earlier of the attainment of Normal Retirement Age or age 62 (to the extent permitted under AA §10-1 or AA §10-2).

(c) **Salary Deferrals under Grandfathered 401(k) Arrangement.** If the Plan qualifies as a Grandfathered 401(k) Arrangement, as designated under AA §2-3 of the Profit Sharing Adoption Agreement, any Salary Deferrals (including any earnings on such amounts) generally may not be distributed prior to the Participant's severance from employment, death, or disability. However, the Employer may elect under AA §10 to permit an in-service distribution of such amounts upon attainment of a specified age (no earlier than age 59½, upon a Hardship (as defined in subsection (e)) or upon a Qualified Reservist Distribution, as defined under subsection (d).

If Normal Retirement Age or Early Retirement Age is earlier than age 59½ and an in-service distribution is permitted upon attainment of Normal Retirement Age or Early Retirement Age from Salary Deferrals, the Normal Retirement Age and/or Early Retirement Age will be deemed to be age 59½ for purposes of determining eligibility to distribute Salary Deferrals.

(d) **Penalty-free withdrawals for individuals called to active duty.** Effective September 11, 2001, the distribution provisions applicable to Salary Deferrals include a Qualified Reservist Distribution, as defined in subsection (1) below. If a Participant takes a Qualified Reservist Distribution, such distributions will not be subject to the 10% penalty tax under Code §72(t). A Qualified Reservist Distribution is only available if permitted under AA §10-1.

(1) **Qualified Reservist Distribution.** For purposes of this subsection (d), a Qualified Reservist Distribution means any distribution to an individual if:

(i) such distribution is from amounts attributable to elective deferrals described in Code §402(g)(3)(A) or (C) or Code §501(c)(18)(D)(iii),

(ii) such individual was (by reason of being a member of a reserve component (as defined in §101 of Title 37 of the United States Code)) ordered or called to active duty for a period in excess of 179 days or for an indefinite period, and

(iii) such distribution is made during the period beginning on the date of such order or call and ending at the close of the active duty period.

(2) **Active duty.** A Qualified Reservist Distribution will only be available for individuals who are ordered or called into active duty after September 11, 2001

(e) **Hardship distribution.** The Employer may elect under AA §10-1 or AA §10-2of the Profit Sharing Plan Adoption Agreement to authorize an in-service distribution upon the occurrence of a Hardship event. A Hardship distribution of Salary Deferrals must meet the requirements of a safe harbor Hardship as described under subsection (1) below. For other contribution types, the Employer may elect to apply the safe harbor Hardship rules under subsection (1) or the non-safe harbor Hardship provisions under subsection (2) below.

(1) **Safe harbor Hardship distribution.** To qualify for a safe harbor Hardship, a Participant must demonstrate an immediate and heavy financial need, as described in subsection (i), and the distribution must be necessary to satisfy such need, as described in subsection (ii).

(i) **Immediate and heavy financial need.** To be considered an immediate and heavy financial need, the Hardship distribution must be made to satisfy one of the following financial needs:

(A) to pay expenses incurred or necessary for medical care (as described in Code §213(d)) of the Participant, the Participant's Spouse or dependents (determined without regard to whether the expenses exceed 7.5% of adjusted gross income);

(B) for the purchase (excluding mortgage payments) of a principal residence for the Participant;

(C) for payment of tuition and related educational fees (including room and board) for the next 12 months of post-secondary education for the Participant, the Participant's Spouse, children or dependents;

(D) to prevent the eviction of the Participant from, or a foreclosure on the mortgage of, the Participant's principal residence;

(E) to pay funeral or burial expenses for the Participant's deceased parent, Spouse, child or dependent;

(F) to pay expenses to repair damage to the Participant's principal residence that would qualify for a casualty loss deduction under Code §165 (determined without regard to whether the loss exceeds the 10% of adjusted gross income limit); or

(G) for any other event that the IRS recognizes as a safe harbor Hardship distribution event under ruling, notice or other guidance of general applicability.

The payment of funeral or burial expenses under subsection (E) and the payment of expenses to repair damage to a principal residence under subsection (F) only apply to Plan Years beginning on or after January 1, 2006. For purposes of determining eligibility of a Hardship distribution under this subsection (i), a dependent is determined under Code §152. However, for taxable years beginning on or after January 1, 2005, the determination of dependent for purposes of tuition and education fees under subsection (C) above will be made without regard to Code §152(b)(1), (b)(2), and (d)(1)(B) and the determination of dependent for purposes of funeral or burial expenses under subsection (E) above will be made without regard to Code §152(d)(1)(B).

A Participant must provide the Plan Administrator with a written request for a Hardship distribution. The Plan Administrator may require written documentation, as it deems necessary, to sufficiently document the existence of a proper Hardship event.

(ii) **<u>Distribution necessary to satisfy need.</u>** A distribution will be considered as necessary to satisfy an immediate and heavy financial need of the Participant if:

(A) The distribution is not in excess of the amount of the immediate and heavy financial need (including amounts necessary to pay any federal, state or local income taxes or penalties reasonably anticipated to result from the distribution);

(B) The Participant has obtained all available distributions, other than Hardship distributions, and all nontaxable loans under the Plan and all plans maintained by the Employer; and

(C) The Participant is suspended from making Salary Deferrals (and After-Tax Employee Contributions) for at least 6 months after the receipt of the Hardship distribution.

(2) **<u>Non-safe harbor Hardship distribution.</u>** The Employer may elect in AA §10-1(e) or AA §10-2(e) of the Profit Sharing Plan Adoption Agreement to permit Participants to take a Hardship distribution of Employer Contributions without satisfying the requirements of subsection (1) above.

(i) **<u>Immediate and heavy financial need.</u>** For purposes of determining whether a Hardship exists under this subsection (2), the same Hardship distribution events described in subsection (1)(i) will qualify as a Hardship distribution event under this subsection (2). The Employer may modify the permissible Hardship distribution events under AA §10-3(f) of the Profit Sharing Plan Adoption Agreement.

(ii) **<u>Distribution necessary to satisfy need.</u>** A Hardship distribution under this subsection (2) need not satisfy the requirements under subsection (1)(ii) above. Instead, all relevant facts and circumstances are considered to determine whether the Employee has other resources reasonably available to relieve or satisfy the need. For this purpose, resources include assets of the Employee's Spouse and minor children that are reasonably available to the Employee. In addition, the amount withdrawn for hardship may include amounts necessary to pay federal, state or local income taxes, or penalties reasonably anticipated to result from the distribution.

The Employer or Plan Administrator may rely upon the Employee's written representation that the need cannot be reasonably relieved through the following sources:

(A) Reimbursement or compensation by insurance;

(B) Liquidation of the Employee's assets;

(C) Cessation of Salary Deferrals or After-Tax Employee Contributions under the Plan;

(D) Other currently available distributions or nontaxable loans from the Plan or any other plan maintained by the Employer (or any other employer);

(E) Borrowing from commercial sources on reasonable commercial terms in an amount sufficient to satisfy the need.

The Employer or Plan Administrator may not rely upon the written representation under this subsection (ii) if the Employer has actual knowledge to the contrary.

(3) **<u>Amount available for Hardship distribution.</u>** A Participant may receive a Hardship distribution of any portion of his/her vested Employer Contribution Account or Matching Contribution Account (including earnings thereon), as permitted under AA §10. A Participant may receive a Hardship distribution of Salary Deferrals provided such distribution, when added to other Hardship distributions from Salary Deferrals, does not exceed the total Salary Deferrals the Participant has made to the Plan (increased by income allocable to such Salary Deferrals as of the later of December 31, 1988 or the end of the last Plan Year ending before July 1, 1989).

(4) **Availability to terminated Employees.** If a Hardship distribution is permitted under AA §10-1 or AA §10-2, a Participant may take such a Hardship distribution after termination of employment to the extent no other distribution is available from the Plan.

(5) **Application of Hardship distributions rules with respect to primary beneficiaries.** If elected under AA §10-3(e), if the Plan otherwise permits Hardship distributions based on the safe harbor hardship provisions under subsection (1), the existence of an immediate and heavy financial need under subsection (1)(i) may be determined with respect to a primary beneficiary under the Plan. For this purpose, a primary beneficiary is an individual who is named as a beneficiary under the Plan and has an unconditional right to all or a portion of a Participant's Account Balance upon the death of the Participant. Hardship distributions with respect to primary beneficiaries under this subsection (5) are limited to Hardship distributions on account of medical expenses, educational expenses and funeral expenses (as described in subsections (1)(i)(A), (1)(i)(C) and (1)(i)(E), above)). Any Hardship distribution with respect to a primary beneficiary must satisfy all the other requirements applicable to Hardship distributions under subsection (e).

7.11 **Sources of Distribution.** Unless provided otherwise in separate administrative provisions adopted by the Plan Administrator, in applying the distribution provisions under this Section 7, distributions will be made on a pro rata basis from all Accounts from which a distribution is permitted. Alternatively, the Plan Administrator may permit Participants to direct the Plan Administrator as to which Account the distribution is to be made. Regardless of a Participant's direction as to the source of any distribution, the tax effect of such a distribution will be governed by Code §72 and the regulations thereunder.

(a) **Exception for Hardship withdrawals.** If the Plan permits a Hardship withdrawal from both Salary Deferrals (including Roth Deferrals) and Employer Contributions, a Hardship distribution will first be treated as having been made from a Participant's Employer Contribution Account and then from the Employer's Matching Contribution Account, to the extent such Hardship distribution is available with respect to such Accounts. Only when all available amounts have been exhausted under the Participant's Employer Contribution Account and/or Matching Contribution Account will a Hardship distribution be made from a Participant's Pre-Tax Salary Deferral Account and/or Roth Deferral Account. (See subsection (b) below for the ordering rules for distributions from the Pre-Tax Salary Deferral and Roth Deferral Accounts.) The Plan Administrator may modify the ordering rules under this subsection (a) under separate administrative procedures.

(b) **Roth Deferrals.** If a Participant has both a Pre-Tax Salary Deferral Account and a Roth Deferral Account, withdrawals and loans from such Accounts will be made in accordance with this subsection (b).

(1) **Distributions and withdrawals.** Unless designated otherwise under AA §6A-5 of the Grandfathered 401(k) Plan Adoption Agreement or separate administrative procedures, if a Participant has both a Pre-Tax Salary Deferral Account and a Roth Deferral Account, the Participant may designate the extent to which a distribution or withdrawal of Salary Deferrals will come from the Pre-Tax Salary Deferral Account or the Roth Deferral Account. Alternatively, the Employer may provide under AA §6A-5 of the Grandfathered 401(k) Plan Adoption Agreement (or under separate administrative procedures) that any distribution or withdrawal of Salary Deferrals will be made on a pro rata basis from the Pre-Tax Salary Deferral Account and the Roth Deferral Account. Alternatively, the Employer may designate any other order of distribution and withdrawals under AA §6A-5 or separate administrative procedures.

(2) **Distribution of Excess Deferrals.** Unless designated otherwise under AA §6A-5 of the Grandfathered 401(k) Plan Adoption Agreement or separate administrative procedures, if a Participant has both a Pre-Tax Salary Deferral Account and a Roth Deferral Account, and the Plan is required to make a corrective distribution of Excess Deferrals to such Participant, the Participant may designate whether the Plan will make such corrective distribution of Excess Deferrals from the Pre-Tax Salary Deferral Account or the Roth Deferral Account. Alternatively, the Employer may elect under AA §6A-5 of the Grandfathered 401(k) Plan Adoption Agreement (or under separate administrative procedures) that corrective distributions of Salary Deferrals to correct Excess Deferrals will be made pro rata from the Pre-Tax Salary Deferral Account and Roth Deferral Account or first from the Pre-Tax Salary Deferral Account or first from the Roth Deferral Account.

Unless designated otherwise under separate administrative procedures, if a Participant is permitted to designate the extent to which a corrective distribution is made from the Pre-Tax Salary Deferral Account or the Roth Deferral Account, and the Participant fails to designate the appropriate Account by the date the corrective distribution is made from the Plan, such corrective distribution may be withdrawn equally from both the Pre-Tax Salary Deferral Account and the Roth Deferral Account or the Employer may withdraw such amounts first from either the Pre-Tax Salary Deferral Account or the Roth Deferral Account.

(c) **In-kind distributions.** Nothing in this Section 7 precludes the Plan Administrator from making a distribution in the form of property, or other in-kind distribution. An in-kind distribution is only available to the extent such investments are held in the Participant's Account at the time of the distribution. This subsection (c) does not give any Participant the right to request an in-kind distribution if not otherwise authorized by the Plan Administrator.

7.12 **Correction of Qualification Defects.** Nothing in this Section 7 precludes the Plan Administrator from making a distribution to a Participant to correct a qualification defect consistent with the correction procedures under the IRS' voluntary compliance programs. Thus, for example, if an Employee is permitted to enter the Plan prior to his/her proper Entry Date under Section 2.03(b) and the Plan Administrator determines that a corrective distribution is a proper means of correcting the operational violation, nothing in this Section 7 would prevent the Plan from making such corrective distribution. Any such distribution must be made in accordance with the correction procedures applicable under the IRS' voluntary correction programs under Rev. Proc. 2013-12 (or successive guidance).

SECTION 8
REQUIRED MINIMUM DISTRIBUTIONS

8.01 **<u>Required Minimum Distributions.</u>** Unless specified otherwise under Appendix A of the Adoption Agreement, the provisions of this Section apply to calendar years beginning on or after January 1, 2003. A Participant's entire interest under the Plan will be distributed, or begin to be distributed, to the Participant no later than the Participant's Required Beginning Date (as defined in Section 8.05(e)). All distributions required under this Section 8 will be determined and made in accordance with the regulations under Code §401(a)(9) and the minimum distribution incidental benefit requirement of Code §401(a)(9)(G). For purposes of applying the required minimum distribution rules under this Section 8, any distribution made in a form other than a lump sum must be made over one of the following periods (or a combination thereof):

(a) the life of the Participant;

(b) the life of the Participant and a Designated Beneficiary;

(c) a period certain not extending beyond the life expectancy of the Participant; or

(d) a period certain not extending beyond the joint and last survivor life expectancy of the Participant and a Designated Beneficiary.

8.02 **<u>Death of Participant before required distributions begin.</u>** If the Participant dies before required distributions begin, the Participant's entire interest will be distributed, or begin to be distributed, no later than as follows:

(a) **<u>Surviving Spouse is sole Designated Beneficiary.</u>** Unless designated otherwise under AA §10-4, if the Participant's surviving Spouse is the Participant's sole Designated Beneficiary, the surviving Spouse may elect to take distributions under the five-year rule (as described in Section 8.06(a) below) or under the life expectancy method. If the life expectancy method applies, distributions to the surviving Spouse will begin by December 31 of the calendar year immediately following the calendar year in which the Participant died, or by December 31 of the calendar year in which the Participant would have attained age 70-1/2, if later.

(b) **<u>Surviving Spouse is not the sole Designated Beneficiary.</u>** Unless designated otherwise under AA §10-4, if the Participant's surviving Spouse is not the Participant's sole Designated Beneficiary, the Designated Beneficiary may elect to take distributions under the five-year rule (as described in Section 8.06(a) below) or under the life expectancy method. If the life expectancy method applies, then distributions to the Designated Beneficiary will begin by December 31 of the calendar year immediately following the calendar year in which the Participant died. If the Designated Beneficiary does not elect to commence distributions by December 31 of the calendar year immediately following the calendar year in which the Participant dies, a complete distribution must be made by December 31 of the calendar year containing the fifth anniversary of the Participant's death. See Section 8.06(a) below.

(c) **<u>No Designated Beneficiary.</u>** If there is no Designated Beneficiary as of the date of the Participant's death who remains a Beneficiary as of September 30 of the year immediately following the year of the Participant's death, the Participant's entire interest will be distributed by December 31 of the calendar year containing the fifth anniversary of the Participant's death.

(d) **<u>Death of surviving Spouse.</u>** If the Participant's surviving Spouse is the Participant's sole Designated Beneficiary and the surviving Spouse dies after the Participant but before distributions to the surviving Spouse begin, this Section 8.02 (other than subsection (a)) will apply as if the surviving Spouse were the Participant.

For purposes of this Section 8.02 and AA §10-4, unless subsection (d) applies, distributions are considered to begin on the Participant's Required Beginning Date. If subsection (d) applies, distributions are considered to begin on the date distributions are required to begin to the surviving Spouse under subsection (a) above. If distributions under an annuity purchased from an insurance company irrevocably commence to the participant before the Participant's Required Beginning Date (or to the Participant's surviving Spouse before the date distributions are required to begin to the surviving Spouse under subsection (a)), the date distributions are considered to begin is the date distributions actually commence.

8.03 **<u>Required Minimum Distributions during Participant's lifetime.</u>**

(a) **<u>Amount of Required Minimum Distribution for each Distribution Calendar Year.</u>** During the Participant's lifetime, the minimum amount that will be distributed for each Distribution Calendar Year is the lesser of:

(1) the quotient obtained by dividing the Participant's Account Balance by the distribution period set forth in the Uniform Lifetime Table found in Treas. Reg. §1.401(a)(9)-9, Q&A-2, using the Participant's age as of the Participant's birthday in the Distribution Calendar Year; or

(2) if the Participant's sole Designated Beneficiary for the Distribution Calendar Year is the Participant's Spouse, the quotient obtained by dividing the Participant's Account Balance by the number in the Joint and Last Survivor Table set forth in Treas. Reg. §1.401(a)(9)-9, Q&A-3, using the Participant's and Spouse's attained ages as of the Participant's and Spouse's birthdays in the Distribution Calendar Year.

(b) **Lifetime Required Minimum Distributions continue through year of Participant's death.** Required Minimum Distributions will be determined under this subsection (b) beginning with the first Distribution Calendar Year and continuing up to, and including, the Distribution Calendar Year that includes the Participant's date of death.

8.04 **Required Minimum Distributions After Participant's Death.**

(a) **Death on or after date required distributions begin.**

(1) **Participant survived by Designated Beneficiary.** If the Participant dies on or after the date required distributions begin and there is a Designated Beneficiary, the minimum amount that will be distributed for each Distribution Calendar Year after the year of the Participant's death is the quotient obtained by dividing the Participant's Account Balance by the longer of the remaining life expectancy of the Participant or the remaining life expectancy of the Participant's Designated Beneficiary, determined as follows:

(i) The Participant's remaining life expectancy is calculated in accordance with the Single Life Table found in Treas. Reg. §1.401(a)(9)-9, Q&A-1, using the age of the Participant in the year of death, reduced by one for each subsequent year.

(ii) If the Participant's surviving Spouse is the Participant's sole Designated Beneficiary, the remaining life expectancy of the surviving Spouse is calculated using the Single Life Table found in Treas. Reg. §1.401(a)(9)-9, Q&A-1, for each Distribution Calendar Year after the year of the Participant's death using the surviving Spouse's age as of the Spouse's birthday in that year. For Distribution Calendar Years after the year of the surviving Spouse's death, the remaining life expectancy of the surviving Spouse is calculated using the age of the surviving Spouse as of the Spouse's birthday in the calendar year of the Spouse's death, reduced by one for each subsequent calendar year.

(iii) If the Participant's surviving Spouse is not the Participant's sole Designated Beneficiary, the Designated Beneficiary's remaining life expectancy is calculated under the Single Life Table using the age of the Designated Beneficiary in the year following the year of the Participant's death, reduced by one for each subsequent year.

(2) **No Designated Beneficiary.** If the participant dies on or after the date required distributions begin and there is no Designated Beneficiary as of the Participant's date of death who remains a Designated Beneficiary as of September 30 of the year after the year of the Participant's death, the minimum amount that will be distributed for each Distribution Calendar Year after the year of the Participant's death is the quotient obtained by dividing the Participant's Account Balance by the Participant's remaining life expectancy under the Single Life Table calculated using the age of the Participant in the year of death, reduced by one for each subsequent year.

(b) **Death before date required distributions begin.**

(1) **Participant survived by Designated Beneficiary.** Unless designated otherwise under AA §10-4, if the Participant dies before the date required distributions begin and there is a Designated Beneficiary, the minimum amount that will be distributed for each Distribution Calendar Year after the year of the Participant's death is the quotient obtained by dividing the Participant's Account Balance by the remaining life expectancy of the Participant's Designated Beneficiary, determined as provided in subsection (a).

(2) **No Designated Beneficiary.** If the Participant dies before the date distributions begin and there is no Designated Beneficiary as of the date of death of the Participant who remains a Designated Beneficiary as of September 30 of the year following the year of the Participant's death, distribution of the Participant's entire interest must be completed by December 31 of the calendar year containing the fifth anniversary of the Participant's death.

(3) **Death of surviving Spouse before distributions to surviving Spouse are required to begin.** If the Participant dies before the date distributions begin, the Participant's surviving Spouse is the Participant's sole Designated Beneficiary, and the surviving Spouse dies before distributions are required to begin to the surviving Spouse under Section 8.02(a), this subsection (b) will apply as if the surviving Spouse were the Participant.

8.05 Definitions.

(a) **Designated Beneficiary.** A Beneficiary designated by the Participant (or the Plan), whose life expectancy may be taken into account to calculate minimum distributions, pursuant to Code §401(a)(9) and Treas. Reg. §1.401(a)(9)-4.

(b) **Distribution Calendar Year.** A calendar year for which a minimum distribution is required. For distributions beginning before the Participant's death, the first Distribution Calendar Year is the calendar year immediately preceding the calendar year that contains the Participant's Required Beginning Date. For distributions beginning after the Participant's death, the first Distribution Calendar Year is the calendar year in which distributions are required to begin pursuant to Section 8.02. The Required Minimum Distribution for the Participant's first Distribution Calendar Year will be made on or before the Participant's Required Beginning Date. The Required Minimum Distribution for other Distribution Calendar Years, including the Required Minimum Distribution for the Distribution Calendar Year in which the Participant's Required Beginning Date occurs, will be made on or before December 31 of that Distribution Calendar Year.

(c) **Life expectancy.** For purposes of determining a Participant's Required Minimum Distribution amount, life expectancy is computed using one of the following tables, as appropriate: (1) Single Life Table, (2) Uniform Life Table, or (3) Joint and Last Survivor Table found in Treas. Reg. §1.401(a)(9)-9.

(d) **Account Balance.** For purposes of determining a Participant's Required Minimum Distribution, the Participant's Account Balance is determined based on the Account Balance as of the last Valuation Date in the calendar year immediately preceding the Distribution Calendar Year (the "valuation calendar year") increased by the amount of any contributions or forfeitures allocated to the Account Balance as of dates in the calendar year after the Valuation Date and decreased by distributions made in the calendar year after the Valuation Date. The Account Balance for the valuation calendar year includes any amounts rolled over or transferred to the Plan either in the valuation calendar year or in the Distribution Calendar Year if distributed or transferred in the valuation calendar year.

(e) **Required Beginning Date.** Unless designated otherwise under AA §10-4, a Participant's Required Beginning Date under the Plan is April 1 that follows the end of the calendar year in which the later of the following two events occurs:

(1) the Participant attains age 70½ or

(2) the Participant terminates employment.

A Participant may begin in-service distributions prior to his/her Required Beginning Date only to the extent authorized under Section 7.10 and AA §10. However, if this Plan were amended to add the Required Beginning Date rules under this subsection (e), a Participant who attained age 70½ prior to January 1, 1999 (or, if later, January 1 following the date the Plan is first amended to contain the Required Beginning Date rules under this subsection (e)) may receive in-service minimum distributions in accordance with the terms of the Plan in existence prior to such amendment.

8.06 Special Rules.

(a) **Election to apply 5-year rule to required distributions after death.** If the Participant dies before distributions begin and there is a Designated Beneficiary, the Employer may elect under AA §10-4, instead of applying the provisions of Sections 8.02 and 8.04, to require the Participant's entire interest to be distributed to the Designated Beneficiary by December 31 of the calendar year containing the fifth anniversary of the Participant's death. If the Participant's surviving Spouse is the Participant's sole Designated Beneficiary and the surviving Spouse dies after the Participant but before distributions to either the Participant or the surviving Spouse begin, this election will apply as if the surviving Spouse were the Participant.

(b) **Election to allow Participants or Beneficiaries to elect 5-year rule.** If a Participant or Designated Beneficiary is permitted under AA §10-4 to elect whether to apply the life expectancy rule under Section 8.02 above or the five year rule under subsection (a), the election must be made no later than the earlier of September 30 of the calendar year in which distribution would be required to begin under Section 8.02 or by September 30 of the calendar year which contains the fifth anniversary of the Participant's (or, if applicable, surviving Spouse's) death. If neither the Participant nor Beneficiary makes an election under this paragraph, distributions will be made in accordance with the five year rule under subsection (a) above.

(c) **Forms of Distribution.** Unless the Participant's interest is distributed in the form of an annuity purchased from an insurance company or in a lump sum on or before the Required Beginning Date, as of the first Distribution Calendar Year distributions will be made in accordance with Sections 8.02 and 8.04. If the Participant's interest is distributed in the form of an annuity purchased from an insurance company, distributions thereunder will be made in accordance with the requirements of Code §401(a)(9) and the regulations.

(d) **Waiver of Required Minimum Distributions.** For calendar year 2009, the Required Minimum Distribution rules will not apply. In applying the provisions of this Section 8 for the 2009 Distribution Calendar Year,

(1) the Required Beginning Date with respect to any individual shall be determined without regard to this subsection for purposes of applying this paragraph for Distribution Calendar Years after 2009, and

(2) required distributions to a beneficiary upon the death of the Participant shall be determined without regard to calendar year 2009.

A Participant or beneficiary who would have been required to receive a Required Minimum Distribution for the 2009 Distribution Calendar Year but for the enactment of Code §401(a)(9)(H) ("2009 RMD"), may elect whether or not to receive the 2009 RMD (or any portion of such distribution). A distribution of the 2009 RMD or a series of substantially equal distributions (that include the 2009 RMDs) made at least annually and expected to last for the life (or life expectancy) of the participant, the joint lives (or joint life expectancy) of the participant and the participant's designated beneficiary, or for a period of at least 10 years, will be treated as an Eligible Rollover Distribution. However, if all or any portion of a distribution during 2009 is treated as an Eligible Rollover Distribution but would not be so treated if the Required Minimum Distribution requirements under this Section 8 had applied during 2009, such distribution shall not be treated as an Eligible Rollover Distribution for purposes of Code §§401(a)(31), 402(f) or 3405(c). (See Notice 2009-82 for transitional rules that apply for purposes of applying the rollover rules to the distribution of 2009 RMDs.)

(e) **Treatment of trust beneficiaries as Designated Beneficiaries.** If a trust is properly named as a Beneficiary under the Plan, the beneficiaries of the trust will be treated as the Designated Beneficiaries of the Participant solely for purposes of determining the distribution period under this Section 8 with respect to the trust's interests in the Participant's vested Account Balance. The beneficiaries of a trust will be treated as Designated Beneficiaries for this purpose only if, during any period during which required minimum distributions are being determined by treating the beneficiaries of the trust as Designated Beneficiaries, the following requirements are met:

(1) the trust is a valid trust under state law, or would be but for the fact there is no corpus;

(2) the trust is irrevocable or will, by its terms, become irrevocable upon the death of the Participant;

(3) the beneficiaries of the trust who are beneficiaries with respect to the trust's interests in the Participant's vested Account Balance are identifiable from the trust instrument; and

(4) the Plan Administrator receives the documentation described in subsection (f)(1) below.

If the foregoing requirements are satisfied and the Plan Administrator receives such additional information as it may request, the Plan Administrator may treat such beneficiaries of the trust as Designated Beneficiaries.

(f) **Special rules applicable to trust beneficiaries.**

(1) **Information that must be supplied to Plan Administrator.**

(i) **Required minimum distribution before death where Spouse is sole beneficiary.** If a Participant designates a trust as the beneficiary of his/her entire benefit and the Participant's Spouse is the sole beneficiary of the trust, the Participant must provide the information under (A) or (B) below to satisfy the information requirements under subsection (e)(4) above.

(A) The Participant must provide to the Plan Administrator a copy of the trust instrument and agree that if the trust instrument is amended at any time in the future, the Participant will, within a reasonable time, provide to the Plan Administrator a copy of each such amendment; or

(B) The Participant must:

(I) provide to the Plan Administrator a list of all of the beneficiaries of the trust (including contingent and remaindermen beneficiaries with a description of the conditions on their entitlement sufficient to establish that the Spouse is the sole beneficiary) for purposes of Code §401(a)(9);

(II) certify that, to the best of the Participant's knowledge, the list under subsection (I) is correct and complete and that the requirements of subsection (e) above are satisfied;

(III) agree that, if the trust instrument is amended at any time in the future, the Participant will, within a reasonable time, provide to the Plan Administrator corrected certifications to the extent that the amendment changes any information previously certified; and

(IV) agree to provide a copy of the trust instrument to the Plan Administrator upon demand.

(ii) **Required minimum distribution after death.** In order to satisfy the documentation requirement of subsection (e)(4) above for required minimum distributions after the death of the Participant (or Spouse in a case to which Treas. Reg. §.401(a)(9)-3, Q&A-5 applies), the trustee of the trust must satisfy the requirements of subsection (A) or (B) by October 31 of the calendar year immediately following the calendar year in which the Participant died.

(A) The trustee of the trust must:

(I) provide the Plan Administrator with a final list of all beneficiaries of the trust (including contingent and remaindermen beneficiaries with a description of the conditions on their entitlement) as of September 30 of the calendar year following the calendar year of the Participant's death;

(II) certify that, to the best of the trustee's knowledge, the list in subsection (I) is correct and complete and that the requirements of subsection (e) above are satisfied; and

(III) agree to provide a copy of the trust instrument to the Plan Administrator upon demand.

(B) The trustee of the trust must provide the Plan Administrator with a copy of the actual trust document for the trust that is named as a beneficiary of the Participant under the Plan as of the Participant's date of death.

(2) **Relief for discrepancy.** If required minimum distributions are determined based on the information provided to the Plan Administrator in certifications or trust instruments described in subsection (1) above, the Plan will not fail to satisfy Code §401(a)(9) merely because the actual terms of the trust instrument are inconsistent with the information in those certifications or trust instruments previously provided to the Plan Administrator, provided the Plan Administrator reasonably relied on the information provided and the required minimum distributions for calendar years after the calendar year in which the discrepancy is discovered are determined based on the actual terms of the trust instrument.

8.07 **Transitional Rule.** Notwithstanding the other requirements of this Section 8, distribution on behalf of any Employee may be made in accordance with all of the following requirements (regardless of when such distribution commences):

(a) The distribution by the Plan is one that would not have disqualified the Plan under Code §401(a)(9) as in effect prior to amendment by the Deficit Reduction Act of 1984.

(b) The distribution is in accordance with a method of distribution designated by the Participant whose interest in the Plan is being distributed or, if the Participant is deceased, by a Beneficiary of such Participant.

(c) Such designation was in writing, was signed by the Participant or the beneficiary, and was made before January 1, 1984.

(d) The Participant had accrued a benefit under the Plan as of December 31, 1983.

(e) The method of distribution designated by the Participant or the beneficiary specifies the time at which distribution will commence, the period over which distributions will be made, and in the case of any distribution upon the Participant's death, the beneficiaries of the Participant listed in order of priority.

A distribution upon death will not be covered by this transitional rule unless the information in the designation contains the required information described above with respect to the distributions to be made upon the death of the Participant.

For any distribution which commences before January 1, 1984, but continues after December 31, 1983, the Participant, or the Beneficiary, to whom such distribution is being made, will be presumed to have designated the method of distribution under which the distribution is being made if the method of distribution was specified in writing and the distribution satisfies the requirements in subsections (a) - (e) above.

If a designation is revoked any subsequent distribution must satisfy the requirements of Code §401(a)(9) and the proposed regulations thereunder. If a designation is revoked subsequent to the date distributions are required to begin, the Plan must distribute by the end of the calendar year following the calendar year in which the revocation occurs the total amount not yet distributed which would have been required to have been distributed to satisfy Code §401(a)(9) and the proposed regulations thereunder, but for the TEFRA §242(b)(2) election. For calendar years beginning after December 31, 1988, such distributions must meet the minimum distribution incidental benefit requirements. Any changes in the designation will be considered to be a revocation of the designation. However, the mere substitution or addition of another Beneficiary (one not named in the designation) under the designation will not be considered to be a revocation of the designation, so long as such substitution or addition does not alter the period over which distributions are to be made under the designation, directly or indirectly (for example, by altering the relevant measuring life). In the case in which an amount is transferred or rolled over from one plan to another plan, the rules in Treas. Reg. §1.401(a)(9)-8, Q&A-14 and Q&A-15 shall apply.

SECTION 9
SPOUSAL CONSENT RULES

9.01 **<u>Application of Joint and Survivor Annuity Rules.</u>** As a Governmental Plan, the Qualified Joint and Survivor Annuity rules under Code §§401(a)(11) and 417 do not apply to the Plan. The Employer may elect to require spousal consent for Plan distributions under AA §9-2(b).

9.02 **<u>Spousal consent.</u>** If the Employer elects under AA §9-2(b) to require spousal consent to a Plan distribution, the Spouse's consent will be required with respect to a distribution as designated in AA §9-2(b). A Spouse's consent, if required, must be provided pursuant to a Qualified Election. For this purpose, a Qualified Election is a written election signed by both the Participant and the Participant's Spouse that specifically acknowledges the effect of the election. The Spouse's consent must be witnessed by a plan representative or notary public. If the Qualified Election permits the Participant to change a payment form or Beneficiary designation without any further consent by the Spouse, the Qualified Election must acknowledge that the Spouse has the right to limit consent to a specific Beneficiary, and a specific form of benefit, as applicable, and that the Spouse voluntarily elects to relinquish either or both of such rights.

9.03 **<u>One-year marriage rule.</u>** The Employer may elect under AA §9-5(b), for purposes of identifying a Beneficiary under Section 7.07(c) and for purposes of applying the spousal consent rules under this Section 9, that an individual will not be considered the surviving Spouse of the Participant if the Participant and the surviving Spouse have not been married for the entire one-year period ending on the date of the Participant's death.

SECTION 10
PLAN ACCOUNTING AND INVESTMENTS

10.01 **Participant Accounts.** The Plan Administrator will maintain a separate Account for each Participant to reflect the Participant's entire interest under the Plan. The Plan Administrator may maintain any (or all) of the following separate sub-Accounts:

- Employer Contribution Account
- Matching Contribution Account
- After-Tax Employee Contribution Account
- Rollover Contribution Account
- Transfer Account.

In addition, if this Plan qualifies as a Grandfathered 401(k) Arrangement (as designated under AA §2-3 of the Profit Sharing Plan Adoption Agreement), the Plan Administrator may also maintain the following separate Accounts:

- Pre-Tax Salary Deferral Account
- Roth Deferral Account
- Roth Rollover Contribution Account

The Plan Administrator may establish other Accounts, as it deems necessary, for the proper administration of the Plan.

10.02 **Valuation of Accounts.** A Participant's portion of the Trust assets is determined as of each Valuation Date under the Plan. The value of a Participant's Account consists of the fair market value of the Participant's share of the Trust assets. The Trustee must value Plan assets at least annually. The Trustee's determination of the value of Trust assets shall be final and conclusive.

(a) **Periodic valuation.** The Employer may elect under AA §11-1 or may elect operationally to value assets on a periodic basis. The Trustee and the Plan Administrator may adopt reasonable procedures for performing such valuations.

(b) **Daily valuation.** The Employer may elect under AA §11-1 or may elect operationally to value assets on a daily basis. The Plan Administrator may adopt reasonable procedures for performing such valuations. Unless otherwise set forth in the written procedures, a daily valued Plan will have its assets valued at the end of each business day during which the New York Stock Exchange is open. The Plan Administrator has authority to interpret the provisions of this Plan in the context of a daily valuation procedure. This includes, but is not limited to, the determination of the value of the Participant's Account for purposes of Participant loans, distribution and consent rights, and corrective distributions.

(c) **Interim valuations.** The Plan Administrator may request the Trustee to perform interim valuations.

10.03 **Adjustments to Participant Accounts.** Unless the Plan Administrator adopts other reasonable administrative procedures, as of each Valuation Date under the Plan, each Participant's Account is adjusted in the following manner.

(a) **Distributions and forfeitures from a Participant's Account.** A Participant's Account will be reduced by any distributions, forfeitures and other reductions from the Account since the previous Valuation Date.

(b) **Life insurance premiums and dividends.** A Participant's Account will be reduced by the amount of any life insurance premium payments under the Plan made for the benefit of the Participant since the previous Valuation Date. The Account will be credited with any dividends or credits paid on any life insurance policy held by the Trust for the benefit of the Participant.

(c) **Contributions and forfeitures allocated to a Participant's Account.** A Participant's Account will be credited with any contribution, forfeiture or other additions allocated to the Participant since the previous Valuation Date.

(d) **Net income or loss.** A Participant's Account will be adjusted for any net income or loss in accordance with any reasonable procedures that the Plan Administrator may establish. Such procedures may be reflected in a funding agreement governing the applicable investments under the Plan. To the extent the Plan Administrator does not establish separate written procedures, net income or loss will be allocated to Participants' Accounts in accordance with the following provisions.

(1) **Net income or loss attributable to General Trust Account.** To the extent a Participant's Account is invested as part of a General Trust Account, such Account is adjusted for its allocable share of net income or loss experienced by the General Trust Account. The net income or loss of the General Trust Account is allocated to the Participant Accounts in the ratio that each Participant's Account bears to all Accounts, based on the value of each Participant's Account as of the prior Valuation Date, as adjusted in subsections (a) - (c) above. In determining Participant Account Balances as of the prior Valuation Date, the Employer may apply a weighted average method that credits each Participant's Account with a portion of the contributions made since the prior Valuation Date. The Plan's investment procedures may designate the specific type(s) of contributions eligible for a weighted allocation of net income or loss and may designate alternative methods for determining the weighted allocation. If the Employer elects to apply a weighted average method, such method will be applied uniformly to all Participant Accounts under the General Trust Account.

(2) **Net income or loss attributable to a Directed Account.** If the Participant or Beneficiary is entitled to direct the investment of all or part of his/her Account (see Section 10.07), the Account (or the portion of the Account which is subject to such direction) will be maintained as a Directed Account, which reflects the value of the directed investments as of any Valuation Date. The assets held in a Directed Account may be (but are not required to be) segregated from the other investments held in the Trust. Net income or loss attributable to the investments made by a Directed Account is allocated to such Account in a manner that reasonably reflects the investment experience of such Directed Account. Where a Directed Account reflects segregated investments, the manner of allocating net income or loss shall not result in a Participant (or Beneficiary) being entitled to distribution from the Directed Account that exceeds the value of such Account as of the date of distribution.

10.04 **Share or unit accounting.** The Plan's investment procedures may provide for share or unit accounting to reflect the value of Accounts, if such method is appropriate for the investments allocable to such Accounts.

10.05 **Suspense accounts.** The Plan's investment procedures also may provide for special valuation procedures for suspense accounts that are properly established under the Plan.

10.06 **Investments under the Plan.**

(a) **Investment options.** The Trustee or other person(s) responsible for the investment of Plan assets is authorized to invest Plan assets in any prudent investment. Investment options include, but are not limited to, the following:

- common and preferred stock or other equity securities (including stock bought and sold on margin);
- corporate bonds;
- open-end or closed-end mutual funds (including funds for which a Volume Submitter Sponsor, Trustee, or affiliate serves as investment advisor or other capacity);
- money market accounts;
- certificates of deposit;
- debentures;
- commercial paper;
- put and call options;
- limited partnerships;
- mortgages;
- U.S. Government obligations, including U.S. Treasury notes and bonds;
- real and personal property having a ready market;
- life insurance or annuity policies;
- commodities;
- savings accounts;
- notes; and
- securities issued by the Trustee and/or its affiliates, as permitted by law.

(b) **Common/collective trusts and collectibles.** Plan assets may also be invested in a common/collective trust fund, or in a group trust fund that satisfies the requirements of IRS Revenue Ruling 81-100 (as modified by Rev. Rul. 2004-67 and Rev. Rul. 2011-1). All of the terms and provisions of any such common/collective trust fund or group trust into which Plan assets are invested are incorporated by reference into the provisions of the Trust for this Plan. No portion of any voluntary, tax deductible Employee contributions being held under the Plan (or any earnings thereon) may be invested in life insurance contracts or, as with any Participant-directed investment, in tangible personal property characterized by the IRS as a collectible.

10.07 **Participant-directed investments.** If the Plan (by election in AA §C-1 or under separate investment procedures) permits Participant direction of investments, each Participant shall have the exclusive right, in accordance with the provisions of the Plan, to direct the investment by the Trustee of all or a portion of the amounts allocated to the separate Accounts of the Participant under the Plan. All investment directions by Participants shall be timely furnished to the Trustee by the Plan Administrator, except to the extent such directions are transmitted electronically or otherwise by Participants directly to the Trustee or its delegate in accordance with rules and procedures established and approved by the Plan Administrator and communicated to the Trustee. In making any investment of Plan assets, the Trustee shall be fully entitled to rely on such directions furnished to it by the Plan Administrator or by Participants in accordance with the Plan Administrator's approved rules and procedures, and shall be under no duty to make any inquiry or investigation with respect thereto. Except as otherwise provided in this Plan, neither the Trustee, the Employer, nor any other fiduciary of the Plan will be liable to the Participant for any loss resulting from action taken at the direction of the Participant. (A reference to Participant under this Section 10.07 also applies to any Beneficiary or Alternate Payee eligible to direct investments under the Plan.)

(a) **Limits on participant investment direction.** The Employer may elect under AA §C-1 or under separate investment procedures to limit Participant direction of investment to specific types of contributions or with respect to specific investment options. If Participant investment direction is limited to specific investment options, it shall be the sole and exclusive responsibility of the Employer or Plan Administrator to select the investment options, and the Trustee shall not be responsible for selecting or monitoring such investment options, unless the Trustee has otherwise agreed in writing. In no case may Participants direct that investments be made in collectibles, other than U.S. Government or State issued gold and silver coins. (See Section 10.03(d)(2) for rules regarding allocation of net income or loss to a Directed Account.)

(b) **Failure to direct investment.** If Participant direction of investments is permitted, the Plan Administrator will designate how accounts will be invested in the absence of proper affirmative direction from the Participant. The Plan or Plan Administrator may designate a default fund under the Plan in which the Trustee shall deposit contributions to the Trust on behalf of Participants who have been identified by the Plan Administrator as having not specified investment choices under the Plan. If the Trustee receives any contribution under the Plan that is not accompanied by instructions directing its investment, the Trustee shall immediately notify the Plan Administrator of that fact, and the Trustee may, in its discretion, hold all or a portion of the contribution uninvested without liability for loss of income or appreciation pending receipt of proper investment directions.

(c) **Trustee to follow Participant direction.** To the extent the Plan allows Participant direction of investment, the Trustee is authorized to follow the Participant's written direction (or other form of direction deemed acceptable by the Trustee). A Directed Account will be established for the portion of the Participant's Account that is subject to Participant direction of investment. The Trustee may decline to follow a Participant's investment direction to the extent such direction would:

(1) result in a prohibited transaction;

(2) cause the assets of the Plan to be maintained outside the jurisdiction of the U.S. courts;

(3) jeopardize the Plan's tax qualification;

(4) be contrary to the Plan's governing documents;

(5) cause the assets to be invested in collectibles within the meaning of Code §408(m);

(6) generate unrelated business taxable income; or

(7) result (or could result) in a loss exceeding the value of the Participant's Account.

The Trustee will not be responsible for any loss or expense resulting from a failure to follow a Participant's direction in accordance with the requirements of this paragraph. Participant directions will be processed as soon as administratively practicable following receipt of such directions by the Trustee. The Trustee, Plan Administrator, or Employer will not be liable for a delay in the processing of a Participant direction that is caused by a legitimate business reason (including, but not limited to, a failure of computer systems or programs, failure in the means of data transmission, the failure to timely receive values or prices, or other unforeseen problems outside of the control of the Trustee, Plan Administrator, or Employer).

10.08 **Investment in Life Insurance.** A group or individual life insurance policy purchased by the Plan may be issued on the life of a Participant, a Participant's Spouse, a Participant's child or children, a family member of the Participant, or any other individual with an insurable interest. If this Plan is a money purchase plan, a life insurance policy may only be issued on the life of the Participant. A life insurance policy includes any type of policy, including a second-to-die policy, provided that the holding of a particular type of policy is not prohibited under rules applicable to qualified plans.

Any premiums on life insurance held for the benefit of a Participant will be charged against such Participant's vested Account Balance. Unless directed otherwise, the Plan Administrator will reduce each of the Participant's Accounts under the Plan equally to pay premiums on life insurance held for such Participant's benefit. Any premiums paid for life insurance policies must satisfy the incidental life insurance rules under subsection (a).

(a) **Incidental Life Insurance Rules.** Any life insurance purchased under the Plan must meet the following requirements:

(1) **Ordinary life insurance policies.** The aggregate premiums paid for ordinary life insurance policies (i.e., policies with both nondecreasing death benefits and nonincreasing premiums) for the benefit of a Participant must be at any time less than 50% of the aggregate amount of Employer Contributions (including Salary Deferrals) and forfeitures that have been allocated to the Account of such Participant.

(2) **Life insurance policies other than ordinary life.** The aggregate premiums paid for term, universal or other life insurance policies (other than ordinary life insurance policies) for the benefit of a Participant shall not at any time exceed 25% of the aggregate amount of Employer Contributions (including Salary Deferrals) and forfeitures that have been allocated to the Account of such Participant.

(3) **Combination of ordinary and other life insurance policies.** The sum of one-half (½) of the aggregate premiums paid for ordinary life insurance policies plus all the aggregate premiums paid for any other life insurance policies for the benefit of a Participant shall not at any time exceed 25% of the aggregate amount of Employer Contributions (including Salary Deferrals) and forfeitures which have been allocated to the Account of such Participant.

(4) **Exception for certain Profit Sharing Plans.** If the Plan is a Profit Sharing Plan, the limitations in this Section do not apply to the extent life insurance premiums are paid only with Employer Contributions and forfeitures that have been accumulated in the Participant's Account for at least two years or are paid with respect to a Participant who has been a Participant for at least five years. For purposes of applying this special limitation, Employer Contributions do not include any Salary Deferrals, QMACs, QNECs or Safe-Harbor Contributions under a 401(k) plan.

(5) **Exception for After-Tax Employee Contributions and Rollover Contributions.** The Plan Administrator also may invest, with the Participant's consent, any portion of the Participant's After-Tax Employee Contribution Account or Rollover Contribution Account in a group or individual life insurance policy for the benefit of such Participant, without regard to the incidental life insurance rules under this Section.

(b) **Ownership of Life Insurance Policies.** The Trustee is the owner of any life insurance policies purchased under the Plan. Any life insurance policy purchased under the Plan must designate the Trustee as owner and beneficiary under the policy. The Trustee will pay all proceeds of any life insurance policies to the Beneficiary of the Participant for whom such policy is held in accordance with the distribution provisions under Section 7. In no event shall the Trustee retain any part of the proceeds from any life insurance policies for the benefit of the Plan.

(c) **Evidence of Insurability.** Prior to purchasing a life insurance policy, the Plan Administrator may require the individual whose life is being insured to provide evidence of insurability, such as a physical examination, as may be required by the Insurer.

(d) **Distribution of Insurance Policies.** Life insurance policies under the Plan, which are held on behalf of a Participant, must be distributed to the Participant or converted to cash upon the later of the Participant's Annuity Starting Date (as defined in Section 1.09) or termination of employment. Any life insurance policies that are held on behalf of a terminated Participant must continue to satisfy the incidental life insurance rules under subsection (a). If a life insurance policy is purchased on behalf of an individual other than the Participant, and such individual dies, the Participant may withdraw any or all life insurance proceeds from the Plan, to the extent such proceeds exceed the cash value of the life insurance policy determined immediately before the death of the insured individual.

(e) **Discontinuance of Insurance Policies.** Investments in life insurance may be discontinued at any time, either at the direction of the Trustee or other fiduciary responsible for making investment decisions. If the Plan provides for Participant direction of investments, life insurance as an investment option may be eliminated at any time by the Plan Administrator. Where life insurance investment options are being discontinued, the Plan Administrator, in its sole discretion, may offer the sale of the insurance policies to the Participant, or to another person, provided that the prohibited transaction exemption requirements prescribed by the Department of Labor are satisfied.

(f) **Protection of Insurer.** An Insurer (as defined in Section 1.58) that issues a life insurance policy under the terms of this Section 10.08, shall not be responsible for the validity of this Plan and shall be protected and held harmless for any actions taken or not taken by the Trustee or any actions taken in accordance with written directions from the Trustee or the Employer (or any duly authorized representatives of the Trustee or Employer). An Insurer shall have no obligation to determine the propriety of any premium payments or to guarantee the proper application of any payments made by the insurance company to the Trustee.

The Insurer is not and shall not be considered a party to this Plan and is not a fiduciary with respect to the Plan solely as a result of the issuance of life insurance policies under this Section 10.08.

(g) **No Responsibility for Act of Insurer.** Neither the Employer, the Plan Administrator nor the Trustee shall be responsible for the validity of the provisions under a life insurance policy issued under this Section 10.08 or for the failure or refusal by the Insurer to provide benefits under such policy. The Employer, the Plan Administrator and the Trustee are also not responsible for any action or failure to act by the Insurer or any other person which results in the delay of a payment under the life insurance policy or which renders the policy invalid or unenforceable in whole or in part.

SECTION 11
PLAN ADMINISTRATION AND OPERATION

11.01 **Plan Administrator.** The Employer is the Plan Administrator, unless the Employer designates in writing an alternative Plan Administrator. The Plan Administrator has the responsibilities described in this Section 11.

11.02 **Designation of Alternative Plan Administrator.** The Employer may designate another person or persons as the Plan Administrator by name, by reference to the person or group of persons holding a particular position, by reference to a procedure under which the Plan Administrator is designated, or by reference to a person or group of persons charged with the specific responsibilities of Plan Administrator.

(a) **Acceptance of responsibility by designated Plan Administrator.** If the Employer designates an alternative Plan Administrator, the designated Plan Administrator must accept its responsibilities in writing. The Employer and the designated Plan Administrator jointly will determine the time period for which the alternative Plan Administrator will serve.

(b) **Multiple alternative Plan Administrators.** If the Employer designated more than one person as an alternative Plan Administrator, such Plan Administrators shall act by majority vote, unless the group delegates particular Plan Administrator duties to a specific person.

(c) **Resignation or removal of designated Plan Administrator.** A designated Plan Administrator may resign by delivering a written notice of resignation to the Employer. The Employer may remove a designated Plan Administrator by delivering a written notice of removal. If a designated Plan Administrator resigns or is removed, and no new alternative Plan Administrator is designated, the Employer is the Plan Administrator.

(d) **Employer responsibilities.** If the Employer designates an alternative Plan Administrator, the Employer will provide in a timely manner all appropriate information necessary for the Plan Administrator to perform its duties. This information includes, but is not limited to, Participant compensation data, Employee employment, service and termination information, and other information the Plan Administrator may require. The Plan Administrator may rely on the accuracy of any information and data provided by the Employer.

(e) **Indemnification of Plan Administrator.** The Employer will indemnify, defend and hold harmless the Plan Administrator (including the individual members of any administrative committee appointed by the Employer to handle administrative functions of the Plan or any Employees who have administrative responsibility for the Plan) with respect to any liability, loss, damage or expense resulting from any act or omission (except willful misconduct or gross negligence) in their official capacities in the administration of this Trust or Plan, including attorney, accountant and advisory fees and all other expenses reasonably incurred in their defense.

11.03 **Duties, Powers and Responsibilities of the Plan Administrator.** The Plan Administrator will administer the Plan for the exclusive benefit of the Plan Participants and Beneficiaries, and in accordance with the terms of the Plan. If the terms of the Plan are unclear, the Plan Administrator may interpret the Plan, provided such interpretation is consistent with the rules of Code §40. This right to interpret the Plan is an express grant of discretionary authority to resolve ambiguities in the Plan document and to make discretionary decisions regarding the interpretation of the Plan's terms, including who is eligible to participate under the Plan, and the benefit rights of a Participant or Beneficiary. Unless an interpretation or decision is determined to be arbitrary and capricious, the Plan Administrator will not be held liable for any interpretation of the Plan terms or decision regarding the application of a Plan provision.

(a) **Delegation of duties, powers and responsibilities.** The Plan Administrator may delegate its duties, powers or responsibilities to one or more persons. Such delegation must be in writing and accepted by the person or persons receiving the delegation. The Employer must agree to such delegation by an alternative Plan Administrator.

(b) **Specific Plan Administrator responsibilities.** The Plan Administrator has the general responsibility to control and manage the operation of the Plan. This responsibility includes, but is not limited to, the following:

(1) To interpret and enforce the provisions of the Plan, including those related to Plan eligibility, vesting and benefits;

(2) To communicate with the Trustee and other responsible persons with respect to the crediting of Plan contributions, the disbursement of Plan distributions and other relevant matters;

(3) To develop separate procedures (if necessary) consistent with the terms of the Plan to assist in the administration of the Plan, including the adoption of a separate or modified loan policy (see Section 13), procedures for direction of investment by Participants (see Section 10.07), procedures for determining whether domestic relations orders are QDROs, and procedures for the determination of investment earnings to be allocated to Participants' Accounts (see Section 10.03(d));

(4) To maintain all records necessary for tax and other administration purposes;

(5) To furnish and to file all appropriate notices, reports and other information to Participants, Beneficiaries, the Employer, the Trustee and government agencies (as necessary);

(6) To provide information relating to Plan Participants and Beneficiaries;

(7) To retain the services of other persons, including investment managers, attorneys, consultants, advisers and others, to assist in the administration of the Plan;

(8) To review and decide on claims for benefits under the Plan; and

(9) To correct any defect or error in the operation of the Plan;

11.04 <u>Plan Administration Expenses.</u>

(a) **<u>Reasonable Plan administration expenses.</u>** All reasonable expenses related to plan administration will be paid from Plan assets, except to the extent the expenses are paid (or reimbursed) by the Employer. For this purpose, Plan expenses include, but are not limited to, all reasonable costs, charges and expenses incurred by the Trustee in connection with the administration of the Trust (including such reasonable compensation to the Trustee as may be agreed upon from time to time between the Employer or Plan Administrator and the Trustee and any fees for legal services rendered to the Trustee). If liquid assets of the Trust are insufficient to cover the fees of the Trustee or the Plan Administrator, then Trust assets shall be liquidated to the extent necessary for such fees. In the event any part of the Trust becomes subject to tax, all taxes incurred will be paid from the Trust.

(b) **<u>Plan expense allocation.</u>** The Plan Administrator will allocate plan expenses among the accounts of Plan Participants. The Plan Administrator has authority to allocate these expenses either proportionally based on the value of the Account Balances or pro rata based on the number of Participants in the Plan. The Plan Administrator will determine the proper method for allocating expenses in accordance with such reasonable nondiscriminatory rules as the Plan Administrator deems appropriate under the circumstances. Unless the Plan Administrator decides otherwise, the following expenses will be allocated to the Participant's Account relative to which the expense is incurred: distribution expenses, including those relating to lump sums, installments, QDROs, hardship, in-service and required minimum distributions; loan expenses; participant direction expenses, including brokerage fees; and benefit calculations.

(c) **<u>Expenses related to administration of former Employee or surviving Spouse.</u>** If the Plan is making distributions to a former Employee or surviving Spouse, the Plan may charge reasonable Plan administrative expenses to the Account of that former Employee or surviving Spouse, but only if the administrative expenses are on a pro rata basis, Under the pro rata basis, the expenses are based on the amount in each account of a former Employee or surviving Spouse receiving benefits from the Plan. The Plan Administrator may use another reasonable basis for charging the expenses.

11.05 <u>Qualified Domestic Relations Orders (QDROs).</u>

(a) **<u>In general.</u>** Upon receipt of an order which appears to be a QDRO, the Plan Administrator will notify the Participant involved and each Alternate Payee under the order. The Plan Administrator will determine whether the order is a QDRO and will notify each affected individual of such determination. The Plan Administrator may use the default QDRO procedures set forth in subsection (h) below or may develop separate QDRO procedures for administering any QDROs submitted under the Plan.

(b) **<u>Definitions related to Qualified Domestic Relations Orders (QDROs).</u>**

(1) **<u>QDRO</u>**. A QDRO is a domestic relations order that creates or recognizes the existence of an Alternate Payee's right to receive, or assigns to an Alternate Payee the right to receive, all or a portion of the benefits payable with respect to a Participant under the Plan. (See Code §414(p).) The QDRO must contain certain information and meet other requirements described in this Section 11.05.

(2) **<u>Domestic relations order.</u>** A domestic relations order is a judgment, decree, or order (including the approval of a property settlement) that is made pursuant to state domestic relations law (including community property law).

(3) **<u>Alternate Payee</u>.** An Alternate Payee must be a Spouse, former Spouse, child, or other dependent of a Participant.

(c) **Recognition as a QDRO**. To be a QDRO, an order must be a domestic relations order (as defined in subsection (b)(2) above) that relates to the provision of child support, alimony payments, or marital property rights for the benefit of an Alternate Payee. The Plan Administrator is not required to determine whether the court or agency issuing the domestic relations order had jurisdiction to issue an order, whether state law is correctly applied in the order, whether service was properly made on the parties, or whether an individual identified in an order as an Alternate Payee is a proper Alternate Payee under state law.

Effective April 6, 2007, a domestic relations order otherwise meeting the requirements to be a QDRO shall not fail to be treated as a QDRO solely because:

(1) the order is issued after, or revises, another domestic relations order or QDRO; or

(2) of the time at which the order is issued, including orders issued after the death of the Participant.

Any QDRO described in this Section 11.05 shall be subject to the same requirements and protections which apply to QDROs under Code §414(p)(7).

(d) **Contents of QDRO.** A QDRO must contain the following information:

(1) the name and last known mailing address of the Participant and each Alternate Payee;

(2) the name of each plan to which the order applies;

(3) the dollar amount or percentage (or the method of determining the amount or percentage) of the benefit to be paid to the Alternate Payee; and

(4) the number of payments or time period to which the order applies.

(e) **Impermissible QDRO provisions.**

(1) The order must not require the Plan to provide an Alternate Payee or Participant with any type or form of benefit, or any option, not otherwise provided under the Plan;

(2) The order must not require the Plan to provide for increased benefits (determined on the basis of actuarial value);

(3) The order must not require the Plan to pay benefits to an Alternate Payee that are required to be paid to another Alternate Payee under another order previously determined to be a QDRO; and

(4) The order must not require the Plan to pay benefits to an Alternate Payee in the form of a Qualified Joint and Survivor Annuity for the lives of the Alternate Payee and his or her subsequent Spouse.

(f) **Immediate distribution to Alternate Payee.** Even if a Participant is not eligible to receive an immediate distribution from the Plan, an Alternate Payee may receive a QDRO benefit immediately in a lump sum, provided such distribution is consistent with the QDRO provisions.

(g) **Fee for QDRO determination.** The Plan Administrator may condition the making of a QDRO determination on the payment of a fee by a Participant or an Alternate Payee (either directly or as a charge against the Participant's Account).

(h) **Default QDRO procedure.** If the Plan Administrator chooses this default QDRO procedure or if the Plan Administrator does not establish a separate QDRO procedure, this subsection (h) will apply as the procedure the Plan Administrator will use to determine whether a domestic relations order is a QDRO. This default QDRO procedure incorporates the requirements set forth below.

(1) **Access to information.** The Plan Administrator will provide access to Plan and Participant benefit information sufficient for a prospective Alternate Payee to prepare a QDRO. Such information might include the summary plan description, other relevant plan documents, and a statement of the Participant's benefit entitlements. The disclosure of this information is conditioned on the prospective Alternate Payee providing to the Plan Administrator information sufficient to reasonably establish that the disclosure request is being made in connection with a domestic relations order.

(2) **Notifications to Participant and Alternate Payee.** The Plan Administrator will promptly notify the affected Participant and each Alternate Payee named in the domestic relations order of the receipt of the order. The Plan Administrator will send the notification to the address included in the domestic relations order. Along with the notification, the Plan Administrator will provide a copy of the Plan's procedures for determining whether a domestic relations order is a QDRO.

(3) **Alternate Payee representative.** The prospective Alternate Payee may designate a representative to receive copies of notices and Plan information that are sent to the Alternate Payee with respect to the domestic relations order.

(4) **Evaluation of domestic relations order.** Within a reasonable period of time, the Plan Administrator will evaluate the domestic relations order to determine whether it is a QDRO. A reasonable period will depend on the specific circumstances. The domestic relations order must contain the information described in subsection (d). If the order is only deficient in a minor respect, the Plan Administrator may supplement information in the order from information within the Plan Administrator's control or through communication with the prospective Alternate Payee.

(i) **Separate accounting.** Upon receipt of a domestic relations order, the Plan Administrator will separately account for and preserve the amounts that would be payable to an Alternate Payee until a determination is made with respect to the status of the order. During the period in which the status of the order is being determined, the Plan Administrator will take whatever steps are necessary to ensure that amounts that would be payable to the Alternate Payee, if the order were a QDRO, are not distributed to the Participant or any other person. The separate accounting requirement may be satisfied, at the Plan Administrator's discretion, by a segregation of the assets that are subject to separate accounting.

(ii) **Separate accounting until the end of 18 month period.** The Plan Administrator will continue to separately account for amounts that are payable under the QDRO until the end of an 18-month period. The 18-month period will begin on the first date following the Plan's receipt of the order upon which a payment would be required to be made to an Alternate Payee under the order. If, within the 18-month period, the Plan Administrator determines that the order is a QDRO, the Plan Administrator must pay the Alternate Payee in accordance with the terms of the QDRO. If, however, the Plan Administrator determines within the 18-month period that the order is not a QDRO, or, if the status of the order is not resolved by the end of the 18-month period, the Plan Administrator may pay out the amounts otherwise payable under the order to the person or persons who would have been entitled to such amounts if there had been no order. If the order is later determined to be a QDRO, the order will apply only prospectively; that is, the Alternate Payee will be entitled only to amounts payable under the order after the subsequent determination.

(iii) **Preliminary review.** The Plan Administrator will perform a preliminary review of the domestic relations order to determine if it is a QDRO. If this preliminary review indicates the order is deficient in some manner, the Plan Administrator will allow the parties to attempt to correct any deficiency before issuing a final decision on the domestic relations order. The ability to correct is limited to a reasonable period of time.

(iv) **Notification of determination.** The Plan Administrator will notify in writing the Participant and each Alternate Payee of the Plan Administrator's decision as to whether a domestic relations order is a QDRO. In the case of a determination that an order is not a QDRO, the written notice will contain the following information:

(A) references to the Plan provisions on which the Plan Administrator based its decision;

(B) an explanation of any time limits that apply to rights available to the parties under the Plan (such as the duration of any protective actions the Plan Administrator will take); and

(C) a description of any additional material, information, or modifications necessary for the order to be a QDRO and an explanation of why such material, information, or modifications are necessary.

(v) **Treatment of Alternate Payee.** If an order is accepted as a QDRO, the Plan Administrator will act in accordance with the terms of the QDRO as if it were a part of the Plan. Except as designated otherwise under this subsection (v), an Alternate Payee will be considered a Beneficiary under the Plan and be afforded the same rights as a Beneficiary. The Plan Administrator will provide any appropriate disclosure information relating to the Plan to the Alternate Payee. In determining the rights of an Alternate Payee, unless designated otherwise under AA §C-4(b), the following rules apply:

(A) **Loans.** An Alternate Payee is not permitted to take a loan from the Plan.

(B) **Death benefits.** If an Alternate Payee dies prior to receiving the entire amount designated under the QDRO, such benefits will be paid in accordance with Section 7.07, treating the Alternate Payee as the Beneficiary. If the Alternate Payee dies without a designated Beneficiary, the benefits will be paid to the Alternate Payee's estate. Any death benefit will be paid in a single sum as soon as administratively feasible after the Alternate Payee's death.

(C) **Direction of investments.** An Alternate Payee has the right to direct the investment of the portion of the Participant's benefit that is segregated for the Alternate Payee's benefit pursuant to a QDRO in the same manner as the Participant.

11.06 **Claims Procedure.** The Plan Administrator may establish procedures for administering benefit claims. Such benefit claims procedures should provide claimants with a reasonable opportunity to have a full and fair review of a denied claim. The Plan Administrator is authorized to conduct an examination of the relevant facts to determine the merits of a Participant's or Beneficiary's claim for Plan benefits. Any claims procedure will incorporate the guidelines under this Section 11.06. To the extent any of the time periods specified in this Section 11.06 are amended by law or Department of Labor regulations, the time frames specified herein shall automatically be changed in accordance with such law or regulation.

SECTION 12
TRUST PROVISIONS

12.01 **Establishment of Trust.** In conjunction with the establishment of this Plan, the Employer and the Trustee agree to establish and maintain a domestic Trust in the United States consisting of such sums as shall from time to time be paid to the Trustee under the Plan and such earnings, income and appreciation as may accrue thereon. The Trustee shall carry out the duties and responsibilities herein specified, but shall be under no duty to determine whether the amount of any contribution by the Employer or any Participant is in accordance with the terms of the Plan.

The Trust shall be held, invested, reinvested and administered by the Trustee in accordance with the terms of the Plan and this Agreement solely in the interest of Participants and their Beneficiaries and for the exclusive purpose of providing benefits to Participants and their Beneficiaries and defraying reasonable expenses of administering the Plan. Except as provided in Section 15.02, no assets of the Plan shall inure to the benefit of the Employer.

12.02 **Types of Trustees.** The Trustee identified in the Trustee Declaration page under the Adoption Agreement shall act either as a Directed Trustee or as a Discretionary Trustee, as designated on the Trustee Declaration page.

(a) **Directed Trustee.** A Directed Trustee is subject to the direction of the Plan Administrator, the Employer, a properly appointed investment manager, or Plan Participant. A Directed Trustee does not have any discretionary authority with respect to the investment of Plan assets. In addition, a Directed Trustee is not responsible for the propriety of any directed investment made pursuant to this Section and shall not be required to consult or advise the Employer regarding the investment quality of any directed investment held under the Plan.

(1) **Delegation of powers.** The Directed Trustee shall be advised in writing regarding the retention of investment powers by the Employer or the appointment of an investment manager with power to direct the investment of Plan assets. Any such delegation of investment powers will remain in force until such delegation is revoked or amended in writing. The Employer is deemed to have retained investment powers under this subsection to the extent the Employer directs the investment of Participant Accounts for which affirmative investment direction has not been received.

(2) **Direction of Trustee.** Any investment direction shall be made in writing by the Employer, investment manager, as applicable. A Directed Trustee must act solely in accordance with the direction of the Plan Administrator, the Employer, any employees or agents of the Employer, a properly appointed investment manager or other authorized person, or Plan Participants. (See Section 10.07 for a discussion of the Trustee's responsibilities with regard to Participant directed investments.)

(3) **Restriction on Trustee.** The Employer may direct the Directed Trustee to invest in any media in which the Trustee may invest, as described in Section 12.03(b). However, the Employer may not borrow from the Trust or pledge any of the assets of the Trust as security for a loan to itself; buy property or assets from or sell property or assets to the Trust; charge any fee for services rendered to the Trust; or receive any services from the Trust on a preferential basis.

(b) **Discretionary Trustee.** A Discretionary Trustee has exclusive authority and discretion with respect to the investment, management or control of Plan assets. Notwithstanding a Trustee's designation as a Discretionary Trustee, a Trustee's discretion is limited, and the Trustee shall be considered a Directed Trustee, to the extent the Trustee is subject to the direction of the Plan Administrator, the Employer, a properly appointed investment manager, under an agreement between the Plan Administrator and the Trustee. A Trustee also is considered a Directed Trustee to the extent the Trustee is subject to investment direction of Plan Participants. (See Section 10.07 for a discussion of the Trustee's responsibilities with regard to Participant-directed investments.)

12.03 **Responsibilities of the Trustee.** In addition to the powers, rights and responsibilities enumerated under this Section, the Trustee has all powers necessary to carry out its duties in a prudent manner. The Trustee's powers, rights and responsibilities may be modified, supplemented or limited by a separate trust agreement, investment policy, funding agreement, or other binding document entered into between the Trustee and the Plan Administrator or Employer. Such binding document must designate the Trustee's responsibilities with respect to the Plan. A separate trust agreement, investment policy, funding agreement, or other binding document must be consistent with the terms of this Plan and must comply with all qualification requirements under the Code and regulations. To the extent the exercise of any power, right or responsibility is subject to discretion, such exercise by a Directed Trustee must be made at the direction of the Plan Administrator, the Employer, an investment manager, or Plan Participant.

(a) **<u>Responsibilities regarding administration of Trust.</u>**

(1) The Trustee, the Employer and the Plan Administrator shall each discharge their assigned duties and responsibilities under this Agreement and the Plan solely in the interest of Participants and their Beneficiaries in the following manner:

(i) for the exclusive purpose of providing benefits to Participants and their Beneficiaries and defraying reasonable expenses of administering the Plan;

(ii) with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims; and

(iii) by diversifying the available investments under the Plan so as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so.

(2) The Trustee will receive all contributions, earnings and other amounts made to and under the terms of the Plan. The Trustee is not obligated in any manner to ensure that such amounts are correct in amount or that such amounts comply with the terms of the Plan or the Code. The Trustee is not liable for the manner in which such amounts are deposited or the allocation between Participant's Accounts, to the extent the Trustee follows the written direction of the Plan Administrator or Employer.

(3) The Trustee will make distributions from the Trust in accordance with the written directions of the Plan Administrator or other authorized representative. To the extent the Trustee follows such written direction, the Trustee is not obligated in any manner to ensure a distribution complies with the terms of the Plan, that a Participant or Beneficiary is entitled to such a distribution, or that the amount distributed is proper under the terms of the Plan. If there is a dispute as to a payment from the Trust, the Trustee may decline to make payment of such amounts until the proper payment of such amounts is determined by a court of competent jurisdiction, or the Trustee has been indemnified to its satisfaction.

(4) The Trustee may employ agents, attorneys, accountants and other third parties to provide counsel on behalf of the Plan, where the Trustee deems advisable. The Trustee may reimburse such persons from the Trust for reasonable expenses and compensation incurred as a result of such employment. The Trustee shall not be liable for the actions of such persons, provided the Trustee acted prudently in the employment and retention of such persons. In addition, the Trustee will not be liable for any actions taken as a result of good faith reliance on the advice of such persons.

(5) The Trustee shall keep full and accurate accounts of all receipts, investments, disbursements and other transactions hereunder, including such specific records as may be agreed upon in writing between the Employer and the Trustee. All such accounts, books and records shall be open to inspection and audit at all reasonable times by any authorized representative of the Trustee or the Plan Administrator. A Participant may examine only those individual account records pertaining directly to him.

(6) Except as provided in Section 15.02, at no time prior to the satisfaction of all liabilities with respect to Participants and their Beneficiaries under the Plan shall any part of the corpus or income of the Fund be used for, or diverted to, purposes other than for the exclusive benefit of Participants or their Beneficiaries, or for defraying reasonable expenses of administering the Plan.

(b) **<u>Responsibilities regarding investment of Plan assets.</u>**

(1) The Trustee shall be responsible for holding the assets of the Trust in accordance with the provisions of this Plan.

(2) The Trustee may invest and reinvest, manage and control the Plan assets in a manner that is consistent with the Plan's funding policy and investment objectives of the Plan. The Trustee may invest in any investment, as authorized under this subsection (b), which the Trustee deems advisable and prudent, subject to the proper written direction of the Plan Administrator, the Employer, a properly appointed investment manager, or a Plan Participant. The Trustee is not liable for the investment of Plan assets to the extent the Trustee is following the proper direction of the Plan Administrator, the Employer, a Participant, an Investment manager, or other person or persons duly appointed by the Employer to provide investment direction. In addition, the Trustee does not guarantee the Trust in any manner against investment loss or depreciation in asset value, or guarantee the adequacy of the Trust to meet and discharge any or all liabilities of the Plan.

(3) The Trustee may hold any securities or other property in the name of the Trustee or in the name of the Trustee's nominee, and may hold any investments in bearer form, provided the books and records of the Trustee at all times show such investment to be part of the Trust.

(4) The Trustee may retain such portion of the Plan assets in cash or cash balances as the Trustee may, from time to time, deem to be in the best interests of the Plan, without liability for interest thereon.

(5) The Trustee may collect and receive any and all moneys and other property due the Plan and to settle, compromise, or submit to arbitration any claims, debts, or damages with respect to the Plan, and to commence or defend on behalf of the Plan any lawsuit, or other legal or administrative proceedings.

(6) The Trustee may pay expenses out of Plan assets as necessary to administer the Trust and as authorized under the Plan.

(7) The Trustee may borrow or raise money on behalf of the Plan in such amount, and upon such terms and conditions, as the Trustee deems advisable. The Trustee may issue a promissory note as Trustee to secure the repayment of such amounts and may pledge all, or any part, of the Trust as security.

(8) The Trustee is authorized to execute, acknowledge and deliver all documents of transfer and conveyance, receipts, releases, and any other instruments that the Trustee deems necessary or appropriate to carry out its powers, rights and duties hereunder.

(9) The Trustee, upon the written direction of the Plan Administrator, is authorized to enter into a transfer agreement with the Trustee of another qualified retirement plan and to accept a transfer of assets from such retirement plan on behalf of any Employee of the Employer. The Trustee is also authorized, upon the written direction of the Plan Administrator, to transfer some or all of a Participant's vested Account Balance to another qualified retirement plan on behalf of such Participant. A transfer agreement entered into by the Trustee does not affect the Plan's status as a Volume Submitter Plan.

(10) If the Employer maintains more than one Plan, the assets of such Plans may be commingled for investment purposes. The Trustee must separately account for the assets of each Plan. A commingling of assets does not cause the Trusts maintained with respect to the Employer's Plans to be treated as a single Trust, except as provided in a separate document authorized in the first paragraph of this Section 12.03.

(11) If the Trustee is a bank or similar financial institution, the Trustee is authorized to invest in any type of deposit of the Trustee (including its own money market fund) at a reasonable rate of interest.

(12) The Trustee is authorized to invest Plan assets in a common/collective trust fund, or in a group trust fund that satisfies the requirements of IRS Revenue Ruling 81-100, as clarified by Revenue Ruling 2004-67. All of the terms and provisions of any such common/collective trust fund or group trust into which Plan assets are invested are incorporated by reference into the provisions of the Trust for this Plan. The assets in a group trust may be pooled with the assets of a custodial account under Code §403(b)(7), a retirement income account under Code §403(b)(9), and Code §401(a)(24) governmental plans without affecting the tax status of the group trust, subject to the requirements under Rev. Rul. 2011-1 (as modified by Notice 2012-6).

12.04 **Responsibilities of the Employer.** The Employer will provide to the Trustee written notification of the appointment of any person or persons as Plan Administrator or investment manager and the names, titles and authorities of any individuals who are authorized to act on behalf of such persons. The Trustee shall be entitled to rely upon such information until it receives written notice of a change in such appointments or authorizations.

The Employer may authorize the Trustee to enter into a merger agreement with the Trustee of another plan to effect such merger or consolidation. A merger agreement entered into by the Trustee is not part of this Plan and does not affect the assets transferred to this Plan from another plan.

12.05 **Effect of Plan Amendment.** Any amendment that affects the rights, duties or responsibilities of the Trustee or Plan Administrator may only be made with the Trustee's or Plan Administrator's written consent. Any amendment to the Plan must be in writing and a copy of the resolution (or similar instrument) setting forth such amendment (with the applicable effective date of such amendment) must be delivered to the Trustee.

12.06 **More than One Trustee.** If the Plan has more than one person acting as Trustee, the Trustees may allocate the Trustee responsibilities by mutual agreement. The Trustees may agree to make decisions by a majority vote or may permit any one of the Trustees to make any decision, undertake any action or execute any documents affecting this Trust without the approval of the remaining Trustees. The Trustees may agree to the allocation of responsibilities in a separate trust agreement or other binding document.

12.07 **Annual Valuation.** The Plan assets will be valued at least on an annual basis. The Employer may designate more frequent Valuation Dates under AA §11-1. Notwithstanding any election under AA §11-1, the Trustee and Plan Administrator may agree to value the Trust on a more frequent basis, and/or to perform an interim valuation of the Trust.

12.08 **Reporting to Plan Administrator and Employer.** Within a reasonable time after the end of each Plan Year or within a reasonable time after its removal or resignation, the Trustee shall file with the Plan Administrator a written account of the administration of the Trust showing all transactions effected by the Trustee from the last preceding accounting to the end of such Plan Year or date of removal or resignation. The accounting will include a statement of cash receipts, disbursements and other transactions effected by the Trustee since the date of its last accounting, and such further information as the Trustee and/or Employer deems appropriate. Upon approval of such accounting by the Plan Administrator, neither the Employer nor the Plan Administrator shall be entitled to any further accounting by the Trustee. The Trustee shall have a reasonable time following its receipt of a written disapproval from the Employer to provide the Employer with a written explanation of the terms in question. If the Employer again disapproves of the accounting, the Trustee may file its accounting with a court of competent jurisdiction for audit and adjudication.

12.09 **Reasonable Compensation.** The Trustee shall be paid reasonable compensation in an amount agreed upon by the Plan Administrator and Trustee. The Trustee also will be reimbursed for any reasonable expenses or fees incurred in its function as Trustee. An individual Trustee who is already receiving full-time pay as an Employee of the Employer may not receive any additional compensation for services as Trustee. The Plan will pay the reasonable compensation and expenses incurred by the Trustee, unless the Employer pays such compensation and expenses. Any compensation or expense paid directly by the Employer to the Trustee is not an Employer Contribution to the Plan.

12.10 **Resignation and Removal of Trustee.** The Trustee may resign at any time by delivering to the Employer a written notice of resignation at least thirty (30) days prior to the effective date of such resignation, unless the Employer consents in writing to a shorter notice period. The Employer and Trustee may agree to a longer notification period prior to the resignation of the Trustee The Employer may remove the Trustee at any time, with or without cause, by delivering written notice to the Trustee at least 30 days prior to the effective date of such removal. The Employer may remove the Trustee upon a shorter written notice period if the Employer reasonably determines such shorter period is necessary to protect Plan assets or to ensure the Plan is being operated for the exclusive benefit of Participants and their Beneficiaries. Upon the resignation, removal, death or incapacity of a Trustee, the Employer may appoint a successor Trustee which, upon accepting such appointment, will have all the powers, rights and duties conferred upon the preceding Trustee. In the event there is a period of time following the effective date of a Trustee's removal or resignation before a successor Trustee is appointed, the Employer is deemed to be the Trustee. During such period, the Trust continues to be in existence and legally enforceable, and the assets of the Plan shall continue to be protected by the provisions of the Trust.

12.11 **Indemnification of Trustee.** Except to the extent that it is judicially determined that the Trustee has acted with gross negligence or willful misconduct, the Employer shall indemnify the Trustee (whether or not the Trustee has resigned or been removed) against any liabilities, losses, damages, and expenses, including attorney, accountant, and other advisory fees, incurred as a result of:

(a) any action of the Trustee taken in good faith in accordance with any information, instruction, direction, or opinion given to the Trustee by the Employer, the Plan Administrator, investment manager, or legal counsel of the Employer, or any person or entity appointed by any of them and authorized to give any information, instruction, direction, or opinion to the Trustee;

(b) the failure of the Employer, the Plan Administrator, investment manager, or any person or entity appointed by any of them to make timely disclosure to the Trustee of information which any of them or any appointee knows or should know if it acted in a reasonably prudent manner; or

(c) any breach of fiduciary duty by the Employer, the Plan Administrator, investment manager, or any person or entity appointed by any of them, other than such a breach which is caused by any failure of the Trustee to perform its duties under this Trust.

12.12 **Liability of Trustee.** The duties and obligations of the Trustee shall be limited to those expressly imposed upon it by this Plan document and Trust or as subsequently agreed upon by the parties. Responsibility for administrative duties required under the Plan or applicable law not expressly imposed upon or agreed to by the Trustee shall rest solely with the Plan Administrator and the Employer.

The Employer agrees that the Trustee shall have no liability with regard to the investment or management of illiquid Plan assets transferred from a prior Trustee, and shall have no responsibility for investments made before the transfer of Plan assets to it, or for the viability or prudence of any investment made by a prior Trustee, including those represented by assets now transferred to the custody of the Trustee, or for any dealings whatsoever with respect to Plan assets before the transfer of such assets to the Trustee. The Employer shall indemnify and hold the Trustee harmless for any and all claims, actions or causes of action for loss or damage, or any liability whatsoever relating to the assets of the Plan transferred to the Trustee by any prior Trustee of the Plan, including any liability arising out of or related to any act or event, including prohibited transactions, occurring prior to the date the Trustee accepts such assets, including all claims, actions, causes of action, loss, damage, or any liability whatsoever arising out of or related to that act or event, although that claim, action, cause of action, loss, damage, or liability may not be asserted, may not have accrued, or may not have been made known until after the date the Trustee accepts the Plan assets. Such indemnification shall extend to all applicable periods, including periods for which the Plan is retroactively restated to comply with any tax law or regulation.

12.13 **Appointment of Custodian.** The Plan Administrator may appoint a Custodian to hold all or any portion of the Plan assets. A Custodian has the powers, rights and responsibilities similar to those of a Directed Trustee. The Custodian will be protected from any liability with respect to actions taken pursuant to the direction of the Trustee, Plan Administrator, the Employer, an investment manager, or other third party with authority to provide direction to the Custodian. The Custodian may designate its acceptance of the responsibilities and obligations described under this Plan document by executing the Trustee Declaration Page. The Employer also may enter into a separate agreement with the Custodian. Such separate agreement must be consistent with the responsibilities and obligations set forth in this Plan document. If there is no Custodian that will be executing the Trustee Declaration, the provisions of the Trustee Declaration addressing the Custodian (i.e., the Custodian signature provisions) may be removed from the Trustee Declaration Page.

12.14 **Modification of Trust Provisions.** The Employer may amend the administrative trust or custodial provisions under this Plan (such as provisions relating to investments and the duties of trustees), provided the amended provisions are not in conflict with any other provision of the Plan and do not cause the plan to fail to qualify under Code §401(a). The Employer may document any amendment modifying the trust or custodial provisions under this Plan or other overriding language in an Addendum to the Adoption Agreement.

12.15 **Custodial Accounts, Annuity Contracts and Insurance Contracts.** As provided under Code §401(f), a custodial account, an annuity contract or a contract issued by an Insurer is treated as a qualified trust under the Plan if (i) the custodial account or contract would, except for the fact that it is not a trust, constitute a qualified trust under Code §401(a) and (ii) in the case of a custodial account the assets thereof are held by a bank (as defined in Code §408(n)) or another person who demonstrates to the IRS that the manner in which the assets are held are consistent with the requirements of Code §401(a).

No insurance contract will be purchased under the Plan unless such contract or a separate definite written agreement between the Employer and the Insurer provides that: (1) no value under contracts providing benefits under the Plan or credits determined by the Insurer (on account of dividends, earnings, or other experience rating credits, or surrender or cancellation credits) with respect to such contracts may be paid or returned to the Employer or diverted to or used for other than the exclusive benefit of the Participants or their Beneficiaries. However, any contribution made by the Employer because of a mistake of fact must be returned to the Employer within one year of the contribution.

If this Plan is funded by individual contracts that provide a Participant's benefit under the plan, such individual contracts shall constitute the Participant's Account Balance. If this Plan is funded by group contracts, under the group annuity or group insurance contract, premiums or other consideration received by the insurance company must be allocated to Participants' accounts under the Plan.

SECTION 13
PARTICIPANT LOANS

13.01 **Availability of Participant Loans.** The Employer may elect under Appendix B of the Adoption Agreement to permit Participants to take loans from their vested Account Balance under the Plan. Participant loans may be treated as a segregated investment on behalf of each individual Participant for whom the loan is made or may be treated as a general investment of the Plan. If the Employer elects to permit loans under the Plan, the Employer may elect to use the default loan policy under this Section 13, as modified under Appendix B of the Adoption Agreement, or an outside loan policy for purposes of administering Participant loans under the Plan. If a separate written loan policy is adopted, the terms of such separate loan policy will control over the terms of this Plan with respect to the administration of any Participant loans. Any separate written loan policy must satisfy the requirements under Code §72(p) and the regulations thereunder.

To receive a Participant loan, a Participant must sign a promissory note along with a pledge or assignment of the portion of the Account Balance used for security on the loan. The loan will be evidenced by a legally enforceable agreement which specifies the amount and term of the loan, and the repayment schedule.

13.02 **Must be Available in Reasonably Equivalent Manner.** Participant loans must be made available to Participants in a reasonably equivalent manner. The Employer may elect under AA §B-7 to limit the availability of Participant loans to specified events. For example, the availability of Participant loans may be limited to the occurrence of a hardship event as described in Section 7.10(e)(1)(i).

13.03 **Loan Limitations.** A Participant loan may not be made to the extent such loan (when added to the outstanding balance of all other loans made to the Participant) exceeds the lesser of:

(a) $50,000 (reduced by the excess, if any, of the Participant's highest outstanding balance of loans from the Plan during the one-year period ending on the day before the date on which such loan is made, over the Participant's outstanding balance of loans from the Plan as of the date such loan is made) or

(b) one-half (½) of the Participant's vested Account Balance, determined as of the Valuation Date coinciding with or immediately preceding such loan, adjusted for any contributions or distributions made since such Valuation Date.

If so elected under AA §B-4, a Participant may take a loan equal to the greater of $10,000 or 50% of the Participant's vested Account Balance. However, if a Participant takes a loan in excess of 50% of the Participant's vested Account Balance, such loan is still subject to the adequate security requirements under Section 13.06.

In applying the limitations under this Section 13.03, all plans maintained by the Employer are aggregated and treated as a single plan. In addition, any assignment or pledge of any portion of the Participant's interest in the Plan and any loan, pledge, or assignment with respect to any insurance contract purchased under the Plan will be treated as loan under this Section.

13.04 **Limit on Amount and Number of Loans.** Unless elected otherwise under AA §B-5 and/or AA §B-6, or under a separate written loan policy, a Participant may not receive a Participant loan of less than $1,000 nor may a Participant have more than one Participant loan outstanding at any time.

(a) **Loan renegotiation.** Unless designated otherwise under AA §B-15, a Participant may be permitted to renegotiate a loan without violating the one outstanding loan requirement to the extent such renegotiated loan is a new loan (i.e., the renegotiated loan separately satisfies the reasonable interest rate requirement under Section 13.05, the adequate security requirement under Section 13.06, and the periodic repayment requirement under Section 13.07) and the renegotiated loan does not exceed the limitations under Section 13.03 above, treating both the replaced loan and the renegotiated loan as outstanding at the same time. However, if the term of the renegotiated loan does not end later than the original term of the replaced loan, the replaced loan may be ignored in applying the limitations under Section 13.03 above.

(b) **Participant must be creditworthy.** The Plan Administrator may refuse to make a loan to any Participant who is determined to be not creditworthy. For this purpose, a Participant is not creditworthy if, based on the facts and circumstances, it is reasonable to believe that the Participant will not repay the loan. A Participant who has defaulted on a previous loan from the Plan and has not repaid such loan (with accrued interest) at the time of any subsequent loan will be treated as not creditworthy until such time as the Participant repays the defaulted loan (with accrued interest).

13.05 **Reasonable Rate of Interest.** All Participant loans will be charged a reasonable rate of interest. Alternative methods for determining a reasonable rate of interest may be identified under AA §B-7 or under a separate written loan policy. The interest rate assumptions must be periodically reviewed to ensure the interest rate charged on Participant loans is reasonable.

If a Participant is in military service while he/she has an outstanding Participant loan, the applicable interest charged on such loan during the period while the Participant is in military service will not exceed 6% per year provided the Participant provides written notice and a copy of his/her call-up or extension orders to the Plan Administrator within 180 days following the Participant's termination or release from military service. For this purpose, military service is as defined in the Soldier's and Sailor's Civil Relief Act of 1940 as modified by the Servicemembers Civil Relief Act of 2003. The Participant may voluntarily waive this 6% interest limitation and the Plan Administrator may petition the court to retain the original interest rate if the ability to repay is not affected by the Participant's activation to military duty.

13.06 **Adequate Security.** All Participant loans must be adequately secured. The Participant's vested Account Balance shall be used as security for a Participant loan provided the outstanding balance of all Participant loans made to such Participant does not exceed 50% of the Participants vested Account Balance, determined immediately after the origination of each loan,. The Plan Administrator (with the consent of the Trustee) may require a Participant to provide additional collateral to receive a Participant loan if the Plan Administrator determines such additional collateral is required to protect the interests of Plan Participants. A separate loan policy or written modifications to this loan policy may prescribe alternative rules for obtaining adequate security.

13.07 **Periodic Repayment.** A Participant loan must provide for level amortization with payments to be made not less frequently than quarterly. A Participant loan must be payable within a period not exceeding five (5) years from the date the Participant receives the loan from the Plan, unless the loan is for the purchase of the Participant's principal residence, in which case the loan may be payable within ten (10) years or such longer period that is commensurate with the repayment period permitted by commercial lenders for similar loans. Loan repayments must be made through payroll withholding, except to the extent the Plan Administrator determines payroll withholding is not practical given the level of a Participant's wages, the frequency with which the Participant is paid, or other circumstances.

(a) **Leave of absence.** A Participant with an outstanding Participant loan may suspend loan payments to the Plan for up to 12 months for any period during which the Participant's pay is insufficient to fully repay the required loan payments. Upon the Participant's return to employment (or after the end of the 12-month period, if earlier), the Participant's outstanding loan will be reamortized over the remaining period of such loan to make up for the missed payments. The reamortized loan may extend beyond the original loan term so long as the loan is paid in full by whichever of the following dates comes first:

(1) the date which is five (5) years from the original date of the loan (or the end of the suspension, if sooner), or

(2) the original loan repayment deadline (or the end of the suspension period, if later) plus the length of the suspension period.

(b) **Military leave.** A Participant with an outstanding Participant loan also may suspend loan payments for any period such Participant is on military leave, in accordance with Code §414(u)(4). Upon the Participant's return from military leave (or the expiration of five years from the date the Participant began his/her military leave, if earlier), loan payments will recommence under the amortization schedule in effect prior to the Participant's military leave, without regard to the five-year maximum loan repayment period. Alternatively, the loan may be reamortized to require a different level of loan payment, as long as the amount and frequency of such payments are not less than the amount and frequency under the amortization schedule in effect prior to the Participant's military leave.

13.08 **Designation of Accounts.** A Participant loan will be treated as a segregated investment on behalf of the individual Participant for whom the loan is made or may be treated as a general investment of the Plan. Unless designated otherwise under AA §B-9 or under a separate loan procedure, loan amounts may be taken from any available contribution source under the Plan .The Plan Administrator may determine the contribution sources from which a loan is taken or may follow directions of the Participant.

Each payment of principal and interest paid by a Participant on his/her Participant loan shall be credited to the same Participant Accounts and investment funds within such Accounts from which the loan was taken.

13.09 **Procedures for Loan Default.** A Participant will be considered to be in default with respect to a loan if any scheduled repayment with respect to such loan is not made by the end of the calendar quarter following the calendar quarter in which the missed payment was due. The Employer may apply a shorter cure period under AA §B-11.

If a Participant defaults on a Participant loan, the Plan may not offset the Participant's Account Balance until the Participant is otherwise entitled to an immediate distribution of the portion of the Account Balance which will be offset and such amount being offset is available as security on the loan, pursuant to Section 13.06. For this purpose, a loan default is treated as an immediate distribution event to the extent the law does not prohibit an actual distribution of the type of contributions which would be offset as a result of the loan default). The Participant may repay the outstanding balance of a defaulted loan (including accrued interest through the date of repayment) at any time.

Pending the offset of a Participant's Account Balance following a defaulted loan, the following rules apply to the amount in default.

(a) Interest continues to accrue on the amount in default until the time of the loan offset or, if earlier, the date the loan repayments are made current or the amount is satisfied with other collateral.

(b) A subsequent offset of the amount in default is not reported as a taxable distribution, except to the extent the taxable portion of the default amount was not previously reported by the Plan as a taxable distribution.

(c) The post-default accrued interest included in the loan offset is not reported as a taxable distribution at the time of the offset.

A separate loan policy or written modifications to this loan policy may modify the procedures for determining a loan default.

13.10 Termination of Employment.

(a) **Offset of outstanding loan.** Unless elected otherwise under AA §B-13, a Participant loan becomes due and payable in full immediately upon the Participant's termination of employment. Upon a Participant's termination, the Participant may repay the entire outstanding balance of the loan (including any accrued interest) within a reasonable period following termination of employment. If the Participant does not repay the entire outstanding loan balance, the Participant's vested Account Balance will be reduced by the remaining outstanding balance of the loan to the extent such Account Balance is available as security on the loan, pursuant to Section 13.06, and the remaining vested Account Balance will be distributed in accordance with the distribution provisions under Section 7. If the outstanding loan balance of a deceased Participant is not repaid, the outstanding loan balance shall be treated as a distribution to the Participant and shall reduce the death benefit amount payable to the Beneficiary under Section 7.07.

(b) **Direct Rollover.** Unless elected otherwise under AA §B-14, upon termination of employment, a Participant may request a Direct Rollover of the loan note (provided the distribution is an Eligible Rollover Distribution as defined in Section 7.04(a)(1)) to another qualified plan which agrees to accept a Direct Rollover of the loan note. A Participant may not engage in a Direct Rollover of a loan to the extent the Participant has already received a deemed distribution with respect to such loan. (See the rules regarding deemed distributions upon a loan default under Section 13.09.)

13.11 **Amendment of Plan to Eliminate Participant Loans.** The Plan may be amended at any time to eliminate Participant loans on a prospective basis. However, the elimination of a Participant loan feature may not result in the acceleration of payment of any existing Participant loans, unless the terms of the Participant loan permit such acceleration.

SECTION 14
PLAN AMENDMENTS, TERMINATION, MERGERS AND TRANSFERS

14.01 Plan Amendments.

(a) **Amendment by the Volume Submitter practitioner.** The Volume Submitter practitioner may amend the Plan on behalf of all adopting Employers, including those Employers who adopt the Plan prior to or after the amendment, for changes in the Code, regulations, revenue rulings, and other statements published by the Internal Revenue Service, including model, sample or other required good faith amendments (but only if their adoption will not cause such Plan to be individually designed), and for corrections of prior approved plans. These amendments will be applied to all Employers who have adopted the Plan.

However, for purposes of reliance on an advisory or determination letter, the Volume Submitter practitioner will no longer have the authority to amend the Plan on behalf of any adopting Employer as of either:

(1) the date the Employer amends the Plan to incorporate a type of plan that is not permitted under the Volume Submitter program, as described in section 6.03 of Rev. Proc. 2011-49, or

(2) the date the IRS notifies the Employer, in accordance with section 24.03 of Rev. Proc. 2011-49, that the Plan is an individually designed plan due to the nature and extent of Employer amendments to the Plan.

If the Employer is required to obtain a determination letter for any reason in order to maintain reliance on the Favorable IRS Letter, the Volume Submitter practitioner's authority to amend the plan on behalf of the adopting Employer is conditioned on the Plan receiving a favorable determination letter.

The Volume Submitter practitioner will maintain, or have maintained on its behalf, a record of the Employers that have adopted the Plan, and the Volume Submitter practitioner will make reasonable and diligent efforts to ensure that adopting Employers have actually received and are aware of all Plan amendments and that such Employers adopt new documents when necessary.

(b) **Amendment by the Employer.** The Employer shall have the right at any time to amend the Adoption Agreement in the following manner without affecting the Plan's status as a Volume Submitter Plan. (The ability to amend the Plan as authorized under this subsection (b) applies only to the Employer that executes the Employer Signature Page of the Adoption Agreement. Any amendment to the Plan by the Employer under this subsection (b) also applies to any other Employer that participates under the Plan as a Participating Employer.)

(1) The Employer may change any optional selections under the Adoption Agreement.

(2) The Employer may add overriding language to the Adoption Agreement when such language is necessary to satisfy Code §415 because of the required aggregation of multiple plans.

(3) The Employer may change the administrative selections under Appendix C of the Adoption Agreement by replacing the appropriate page(s) within the Adoption Agreement. Such amendment does not require reexecution of the Employer Signature Page of the Adoption Agreement.

(4) The Employer may amend administrative provisions of the trust or custodial document, including the name of the Plan, Employer, Trustee or Custodian, Plan Administrator and other fiduciaries, the trust year, and the name of any pooled trust in which the Plan's trust will participate.

(5) The Employer may add certain sample or model amendments published by the IRS which specifically provide that their adoption will not cause the Plan to be treated as an individually designed plan.

(6) The Employer may add or change provisions permitted under the Plan and/or specify or change the effective date of a provision as permitted under the Plan.

(7) The Employer may adopt any amendments that it deems necessary to satisfy the requirements for resolving qualification failures under the IRS' compliance resolution programs.

The Employer may amend the Plan at any time for any other reason. If such amendment is not deemed to be significant, the Plan will not lose its status as a Volume Submitter Plan. However, if the Employer modifies the language of the Plan or Adoption Agreement (other than the completion of optional selections (e.g., Describe lines), the Employer will not be able to rely on the Favorable IRS Letter issued with respect to the Plan and will need to submit the Plan to the IRS for a favorable determination letter to retain reliance. If an amendment to the Plan is deemed significant, such amendment could cause the Plan to lose its status as a Volume Submitter Plan and become an individually designed plan.

(c) **Method of amendment.** An amendment to the Plan may be adopted as a modification to the Adoption Agreement and/or Basic Plan Document or as a separate snap-on amendment. An amendment to the Plan may be adopted as part of a properly executed board resolution. Any such amendment must be executed by the board of directors or a duly authorized officer of the Employer (if the Employer is a corporation or other similarly organized business entity), by a general partner or member of the Employer (if the Employer is a partnership or limited liability company), or by a sole proprietor (if the Employer is a sole proprietorship).

(d) **Effective date of Plan Amendments.** If the Plan is restated or amended, such restatement or amendment is generally effective as of the Effective Date of the restatement or amendment (as designated on the Employer Signature Page with respect to such amendment), except where the context indicates a reference to an earlier Effective Date. The Employer may designate special effective dates for individual provisions under the Plan where provided in the Adoption Agreement or under Appendix A of the Adoption Agreement.

(1) **Retroactive Effective Date.** If the Plan is amended retroactively (e.g., to add language required to comply with IRS guidance or law), the provisions of this Plan generally override the provisions of any prior Plan. However, if the provisions of this Plan are different from the provisions of the Employer's prior plan and, after the retroactive Effective Date of this Plan, the Employer operated in compliance with the provisions of the prior plan, the provisions of such prior plan are incorporated into this Plan for purposes of determining whether the Employer operated the Plan in compliance with its terms, provided operation in compliance with the terms of the prior plan do not violate any qualification requirements under the Code, regulations, or other IRS guidance.

(2) **Retroactive effect of PPA, HEART and WRERA provisions.** This Plan is designed to comply with the Code, regulations, and general guidance applicable to qualified retirement plans, including the provisions of the Pension Protection Act of 2006 (PPA), the Heroes Earnings Assistance And Relief Tax Act Of 2008 (HEART Act), and the Worker, Retiree, and Employer Recovery Act of 2008 (WRERA). If this Plan is being restated or amended to comply with the provisions of PPA, HEART and/or WRERA, the Plan contains special effective dates that apply with respect to such provisions. If the Plan is being restated within the remedial amendment period for retroactive compliance with the PPA, HEART and WRERA provisions, the special effective dates for such provisions (as described below) will apply, even if such special effective dates precede the Effective Date of the restatement designated on the Employer Signature Page of the Adoption Agreement. Thus, if the Plan is being restated or amended to comply with PPA, HEART and/or WRERA, and the Effective Date of this restatement or amendment is later than the special effective date applicable to any of the PPA, HEART or WRERA provisions described below, such special effective dates will apply and any prior plan being replaced by this Plan will be considered to have been timely amended for the PPA, HEART and WRERA provisions.

The following provisions contain special effective dates for purposes of complying with the requirements of PPA, HEART and WRERA:

(i) **Hardship distributions.** Section 7.10(e)(5)of the Plan allows Hardship distributions to be determined with respect to primary beneficiaries. The Employer may elect to apply this provision under AA §10-2(d).

(ii) **Direct rollovers by non-Spouse beneficiaries.** The provisions allowing for direct rollovers by non-Spouse beneficiaries as described in Section 7.04(c), are effective for distributions made on or after January 1, 2007.

(iii) **Direct rollover of non-taxable amounts.** Effective for taxable years beginning on or after January 1, 2007, Section 7.04(d) expands the definition of Eligible Rollover Distribution to include the portion of a distribution that is not includible in gross income.

(iv) **Rollovers to Roth IRA.** For distributions occurring on or after January 1, 2008, Section 7.04(e) permits Participants or beneficiaries to rollover a qualified Eligible Rollover Distribution to a Roth IRA.

(v) **Distribution notice periods.** Effective for Plan Years beginning on or after January 1, 2007, the period for providing the Code §402(f) rollover notice under Section 7.04(b), and the period for providing the notice regarding the right to defer receipt of a distribution under Section 7.03(b) is increased to 180 days.

(vi) **Content of notice of a Participant's right to defer receipt of a distribution.** Effective for Plan Years beginning on or after January 1, 2007, Section 7.03(b) requires the notice relating to a Participant's right to defer receipt of a distribution must include a description of the consequences of a Participant's decision not to defer the receipt of a distribution.

(vii) **Qualified Domestic Relations Orders (QDROs).** Section 11.05(c) of the Plan expands the definition of a QDRO effective April 6, 2007 to include modified orders and orders issued after the Participant's death.

(viii) **In-service distributions from pension plans.** AA §10-1 permits a pension plan (e.g., a money purchase plan or a plan that holds transferred assets from a money purchase plan), to make an in-service distribution upon attainment of age 62. This provision is effective for Plan Years beginning on or after January 1, 2013.

(ix) **Penalty-free withdrawals for individuals called to active duty.** Effective September 11, 2001, Section 7.10(d) expands the distribution provisions applicable to elective deferrals to include a Qualified Reservist Distribution.

(x) **Benefit accruals for Participants on Qualified Military Service.** Section 15.04 of the Plan sets forth the HEART Act provisions addressing Participants on qualified military leave. These provisions are effective for Plan Years beginning on or after January 1, 2007.

(xi) **Differential Pay.** Effective for years beginning on or after January 1, 2009, Section 1.89(e) of the Plan permits the Employer to include Differential Pay as Total Compensation under the Plan.

(xii) **Waiver of Required Minimum Distributions.** Section 8.06(d) allows for the waiver of the Required Minimum Distribution rules for calendar year 2009 as prescribed under WRERA.

(xiii) **Final 415 regulations.** Sections 1.89 and 5.02 contain the provisions required by the final 415 regulations, effective for Limitation Years beginning on or after July 1, 2007.

(3) **Merged plans.** Except for retroactive application of the provisions under this subsection (d), if one or more qualified retirement plans have been merged into this Plan, the provisions of the merging plan(s) will remain in full force and effect until the Effective Date of the plan merger(s), unless provided otherwise under Appendix A of the Adoption Agreement.

14.02 **Plan Termination.** The Employer may terminate this Plan at any time by delivering to the Trustee and Plan Administrator written notice of such termination.

(a) **Full and immediate vesting.** Upon a full or partial termination of the Plan (or in the case of a Profit Sharing Plan, the complete discontinuance of contributions), all amounts credited to an affected Participant's Account become 100% vested, regardless of the Participant's vested percentage determined under Section 6.02. The Plan Administrator has discretion to determine whether a partial termination has occurred.

(b) **Distribution upon Plan termination.** Upon the termination of the Plan, the Plan Administrator shall direct the distribution of Plan assets to Participants in accordance with the provisions under Section 7. For purposes of applying the provisions of this subsection (b), distribution may be delayed until the Employer receives a favorable determination letter from the IRS as to the qualified status of the Plan upon termination, provided the determination letter request is made within a reasonable period following the termination of the Plan. Until all Plan assets have been distributed from the Plan, the Employer must amend the Plan in order to comply with current laws and regulations and may take any other actions necessary to retain the qualified status of the Plan.

(c) **Missing Participants.** Upon termination of the Plan, if any Participant cannot be located after a reasonable diligent search (as defined in Section 6.10(c)(1)), the Plan Administrator may make a direct rollover to an IRA selected by the Plan Administrator. For this purpose, the Plan Administrator will adopt procedures similar to the procedures required under Section 7.05 for making Automatic Rollovers in applying the provisions under this subsection (c). An Automatic Rollover under this subsection (c) may be made on behalf of any missing Participant, regardless of the value of his/her vested Account Balance under the Plan.

(d) **Partial Termination**. In determining whether a Plan has experienced a partial termination as described under Code §411(d)(3), the Plan Administrator will apply the principals set forth under IRS Revenue Ruling 2007-43.

14.03 **Merger or Consolidation.** In the event the Plan is merged or consolidated with another plan, each Participant must be entitled to a benefit immediately after such merger or consolidation that is at least equal to the benefit the Participant was entitled to immediately before such merger or consolidation (had the Plan terminated).

If the Employer amends the Plan from one type of Defined Contribution Plan (e.g., a Money Purchase Plan) into another type of Defined Contribution Plan (e.g., a Profit Sharing Plan) will not result in a partial termination or any other event that would require full vesting of some or all Plan Participants.

14.04 **Transfer of Assets.** The Plan may accept a transfer of assets from another qualified retirement plan on behalf of any Employee, even if such Employee is not eligible to receive other contributions under the Plan. If a transfer of assets is made on behalf of an Employee prior to the Employee's becoming a Participant, the Employee shall be treated as a Participant for all purposes with respect to such transferred amount. Any assets transferred to this Plan from another plan must be accompanied by written instructions designating the name of each Employee for whose benefit such amounts are being transferred, the current value of such assets, and the sources from which such amounts are derived. The Plan Administrator will deposit any transferred assets in the appropriate Participant's Transfer Account. The Transfer Account will contain any sub-Accounts necessary to separately track the sources of the transferred assets. Each sub-Account will be treated in the same manner as the corresponding Plan Account.

If the Plan is a Profit Sharing Plan or a Grandfathered 401(k) Arrangement and the Plan accepts a transfer of assets from a money purchase plan (other than as a Qualified Transfer as defined in subsection (d) below), the amounts transferred (and any gains attributable to such transferred amounts) continue to be subject to the distribution restrictions applicable to money purchase plan assets under the transferor plan. Such amounts may not be distributed for reasons other than death, disability, attainment of Normal Retirement Age, attainment of age 62, or termination of employment, regardless of any distribution provisions under this Plan that would otherwise permit a distribution prior to such events.

The Plan Administrator may refuse to accept a transfer of assets if the Plan Administrator reasonably believes the transfer (1) is not being made from a proper qualified plan; (2) could jeopardize the tax-exempt status of the Plan; or (3) could create adverse tax consequences for the Plan or the Employer. Prior to accepting a transfer of assets, the Plan Administrator may require evidence documenting that the transfer of assets meets the requirements of this Section. The Trustee will have no responsibility to determine whether the transfer of assets meets the requirements of this Section; to verify the correctness of the amount and type of assets being transferred to the Plan; or to perform a due diligence review with respect to such transfer.

(a) **Trustee's right to refuse transfer.** If the assets to be transferred to the Plan under this Section 14.04 are not susceptible to proper valuation and identification or are of such a nature that their valuation is incompatible with other Plan assets, the Trustee may refuse to accept the transfer of all or any specific asset, or may condition acceptance of the assets on the sale or disposition of any specific asset.

(b) **Transfer of Plan to unrelated Employer.** The Employer may not transfer sponsorship of the Plan to an unrelated employer if the transfer is not in connection with a transfer of business assets or operations from the Employer to the unrelated employer.

SECTION 15
MISCELLANEOUS

15.01 **Exclusive Benefit.** Plan assets will not be used for, or diverted to, a purpose other than the exclusive benefit of Participants or their Beneficiaries.

No amendment may authorize or permit any portion of the assets held under the Plan to be used for or diverted to a purpose other than the exclusive benefit of Participants or their Beneficiaries, except to the extent such assets are used to pay taxes or administrative expenses of the Plan. An amendment also may not cause or permit any portion of the assets held under the Plan to revert to or become property of the Employer.

15.02 **Return of Employer Contributions.** Upon written request by the Employer, the Trustee must return any Employer Contributions provided that the circumstances and the time frames described below are satisfied. The Trustee may request the Employer to provide additional information to ensure the amounts may be properly returned. Any amounts returned shall not include earnings, but must be reduced by any losses.

(a) **Mistake of fact.** Any Employer Contributions made because of a mistake of fact must be returned to the Employer within one year of the contribution.

(b) **Failure to initially qualify.** Employer Contributions to the Plan are made with the understanding, in the case of a new Plan, that the Plan satisfies the qualification requirements of Code §401(a) as of the Plan's Effective Date. In the event that the Internal Revenue Service determines that the Plan is not initially qualified under the Code, any Employer Contributions (and allocable earnings) made incident to that initial qualification must be returned to the Employer within one year after the date the initial qualification is denied, but only if the application for the qualification is made by the time prescribed by law for filing the employer's return for the taxable year in which the plan is adopted, or such later date as the Secretary of the Treasury may prescribe.

15.03 **Participants' Rights.** The adoption of this Plan by the Employer does not give any Participant, Beneficiary, or Employee a right to continued employment with the Employer and does not affect the Employer's right to discharge an Employee or Participant at any time. This Plan also does not create any legal or equitable rights in favor of any Participant, Beneficiary, or Employee against the Employer, Plan Administrator or Trustee. Unless the context indicates otherwise, any amendment to this Plan is not applicable to determine the benefits accrued (and the extent to which such benefits are vested) by a Participant or former Employee whose employment terminated before the effective date of such amendment, except where application of such amendment to the terminated Participant or former Employee is required by statute, regulation or other guidance of general applicability. Where the provisions of the Plan are ambiguous as to the application of an amendment to a terminated Participant or former Employee, the Plan Administrator has the authority to make a final determination on the proper interpretation of the Plan.

15.04 **Military Service.** To the extent required under Code §414(u), an Employee who returns to employment with the Employer following a period of qualified military service will receive any contributions, benefits and service credit required under Code §414(u), provided the Employee satisfies all applicable requirements under the Code and regulations. In determining the amount of contributions under Code §414(u), Plan Compensation will be deemed to be the compensation the Employee would have received during the period while in military service based on the rate of pay the Employee would have received from the Employer but for the absence due to military leave. If the compensation the Employee would have received during the leave is not reasonably certain, Plan Compensation will be equal to the Employee's average compensation from the Employer during the twelve (12) month period immediately preceding the military leave or, if shorter, the Employee's actual period of employment with the Employer.

(a) **Death benefits under qualified military service.** In the case of a Participant who dies while performing qualified military service (as defined in Code §414(u)), the survivors of the Participant are entitled to any additional benefits (other than benefit accruals relating to the period of qualified military service) provided under the Plan as though the Participant resumed and then terminated employment on account of death. This provision is effective with respect to deaths occurring on or after January 1, 2007.

(b) **Benefit accruals.** If elected under AA §11-3, for benefit accrual purposes, the Plan will treat an individual who dies or becomes disabled (as defined under the terms of the Plan) while performing qualified military service (as defined in Code §414(u)) with respect to the Employer, as if the individual has resumed employment in accordance with the individual's reemployment rights under the Uniformed Services Employment and Reemployment Rights Act (USERRA) on the day preceding death or disability (as the case may be) and terminated employment on the actual date of death or disability. This provision is effective with respect to deaths and disabilities occurring on or after January 1, 2007.

(1) This subsection (b) shall apply only if all individuals performing qualified military service with respect to the Employer maintaining the plan who die or became disabled as a result of performing qualified military service prior to reemployment by the employer are credited with service and benefits on reasonably equivalent terms.

(2) The amount of employee contributions and the amount of elective deferrals of an individual treated as reemployed under this subsection (b) shall be determined on the basis of the individual's average actual employee contributions or elective deferrals for the lesser of:

(i) the 12-month period of service with the Employer immediately prior to qualified military service, or

(ii) if service with the Employer is less than such 12-month period, the actual length of continuous service with the Employer.

(c) **Plan distributions.** Notwithstanding the provisions of Section 1.89(e) regarding the treatment of Differential Pay, an individual shall be treated as having been severed from employment during any period the individual is performing service in the Uniformed Services for purposes of receiving a Plan distribution under Code §401(k)(2)(B)(i)(I). If an individual elects to receive a distribution while on military leave, the individual may not make Salary Deferrals or Employee After-Tax Employee Contributions under the Plan during the 6-month period beginning on the date of the distribution.

(d) **Make-Up Contributions**. A Participant who is reemployed following a qualified military leave shall have the right to make up any Salary Deferrals or After-Tax Employee Contributions to which he/she would have been entitled but for the fact the Participant was on qualified military leave. To the extent a Participant returning from qualified military leave would have been required to make Employer Pick-Up Contributions, as described in Section 3.03, the Participant will be required to make such Employer Pick-Up Contributions upon his/her return to employment based on the amount that would have been contributed but for the fact the Participant was on qualified military leave. The Employer will also make any Employer Contributions and Matching Contributions the Participant would have earned during the period of qualified military leave had the Participant remained employed during such period. The Employer will only be required to make Matching Contributions if the reemployed Participant makes up the underlying contributions that were eligible for the Matching Contributions.

In determining the amount of Make-Up Contributions a Participant may make under this subsection (d), a Participant will be treated as earning Plan Compensation during the period the Participant was on qualified military leave equal to:

(1) the rate of pay the Participant would have received from the Employer during such period had the Participant not been on qualified military leave, or

(2) if the Plan Compensation the Participant would have received during such period was not reasonably certain, the Participant's average Plan Compensation during the 12-month period immediately preceding the qualified military leave (or the entire period of employment, if shorter).

If the Employer is required under this subsection (d) to make Employer Contributions for a reemployed Participant, the Employer must make such Employer Contributions not later than 90 days after the date of reemployment or the date the Employer Contributions are otherwise due for the year in which the military service was performed. For Salary Deferrals and After-Tax Employee Contributions, a Participant who is reemployed following a qualified military leave may make up such contributions during the period beginning on the date of reemployment and ending on the earlier of the date that is three times the length of the military service period or 5 years from the date of reemployment. Any required Matching Contributions must be made in the same manner as other Matching Contribution under the Plan following the Participant's contribution of the amounts eligible for the Matching Contributions.

Any make up contributions under this subsection (d) are subject to the Code §415 Limitation under Section 5.02 and the Elective Deferral Dollar Limitation under Section 5.03 for the year for which the make-up contribution would have been made had the Participant not been on qualified military leave.

15.05 **Annuity Contract.** Any annuity contract distributed under the Plan must be nontransferable. In addition, the terms of any annuity contract purchased and distributed to a Participant or to a Participant's Spouse must comply with all requirements under this Plan.

15.06 **Use of IRS Compliance Programs.** Nothing in this Plan document should be construed to limit the availability of the IRS' voluntary compliance programs, An Employer may take whatever corrective actions are permitted under the IRS voluntary compliance programs, as is deemed appropriate by the Plan Administrator or Employer. If the Employer's Plan fails to attain or retain qualification, such Plan will no longer participate in this Volume Submitter Plan and will be considered an individually designed plan.

15.07 **Governing Law.** The provisions of this Plan shall be construed, administered, and enforced in accordance with the provisions of applicable Federal Law and, to the extent applicable, the laws of the state in which the Trustee has its principal place of business. The foregoing provisions of this Section shall not preclude the Employer and the Trustee from agreeing to a different state law with respect to the construction, administration and enforcement of the Plan.

15.08 **Waiver of Notice.** Any person entitled to a notice under the Plan may waive the right to receive such notice, to the extent such a waiver is not prohibited by law, regulation or other pronouncement.

15.09 **Use of Electronic Media.** The Employer, Plan Administrator, Trustee and any other designated individual responsible for providing applicable notices or disclosures under the Plan, and any Participant or beneficiary making an election under the Plan may use telephonic or electronic media to satisfy any notice requirements required by this Plan. Any use of electronic medium under the Plan must comply with the requirements outlined in Treas. Reg. §1.401(a)-21 or other general guidance concerning the use of telephonic or electronic media. The Plan Administrator also may use telephonic or electronic media to conduct plan transactions such as enrolling participants, making (and changing) salary reduction elections, electing (and changing) investment allocations, applying for Plan loans, and other transactions, to the extent permissible under regulations (or other generally applicable guidance).

15.10 **Severability of Provisions.** In the event that any provision of this Plan shall be held to be illegal, invalid or unenforceable for any reason, the remaining provisions under the Plan shall be construed as if the illegal, invalid or unenforceable provisions had never been included in the Plan.

15.11 **Binding Effect.** The Plan, and all actions and decisions made thereunder, shall be binding upon all applicable parties, and their heirs, executors, administrators, successors and assigns.

SECTION 16
PARTICIPATING EMPLOYERS

16.01 **Participation by Participating Employers.** An Employer (other than the Employer that executes the Employer Signature Page of the Adoption Agreement) may elect to participate under this Plan by executing a Participating Employer Adoption Page under the Adoption Agreement. A Participating Employer (including a Related Employer defined in Section 1.78) may not contribute to this Plan unless it executes the Participating Employer Adoption Page.

16.02 **Participating Employer Adoption Page.**

(a) **Application of Plan provisions.** By executing a Participating Employer Adoption Page, a Participating Employer adopts all the provisions of the Plan, including the elective choices made by the signatory Employer under the Adoption Agreement. The Participating Employer may elect under the Participating Employer Adoption Page to modify the elective provisions under the Adoption Agreement as they apply to the Participating Employer.

(b) **Plan amendments.** In addition, unless provided otherwise under the Participating Employer Adoption Page, a Participating Employer is bound by any amendments made to the Plan in accordance with Section 14.01.

(c) **Trustee designation.** The Participating Employer agrees to use the same Trustee as is designated on the Trustee Declaration under the Agreement, except as provided in a separate trust agreement.

16.03 **Compensation of Related Employers.** In applying the provisions of this Plan, Total Compensation (as defined in Section 1.89) includes amounts earned with a Related Employer, regardless of whether such Related Employer executes a Participating Employer Adoption Page. The Employer may elect under AA §5-3(h) to exclude amounts earned with a Related Employer that does not execute a Participating Employer Adoption Page for purposes of determining an Employee's Plan Compensation.

16.04 **Allocation of Contributions and Forfeitures.** Unless selected otherwise under the Participating Employer Adoption Page, any contributions made by a Participating Employer (and any forfeitures relating to such contributions) will be allocated to all Participants employed by the Employer and Participating Employers in accordance with the provisions under this Plan. A Participating Employer may elect under the Participating Employer Adoption Page to allocate its contributions (and forfeitures relating to such contributions) only to the Participants employed by the Participating Employer making such contributions. If so elected, Employees of the Participating Employer will not share in an allocation of contributions (or forfeitures relating to such contributions) made by any other Participating Employer (except in such individual's capacity as an Employee of that other Participating Employer). Thus, for example, a Participating Employer may make a different discretionary contribution and allocate such contribution only to its Employees. Where contributions are allocated only to the Employees of a contributing Participating Employer, a separate accounting must be maintained of Employees' Account Balances attributable to the contributions of a particular Participating Employer. This separate accounting is necessary only for contributions that are not 100% vested, so that the allocation of forfeitures attributable to such contributions can be allocated for the benefit of the appropriate Employees.

16.05 **Discontinuance of Participation by a Participating Employer.** A Participating Employer may discontinue its participation under the Plan at any time. To document a Participating Employer's cessation of participation, the following procedures should be followed:

(a) the Participating Employer should adopt a resolution that formally terminates active participation in the Plan as of a specified date,

(b) the Employer that has executed the Employer Signature Page of the Adoption Agreement should reexecute such page, indicating an amendment by page substitution through the deletion of the Participating Employer Adoption Page executed by the withdrawing Participating Employer, and

(c) the withdrawing Participating Employer should provide any notices to its Employees that are required by law.

Discontinuance of participation means that no further benefits accrue after the effective date of such discontinuance with respect to employment with the withdrawing Participating Employer. The portion of the Plan attributable to the withdrawing Participating Employer may continue as a separate plan, under which benefits may continue to accrue, through the adoption by the Participating Employer of a successor plan (which may be created through the execution of a separate Adoption Agreement by the Participating Employer) or by spin-off of the portion of the Plan attributable to such Participating Employer followed by a merger or transfer into another existing plan, as specified in a merger or transfer agreement.

16.06 **Operational Rules for Related Employer Groups.** If an Employer has one or more Related Employers, the Employer and such Related Employer(s) constitute a Related Employer group. In such case, the following rules apply to the operation of the Plan.

(a) If the term Employer is used in the context of administrative functions necessary to the operation, establishment, maintenance, or termination of the Plan, only the Employer executing the Employer Signature Page under the Adoption Agreement, and any Related Employer executing a Participating Employer Adoption Page, is treated as the Employer.

(b) Hours of Service are determined by treating all members of the Related Employer group as the Employer.

(c) The term Excluded Employee is determined by treating all members of the Related Employer group as the Employer, except as specifically provided in the Plan.

(d) Compensation is determined by treating all members of the Related Employer group as the Employer, except as specifically provided in the Plan.

(e) An Employee is not treated as terminated from employment if the Employee is employed by any member of the Related Employer group.

(f) The Code §415 Limitation described in Section 5.02 are applied by treating all members of the Related Employer group as the Employer.

In all other contexts, the term Employer generally means a reference to all members of the Related Employer group, unless the context requires otherwise. If the terms of the Plan are ambiguous with respect to the treatment of the Related Employer group as the Employer, the Plan Administrator has the authority to make a final determination on the proper interpretation of the Plan.

APPENDIX A
ACTUARIAL FACTORS
(For use with age-based contribution formula)

Actuarial Factor Table. The following table sets forth Actuarial Factors based on a testing age of 65, an interest rate of 8.5% and a UP-1984 mortality table. The Actuarial Factors in this table must be modified if the Employer uses a testing age other than age 65 or selects a different interest rate or mortality table under the age-based contribution formula. To determine a Participant's Actuarial Factor, use the factor corresponding to the number of years to the Participant's testing age. The number of years to the testing age is determined by counting the number of years from the last day of the current plan year to the last day of the plan year in which the Participant reaches the testing age. If the Participant has reached the testing age as of the last day of the current Plan Year, the number of years is 0 for that year and all subsequent years.

Years to Testing Age	Actuarial Factor		Years to Testing Age	Actuarial Factor
0	0.07949		25	0.01034
1	0.07326		26	0.00953
2	0.06752		27	0.00878
3	0.06223		28	0.00810
4	0.05736		29	0.00746
5	0.05286		30	0.00688
6	0.04872		31	0.00634
7	0.04490		32	0.00584
8	0.04139		33	0.00538
9	0.03814		34	0.00496
10	0.03516		35	0.00457
11	0.03240		36	0.00422
12	0.02986		37	0.00389
13	0.02752		38	0.00358
14	0.02537		39	0.00330
15	0.02338		40	0.00304
16	0.02155		41	0.00280
17	0.01986		42	0.00258
18	0.01831		43	0.00238
19	0.01687		44	0.00219
20	0.01555		45	0.00202
21	0.01433		46	0.00186
22	0.01321		47	0.00172
23	0.01217		48	0.00158
24	0.01122		49	0.00146

Massachusetts Mutual Life Insurance Company
GOVERNMENTAL VOLUME SUBMITTER PLAN
ADOPTION AGREEMENT

By executing this Governmental Volume Submitter Plan Adoption Agreement (the "Agreement"), the undersigned Employer agrees to establish or continue a Governmental Plan for its Employees. The Plan adopted by the Employer consists of the Governmental Defined Contribution Volume Submitter Plan and Trust Basic Plan Document #05 (the "BPD") and the elections made under this Agreement (collectively referred to as the "Plan"). An Employer may jointly co-sponsor the Plan by signing a Participating Employer Adoption Page, which is attached to this Agreement. **This Plan is effective as of the Effective Date identified on the Signature Page of this Agreement.**

SECTION 1
EMPLOYER INFORMATION

The information contained in this Section 1 is informational only. The information set forth in this Section 1 may be modified without amending this Agreement. Any changes to this Section 1 may be accomplished by substituting a new Section 1 with the updated information. The information contained in this Section 1 is not required for qualification purposes and any changes to the provisions under this Section 1 will not affect the Employer's reliance on the IRS Favorable Letter.

1-1 **EMPLOYER INFORMATION:**

Name: JEA

Address:

21 West Church Street
Jacksonville, FL 32202-3139

Telephone: (904) 665-8503 Fax: (904) 665-4561

1-2 **EMPLOYER IDENTIFICATION NUMBER (EIN):** 59-2983007

1-3 **FORM OF BUSINESS:**

- ☐ State or political subdivision of a State
- ☑ State agency or instrumentality
- ☐ Indian Tribal Government
- ☐ Describe other Employer qualified to adopt a Governmental Plan: __________

1-4 **EMPLOYER'S TAX YEAR END:** The Employer's tax year ends September 30

1-5 **RELATED EMPLOYERS:** Is the Employer part of a group of Related Employers (as defined in Section 1.78 of the Plan)?

- ☐ Yes
- ☐ No

If yes, Related Employers may be listed below. A Related Employer must complete a Participating Employer Adoption Page for Employees of that Related Employer to participate in this Plan.

____

[***Note:*** *This AA §1-5 is for informational purposes. The failure to identify all Related Employers will not jeopardize the qualified status of the Plan.*]

SECTION 2
PLAN INFORMATION

2-1 **PLAN NAME:** JEA 401(a) Defined Contribution Retirement Plan

2-2 **PLAN NUMBER:** 002

2-3 **TYPE OF PLAN:** This Plan is a Profit Sharing Defined Contribution Plan.

☐ The Plan is intended to be a FICA Replacement Plan (as defined under Section 4.03 of the Plan).

2-4 **PLAN YEAR:**

☑ (a) Calendar year.

☐ (b) The 12-consecutive month period ending on ______________________ each year.

☐ (c) The Plan has a Short Plan Year running from ____ to ____.

2-5 **FROZEN PLAN**: Check this AA §2-5 if the Plan is a frozen Plan to which no contributions will be made.

☐ This Plan is a frozen Plan effective _____. (See Section 3.02(a)(1)(iv) of the Plan.)

[***Note:*** *As a frozen Plan, the Employer will not make any contributions with respect to Plan Compensation earned after such date and no Participant will be permitted to make any contributions to the Plan after such date. In addition, no Employee will become a Participant after the date the Plan is frozen.*]

2-6 **PLAN ADMINISTRATOR:**

☑ (a) The Employer identified in AA §1-1.

☐ (b) Name: ______________________

Address: ______________________

Telephone: ______________________

SECTION 3
ELIGIBLE EMPLOYEES

3-1 **ELIGIBLE EMPLOYEES:** In addition to the Employees identified in Section 2.02 of the Plan, the following Employees are excluded from participation under the Plan with respect to the contribution source(s) identified in this AA §3-1. See Sections 2.02(d) and (e) of the Plan for rules regarding the effect on Plan participation if an Employee changes between an eligible and ineligible class of employment.

Match	ER		
☐	☐	(a)	No exclusions
☐	☐	(b)	Collectively Bargained Employees
☐	☐	(c)	Non-resident aliens who receive no compensation from the Employer which constitutes U.S. source income
☐	☑	(d)	Leased Employees
☐	☐	(e)	Employees paid on an hourly basis
☐	☐	(f)	Employees paid on a salaried basis
☐	☐	(g)	Employees in an elected or appointed position.
☐	☐	(h)	Part-Time Employees (as defined in Section 1.68 of the Plan)
☐	☐	(i)	Seasonal Employees (as defined in Section 1.84 of the Plan)
☐	☐	(j)	Temporary Employees (as defined in Section 1.88 of the Plan)
☐	☑	(k)	Other: Employees not classified by JEA Human Resources as employed under appointed status. "Appointed status" employees can generally be described as JEA management staff employees who are exempt from the Civil Service System and serve under the JEA Board of Directors, the JEA managing director, or the JEA chief executive officer.

[***Note:*** *The elections under the ER column apply to any Pick-Up Contributions authorized under AA §6-1(d) and any After-Tax Employee Contributions authorized under AA §6-6, unless elected otherwise under subsection (k).*]

SECTION 4
MINIMUM AGE AND SERVICE REQUIREMENTS

4-1 **ELIGIBILITY REQUIREMENTS – MINIMUM AGE AND SERVICE:** An Eligible Employee (as defined in AA §3-1) who satisfies the minimum age and service conditions under this AA §4-1 will be eligible to participate under the Plan as of his/her Entry Date (as defined in AA §4-2 below).

(a) **Service Requirement.** An Eligible Employee must complete the following minimum service requirements to participate in the Plan.

Match	ER	
☐	☑	(1) There is no minimum service requirement for participation in the Plan.
☐	☐	(2) ___ Year(s) of Service (as defined in Section 2.03(a)(1) of the Plan and AA §4-3).
☐	☐	(3) The completion of at least ___ Hours of Service during the first __ months of employment or the completion of a Year of Service (as defined in AA §4-3), if earlier.

☐ (i) An Employee who completes the required Hours of Service satisfies eligibility at the end of the designated period, regardless if the Employee actually works for the entire period.

☐ (ii) An Employee who completes the required Hours of Service must also be employed continuously during the designated period of employment. See Section 2.03(a)(2) of the Plan for rules regarding the application of this subsection (ii).

Match	ER	
☐	☐	(4) The completion of ___ Hours of Service during an Eligibility Computation Period. [*An Employee satisfies the service requirement immediately upon completion of the designated Hours of Service rather than at the end of the Eligibility Computation Period.*]
☐	☐	(5) Full-time Employees are eligible to participate as set forth in subsection (i). Employees who are "part-time" Employees must complete a Year of Service (as defined in AA §4-3). For this purpose, a full-time Employee is any Employee not defined in subsection (ii).

(i) Full-time Employees must complete the following minimum service requirements to participate in the Plan:

☐ (A) There is no minimum service requirement for participation in the Plan.

☐ (B) The completion of at least ___ Hours of Service during the first ___ months of employment or the completion of a Year of Service (as defined in AA §4-3), if earlier.

☐ (C) Under the Elapsed Time method as defined in AA §4-3(c) below.

☐ (D) Describe: _

(ii) Part-time Employees must complete a Year of Service (as defined in AA §4-3). For this purpose, a part-time Employee is any Employee (including a temporary or seasonal Employee) whose normal work schedule is less than:

☐ (A) ___ hours per week.

☐ (B) ___ hours per month.

☐ (C) ___ hours per year.

Match	ER	
☐	☐	(6) Under the Elapsed Time method as defined in AA §4-3(c) below.
☐	☐	(7) Describe eligibility conditions: ________________________________

(b) **Minimum Age Requirement.** An Eligible Employee (as defined in AA §3-1) must have attained the following age with respect to the contribution source(s) identified in this AA §4-1(b).

Match	ER		
☐	☑	(1)	There is no minimum age for Plan eligibility.
☐	☐	(2)	Age 21.
☐	☐	(3)	Age ___.

☐ (c) **Special eligibility rules.** The following special eligibility rules apply with respect to the Plan: ______________________

[***Note:*** *Any elections under the ER column under this AA §4-1 apply to any Pick-Up Contributions authorized under AA §6-1(d) and any After-Tax Employee Contributions authorized under AA §6-6, unless elected otherwise under subsection (c). Subsection (c) may be used to apply the eligibility conditions selected under this AA §4-1 separately with respect to different Employee groups or different contribution formulas under the Plan. Any special rules under subsection (c) must be definitely determinable.*]

4-2 **ENTRY DATE:** An Eligible Employee (as defined in AA §3-1) who satisfies the minimum age and service requirements in AA §4-1 shall be eligible to participate in the Plan as of his/her Entry Date. For this purpose, the Entry Date is the following date with respect to the contribution source(s) identified under this AA §4-2.

Match	ER		
☐	☐	(a)	**Immediate.** The date the minimum age and service requirements are satisfied (or date of hire, if no minimum age and service requirements apply).
☐	☐	(b)	**Semi-annual.** The first day of the 1st and 7th month of the Plan Year.
☐	☐	(c)	**Quarterly.** The first day of the 1st, 4th, 7th and 10th month of the Plan Year.
☐	☐	(d)	**Monthly.** The first day of each calendar month.
☐	☑	(e)	**Payroll period.** The first day of the payroll period.
☐	☐	(f)	**The first day of the Plan Year.**

An Eligible Employee's Entry Date (as defined above) is determined based on when the Employee satisfies the minimum age and service requirements in AA §4-1. For this purpose, an Employee's Entry Date is the Entry Date:

Match	ER		
☐	☐	(g)	**next following** satisfaction of the minimum age and service requirements.
☐	☑	(h)	**coinciding with or next following** satisfaction of the minimum age and service requirements.
☐	☐	(i)	**nearest** the satisfaction of the minimum age and service requirements.
☐	☐	(j)	**preceding** the satisfaction of the minimum age and service requirements.

This section may be used to describe any special rules for determining Entry Dates under the Plan. For example, if different Entry Date provisions apply for the same contribution sources with respect to different groups of Employees, such different Entry Date provisions may be described below.

Match	ER		
☐	☐	(k)	**Describe** any special rules that apply with respect to the Entry Dates under this AA §4-2: ____

[***Note:*** *The elections under the ER column under this AA §4-2 apply to any Pick-Up Contributions selected under AA §6-1(d) and any After-Tax Employee Contributions selected under AA §6-6, unless elected otherwise under subsection (k). Any special rules under subsection (k) must be definitely determinable.*]

4-3 **DEFAULT ELIGIBILITY RULES.** In applying the minimum age and service requirements under AA §4-1 above, the following default rules apply with respect to all contribution sources under the Plan:

- **Year of Service.** An Employee earns a Year of Service for eligibility purposes upon completing 1,000 Hours of Service during an Eligibility Computation Period. Hours of Service are calculated based on actual hours worked during the Eligibility Computation Period. (See Section 1.56 of the Plan for the definition of Hours of Service.)
- **Eligibility Computation Period.** If one Year of Service is required for eligibility, the Plan will determine subsequent Eligibility Computation Periods on the basis of Plan Years. (See Section 2.03(a)(3)(i) of the Plan). If more than one Year of Service is required for eligibility, the Plan will determine subsequent Eligibility Computation Periods on the basis of Anniversary Years. (See Section 2.03(a)(3)(ii) of the Plan.)

To override the default eligibility rules, complete the applicable sections of this AA §4-3. **If this AA §4-3 is not completed for a particular contribution source, the default eligibility rules apply.**

Match	ER	
☐	☐	(a) **Year of Service.** Instead of 1,000 Hours of Service, an Employee earns a Year of Service upon the completion of ____ Hours of Service during an Eligibility Computation Period.
☐	☐	(b) **Eligibility Computation Period (ECP).** The Plan will use Anniversary Years, unless more than one Year of Service is required under AA §4-1(a), in which case the Plan will shift to Plan Years if the Employee does not earn a Year of Service during the first Eligibility Computation Period. (See Section 2.03(a)(3)(ii) of the Plan.)
☐	☐	(c) **Elapsed Time method.** Eligibility service will be determined under the Elapsed Time method. An Eligible Employee (as defined in AA §3-1) must complete a ___ month period of service to participate in the Plan. (See Section 2.03(a)(6) of the Plan.) [***Note:*** *Under the Elapsed Time method, service will be measured from the Employee's employment commencement date (or reemployment commencement date, if applicable) without regard to the Eligibility Computation Period designated in Section 2.03(a)(3) of the Plan.*]
☐	☐	(d) **Equivalency Method**. For purposes of determining an Employee's Hours of Service for eligibility, the Plan will use the Equivalency Method (as defined in Section 2.03(a)(5) of the Plan). The Equivalency Method will apply to: ☐ (1) All Employees. ☐ (2) Only Employees for whom the Employer does not maintain hourly records. For Employees for whom the Employer maintains hourly records, eligibility will be determined based on actual hours worked. Hours of Service for eligibility will be determined under the following Equivalency Method. ☐ (3) **Monthly.** 190 Hours of Service for each month worked. ☐ (4) **Weekly.** 45 Hours of Service for each week worked. ☐ (5) **Daily.** 10 Hours of Service for each day worked. ☐ (6) **Semi-monthly.** 95 Hours of Service for each semi-monthly period worked.
☐	☐	(e) **Special eligibility provisions.** ___________________________________

[***Note:*** *The elections under the ER column under this AA §4-3 apply to any Pick-Up Contributions authorized under AA §6-1(d) and any After-Tax Employee Contributions selected under AA §6-6, unless elected otherwise under subsection (e). Any special rules under subsection (e) must be definitely determinable.*]

4-4 **EFFECTIVE DATE OF MINIMUM AGE AND SERVICE REQUIREMENTS.** The minimum age and/or service requirements under AA §4-1 apply to all Employees under the Plan. An Employee will participate with respect to all contribution sources under the Plan as of his/her Entry Date, taking into account all service with the Employer, including service earned prior to the Effective Date.

To allow Employees hired on a specified date to enter the Plan without regard to the minimum age and/or service conditions, complete this AA §4-4.

Match	ER	
☐	☐	An Eligible Employee who is employed by the Employer on the following date will become eligible to enter the Plan without regard to minimum age and/or service requirements (as designated below):

☐ (a) the Effective Date of this Plan (as designated in the Employer Signature Page).

☐ (b) the date the Plan is executed by the Employer (as indicated on the Employer Signature Page).

☐ (c) _____ [*insert date*]

An Eligible Employee who is employed on the designated date will become eligible to participate in the Plan without regard to the minimum age and service requirements under AA §4-1. If both minimum age and service conditions are not waived, select (d) or (e) to designate which condition is waived under this AA §4-4.

☐ (d) This AA §4-4 only applies to the minimum service condition.

☐ (e) This AA §4-4 only applies to the minimum age condition.

The provisions of this AA §4-4 apply to all Eligible Employees employed on the designated date unless designated otherwise under subsection (f) or (g) below.

☐ (f) The provisions of this AA §4-4 apply to the following group of Employees employed on the designated date: ____________________

☐ (g) Describe special rules: ____

[***Note:*** *An Employee who is employed as of the date described in this AA §4-4 will be eligible to enter the Plan as of such date unless a different Entry Date is designated under subsection (g). The elections under the ER column apply to any Pick-Up Contributions authorized under AA §6-1(d) and any After-Tax Employee Contributions selected under AA §6-6, unless elected otherwise under subsection (g). Any special rules under subsection (g) must be definitely determinable.*]

4-5 **SERVICE WITH PREDECESSOR EMPLOYER.** Service with the following Predecessor Employers will be counted for purposes of determining eligibility, vesting and allocation conditions under this Plan, unless designated otherwise under subsection (a) or (b) below. (See Sections 2.06, 3.07(b) and 6.07 of the Plan.)

☐ (a) The Plan will count service with the following Predecessor Employers:

	Name of Predecessor Employer	Eligibility	Vesting	Allocation Conditions
☐ (1)	________________________________	☐	☐	☐

☐ (b) **Describe** any special provisions applicable to Predecessor Employer service: ________________________

4-6 **BREAKS IN SERVICE.** Generally, an Employee will be credited with all service earned with the Employer, including service earned prior to a Break in Service. To disregard service earned prior to a Break in Service for eligibility purposes, complete this AA §4-6. (See Section 2.07 of the Plan.)

☐ (a) If an Employee incurs at least one Break in Service, the Plan will disregard all service earned prior to such Break in Service for purposes of determining eligibility to participate.

☐ (b) If an Employee incurs at least _____ Breaks in Service, the Plan will disregard all service earned prior to such Break in Service for purposes of determining eligibility to participate. [*Enter "0" if prior service will be disregarded for all rehired Employees.*]

☐ (c) Describe: ____

SECTION 5
COMPENSATION DEFINITIONS

5-1 **TOTAL COMPENSATION.** Total Compensation is based on the definition set forth under this AA §5-1. See Section 1.89 of the Plan for a specific definition of the various types of Total Compensation.

☑ (a) W-2 Wages

☐ (b) Code §415 Compensation

☐ (c) Wages under Code §3401(a)

[*For purposes of determining Total Compensation, each definition includes Elective Deferrals as defined in Section 1.35 of the Plan, pre-tax contributions to a Code §125 cafeteria plan or a Code §457 plan, and qualified transportation fringes under Code §132(f)(4).*]

5-2 **POST-SEVERANCE COMPENSATION.** Total Compensation includes post-severance compensation, to the extent provided in Section 1.89(b) of the Plan.

☑ (a) **Exclusion of post-severance compensation from Total Compensation.** The following amounts paid after a Participant's severance of employment are excluded from Total Compensation.

☑ (1) **Unused leave payments.** Payment for unused accrued bona fide sick, vacation, or other leave, but only if the Employee would have been able to use the leave if employment had continued.

☑ (2) **Deferred compensation.** Payments received by an Employee pursuant to a nonqualified unfunded deferred compensation plan, but only if the payment would have been paid to the Employee at the same time if the Employee had continued in employment and only to the extent that the payment is includible in the Employee's gross income.

[***Note:*** *Plan Compensation (as defined in Section 1.72 of the Plan) includes any post-severance compensation amounts that are includible in Total Compensation. The Employer may elect to exclude all compensation paid after severance of employment from the definition of Plan Compensation under AA §5-3(j) or may elect to exclude specific types of post-severance compensation from Plan Compensation under AA §5-3(l).*]

☐ (b) **Continuation payments for disabled Participants.** Unless designated otherwise under this subsection (b), Total Compensation does not include continuation payments for disabled Participants.

☐ **Payments to disabled Participants.** Total Compensation shall include post-severance compensation paid to a Participant who is permanently and totally disabled, as provided in Section 1.89(c) of the Plan.

5-3 **PLAN COMPENSATION**: Plan Compensation is **Total Compensation** (as defined in AA §5-1 above) with the following exclusions described below.

Match	ER		
☐	☐	(a)	No exclusions.
☐	☐	(b)	Elective Deferrals (as defined in Section 1.35 of the Plan), pre-tax contributions to a cafeteria plan or a Code §457 plan, and qualified transportation fringes under Code §132(f)(4) are excluded.
☐	☑	(c)	All fringe benefits (cash and noncash), reimbursements or other expense allowances, moving expenses, deferred compensation, and welfare benefits are excluded.
☐	☐	(d)	Compensation above $___ is excluded.
☐	☑	(e)	Amounts received as a bonus are excluded.
☐	☑	(f)	Amounts received as commissions are excluded.
☐	☑	(g)	Overtime payments are excluded.
☐	☑	(h)	Amounts received for services performed for a non-signatory Related Employer are excluded. (See Section 2.02(c) of the Plan.)
☐	☐	(i)	"Deemed §125 compensation" as defined in Section 1.89(d) of the Plan.

Match	ER		
☐	☐	(j)	Amounts received after termination of employment are excluded. (See Section 1.89(b) of the Plan.)
☐	☐	(k)	Differential Pay (as defined in Section 1.89(e) of the Plan).
☐	☑	(l)	Describe adjustments to Plan Compensation: The Plan provides for two tiers of contributions: Regular and Additional. Within each tier, there are two types of contributions: Employer Contributions and Pick-Up Contributions. For purposes of Regular Employer Contributions and Regular Pick-Up Contributions, the definition of Plan Compensation is determined by reference to all of the selected elections in this AA §5-3. Additionally, for purposes of Regular Employer Contributions and Regular Pick-Up Contributions, the definition of Plan Compensation excludes: unused leave that a Participant defers immediately prior to retirement to the JEA 457 Deferred Compensation Plan and rollback and sellback pay for annual leave. For the avoidance of doubt, for purposes of Regular Employer Contributions and Regular Pick-Up Contributions, election (e) in this AA §5-3, which excludes amounts received as bonus, operates to exclude any and all amounts of annual one-time performance pay from the definition of Plan Compensation. In contrast, for purposes of Additional Employer Contributions and Additional Pick-Up Contributions, the only type of compensation that is considered to be Plan Compensation is the gross amount (before any deductions) of the annual one-time performance pay, if any, that the Participant receives from the Employer maintaining the Plan (JEA); all other types of compensation are excluded. For the avoidance of doubt, for purposes of Additional Employer Contributions and Additional Pick-Up Contributions, the definition of Plan Compensation excludes post-severance annual one-time performance pay, regardless of whether such post-severance annual one-time performance pay is received before or after the later of: 2½ months after severance from employment with the Employer maintaining the Plan or the end of the Limitation Year that includes the date of severance from employment.

[***Note:*** *Any modification under subsection (l) must be definitely determinable and preclude Employer discretion. The elections under the ER column under this AA §5-3 apply to any Pick-Up Contributions authorized under AA §6-1(d) and any After-Tax Employee Contributions selected under AA §6-6, unless elected otherwise under subsection (l).*]

5-4 **PERIOD FOR DETERMINING COMPENSATION.**

(a) **Compensation Period.** Plan Compensation will be determined on the basis of the following period(s) for the contribution sources identified in this AA §5-4. [*If a period other than the Plan Year applies for any contribution source, any reference to the Plan Year as it refers to Plan Compensation for that contribution source will be deemed to be a reference to the period designated under this AA §5-4.*]

Match	ER		
☐	☑	(1)	The Plan Year.
☐	☐	(2)	The calendar year ending in the Plan Year.
☐	☐	(3)	The Employer's fiscal tax year ending in the Plan Year.
☐	☐	(4)	The 12-month period ending on _____ which ends during the Plan Year.

(b) **Compensation while a Participant.** Unless provided otherwise under this subsection (b), in determining Plan Compensation, only compensation earned while an individual is a Participant under the Plan with respect to a particular contribution source will be taken into account.

To count compensation for the entire Plan Year for a particular contribution source, including compensation earned while an individual is not a Participant with respect to such contribution source, check below. (See Section 1.72(b) of the Plan.)

Match	ER	
☐	☐	All compensation earned during the Plan Year will be taken into account, including compensation earned while an individual is not a Participant.

(c) **Few weeks rule.** The few weeks rule (as described in Section 5.02(c)(7)(ii) of the Plan) will not apply unless designated otherwise under this subsection (c).

☐ Amounts earned but not paid during a Limitation Year solely because of the timing of pay periods and pay dates shall be included in Total Compensation for the Limitation Year, provided the amounts are paid during the first few weeks of the next Limitation Year, the amounts are included on a uniform and consistent basis with respect to all similarly situated Employees, and no amounts are included in more than one Limitation Year.

SECTION 6
EMPLOYER AND EMPLOYEE CONTRIBUTIONS

6-1 **EMPLOYER / EMPLOYEE CONTRIBUTIONS.** The Employer/Employee may make the following contributions under the Plan:

☑ (a) Employer Contributions under AA §6-2

☐ (b) Voluntary After-Tax Employee Contributions under AA §6-6(a)

☐ (c) Mandatory After-Tax Employee Contributions under AA §6-6(b)

☑ (d) Employer Pick-Up Contributions under AA §6-6(c)

☐ (e) N/A. No Employer/Employee Contributions are permitted under the Plan [*Skip to Section 6A*]

6-2 **EMPLOYER CONTRIBUTION FORMULA.** For the period designated in AA §6-4(a) below, the Employer will make the following Employer Contributions on behalf of Participants who satisfy the allocation conditions designated in AA §6-5 below. Any Employer Contribution authorized under this AA §6-2 will be allocated in accordance with the allocation formula selected under AA §6-3.

☑ (a) **Discretionary contribution.** The Employer will determine in its sole discretion how much, if any, it will make as an Employer Contribution.

☐ (b) **Fixed contribution.**

☐ (1) **Fixed percentage.** __% of each Participant's Plan Compensation.

☐ (2) **Fixed dollar.** $____ for each Participant.

☐ (3) **Determined in accordance with the terms of the Employment contract** between an Eligible Employee and the Employer. [*If this subsection (3) is checked, the provisions of an Employment contract addressing retirement benefits will override any selection under this AA §6-2.*]

☐ (c) **Service-based contribution.** The Employer will make the following contribution:

☐ (1) **Discretionary.** A discretionary contribution determined as a uniform percentage of Plan Compensation or a uniform dollar amount for each period of service designated below.

☐ (2) **Fixed percentage.** ___% of Plan Compensation paid for each period of service designated below.

☐ (3) **Fixed dollar.** $___ for each period of service designated below.

The service-based contribution will be based on the following periods of service:

☐ (4) Each Hour of Service

☐ (5) Each week of employment

☐ (6) Describe period: __________________________

The service-based contribution is subject to the following rules.

☐ (7) Describe any special provisions that apply to service-based contribution: ______________________________

☑ (d) **Describe special rules for determining contributions under Plan:** The Plan provides for two tiers of contributions: Regular and Additional. Within each tier, the Plan provides for Employer Contributions. Election (a) in this AA §6-2 applies to both Regular Employer Contributions and Additional Employer Contributions. Thus, Regular Employer Contributions are discretionary, and Additional Employer Contributions are discretionary.

[***Note:*** *Any special rules under subsection (d) must be definitely determinable.*]

6-3 **ALLOCATION FORMULA.**

☑ (a) **Pro rata allocation.** The discretionary Employer Contribution under AA §6-2(a) will be allocated:

☑ (1) as a uniform percentage of Plan Compensation.

☐ (2) as a uniform dollar amount.

☐ (b) **Fixed contribution.** The fixed Employer Contribution under AA §6-2(b) will be allocated in accordance with the selections made under AA §6-2(b).

☐ (c) **Permitted disparity allocation.** The discretionary Employer Contribution under AA §6-2(a) will be allocated under the two-step method (as defined in Section 3.02(a)(1)(i)(B)(I) of the Plan), using the Taxable Wage Base (as defined in Section 1.87 of the Plan) as the Integration Level.

To modify these default rules, complete the appropriate provision(s) below.

☐ (1) **Integration Level.** Instead of the Taxable Wage Base, the Integration Level is:

☐ (i) ____% of the Taxable Wage Base, increased (but not above the Taxable Wage Base) to the next higher:

☐ (A) N/A ☐ (B) $1

☐ (C) $100 ☐ (D) $1,000

☐ (ii) $_____ (not to exceed the Taxable Wage Base)

☐ (iii) 20% of the Taxable Wage Base

[***Note:*** *See Section 3.02(a)(1)(i)(B)(IV) of the Plan for rules regarding the Maximum Disparity Rate that may be used where an Integration Level other than the Taxable Wage Base is selected.*]

☐ (2) **Describe** special rules for applying permitted disparity allocation formula: ____________________________

[***Note:*** *Any special rules under subsection (2) must be definitely determinable.*]

☐ (d) **Uniform points allocation.** The discretionary Employer Contribution designated in AA §6-2(a) will be allocated to each Participant in the ratio that each Participant's total points bears to the total points of all Participants. A Participant will receive the following points:

☐ (1) ____ point(s) for each _ year(s) of age (attained as of the end of the Plan Year).

☐ (2) ____ points for each $____ of Plan Compensation.

☐ (3) ____ point(s) for each ____ Year(s) of Service. For this purpose, Years of Service are determined:

☐ (i) In the same manner as determined for eligibility.

☐ (ii) In the same manner as determined for vesting.

☐ (iii) Points will not be provided with respect to Years of Service in excess of ____.

☐ (e) **Employee group allocation.** The Employer may make a separate discretionary Employer Contribution to the Participants in the following allocation groups. The Employer must notify the Trustee in writing of the amount of the contribution to be allocated to each allocation group.

☐ (1) A separate discretionary Employer Contribution may be made to each Participant of the Employer (i.e., each Participant is in his/her own allocation group).

☐ (2) A separate discretionary or fixed Employer Contribution may be made to the following allocation groups. If no fixed amount is designated for a particular allocation group, the contribution made for such allocation group will be allocated as a uniform percentage of Plan Compensation or as a uniform dollar amount to all Participants within that allocation group.

[***Note****: The Employee allocation groups designated above must be clearly defined in a manner that will not violate the definite allocation formula requirement of Treas. Reg. §1.401-1(b)(1)(ii).*]

☐ (3) **Special rules.**

☐ (i) **More than one Employee group.** Unless designated otherwise under this subsection (i), if a Participant is in more than one allocation group described in (2) above during the Plan Year, the Participant will receive an Employer Contribution based on the Participant's status on the last day of the Plan Year. (See Section 3.02(a)(1)(i)(D) of the Plan.)

☐ **Determined separately for each Employee group.** If a Participant is in more than one allocation group during the Plan Year, the Participant's share of the Employer Contribution will be based on the Participant's status for the part of the year the Participant is in each allocation group.

☐ (ii) **Describe:** ______

[***Note:*** *Any special rules under subsection (ii) must be definitely determinable.*]

☐ (f) **Age-based allocation.** The discretionary Employer Contribution designated in AA §6-2(a) will be allocated under the age-based allocation formula so that each Participant receives a pro rata allocation based on adjusted Plan Compensation. For this purpose, a Participant's adjusted Plan Compensation is determined by multiplying the Participant's Plan Compensation by an Actuarial Factor (as described in Section 1.03 of the Plan).

A Participant's Actuarial Factor is determined based on a specified interest rate and mortality table. Unless designated otherwise under (1) or (2) below, the Plan will use an applicable interest rate of 8.5% and a UP-1984 mortality table.

☐ (1) **Applicable interest rate.** Instead of 8.5%, the Plan will use an interest rate of ___% (must be between 7.5% and 8.5%) in determining a Participant's Actuarial Factor.

☐ (2) **Applicable mortality table.** Instead of the UP-1984 mortality table, the Plan will use the following mortality table in determining a Participant's Actuarial Factor: ______

☐ (3) **Describe special rules applicable to age-based allocation:** ______

[***Note:*** *See Exhibit A of the Plan for sample Actuarial Factors based on an 8.5% applicable interest rate and the UP-1984 mortality table. If an interest rate or mortality table other than 8.5% or UP-1984 is selected, appropriate Actuarial Factors must be calculated.*]

☐ (g) **Service-based allocation formula.** The service-based Employer Contribution selected in AA §6-2(c) will be allocated in accordance with the selections made in AA §6-2(c).

☑ (h) **Describe special rules for determining allocation formula:** The Plan provides for two tiers of contributions: Regular and Additional. Within each tier, the Plan provides for discretionary Employer Contributions. Election (a) in this AA §6-3 applies to both Regular Employer Contributions and Additional Employer Contributions. Thus, the discretionary Regular Employer Contributions are allocated as a uniform percentage of Plan Compensation (as the term Plan Compensation is defined for purposes of Regular Employer Contributions), and the discretionary Additional Employer Contributions are allocated as a uniform percentage of Plan Compensation (as the term Plan Compensation is defined for purposes of Additional Employer Contributions).

[***Note:*** *Any special rules under subsection (h) must be definitely determinable.*]

6-4 **SPECIAL RULES.** No special rules apply with respect to Employer/Employee Contributions under the Plan, except to the extent designated under this AA §6-4. Unless designated otherwise, in determining the amount of the Employer/Employee Contributions to be allocated under this AA §6, the contribution will be based on Plan Compensation earned during the Plan Year.

☑ (a) **Period for determining Employer/Employee Contributions.** Instead of the Plan Year, Employer/Employee Contributions will be determined based on Plan Compensation earned during the following period: [*The Plan Year must be used if the permitted disparity allocation method is selected under AA §6-3(c) above.*]

☐ (1) Plan Year quarter

☐ (2) calendar month

☐ (3) payroll period

☑ (4) Other: Plan Year or at an earlier date as determined by the Plan Administrator

[***Note:*** *Although Employer Contributions are determined on the basis of Plan Compensation earned during the period designated under this subsection (a), this does not require the Employer to actually make contributions or allocate contributions on the basis of such period. Employer Contributions may be contributed and allocated to Participants at any time within the contribution period permitted under Treas. Reg. §1.415(c)-1(b)(6)(B), regardless of the period selected under this subsection (a).*]

☐ (b) **Limit on Employer Contributions.** The Employer Contribution elected in AA §6-2 may not exceed:

☐ (1) ___% of Plan Compensation

☐ (2) $___

☐ (3) Describe: ______________________________

☐ (c) **Offset of Employer Contribution.**

☐ (1) A Participant's allocation of Employer Contributions under AA §6-2 of this Plan is reduced by contributions under __________________ [*insert name of plan(s)*]. (See Section 3.02(a)(1) of the Plan.)

☐ (2) In applying the offset under this subsection (c), the following rules apply: ______________________________

☐ (d) **Special rules:** ______________________________

[***Note:*** *Any special rules under subsection (d) must be definitely determinable.*]

6-5 **ALLOCATION CONDITIONS.** A Participant must satisfy any allocation conditions designated under this AA §6-5 to receive an allocation of Employer Contributions under the Plan. [***Note****: No allocation conditions apply to After-Tax Employee Contributions or Employer Pick-Up Contributions under AA §6-6.*]

☑ (a) **No allocation conditions** apply with respect to Employer Contributions under the Plan.

☐ (b) **Employment condition.** An Employee must be employed with the Employer on the last day of the Plan Year.

☐ (c) **Minimum service condition.** An Employee must be credited with at least:

☐ (1) ____ Hours of Service during the Plan Year.

☐ (i) Hours of Service are determined using actual Hours of Service.

☐ (ii) Hours of Service are determined using the following Equivalency Method (as defined under Section 2.03(a)(5) of the Plan):

☐ (A) Monthly ☐ (B) Weekly

☐ (C) Daily ☐ (D) Semi-monthly

☐ (2) ____ consecutive days of employment with the Employer during the Plan Year.

☐ (d) **Exceptions.**

☐ (1) The above allocation condition(s) will **not** apply if the Employee:

☐ (i) dies during the Plan Year.

☐ (ii) terminates employment due to becoming Disabled.

☐ (iii) terminates employment after attaining Normal Retirement Age.

☐ (iv) terminates employment after attaining Early Retirement Age.

☐ (v) is on an authorized leave of absence from the Employer.

☐ (2) The exceptions selected under subsection (1) will apply even if an Employee has not terminated employment at the time of the selected event(s).

☐ (3) The exceptions selected under subsection (1) do not apply to:

☐ (i) an employment condition under subsection (b) above.

☐ (ii) a minimum service condition under subsection (c) above.

☐ (e) **Describe** any special rules governing the allocation conditions under the Plan: ______________________________

[***Note:*** *Any special rules under subsection (e) must be definitely determinable.*]

6-6 **AFTER-TAX EMPLOYEE CONTRIBUTIONS AND EMPLOYER PICK-UP CONTRIBUTIONS.**

☐ (a) **Voluntary After-Tax Employee Contributions.** If permitted under this subsection (a), a Participant may contribute any amount as Voluntary After-Tax Employee Contributions up to the Code §415 Limitation (as defined in Section 5.02 of the Plan), except as limited under this subsection (a).

☐ (1) **Limits on Voluntary After-Tax Employee Contributions.** If this subsection (1) is checked, the following limits apply to Voluntary After-Tax Employee Contributions:

☐ (i) **Maximum limit.** A Participant may make Voluntary After-Tax Employee Contributions up to:

☐ (A) ______% of Plan Compensation

☐ (B) $______

for the following period:

☐ (C) the entire Plan Year.

☐ (D) the portion of the Plan Year during which the Employee is eligible to participate.

☐ (E) each separate payroll period during which the Employee is eligible to participate.

☐ (ii) **Minimum limit.** The amount of Voluntary After-Tax Employee Contributions a Participant may make for any payroll period may not be less than:

☐ (A) ______% of Plan Compensation

☐ (B) $______

☐ (2) **Change or revocation of Voluntary After-Tax Employee Contributions.** In addition to the Participant's Entry Date under the Plan, a Participant's election to change or resume Voluntary After-Tax Employee Contributions will be effective as of the dates designated under the Voluntary After-Tax Employee Contribution election form or other written procedures adopted by the Plan Administrator. Alternatively, the Employer may designate under this subsection (2) specific dates as of which a Participant may change or resume Voluntary After-Tax Employee Contributions. (See Section 3.04 of the Plan.)

☐ (i) The first day of each calendar quarter.

☐ (ii) The first day of each Plan Year.

☐ (iii) The first day of each calendar month.

☐ (iv) The beginning of each payroll period.

☐ (v) Other: ______________________________

[***Note:*** *A Participant must be permitted to change or revoke a Voluntary After-Tax Employee Contribution election at least once per year. Unless designated otherwise under subsection (v), a Participant may revoke an election to make Voluntary After-Tax Employee Contributions (on a prospective basis) at any time. This subsection (2) also applies to any Employer Pick-Up Contributions selected under subsection (c) below, unless designated otherwise under subsection (c)(2).*]

☐ (3) **Other limits or special rules relating to Voluntary After-Tax Employee Contributions:** ______________

[***Note:*** *Any limits described under this subsection (3) must be consistent with the provisions of Section 3.04 of the Plan.*]

☐ (b) **Mandatory After-Tax Employee Contributions.** If this subsection (b) is checked, Employees are required to make Mandatory After-Tax Employee Contributions in order to participate under the Plan.

☐ (1) **Amount of Mandatory After-Tax Employee Contributions.** Employees are required to contribute the following amount in order to participate in the Plan:

☐ (i) ______% of each Employee's Total Compensation.

☐ (ii) $______ for each Participant.

☐ (iii) Describe rate or amount: ______________________________

☐ (2) **Special rules** applicable to Mandatory After-Tax Employee Contributions: ______________________________

☑ (c) **Employer Pick-Up Contributions.** Each Participant will be required to make a Pick-up Contribution to the Plan equal to the amount specified under this subsection (c). Any amounts contributed pursuant to this subsection (c) will be picked up by the Employer pursuant to Code §414(h) and will be treated as Employer Contributions under the Plan. Such contributions and earnings thereon will be 100% vested at all times. (See Section 3.03 of the Plan.)

☐ (1) The following amounts will be contributed to the Plan as an Employer Pick-Up Contribution:

☐ (i) ______% of Plan Compensation.

☐ (ii) $______ per pay period.

☐ (iii) Any amount from ______% to ______% of Plan Compensation, as designated by the Participant.

☑ (2) Special rules applicable to Employer Pick-Up Contributions: The Plan provides for two tiers of contributions: Regular and Additional. Within each tier, the Plan provides for Pick-Up Contributions. For purposes of Regular Pick-Up Contributions, the amount that will be contributed to the Plan as an Employer Pick-Up Contribution is 0%, 2%, 5%, 10%, or 20% of Plan Compensation (as the term Plan Compensation is defined for purposes of Regular Pick-Up Contributions), as designated by the Participant. For purposes of Additional

Pick-Up Contributions, the amount that will be contributed to the Plan as an Employer Pick-Up Contribution is 0%, 10%, 25%, 50%, or 100% of Plan Compensation (as the term Plan Compensation is defined for purposes of Additional Pick-Up Contributions), as designated by the Participant.

[***Note:*** *Any Employer Pick-Up Contributions made under this subsection (c) must satisfy the requirements of Section 3.03 of the Plan. See AA §11-4 for an Employee's ability to elect out of making Employer Pick-Up Contributions.*]

SECTION 6A
MATCHING CONTRIBUTIONS

6A-1 **MATCHING CONTRIBUTIONS.** Is the Employer authorized to make Matching Contributions under the Plan? [*Note that this Section 6A only applies if the Employer is matching Elective Deferral made under another plan maintained by the Employer or with respect to Pick-Up Contributions or After-Tax Employee Contributions under this Plan.*]

☐ **Yes.**

☑ **No.** [*If "No" is checked, skip to Section 7.*]

6A-2 **MATCHING CONTRIBUTION FORMULA:** For the period designated in AA §6A-5 below, the Employer will make the following Matching Contribution on behalf of Participants who satisfy the allocation conditions under AA §6A-6 below. [*See AA §6A-3 for the definition of Eligible Contributions for purposes of the Matching Contributions under the Plan.*]

☐ (a) **Discretionary match.** The Employer will determine in its sole discretion how much, if any, it will make as a Matching Contribution. Such amount can be determined either as a uniform percentage of deferrals or as a flat dollar amount for each Participant.

☐ (b) **Fixed match.** The Employer will make a Matching Contribution for each Participant equal to:

☐ (1) ____% of Eligible Contributions made for each period designated in AA §6A-5 below.

☐ (2) $____ for each period designated in AA §6A-5 below.

☐ (c) **Tiered match.** The Employer may make a Matching Contribution to all Participants based on the following tiers of Eligible Contributions as a percentage of Plan Compensation.

Eligible Contributions	Fixed Match	Discretionary Match
☐ (1) Up to ___% of Plan Compensation	_________%	☐
☐ (2) From __% up to __% of Plan Compensation	_________%	☐
☐ (3) From __% up to __% of Plan Compensation	__________%	☐
☐ (4) From __% up to __% of Plan Compensation	__________%	☐

☐ (d) **Year of Service match.** The Employer will make a Matching Contribution as a uniform percentage of Eligible Contributions (as defined in AA §6A-3) to all Participants based on Years of Service with the Employer.

Years of Service	Matching %
☐ (1) From ____ up to ____ Years of Service	________%
☐ (2) From ____ up to ____ Years of Service	________%
☐ (3) From ____ up to ____ Years of Service	________%
☐ (4) From ____ up to ____ Years of Service	________%
☐ (5) Years of Service equal to and above __	________%

For this purpose, a Year of Service is each Plan Year during which an Employee completes at least 1,000 Hours of Service. Alternatively, a Year of Service is: ______________________________

[***Note:*** *Any alternative definition of a Year of Service must meet the requirements of a Year of Service as defined in Section 2.03(a)(1) of the Plan.*]

☐ (e) **Based on employment agreement.** The Employer will make a Matching Contribution determined in accordance with the terms of the Employment agreement between an Eligible Employee and the Employer. [*If this subsection (e) is checked, the provisions of an Employment agreement addressing retirement benefits will override any selection under this AA §6A-2.*]

☐ (f) **Describe special rules for determining Matching Contribution formula:** ______________________________

6A-3 **ELIGIBLE CONTRIBUTIONS.** Unless designated otherwise under this AA §6A-3, the Matching Contribution described in AA §6A-2 will apply to all Eligible Contributions authorized under AA §6-6.

☐ (a) **Designated Eligible Contributions.** If this subsection (a) is checked, the Matching Contribution described in AA §6A-2 will apply only to the Eligible Contributions selected below:

☐ (1) Voluntary After-Tax Employee Contributions under AA §6-6(a).

☐ (2) Mandatory After-Tax Employee Contributions under AA §6-6(b).

☐ (3) Employer Pick-Up Contributions under AA §6-6(c).

☐ (b) **Elective deferrals under another plan.** If this subsection (b) is checked, the Matching Contributions described in AA §6A-2 will apply to elective deferrals under the following plan maintained by the Employer: ______________________

☐ (c) **Special rules.** The following special rules apply for purposes of determining the Matching Contribution under this AA §6A-3: ______________________________

[***Note:*** *Subsection (c) may be used to describe any special provisions applicable to Matching Contributions provided with respect to Eligible Contributions under this Plan or elective deferrals made under another plan maintained by the Employer.*]

6A-4 **LIMITS ON MATCHING CONTRIBUTIONS.** In applying the Matching Contribution formula(s) selected under AA §6A-2 above, all Eligible Contributions designated under AA §6A-3 are eligible for Matching Contributions, unless elected otherwise under this AA §6A-4.

☐ (a) **Limit on amount of Eligible Contributions.** The Matching Contribution formula(s) selected in AA §6A-2 above apply only to Eligible Contributions under AA §6A-3 that do not exceed:

☐ (1) ______% of Plan Compensation.

☐ (2) $_____________.

☐ (3) A discretionary amount determined by the Employer.

[***Note:*** *If both (1) and (2) are selected, the limit under this subsection (a) is the lesser of the percentage selected in subsection (1) or the dollar amount selected in subsection (2).*]

☐ (b) **Limit on Matching Contributions.** The total Matching Contribution provided under the formula(s) selected in AA §6A-2 above will not exceed:

☐ (1) __% of Plan Compensation.

☐ (2) $_____________.

☐ (c) **Special limits applicable to Matching Contributions:** ____________________

6A-5 **PERIOD FOR DETERMINING MATCHING CONTRIBUTIONS.** The Matching Contribution formula(s) selected in AA §6A-2 above (including any limitations on such amounts under AA §6A-4) are based on Eligible Contributions under AA §6A-3 and Plan Compensation for the Plan Year. To apply a different period for determining the Matching Contributions and limits under AA §6A-2 and AA §6A-4, complete this AA §6A-5.

☐ (a) payroll period

☐ (b) Plan Year quarter

☐ (c) calendar month

☐ (d) Other: ____________________

[***Note:*** *Although Matching Contributions (and any limits on those Matching Contributions) will be determined on the basis of the period designated under this AA §6A-5, this does not require the Employer to actually make contributions or allocate contributions on the basis of such period. Matching Contributions may be contributed and allocated to Participants at any time within the contribution period permitted under Treas. Reg. §1.415-6, regardless of the period selected under this AA §6A-5.*]

[***Note:*** *In determining the amount of Matching Contributions for a particular period, if the Employer actually makes Matching Contributions to the Plan on a more frequent basis than the period selected in this AA §6A-5, a Participant will be entitled to a true-up contribution to the extent he/she does not receive a Matching Contribution based on the Eligible Contributions under AA §6A-3 and/or Plan Compensation for the entire period selected in this AA §6A-5. If a period other than the Plan Year is selected under this AA §6A-5, the Employer may make an additional discretionary Matching Contribution equal to the true-up contribution that would otherwise be required if Plan Year was selected under this AA §6A-5. See Section 3.02(a)(2)(ii) of the Plan.*]

6A-6 **ALLOCATION CONDITIONS.** A Participant must satisfy any allocation conditions designated under this AA §6A-6 to receive an allocation of Matching Contributions under the Plan.

☐ (a) **No allocation conditions** apply with respect to Matching Contributions under the Plan.

☐ (b) **Employment condition.** An Employee must be employed with the Employer on the last day of the Plan Year.

☐ (c) **Minimum service condition.** An Employee must be credited with at least:

☐ (1) ____ Hours of Service during the Plan Year.

☐ (i) Hours of Service are determined using actual Hours of Service.

☐ (ii) Hours of Service are determined using the following Equivalency Method (as defined under Section 2.03(a)(5) of the Plan):

☐ (A) Monthly ☐ (B) Weekly

☐ (C) Daily ☐ (D) Semi-monthly

☐ (2) ____ consecutive days of employment with the Employer during the Plan Year.

☐ (d) **Exceptions.**

☐ (1) The above allocation condition(s) will **not** apply if the Employee:

☐ (i) dies during the Plan Year.

☐ (ii) terminates employment as a result of becoming Disabled.

☐ (iii) terminates employment after attaining Normal Retirement Age.

☐ (iv) terminates employment after attaining Early Retirement Age.

☐ (v) is on an authorized leave of absence from the Employer.

☐ (2) The exceptions selected under subsection (1) will apply even if an Employee has not terminated employment at the time of the selected event(s).

☐ (3) The exceptions selected under subsection (1) do not apply to:

☐ (i) an employment condition designated under subsection (b) above.

☐ (ii) a minimum service condition designated under subsection (c) above.

☐ (e) **Describe** any special rules governing the allocation conditions under the Plan: ____________________

SECTION 7
RETIREMENT AGES

7-1 **NORMAL RETIREMENT AGE:** Normal Retirement Age under the Plan is:

☑ (a) Age 65____ (not to exceed 65).

☐ (b) The later of age ____ (not to exceed 65) or the _____ (not to exceed 5th) anniversary of:

☐ (1) the Employee's participation commencement date (as defined in Section 1.64 of the Plan).

☐ (2) the Employee's employment commencement date.

☐ (c) __________

7-2 **EARLY RETIREMENT AGE:** Unless designated otherwise under this AA §7-2, there is no Early Retirement Age under the Plan.

☐ (a) A Participant reaches Early Retirement Age if he/she is still employed after attainment of each of the following:

☐ (1) Attainment of age ____

☐ (2) The ____ anniversary of the date the Employee commenced participation in the Plan, and/or

☐ (3) The completion of ____ Years of Service, determined as follows:

☐ (i) Same as for eligibility.

☐ (ii) Same as for vesting.

☐ (b) **Describe.** ____

SECTION 8
VESTING AND FORFEITURES

8-1 **CONTRIBUTIONS SUBJECT TO VESTING.** Does the Plan provide for any Employer and/or Matching Contributions that are subject to a vesting schedule under AA §8-2?

☑ Yes

☐ No [*If "No" is checked, skip to Section 9.*]

[***Note:*** *"Yes" should be checked under this AA §8-1 if the Plan provides for Employer Contributions and/or Matching Contributions that are subject to a vesting schedule, even if such contributions are always 100% vested under AA §8-2. "No" should be checked if the only contributions under the Plan are After-Tax Employee Contributions and/or Employer Pick-Up Contributions. If the Plan holds Employer Contributions and/or Matching Contributions that are subject to vesting but the Plan no longer provides for such contributions, see Sections 7.04(e) and 7.13(e) of the Plan for default rules for applying the vesting and forfeiture rules to such contributions.*]

8-2 **VESTING SCHEDULE.** The vesting schedule under the Plan is as follows for both Employer Contributions and Matching Contributions, to the extent authorized under the Plan. See Section 6.02 of the Plan for a description of the various vesting schedules under this AA §8-2.

☑ (a) **Vesting schedule:**

Match	ER	
☐	☑	(1) Full and immediate vesting.
☐	☐	(2) Three-year cliff vesting schedule
☐	☐	(3) Six-year graded vesting schedule
☐	☐	(4) Modified vesting schedule ____% after 1 Year of Service ____% after 2 Years of Service ____% after 3 Years of Service ____% after 4 Years of Service ____% after 5 Years of Service ____% after 6 Years of Service ____% after 7 Years of Service ____% after 8 Years of Service ____% after 9 Years of Service 100% after 10 Years of Service
☐	☐	(5) Other: vesting schedule: ____

☐ (b) **Special provisions applicable to vesting schedule:** ____

[***Note:*** *This subsection (b) may be used to apply a different vesting schedule for different contribution formulas or different Employee groups under the Plan.*]

8-3 **VESTING SERVICE.** In applying the vesting schedules under this AA §8, all service with the Employer counts for vesting purposes, unless designated otherwise under this AA §8-3.

☐ (a) Service before the original Effective Date of this Plan (or a Predecessor Plan) is excluded.

☐ (b) Service completed before the Employee's ____ birthday is excluded.

☐ (c) Describe vesting service exclusions: ____

[***Note:*** *See Section 6.07 of the Plan and AA §4-5 for rules regarding the crediting of service with Predecessor Employers for purposes of vesting under the Plan.*]

8-4 **VESTING UPON DEATH, DISABILITY OR EARLY RETIREMENT AGE.** An Employee's vesting percentage increases to 100% if, while employed with the Employer, the Employee

☐ (a) dies

☐ (b) becomes Disabled

☐ (c) reaches Early Retirement Age

☑ (d) Not applicable. No increase in vesting applies.

8-5 **DEFAULT VESTING RULES.** In applying the vesting requirements under this AA §8, the following default rules apply. [***Note:*** *No election should be made under this AA §8-5 if all contributions are 100% vested.*]

- **Year of Service.** An Employee earns a Year of Service for vesting purposes upon completing 1,000 Hours of Service during a Vesting Computation Period. Hours of Service are calculated based on actual hours worked during the Vesting Computation Period. (See Section 1.56 of the Plan for the definition of Hours of Service.)
- **Vesting Computation Period.** The Vesting Computation Period is the Plan Year.

To override the default vesting rules, complete the applicable sections of this AA §8-5. If this AA §8-5 is not completed, the default vesting rules apply.

Match **ER**

Match	ER		
☐	☐	(a)	**Year of Service.** Instead of 1,000 Hours of Service, an Employee earns a Year of Service upon the completion of ____ Hours of Service during a Vesting Computation Period.
☐	☐	(b)	**Vesting Computation Period (VCP).** Instead of the Plan Year, the Vesting Computation Period is:

☐ (1) The 12-month period beginning with the Employee's date of hire and, for subsequent Vesting Computation Periods, the 12-month period beginning with the anniversary of the Employee's date of hire.

☐ (2) Describe: ______________________________

[***Note:*** *Any Vesting Computation Period described in (2) must be a 12-consecutive month period and must apply uniformly to all Participants.*]

Match	ER		
☐	☐	(c)	**Elapsed Time Method.** Instead of determining vesting service based on actual Hours of Service, vesting service will be determined under the Elapsed Time Method. If this subsection (c) is checked, service will be measured from the Employee's employment commencement date (or reemployment commencement date, if applicable) without regard to the Vesting Computation Period designated in Section 6.05 of the Plan. (See Section 6.04(b) of the Plan.)
☐	☐	(d)	**Equivalency Method**. For purposes of determining an Employee's Hours of Service for vesting, the Plan will use the Equivalency Method (as defined in Section 6.04(a)(2) of the Plan). The Equivalency Method will apply to:

☐ (1) All Employees.

☐ (2) Only to Employees for whom the Employer does not maintain hourly records. For Employees for whom the Employer maintains hourly records, vesting will be determined based on actual hours worked.

Hours of Service for vesting will be determined under the following Equivalency Method.

☐ (3) **Monthly.** 190 Hours of Service for each month worked.

☐ (4) **Weekly.** 45 Hours of Service for each week worked.

☐ (5) **Daily.** 10 Hours of Service for each day worked.

☐ (6) **Semi-monthly.** 95 Hours of Service for each semi-monthly period.

Match	ER		
☐	☐	(e)	**Special rules:** ______________________________

[***Note:*** *Any special rules under subsection (e) must be definitely determinable.*]

8-6 **BREAKS IN SERVICE.** Generally, an Employee will be credited with all service earned with the Employer, including service earned prior to a Break in Service. To disregard service earned prior to a Break in Service for vesting purposes, complete this AA §8-6. (See Section 6.08 of the Plan.)

☐ (a) If an Employee incurs at least one Break in Service, the Plan will disregard all service earned prior to such Break in Service for purposes of determining vesting under the Plan.

☐ (b) If an Employee incurs at least ______ consecutive Breaks in Service, the Plan will disregard all service earned prior to such consecutive Breaks in Service for purposes of determining vesting under the Plan. [*Enter "0" if prior service will be disregarded for all rehired Employees.*]

☐ (c) Describe any special rules for applying the vesting Break in Service rules: ______________________________

[***Note:*** *Any special rules under subsection (c) must be definitely determinable.*]

8-7 **ALLOCATION OF FORFEITURES.**

The Employer may decide in its discretion how to treat forfeitures under the Plan. Alternatively, the Employer may designate under this AA §8-7 how forfeitures occurring during a Plan Year will be treated. (See Section 6.11 of the Plan.)

Match	ER		
☐	☑	(a)	N/A. All contributions are 100% vested. [*Do not complete the rest of this AA §8-7.*]
☐	☐	(b)	Reallocated as additional Employer Contributions or as additional Matching Contributions.
☐	☐	(c)	Used to reduce Employer and/or Matching Contributions.

Match	ER		

For purposes of subsection (b) or (c), forfeitures will be applied:

Match	ER		
☐	☐	(d)	for the Plan Year in which the forfeiture occurs.
☐	☐	(e)	for the Plan Year following the Plan Year in which the forfeitures occur.

Prior to applying forfeitures under subsection (b) or (c):

Match	ER		
☐	☐	(f)	Forfeitures may be used to pay Plan expenses. (See Section 6.11(d) of the Plan.)
☐	☐	(g)	Forfeitures may **not** be used to pay Plan expenses.

In determining the amount of forfeitures to be allocated under subsection (b), the same allocation conditions apply as for the source for which the forfeiture is being allocated, unless designated otherwise below.

Match	ER		
☐	☐	(h)	Forfeitures are not subject to any allocation conditions.
☐	☐	(i)	Forfeitures are subject to a last day of employment allocation condition.
☐	☐	(j)	Forfeitures are subject to a ____ Hours of Service minimum service requirement.

In determining the treatment of forfeitures under this AA §8-7, the following special rules apply:

Match	ER		
☐	☐	(k)	Describe: ________________________________

8-8 SPECIAL RULES REGARDING CASH-OUT DISTRIBUTIONS.

(a) **Additional allocations.** If a terminated Participant receives a complete distribution of his/her vested Account Balance while still entitled to an additional allocation, the Cash-Out Distribution forfeiture provisions do not apply until the Participant receives a distribution of the additional amounts to be allocated. (See Section 6.10(a)(1) of the Plan.)

To modify the default Cash-Out Distribution forfeiture rules, complete this AA §8-8(a).

☑ The Cash-Out Distribution forfeiture provisions will apply if a terminated Participant takes a complete distribution, regardless of any additional allocations during the Plan Year.

(b) **Timing of forfeitures.** A Participant who receives a Cash-Out Distribution (as defined in Section 6.10(a) of the Plan) is treated as having an immediate forfeiture of his/her nonvested Account Balance.

To modify the forfeiture timing rules to delay the occurrence of a forfeiture upon a Cash-Out Distribution, complete this AA §8-8(b).

☐ A forfeiture will occur upon the completion of ____ consecutive Breaks in Service (as defined in Section 6.08 of the Plan).

SECTION 9
DISTRIBUTION PROVISIONS – TERMINATION OF EMPLOYMENT

9-1 AVAILABLE FORMS OF DISTRIBUTION.

Lump sum distribution. A Participant may take a distribution of his/her entire vested Account Balance in a single lump sum upon termination of employment. The Plan Administrator may, in its discretion, permit Participants to take distributions of less than their entire vested Account Balance provided, if the Plan Administrator permits multiple distributions, all Participants are allowed to take multiple distributions upon termination of employment. In addition, the Plan Administrator may permit a Participant to take partial distributions or installment distributions solely to the extent necessary to satisfy the required minimum distribution rules under Section 8 of the Plan.

Additional distribution options. To provide for additional distribution options, check the applicable distribution forms under this AA §9-1.

☑ (a) **Installment distributions.** A Participant may take a distribution over a specified period not to exceed the life or life expectancy of the Participant (and a designated beneficiary).

☑ (b) **Annuity distributions.** A Participant may elect to have the Plan Administrator use the Participant's vested Account Balance to purchase an annuity as described in Section 7.01 of the Plan.

☑ (c) **Describe distribution options:** A participant may elect distribution in more than one form of payment. Also, one of the available forms of annuity is a 50% qualified joint and survivor annuity. Another available form of annuity is a "qualified optional survivor annuity," which is an annuity that provides monthly payments to the Participant for the Participant's life, with monthly payments continuing to the Participant's surviving spouse (to whom the Participant was married on the Participant's Annuity Starting Date) equal to 75% of the amount payable during the Participant's lifetime, and that is the actuarial equivalent of a single life annuity for the life of the Participant.

[***Note:*** *Any distribution option described in (c) may not be subject to the discretion of the Employer or Plan Administrator.*]

9-2 **PARTICIPANT AND SPOUSAL CONSENT.**

☐ (a) **Involuntary Cash-Out Distribution.** A Participant who terminates employment with a vested Account Balance of $5,000 or less will receive an Involuntary Cash-Out Distribution, unless elected otherwise under this AA §9-2. If a Participant's vested Account Balance exceeds $5,000, the Participant generally must consent to a distribution from the Plan, except to the extent provided otherwise under this AA §9-2. See Sections 7.03 of the Plan for additional rules regarding the Participant consent requirements under the Plan.

☐ (1) **No Involuntary Cash-Out Distributions.** The Plan does not provide for Involuntary Cash-Out Distributions. A terminated Participant must consent to any distribution from the Plan. (See Section 14.02(b) of the Plan for special rules upon Plan termination.)

☐ (2) **Involuntary Cash-Out Distribution threshold.** A terminated Participant will receive an Involuntary Cash-Out Distribution only if the Participant's vested Account Balance is less than or equal to $______.

☐ (3) **Application of Automatic Rollover rules.** The Automatic Rollover rules described in Section 7.05 of the Plan do not apply to any Involuntary Cash-Out Distribution below $1,000, unless elected otherwise under this subsection (3). If this subsection (3) is checked, the Automatic Rollover provisions apply to all Involuntary Cash-Out Distributions (including those below $1,000).

☐ (4) **Distribution upon attainment of stated age.** Participant consent will not be required with respect to distributions made upon attainment of Normal Retirement Age (or age 62, if later), regardless of the value of the Participant's vested Account Balance.

☐ (5) **Treatment of Rollover Contributions**. Unless elected otherwise under this (5), Rollover Contributions will be excluded in determining whether a Participant's vested Account Balance exceeds the Involuntary Cash-Out threshold for purposes of applying the distribution rules under this AA §9 and the Automatic Rollover provisions under Section 7.05 of the Plan. To include Rollover Contributions in determining whether a Participant's vested Account Balance exceeds the Involuntary Cash-Out threshold, check this (5).

☐ (b) **Spousal consent.** Spousal consent is not required for a Participant to receive a distribution or name an alternate beneficiary, unless designated otherwise under this subsection (b). See Section 9.02 of the Plan for rules regarding Spousal consent under the Plan.

☐ (1) **Distribution consent.** A Participant's Spouse must consent to any distribution or loan, provided the Participant's vested Account Balance exceeds $______.

☐ (2) **Beneficiary consent.** A Participant's Spouse must consent to naming someone other than the Spouse as beneficiary under the Plan.

☐ (c) **Describe** any special rules affecting Participant or Spousal consent: ____________________

[***Note:*** *Any special rules under subsection (c) must be definitely determinable.*]

9-3 **TIMING OF DISTRIBUTIONS UPON TERMINATION OF EMPLOYMENT.**

(a) **Distribution of vested Account Balances exceeding $5,000.** A Participant who terminates employment with a vested Account Balance exceeding $5,000 may receive a distribution of his/her vested Account Balance in any form permitted under AA §9-1 within a reasonable period following:

☑ (1) the date the Participant terminates employment.

☐ (2) the last day of the Plan Year during which the Participant terminates employment.

☐ (3) the first Valuation Date following the Participant's termination of employment.

☐ (4) the end of the calendar quarter following the date the Participant terminates employment.

☐ (5) attainment of Normal Retirement Age, death or becoming Disabled.

☐ (6) Describe: ____________________

[***Note:*** *Any special rules under subsection (6) must be definitely determinable.*]

(b) **Distribution of vested Account Balances not exceeding $5,000.** A Participant who terminates employment with a vested Account Balance that does not exceed $5,000 will receive a **lump sum** distribution of his/her vested Account Balance within a reasonable period following:

☑ (1) the date the Participant terminates employment.

☐ (2) the last day of the Plan Year during which the Participant terminates employment.

☐ (3) the first Valuation Date following the Participant's termination of employment.

☐ (4) the end of the calendar quarter following the date the Participant terminates employment.

☐ (5) Describe: ______

[***Note:*** *Any special rules under subsection (5) must be definitely determinable.*]

☐ (c) **Alternate Cash-Out distribution threshold.** Instead of a vested Account Balance Cash-Out threshold of $5,000, for purposes of applying the Cash-Out distribution provisions under this AA §9-3, the forms of distribution available under subsections (a) and (b) will be based on a vested Account Balance of $______.

☐ (d) **Describe additional distribution options:** ______

[***Note:*** *Any additional distribution option described in (d) may not be subject to the discretion of the Employer or Plan Administrator.*]

9-4 **DISTRIBUTION UPON DISABILITY.** Unless designated otherwise under this AA §9-4, a Participant who terminates employment on account of becoming Disabled may receive a distribution of his/her vested Account Balance in the same manner as a regular distribution upon termination.

(a) **Termination of Disabled Employee.**

☐ (1) **Immediate distribution.** Distribution will be made as soon as reasonable following the date the Participant terminates on account of becoming Disabled.

☐ (2) **Following year.** Distribution will be made as soon as reasonable following the last day of the Plan Year during which the Participant terminates on account of becoming Disabled.

☐ (3) **Describe:** ______

[***Note:*** *Any distribution event described in subsection (3) will apply uniformly to all Participants under the Plan and may not be subject to the discretion of the Employer or Plan Administrator.*]

(b) **Definition of Disabled.** A Participant is treated as Disabled if such Participant satisfies the conditions in Section 1.28 of the Plan.

To override this default definition, check below to select an alternative definition of Disabled to be used under the Plan.

☐ (1) The definition of Disabled is the same as defined in the Employer's Disability Insurance Plan.

☐ (2) The definition of Disabled is the same as defined under Section 223(d) of the Social Security Act for purposes of determining eligibility for Social Security benefits.

☑ (3) Alternative definition of Disabled: A Participant is Disabled if the Participant has been determined to be disabled under one or both of the following: (i) Section 223(d) of the Social Security Act for purposes of determining eligibility for Social Security benefits, and/or (ii) the Employer's long-term disability insurance plan

9-5 **DETERMINATION OF BENEFICIARY.**

(a) **Default beneficiaries.** Unless elected otherwise under this subsection (a), the default beneficiaries described under Section 7.07(c)(3) of the Plan are the Participant's surviving Spouse, the Participant's surviving children, and the Participant's estate.

☑ If this subsection (a) is checked, the default beneficiaries under Section 7.07(c)(3) of the Plan are modified as follows: The default beneficiary is the Participant's surviving Spouse, or if the Participant was not married at the time of death, the Participant's estate.

(b) **One-year marriage rule.** For purposes of determining whether an individual is considered the surviving Spouse of the Participant, the determination is based on the marital status as of the date of the Participant's death, unless designated otherwise under this subsection (b).

☐ If this subsection (b) is checked, in order to be considered the surviving Spouse, the Participant and surviving Spouse must have been married for the entire one-year period ending on the date of the Participant's death. If the Participant and surviving Spouse are not married for at least one year as of the date of the Participant's death, the Spouse will not be treated as the surviving Spouse for purposes of applying the distribution provisions of the Plan. (See Section 9.03 of the Plan.)

(c) **Divorce of Spouse.** Unless elected otherwise under this subsection (c), if a Participant designates his/her Spouse as Beneficiary and subsequent to such Beneficiary designation, the Participant and Spouse are divorced, the designation of the Spouse as Beneficiary under the Plan is automatically rescinded as set forth under Section 7.07(c)(6) of the Plan.

☐ If this subsection (c) is checked, a Beneficiary designation will not be rescinded upon divorce of the Participant and Spouse.

[***Note:*** *Section 7.07(c)(6) of the Plan and this subsection (c) will be subject to the provisions of a Beneficiary designation entered into by the Participant. Thus, if a Beneficiary designation specifically overrides the election under this subsection (c), the provisions of the Beneficiary designation will control. See Section 7.07(c)(6) of the Plan.*]

SECTION 10
IN-SERVICE DISTRIBUTIONS AND REQUIRED MINIMUM DISTRIBUTIONS

10-1 **AVAILABILITY OF IN-SERVICE DISTRIBUTIONS.** A Participant may withdraw all or any portion of his/her vested Account Balance, to the extent designated, upon the occurrence of any of the event(s) selected under this AA §10-1. If more than one option is selected for a particular contribution source under this AA §10-1, a Participant may take an in-service distribution upon the occurrence of any of the selected events, unless designated otherwise under this AA §10-1.

Match	ER	
☐	☐	(a) No in-service distributions are permitted.
☐	☑	(b) Attainment of age 59½.
☐	☐	(c) Attainment of age ___.
☐	☑	(d) A Hardship that satisfies the safe harbor rules under Section 7.10(e)(1) of the Plan.
☐	☐	(e) A non-safe harbor Hardship described in Section 7.10(e)(2) of the Plan.
☐	☐	(f) Attainment of Normal Retirement Age.
☐	☐	(g) Attainment of Early Retirement Age.
☐	☐	(h) The Participant has participated in the Plan for at least ____ (cannot be less than 60) months.
☐	☐	(i) The amounts being withdrawn have been held in the Trust for at least two years.
☐	☑	(j) Upon a Participant becoming Disabled (as defined in AA §9-4(b)).
☐	☐	(k) Describe: ______________________

10-2 **APPLICATION TO OTHER CONTRIBUTION SOURCES.** If the Plan allows for Rollover Contributions under AA §C-2 or After-Tax Employee Contributions under AA §6-6, unless elected otherwise under this AA §10-2, a Participant may take an in-service distribution from his/her Rollover Account and After-Tax Employee Contribution Account at any time. Employer Pick-Up Contributions will not be eligible for in-service distribution.

Alternatively, if this AA §10-2 is completed, the following in-service distribution provisions apply for Rollover Contributions, After-Tax Employee Contributions and/or Employer Pick-Up Contributions:

Rollover	After-Tax	Pick-Up	
☐	☐	☐	(a) No in-service distributions are permitted.
☐	☐	☑	(b) Attainment of age 59½.
☐	☐	☐	(c) Attainment of age ____.
☐	☐	☑	(d) A Hardship (that satisfies the safe harbor rules under Section 7.10(e)(1) of the Plan).

Rollover	After-Tax	Pick-Up		
☐	☐	☐	(e)	A non-safe harbor Hardship described in Section 7.10(e)(2) of the Plan.
☐	☐	☐	(f)	Attainment of Normal Retirement Age.
☐	☐	☐	(g)	Attainment of Early Retirement Age.
☐	☐	☑	(h)	Upon a Participant becoming Disabled (as defined in AA §9-4(b)).
☐	☐	☐	(i)	Describe: ________________

10-3 **SPECIAL DISTRIBUTION RULES.** No special distribution rules apply, unless specifically provided under this AA §10-3.

☐ (a) In-service distributions will only be permitted if the Participant is 100% vested in the source from which the withdrawal is taken.

☐ (b) A Participant may take no more than ____ in-service distribution(s) in a Plan Year.

☐ (c) A Participant may not take an in-service distribution of less than $____.

☐ (d) A Participant may not take an in-service distribution of more than $____.

☑ (e) Unless elected otherwise under this subsection, the hardship distribution provisions of the Plan are not expanded to cover primary beneficiaries as set forth in Section 7.10(e)(5) of the Plan. If this subsection (e) is checked, the hardship provisions of the Plan will apply with respect to individuals named as primary beneficiaries under the Plan.

☐ (f) In determining whether a Participant has an immediate and heavy financial need for purposes of applying the non-safe harbor Hardship provisions under Section 7.10(e)(2) of the Plan, the following modifications are made to the permissible events listed under Section 7.10(e)(1) of the Plan: ____

[***Note:*** *This subsection (f) may only be used to the extent a non-safe harbor Hardship distribution is authorized under AA §10-1 or AA §10-2.*]

☑ (g) Other distribution rules: Except to the extent that other provisions of the Plan permit in-service distributions (for example, provisions in AA §10-1), if a Participant is reemployed, no further distribution will be made until subsequent termination and prior form of payment election will be null and void.

10-4 **REQUIRED MINIMUM DISTRIBUTIONS.**

(a) **Required distributions after death.** If a Participant dies before distributions begin and there is a Designated Beneficiary, the Participant or Beneficiary may elect on an individual basis whether the 5-year rule (as described in Section 8.06(a) of the Plan) or the life expectancy method described under Sections 8.02 of the Plan apply. See Section 8.06(b) of the Plan for rules regarding the timing of an election authorized under this AA §10-4.

Alternatively, if selected under this subsection (a), any death distributions to a Designated Beneficiary will be made only under the 5-year rule.

☐ The five-year rule under Section 8.06(a) of the Plan applies (instead of the life expectancy method). Thus, the entire death benefit must be distributed by the end of the fifth year following the year of the Participant's death. Death distributions to a Designated Beneficiary may not be made under the life expectancy method.

(b) **Waiver of Required Minimum Distribution for 2009.** For purposes of applying the Required Minimum Distribution rules for the 2009 Distribution Calendar Year, as described in Section 8.06(d) of the Plan, a Participant (including an Alternate Payee or beneficiary of a deceased Participant) who is eligible to receive a Required Minimum Distribution for the 2009 Distribution Calendar Year may elect whether or not to receive the 2009 Required Minimum Distribution (or any portion of such distribution). If a Participant does not specifically elect to leave the 2009 Required Minimum Distribution in the Plan, such distribution will be made for the 2009 Distribution Calendar Year as set forth in Section 8 of the Plan.

☐ (1) **No Required Minimum Distribution for 2009.** If this box is checked, 2009 Required Minimum Distributions will not be made to Participants who are otherwise required to receive a Required Minimum Distribution for the 2009 Distribution Calendar Year under Section 8 of the Plan, unless the Participant elects to receive such distribution.

☐ (2) **Describe any special rules applicable to 2009 Required Minimum Distributions:** ____________________

SECTION 11
MISCELLANEOUS PROVISIONS

11-1 **PLAN VALUATION.** The Plan is valued **annually**, as of the last day of the Plan Year.

☑ (a) **Additional valuation dates.** In addition, the Plan will be valued on the following dates:

Match	ER		
☐	☑	(1)	**Daily.** The Plan is valued at the end of each business day during which the New York Stock Exchange is open.
☐	☐	(2)	**Monthly.** The Plan is valued at the end of each month of the Plan Year.
☐	☐	(3)	**Quarterly.** The Plan is valued at the end of each Plan Year quarter.
☐	☐	(4)	**Describe:** ________________

[***Note:*** *The Employer may elect operationally to perform interim valuations, regardless of any selection in this subsection (a).*]

☐ (b) **Special rules.** The following special rules apply in determining the amount of income or loss allocated to Participants' Accounts: ____________________

11-2 **SPECIAL RULES FOR APPLYING THE CODE §415 LIMITATION.** The provisions under Section 5.02 of the Plan apply for purposes of determining the Code §415 Limitation.

Complete this AA §11-2 to override the default provisions that apply in determining the Code §415 Limitation under Section 5.02 of the Plan.

☐ (a) **Limitation Year.** Instead of the Plan Year, the Limitation Year is the 12-month period ending ____________________.

[***Note:*** *If the Plan has a short Plan Year for the first year of establishment, the Limitation Year is deemed to be the 12-month period ending on the last day of the short Plan Year.*]

☐ (b) **Imputed compensation.** For purposes of applying the Code §415 Limitation, Total Compensation includes imputed compensation for a Nonhighly Compensated Participant who terminates employment on account of becoming Disabled. (See Section 5.02(c)(7)(iii) of the Plan.)

☐ (c) **Special rules:** ____________________

[***Note:*** *Any special rules under this subsection (c) must be consistent with the requirements of Code §415.*]

11-3 **HEART ACT PROVISIONS -- BENEFIT ACCRUALS.** The benefit accrual provisions under Section 15.04 of the Plan do not apply. To apply the benefit accrual provisions under Section 15.04, check the box below.

☐ **Eligibility for Plan benefits.** Check this box if the Plan will provide the benefits described in Section 15.04 of the Plan. If this box is checked, an individual who dies or becomes disabled in qualified military service will be treated as reemployed for purposes of determining entitlement to benefits under the Plan.

11-4 **ELECTION NOT TO PARTICIPATE (see Section 2.08 of the Plan).** All Participants share in any allocation under this Plan and no Employee may waive out of Plan participation.

To allow Employees to make a one-time irrevocable waiver, check below.

☐ (a) An Employee may make a one-time irrevocable election not to participate under the Plan.

☑ (b) An Employee may make a one-time irrevocable election not to make Employer Pick-Up Contributions under the Plan.

APPENDIX A
SPECIAL EFFECTIVE DATES

☐ A-1 **Eligible Employees.** The definition of Eligible Employee under AA §3 is effective as follows:

____

☐ A-2 **Minimum age and service conditions.** The minimum age and service conditions and Entry Date provisions specified in AA §4 are effective as follows:

____

☐ A-3 **Compensation definitions.** The compensation definitions under AA §5 are effective as follows:

____

☐ A-4 **Employer and Matching Contributions.** The Employer and Matching Contribution provisions under the Plan are effective as follows:

____

☐ A-5 **After-Tax Employee and Pick-Up Contributions.** The provisions of the Plan addressing Employee After-Tax Contributions and Pick-Up Contribution provisions under the Plan are effective as follows:

____

☐ A-6 **Retirement ages.** The retirement age provisions under AA §7 are effective as follows:

____

☐ A-7 **Vesting and forfeiture rules.** The rules regarding vesting and forfeitures under AA §8 are effective as follows:

____

☐ A-8 **Distribution provisions.** The distribution provisions under AA §9 are effective as follows:

____

☐ A-9 **In-service distributions and Required Minimum Distributions.** The provisions regarding in-service distribution and Required Minimum Distributions under AA §10 are effective as follows:

____

☐ A-10 **Miscellaneous provisions.** The provisions under AA §11 are effective as follows:

____

☐ A-11 **Special effective date provisions for merged plans.** If any qualified retirement plans have been merged into this Plan, the provisions of Section 14.04 of the Plan apply, as follows:

____

☐ A-12 **Other special effective dates:**

____

APPENDIX B
LOAN POLICY

Use this Appendix B to identify elections dealing with the administration of Participant loans. These elections may be changed without amending this Agreement by substituting an updated Appendix B with new elections. Any modifications to this Appendix B or any modifications to a separate loan policy describing the loan provisions selected under the Plan will not affect an Employer's reliance on the IRS Favorable Letter.

B-1 Are **PARTICIPANT LOANS** permitted? (See Section 13 of the Plan.)

☑ (a) Yes

☐ (b) No

B-2 **LOAN PROCEDURES.**

☑ (a) Loans will be provided under the default loan procedures set forth in Section 13 of the Plan, unless modified under this Appendix B.

☐ (b) Loans will be provided under a separate written loan policy. [*If this subsection (b) is checked, do not complete the rest of this Appendix B.*]

B-3 **AVAILABILITY OF LOANS.** Participant loans are available to all active Participants and Beneficiaries. Participant loans are not available to a former Employee or Beneficiary (including an Alternate Payee under a QDRO). To override this default provision, check (a) and/or (b) below:

☐ (a) A former Employee or Beneficiary (including an Alternate Payee) who has a vested Account Balance may request a loan from the Plan.

☐ (b) A "limited participant" as defined in Section 3.05 of the Plan may not request a loan from the Plan.

☐ (c) An officer or director of the Employer, as defined for purposes of the Sarbanes-Oxley Act, may **not** request a loan from the Plan.

B-4 **LOAN LIMITS.** The default loan policy under Section 13.03 of the Plan allows Participants to take a loan provided all outstanding loans do not exceed 50% of the Participant's vested Account Balance. To override the default loan policy to allow loans up to $10,000, even if greater than 50% of the Participant's vested Account Balance, check this AA §B-4.

☐ A Participant may take a loan equal to the greater of $10,000 or 50% of the Participant's vested Account Balance. [*If this AA §B-4 is checked, the Participant may be required to provide adequate security as required under Section 13.06 of the Plan.*]

B-5 **NUMBER OF LOANS.** The default loan policy under Section 13.04 of the Plan restricts Participants to one loan outstanding at any time. To override the default loan policy and permit Participants to have more than one loan outstanding at any time, complete (a) or (b) below.

☐ (a) A Participant may have ____ loans outstanding at any time.

☐ (b) There are no restrictions on the number of loans a Participant may have outstanding at any time.

B-6 **LOAN AMOUNT.** The default loan policy under Section 13.04 of the Plan provides that a Participant may not receive a loan of less than $1,000. To modify the minimum loan amount or to add a maximum loan amount, complete this AA §B-6.

☐ (a) There is no minimum loan amount.

☐ (b) The minimum loan amount is $____________.

☐ (c) The maximum loan amount is $____________.

B-7 **INTEREST RATE.** The default loan policy under Section 13.05 of the Plan provides for an interest rate commensurate with the interest rates charged by local commercial banks for similar loans. To override the default loan policy and provide a specific interest rate to be charged on Participant loans, complete this AA §B-7.

☑ (a) The prime interest rate

☑ plus 2____ percentage point(s).

☐ (b) Describe: ____

[**Note:** *Any interest rate described in this AA §B-7 must be reasonable and must apply uniformly to all Participants.*]

B-8 **PURPOSE OF LOAN.** The default loan policy under Section 13.02 of the Plan provides that a Participant may receive a Participant loan for any purpose. To modify the default loan policy to restrict the availability of Participant loans to hardship events, check this AA §B-8.

☐ (a) A Participant may only receive a Participant loan upon the demonstration of a hardship event, as described in Section 7.10(e)(1)(i) of the Plan.

☐ (b) A Participant may only receive a Participant loan under the following circumstances: ____________________________

B-9 **APPLICATION OF LOAN LIMITS.** If Participant loans are not available from all contribution sources, the limitations under Code §72(p) and the adequate security requirements of the Department of Labor regulations will be applied by taking into account the Participant's entire Account Balance. To override this provision, complete this AA §B-9.

☐ The loan limits and adequate security requirements will be applied by taking into account only those contribution Accounts which are available for Participant loans.

B-10 **CURE PERIOD.** The Plan provides that a Participant incurs a loan default if a Participant does not repay a missed payment by the end of the calendar quarter following the calendar quarter in which the missed payment was due. To override this default provision to apply a shorter cure period, complete this AA §B-10.

☐ The cure period for determining when a Participant loan is treated as in default will be ______ days (cannot exceed 90) following the end of the month in which the loan payment is missed.

B-11 **PERIODIC REPAYMENT – PRINCIPAL RESIDENCE.** If a Participant loan is for the purchase of a Participant's primary residence, the loan repayment period for the purchase of a principal residence may not exceed ten (10) years.

☐ (a) The Plan does not permit loan payments to exceed five (5) years, even for the purchase of a principal residence.

☑ (b) The loan repayment period for the purchase of a principal residence may not exceed 15_____ years (may not exceed 30).

☐ (c) Loans for the purchase of a Participant's primary residence may be payable over any reasonable period commensurate with the period permitted by commercial lenders for similar loans.

B-12 **TERMINATION OF EMPLOYMENT.** Section 13.10(a) of the Plan provides that a Participant loan becomes due and payable in full upon the Participant's termination of employment. To override this default provision, complete this AA §B-12.

☐ A Participant loan will not become due and payable in full upon the Participant's termination of employment.

B-13 **DIRECT ROLLOVER OF A LOAN NOTE.** Section 13.10(b) of the Plan provides that upon termination of employment a Participant may request the Direct Rollover of a loan note. To override this default provision, complete this AA §B-13.

☑ A Participant may **not** request the Direct Rollover of the loan note upon termination of employment.

B-14 **LOAN RENEGOTIATION.** The default loan policy provides that a Participant may renegotiate a loan, provided the renegotiated loan separately satisfies the reasonable interest rate requirement, the adequate security requirement, the periodic repayment requirement and the loan limitations under the Plan. The Employer may restrict the availability of renegotiations to prescribed purposes provided the ability to renegotiate a Participant loan is available on a non-discriminatory basis. To override the default loan policy and restrict the ability of a Participant to renegotiate a loan, complete this AA §B-14.

☑ (a) A Participant may **not** renegotiate the terms of a loan.

☐ (b) The following special provisions apply with respect to renegotiated loans: ____________________________________

B-15 **SOURCE OF LOAN.** Participant loans may be made from all available contribution sources, to the extent vested, unless designated otherwise under this AA §B-15.

☐ Participant loans will not be available from the following contribution sources: _________________________________

B-16 **MODIFICATIONS TO DEFAULT LOAN PROVISIONS.**

☐ The following special rules will apply with respect to Participant loans under the Plan: __________________________

[***Note:*** *Any provision under this AA §B-16 must satisfy the requirements under Code §72(p) and the regulations thereunder and will control over any inconsistent provisions of the Plan dealing with the administration of Participant loans.*]

APPENDIX C
ADMINISTRATIVE ELECTIONS

Use this Appendix C to identify certain elections dealing with the administration of the Plan. These elections may be changed without amending this Agreement by substituting an updated Appendix C with new elections. The provisions selected under this Appendix C do not create qualification issues and any changes to the provisions under this Appendix C will not affect the Employer's reliance on the IRS Favorable Letter.

C-1 **DIRECTION OF INVESTMENTS.** Are Participants permitted to **direct investments**? (See Section 10.07 of the Plan.)

☐ (a) No

☑ (b) Yes

☑ (c) Describe any special rules that apply for purposes of direction of investments: Participant direction of investment is limited to specific investment options, which options are determined by the Employer or its designee (e.g., Investment Committee). The Participant's investment direction must specify the percentage, in one percent (1%) increments, of the Participant's Account to be invested in one or more of the available investment options, with the sum of such percentages equaling 100%. A Participant may, subject to applicable trading restrictions, transfer a specific dollar amount of the Participant's Account from any of the available investment options to any other of the available investment options. Participant direction of investment is subject to administrative procedures specified by the Employer or its designee (e.g., Investment Committee).

C-2 **ROLLOVER CONTRIBUTIONS.** Does the Plan accept **Rollover Contributions**? (See Section 3.05 of the Plan.)

☐ (a) No

☑ (b) Yes

☑ (1) If this subsection (1) is checked, an Employee may not make a Rollover Contribution to the Plan prior to becoming a Participant in the Plan.

☑ (2) Check this subsection (2) if the Plan will not accept Rollover Contributions from former Employees.

☑ (3) Describe any special rules for accepting Rollover Contributions: Direct Rollovers are accepted from the following sources: (i) a qualified plan described in Code section 401(a) or 403(a), including after-tax employee contributions; (ii) an annuity contract described in Code section 403(b), including after-tax employee contributions; (iii) an eligible plan under Code section 457(b) which is maintained by a state, political subdivision of a state, or any agency or instrumentality of a state or political subdivision of a state; and (iv) an individual retirement account or annuity, excluding designated Roth contributions and after-tax contributions. After-tax contributions rolled over to the Plan are accounted for separately and treated for Plan purposes as Rollover Contributions. Participant rollovers (i.e., distribution from another qualified plan or annuity contract that is first made to the Participant who then timely elects to roll it over) are accepted from the following sources: (A) a qualified plan described in Code section 401(a) or 403(a), excluding after-tax contributions; (B) an annuity contract described in Code section 403(b), excluding after-tax contributions; (C) an eligible plan under Code section 457(b) which is maintained by a state, political subdivision of a state, or any agency or instrumentality of a state or political subdivision of a state; and (D) an individual retirement account or annuity, excluding after-tax contributions

[***Note:*** *The Employer may designate in subsection (3) or in separate written procedures the extent to which it will accept rollovers from designated plan types. For example, the Employer may decide not to accept rollovers from certain designated plans (e.g., 403(b) plans, §457 plans or IRAs). Any special rollover procedures will apply uniformly to all Participants under the Plan.*]

C-3 **LIFE INSURANCE.** Are **life insurance** investments permitted? (See Section 10.08 of the Plan.)

☑ (a) No

☐ (b) Yes

C-4 **QDRO PROCEDURES.** Do the **default QDRO procedures** under Section 11.05 of the Plan apply?

☑ (a) No

☐ (b) Yes

☐ The provisions of Section 11.05 are modified as follows: ______

EMPLOYER SIGNATURE PAGE

PURPOSE OF EXECUTION. This Signature Page is being executed to effect:

☐ (a) The adoption of a **new plan**, effective ___ [*insert Effective Date of Plan*]. [***Note:*** *Date can be no earlier than the first day of the Plan Year in which the Plan is adopted.*]

☑ (b) The **restatement** of an existing plan, in order to comply with the requirements of PPA, pursuant to Rev. Proc. 2011-49.

(1) Effective date of restatement: 1-1-2016 . [***Note:*** *Date can be no earlier than January 1, 2007. Section 14.01(d)(2) of Plan provides for retroactive effective dates for all PPA provisions. Thus, a current effective date may be used under this subsection (1) without jeopardizing reliance.*]

(2) Name of plan(s) being restated: JEA 401(a) Defined Contribution Retirement Plan

(3) The original effective date of the plan(s) being restated: 1-1-2002

☐ (c) An **amendment or restatement** of the Plan (other than to comply with PPA). If this Plan is being amended, a snap-on amendment may be used to designate the modifications to the Plan or the updated pages of the Adoption Agreement may be substituted for the original pages in the Adoption Agreement. All prior Employer Signature Pages should be retained as part of this Adoption Agreement.

(1) Effective Date(s) of amendment/restatement: ______

(2) Name of plan being amended/restated: ______

(3) The original effective date of the plan being amended/restated: ______

(4) If Plan is being amended, identify the Adoption Agreement section(s) being amended: ______

VOLUME SUBMITTER SPONSOR INFORMATION. The Volume Submitter Sponsor (or authorized representative) will inform the Employer of any amendments made to the Plan and will notify the Employer if it discontinues or abandons the Plan. To be eligible to receive such notification, the Employer agrees to notify the Volume Submitter Sponsor (or authorized representative) of any change in address. The Employer may direct inquiries regarding the Plan or the effect of the Favorable IRS Letter to the Volume Submitter Sponsor (or authorized representative) at the following location:

Name of Volume Submitter Sponsor (or authorized representative): Massachusetts Mutual Life Insurance Company

Address: 1295 State Street Springfield, MA 01111-0001

Telephone number: (800) 309-3539

IMPORTANT INFORMATION ABOUT THIS VOLUME SUBMITTER PLAN. A failure to properly complete the elections in this Adoption Agreement or to operate the Plan in accordance with applicable law may result in disqualification of the Plan. The Employer may rely on the Favorable IRS Letter issued by the National Office of the Internal Revenue Service to the Volume Submitter Sponsor as evidence that the Plan is qualified under Code §401(a), to the extent provided in Rev. Proc. 2011-49. The Employer may not rely on the Favorable IRS Letter in certain circumstances or with respect to certain qualification requirements, which are specified in the Favorable IRS Letter issued with respect to the Plan and in Rev. Proc. 2011-49. In order to obtain reliance in such circumstances or with respect to such qualification requirements, the Employer must apply to the office of Employee Plans Determinations of the Internal Revenue Service for a determination letter. See Section 1.50 of the Plan.

By executing this Adoption Agreement, the Employer intends to adopt the provisions as set forth in this Adoption Agreement and the related Plan document. By signing this Adoption Agreement, the individual below represents that he/she has the authority to execute this Plan document on behalf of the Employer. This Adoption Agreement may only be used in conjunction with Basic Plan Document #05. The Employer understands that the Volume Submitter Sponsor has no responsibility or liability regarding the suitability of the Plan for the Employer's needs or the options elected under this Adoption Agreement. It is recommended that the Employer consult with legal counsel before executing this Adoption Agreement.

JEA
(Name of Employer)

______
(Name of authorized representative) *(Title)*

______
(Signature) *(Date)*

TRUSTEE DECLARATION

This Trustee Declaration may be used to identify the Trustees under the Plan. A separate Trustee Declaration may be used to identify different Trustees with different Trustee investment powers.

Effective date of Trustee Declaration: 1-1-2016

The Trustee's investment powers are:

☐ (a) **Discretionary.** The Trustee has discretion to invest Plan assets, unless specifically directed otherwise by the Plan Administrator, the Employer, an Investment Manager or other Named Fiduciary or, to the extent authorized under the Plan, a Plan Participant.

☑ (b) **Nondiscretionary.** The Trustee may only invest Plan assets as directed by the Plan Administrator, the Employer, an Investment Manager or other Named Fiduciary or, to the extent authorized under the Plan, a Plan Participant.

☐ (c) **Fully funded.** There is no Trustee under the Plan because the Plan is funded exclusively with custodial accounts, annuity contracts and/or insurance contracts. (See Section 12.15 of the Plan.)

☐ (d) **Determined under a separate trust agreement.** The Trustee's investment powers are determined under a separate trust document which replaces (or is adopted in conjunction with) the trust provisions under the Plan.

Name of Trustee: ____________________

Title of Trust Agreement: ____________________

[***Note:*** *To qualify as a Volume Submitter Plan, any separate trust document used in conjunction with this Plan must be approved by the Internal Revenue Service. Any such approved trust agreement is incorporated as part of this Plan and must be attached hereto. The responsibilities, rights and powers of the Trustee are those specified in the separate trust agreement.*]

Description of Trustee powers. This section can be used to describe any special trustee powers or any limitations on such powers. This section also may be used to impose any specific rules regarding the decision-making authority of individual trustees. In addition, this section can be used to limit the application of a trustee's responsibilities, e.g., by limiting trustee authority to only specific assets or investments.

☑ **Describe Trustee powers:** Notwithstanding Section 12.03(a)(1)(ii) of the Plan, the Trustee shall exercise the same care and diligence and skill that a professional trustee engaged in the banking or trust company industry and having professional expertise in financial and securities processing transactions and custody would observe in these affairs. Section 12.03(a)(3) of the Plan is amended as follows: The last sentence ends with "to the extent permitted by law". The terms of Section 12.03(a)(4) of the Plan are subject to the following overriding limitation: Legal fees incurred by the Trustee may only be paid from the Trust if they are reasonable fees for legal expenses incurred in connection with any disputes arising in connection with Section 12 (Trust Provisions) or the Trust. Section 12.11 of the Plan is amended as follows: The first sentence begins with "To the extent permitted by law:". Notwithstanding Section 15.07 of the Plan, the provisions of the Plan and Trust shall be construed, administered, and enforced in accordance with the provisions of applicable Federal law and the provisions of applicable law of the State of Florida. No other state's laws shall apply.

[*The addition of special trustee powers under this section will not cause the Plan to lose Volume Submitter status provided such language merely modifies the administrative provisions applicable to the Trustee (such as provisions relating to investments and the duties of the Trustee). Any language added under this section may not conflict with any other provision of the Plan and may not result in a failure to qualify under Code §401(a).*]

Trustee Signature. By executing this Adoption Agreement, the designated Trustee(s) accept the responsibilities and obligations set forth under the Plan and Adoption Agreement. By signing this Trustee Declaration Page, the individual(s) below represent that they have the authority to sign on behalf of the Trustee. If a separate trust agreement is being used, list the name of the Trustee. No signature is required if a separate trust agreement is being used under the Plan or if there is no named Trustee under the Plan.

Reliance Trust Company
(Print name of Trustee)

____
(Signature of Trustee or authorized representative) *(Date)*

III. B. 1.
5/17/2016

BH

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

Plan Description: Volume Submitter Profit Sharing Plan With CODA
FFN: 3153883BH05-001 Case: 201204363 EIN: 04-1590850
Letter Serial No: J598573a
Date of Submission: 04/02/2012

MASSACHUSETTS MUTUAL LIFE INSURANCE COMPANY
1295 STATE STREET
SPRINGFIELD, MA 01111

Contact Person:
Janell Hayes
Telephone Number:
513-263-3602
In Reference To: TEGE:EP:7521
Date: 03/31/2014

Dear Applicant:

In our opinion, the form of the plan identified above is acceptable under section 401 of the Internal Revenue Code for use by employers for the benefit of their employees. This opinion relates only to the acceptability of the form of the plan under the Internal Revenue Code. It is not an opinion of the effect of other Federal or local statutes.

You must furnish a copy of this letter, a copy of the approved plan, and copies of any subsequent amendments to adopting employers if the practitioner is authorized to amend the plan on their behalf, to each employer who adopts this plan. Effective on or after 10/31/2011, interim amendments adopted by the practitioner on behalf of employers must provide the date of adoption by the practitioner.

This letter considers the changes in qualification requirements contained in the 2010 Cumulative List of Notice 2010-90, 2010-52 I.R.B. 909.

Our opinion on the acceptability of the form of the plan is not a ruling or determination as to whether an employer's plan qualifies under Code section 401(a). However, an employer that adopts this plan may rely on this letter with respect to the qualification of its plan under Code section 401(a), as provided for in Rev. Proc. 2011-49, 2011-44 I.R.B. 608, and outlined below. The terms of the plan must be followed in operation.

Except as provided below, our opinion does not apply with respect to the requirements of Code sections 401(a)(4), 401(l), 410(b), and 414(s). Our opinion does not apply for purposes of Code section 401(a)(10)(B) and section 401(a)(16) if an employer ever maintained another qualified plan for one or more employees who are covered by this plan. For this purpose, the employer will not be considered to have maintained another plan merely because the employer has maintained another defined contribution plan(s), provided such other plan(s) has been terminated prior to the effective date of this plan and no annual additions have been credited to the account of any participant under such other plan(s) as of any date within the limitation year of this plan. Also, for this purpose, an employer is considered as maintaining another plan, to the extent that the employer maintains a welfare benefit fund defined in Code section 419(e), which provides postretirement medical benefits allocated to separate accounts for key employees as defined in Code section 419A(d)(3), or an individual medical account as defined in Code section 415(l)(2), which is part of a pension or annuity plan maintained by the employer, or a simplified employee pension plan.

Our opinion does not apply for purposes of the requirement of section 1.401(a)-1(b)(2) of the regulations applicable to a money purchase plan or target benefit plan where the normal retirement age under the employer's plan is lower than age 62.

This is not a ruling or determination with respect to any language in the plan that reflects Section 3 of the Defense of Marriage Act, Pub. L. 104-199, 110 Stat. 2419 (DOMA) or U.S. v. Windsor, 133 S. Ct. 2675 (2013), which invalidated that section.

This letter is not a ruling with respect to the tax treatment to be accorded contributions which are picked up by the governmental employing unit within the meaning of section 414(h)(2) of the Internal Revenue Code.

Our opinion applies with respect to the requirements of Code section 410(b) if 100 percent of all nonexcludable employees benefit under the plan. Employers that elect a safe harbor allocation formula and a safe harbor compensation definition can also rely on an advisory letter with respect to the nondiscriminatory amounts requirement under section 401(a)(4). If this plan includes a CODA or otherwise provides for contributions subject to sections 401(k) and/or 401(m), the advisory letter can be relied on with respect to the form of the nondiscrimination tests of 401(k)(3) and 401(m)(2) if the employer uses a safe harbor compensation definition. In the case of plans described in section 401(k)(12) or (13) and/or 401(m)(11) or (12), employers may also rely on the advisory letter with respect to whether the form of the plan satisfies the requirements of those sections unless the plan provides for the safe harbor contribution to be made under another plan.

The employer may request a determination (1) as to whether the plan, considered with all related qualified plans and, if appropriate, welfare benefit funds, individual medical benefit accounts, and simplified employee pension plans, satisfies the requirements of Code section 401(a)(16) as to limitations on benefits and contributions in Code section 415 and the requirements of Code section 401(a)(10)(B) as to the top-heavy plan requirements in Code section 416; (2) with respect to whether a money purchase or target benefit plan's normal retirement age which is earlier than age 62 satisfies the requirements of section 401(a)-1(b)(2) of the Income Tax Regulations; (3) that the plan is a multiple employer plan; (4) whether there has been a partial termination; and (5) to comply with published procedures of the Service (e.g. minimum funding waiver request). The employer may request a determination letter by filing an application with Employee Plans Determinations on Form 5307, with regard to item (1) above, and Form 5300, for items (2), (3), (4) and (5), without restating for the Cumulative List in effect when the application is filed.

If you, the volume submitter practitioner, have any questions concerning the IRS processing of this case, please call the above telephone number. This number is only for use of the practitioner. Individual participants and/or adopting employers with questions concerning the plan should contact the volume submitter practitioner. The plan's adoption agreement, if applicable, must include the practitioner's address and telephone number for inquiries by adopting employers.

If you write to the IRS regarding this plan, please provide your telephone number and the most convenient time for us to call in case we need more information. Whether you call or write, please refer to the Letter Serial Number and File Folder Number shown in the heading of this letter.

You should keep this letter as a permanent record. Please notify us if you modify or discontinue sponsorship of this plan.

Sincerely Yours,

Andrew E. Zuckerman
Director, Employee Plans Rulings and Agreements

Building Community

III. B. 2.
5/17/2016

AGENDA ITEM SUMMARY

May 4, 2016

SUBJECT:	**FISCAL YEAR 2016 CAPITAL BUDGET LINE ITEM TRANSFERS**

Purpose: ☐ Information Only ☒ Action Required ☐ Advice/Direction

Issue: Resolution 2015-05, dated October 20, 2015, delegated authority to the Managing Director/CEO to approve budget transfers up to $5.0 million, except in the event of an emergency or year-end transfers. Emergency and year-end transfers exceeding $5.0 million would be brought to the Board of Directors for ratification.

Significance: High. The dollar amounts and budget line item funding transferred in March 2016 exceeded the Board delegated $5.0 million amount.

Effect: Transfers occurring within FY2016 Capital Budgets.

Cost or Benefit: Business continuity and budget effectiveness.

Recommended Board action: Staff recommends the Board ratify the FY2016 Electric Capital Budget Funds transfer of $12.86 million to Electric Generation Capital Improvement Plan (CIP) from Electric Distribution CIP, Electric Substation & Transmission CIP, and Electric Other CIP line items.

For additional information, contact: Melissa Dykes

Submitted by: PEM/ MHD/ LAW

III. B. 2.
5/17/2016

Building Community

INTER-OFFICE MEMORANDUM
May 4, 2016

SUBJECT: **FISCAL YEAR 2016 CAPITAL BUDGET LINE ITEM TRANSFERS**

FROM: Paul E. McElroy, Managing Director/CEO

TO: JEA Board of Directors

BACKGROUND

JEA provides the Council Auditor notification of budget transfers. Under the delegated authority guidelines of the JEA Board approved Resolution 2015-05, the Managing Director/CEO is authorized to make budget line item transfers up to $5.0 million per transfer, and has the authority to approve budget line item transfers exceeding $5.0 million in the event of an emergency or for year-end adjustments. Budget line item transfers exceeding $5.0 million are brought to the Board of Directors for ratification.

DISCUSSION

In March 2016, an emergency budget transfer was required to repair the combined cycle units' combustion turbine rotors and compressors during the Brandy Branch Generating Station outage.

Capital Budget Funds Transfer (in millions)			
Transfer From		**Transfer To**	
Electric Distribution CIP	$1.622	Electric Generation CIP	$12.860
Electric Substation & Transmission CIP	2.930		
Electric Other CIP	8.308		
	$12.860		$12.860

RECOMMENDATION

Staff recommends the Board ratify the FY2016 Electric Capital Budget Funds transfer of $12.86 million to Electric Generation Capital Improvement Plan (CIP) from Electric Distribution CIP, Electric Substation & Transmission CIP, and Electric Other CIP line items.

Paul E. McElroy, Managing Director/CEO

PEM/MHD/LAW

JEA
FY 15/16 FUNDS TRANSFER

Capital Budget

TRANSFER FROM ACCOUNT	DESCRIPTION	AMOUNT
Credit		
D62DP000	Electric Distribution CIP	1,622,000
D62TS000	Electric Substation & Transmission CIP	2,930,000
SELOP000	Electric Other CIP	8,308,000
	Total	$ 12,860,000

TRANSFER TO ACCOUNT	DESCRIPTION	AMOUNT
Debit		
P32OG000	Electric Generation CIP	$ 12,860,000
	Total	$ 12,860,000

JUSTIFICATION:
Funding transfer for emergency repairs at Brandy Branch.

APPROVALS:

APPROVED: ______________________________ ____________
Director, Financial Planning and Analysis DATE

APPROVED: ______________________________ ____________
Chief Financial Officer DATE

APPROVED: ______________________________ ____________
Chief Executive Officer DATE

Forwarded to Council Auditor: Date:______________________

Brandy Branch Combined Cycle Unit

Spring 2016 Planned Outage

Board Meeting

May 17, 2016

Background

- The Brandy Branch Combined Cycle Unit was commissioned in 2004.
  - It includes 2-GE Combustion Turbines, a Heat Recovery Steam Generator, and a GE Steam Turbine-Generator.
  - The unit has output capability of 525MW in the summer and 625MW in the winter.
- The GE Combustion Turbines require a planned outage for inspection and rebuild after 24,000 hours of operation.
- The Combined Cycle Unit entered the spring outage on March 1, 2016.
  - Outage Budget: $10.4M Capital; $3.1M O&M
  - In addition to the required Combustion Turbine work, the outage scope included a Steam Turbine-Generator Major Outage (once every 10 years).

Removal of Turbine Rotor

Description of Issues Found

- Going into the outage, JEA had a known issue on both of the Brandy Branch Combustion Turbines involving cracks on the compressor blades.
- This is an industry-fleet issue for GE, and JEA has been closely monitoring the problem since 2013. The spring outage scope did not include addressing the issue at this time.
- During the outage, however, additional cracks were discovered on both unit rotors in the turbine section.
- The units were deemed unsafe to return to service as-is. Failure of the rotor with the unit on-line would lead to catastrophic failure.

Resolution

- JEA and GE staff worked together on the issues and considered a number of different repair/replace options.
- In addition to addressing the new rotor cracks, JEA elected to go ahead and resolve the compressor blade issue at this time—as opposed to doing it in 2019.
- The repair work on both problems had to be done by GE at its Greenville South Carolina facility.
- The additional outage cost was $3.8M per unit for repair of the rotor cracks, and $3.0M per unit for resolving the compressor blade issue. Total: $13.6M.

Building Community

JEA Operations Report

as of April 30, 2016

III. B. 3.
5/17/2016

Board of Directors Meeting
May 17, 2016

JEA Safety

(April 30, 2016)

Building Community

FY2015

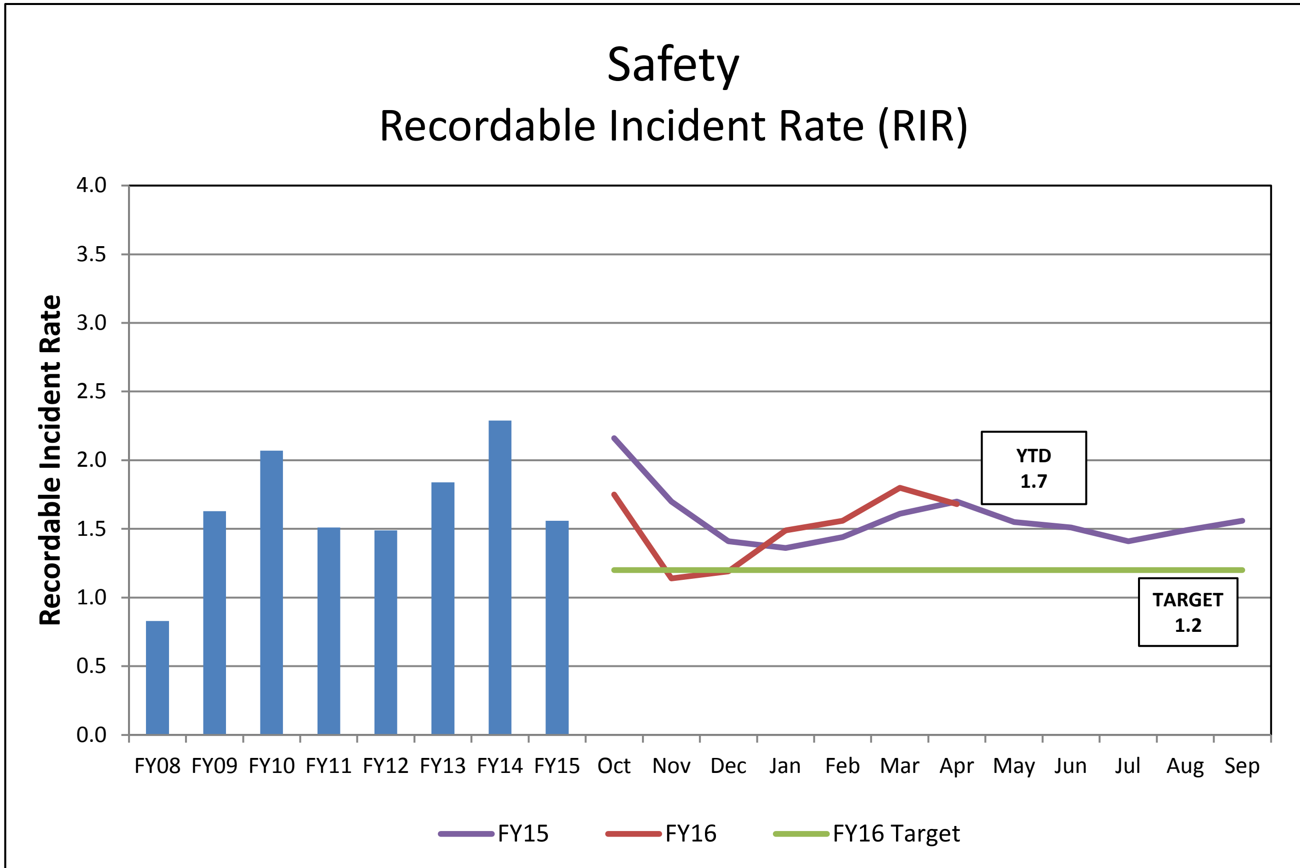
- RIR = 1.65
- # of Recordables = 34
- April YTD Recordables = 21

FY2016

- April Recordables = 2
- Year to Date Recordables = 20
- 5 (33%) were lost time
  - Electric Systems = 12
  - Water/WW Systems = 6
  - Customer Service = 1
  - Finance/Shared Services = 1
- Continuing to "Plan for Zero"
- Increased focus on:
  - Complacency
  - Hand/Finger
  - Strains, Sprains, Slip/Trip/Fall
  - 0-5 Year Employees
  - PPE Use

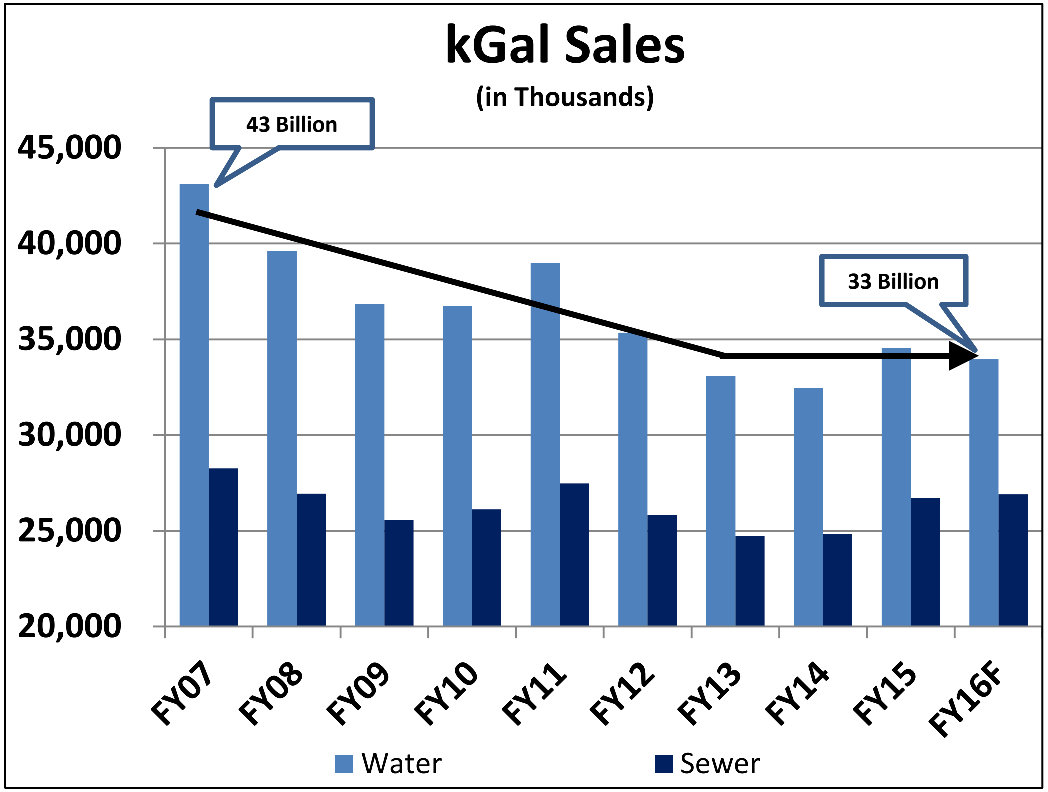
Industry Benchmark*
Average Municipal Utility RIR is 6.3
Average LPPC RIR is 3.7

Units	FY2016 YTD	FY2016 Target	FY2015	FY2014
RIR	1.7	1.20	1.65	2.29



*Provided by Bureau of Statistics

JEA Water and Sewer System
kGal Sales
(in Thousands)



Month	FY15	FY16	% Change
Oct	3,052	3,120	2.2%
Nov	2,597	2,641	1.7%
Dec	2,708	2,758	1.8%
Jan	2,502	2,527	1.0%
Feb	2,239	2,479	10.8%
Mar	2,732	2,825	3.5%
Apr	2,765	2,914	5.4%
Year-to-Date	**18,595**	**19,264**	**3.6%**
May	3,509		
Jun	3,382		
Jul	3,300		
Aug	3,062		
Sep	2,712		
Total/Forecast	**34,558**	**34,145**	

Unit Sales Driver: Rainfall down 4 inches; rain days up 2.

YTD Rain			
	30-Yr. Avg.	FY15	FY16
Inches	22	21	17
Days	52	50	52

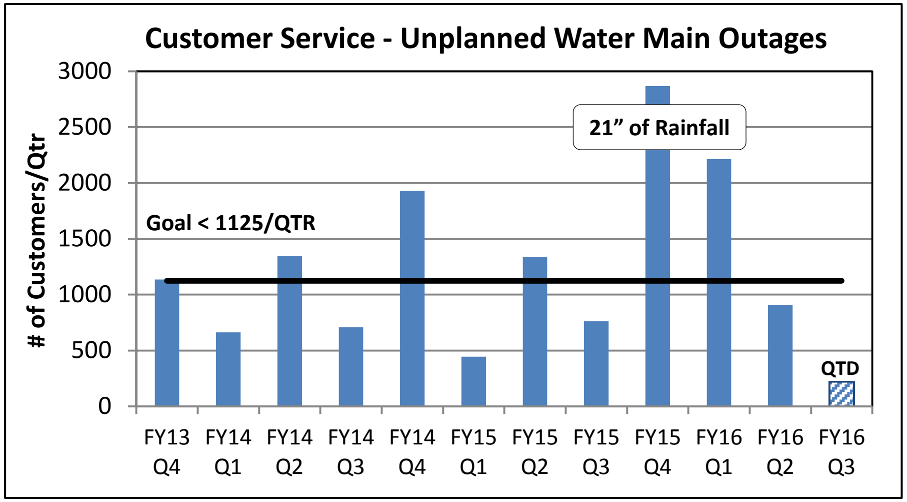
Total System	**3.6%**
Residential	2.2%
Comm./Industrial	5.5%
Irrigation	3.1%

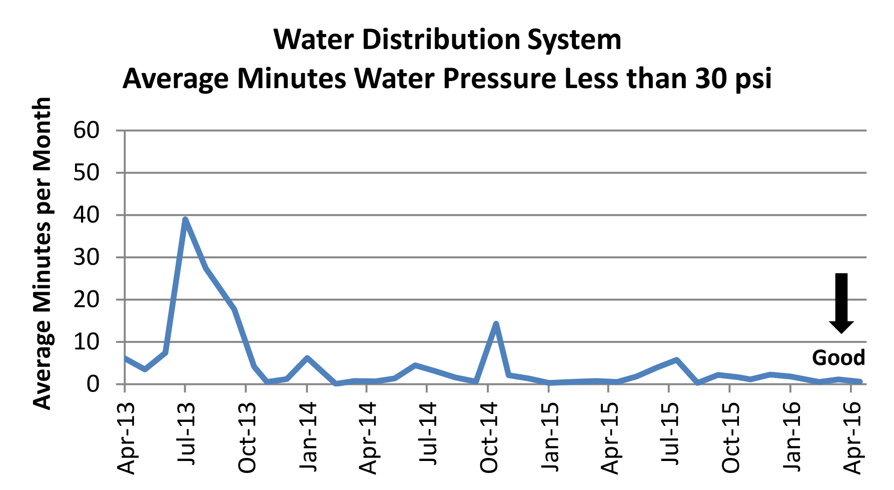
Customer Reliability Objectives

Water and Wastewater System

JEA
Building Community

Water Grid Performance	Metric	FY2016 YTD	FY2016 Target	FY2015	FY2014
Water Main Outages	# of Customers per Year	3,345	4,500	5,659	4,645

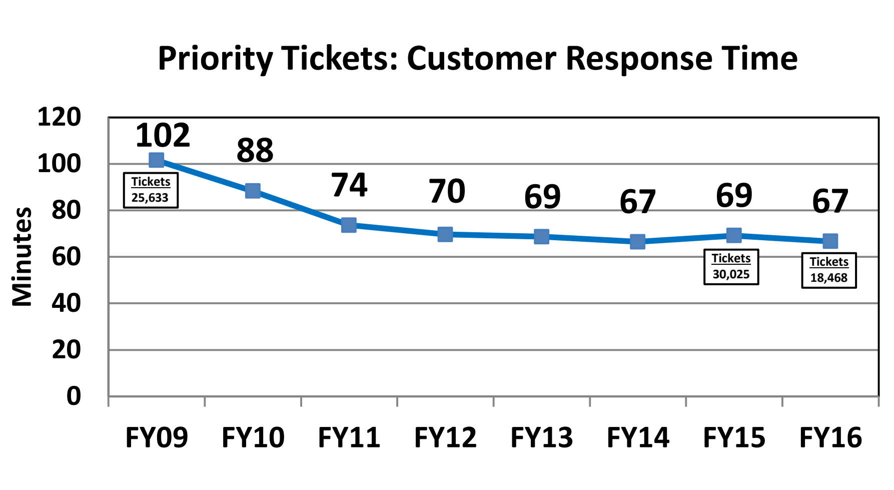




Unplanned Water Outages
# of Customers Affected by Unplanned Outages has increased due to rainfall and ground saturation

Water Pressure (minutes per month < 30 psi)
Measured by 110 pressure monitoring stations in the distribution system. Pressure must be greater than 20 psi, and is expected to be greater than 50 psi.

Customer Response Time
Average time from a customer call to the ticket completion or transfer to a field crew for a more extensive repair



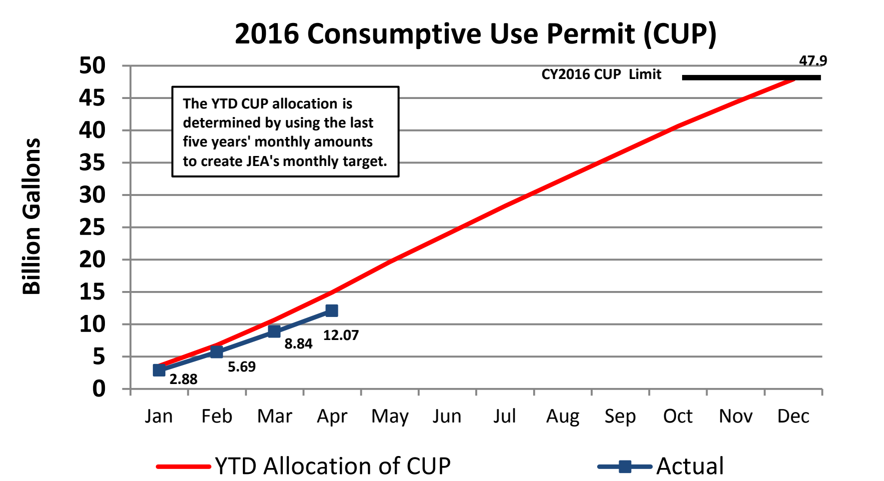
Note: Priority Tickets are defined as an interruption of water or sewer service

Environmental Compliance

Water System – Consumptive Use Permit (CUP)

Building Community

Compliance	Metric – CY Basis	2016 YTD	2016 Target	2015	2014
Water	CUP Limits (MGD)	100	131 limit	107 (129 limit)	104 (127 limit)
South Grid	Wellfield Allocation (MGD)	44.54	< 50.23 limit	47.50 (<50.23 limit)	46.61 (<61.23 limit)
Reclaim	Usage (MGD)	13	15	13	12



CUP Condition 44: South Grid Wellfield Allocation Limits

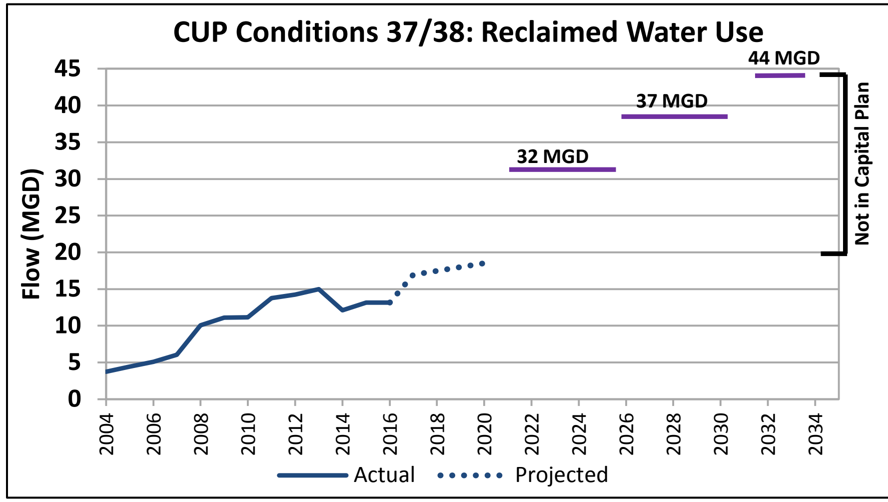
Critical Wellfields	Actuals 2013	2014	2015	YTD 2016	Post Sep-14 Limit
Deerwood III	6.96	7.01	6.67	5.30	7.00
Ridenour	5.97	6.39	6.66	6.69	6.85
Oakridge	8.78	6.23	4.99	5.30	5.65
Greenland	---	1.53	4.27	3.91	4.53
Brierwood	5.58	4.53	2.84	2.65	3.02
Subtotal	**27.29**	**25.69**	**25.43**	**23.85**	**27.05**
Other Wellfields	**22.21**	**20.92**	**22.07**	**20.69**	**23.18**
Total South Grid	**49.50**	**46.61**	**47.50**	**44.54**	**50.23**
Total System MGD	**100**	**104**	**107**	**100**	**131**

St. Johns River Water Management District CUP

Condition 12: YTD average daily flow is 24% below CY limit of 131 MGD

Condition 44: South Grid Wellfields have annual operational flexibility of 20% above the allocation limits

Conditions 37/38: Use of reclaimed water *"to the maximum extent technologically, economically, and environmentally feasible".* The annual CUP limit continues to increase beginning in FY21 if 32 MGD is achieved.

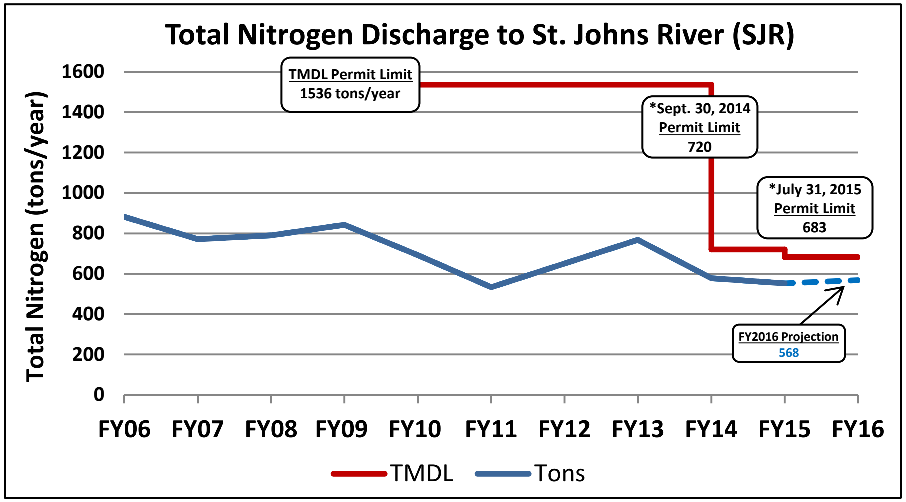


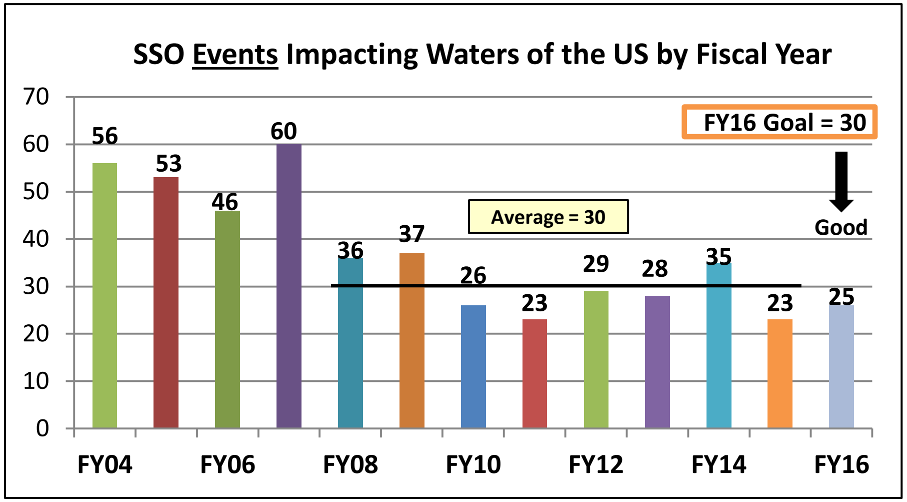
JEA Building Community

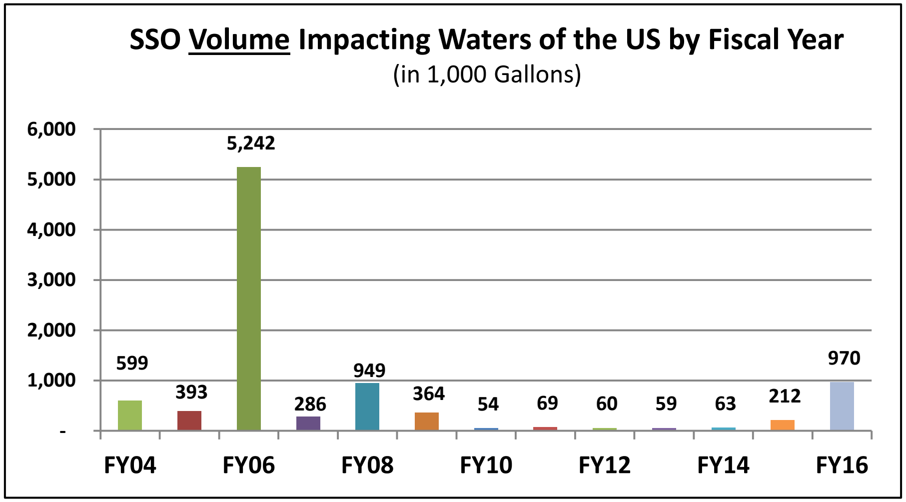
Environmental Compliance

Wastewater System

Compliance	Metric	FY2016 YTD	FY2016 Target	FY2015	FY2014
Sewer	Nitrogen (N) Tons – FY basis	331	600	553 (TMDL of 683*)	577 (TMDL of 720*)







Nitrogen Discharge to St. Johns River

Florida Department of Environmental Protection (FDEP) has reduced the Total Maximum Daily Load (TMDL) to 683 tons with Water Quality Trading Credits allocated to the COJ

Sanitary Sewer Overflows (SSOs)

FY15 SSO achievement of 23 events matched the FY11 record performance. A single event in October 2015 has elevated the SSO volume for FY16.

JEA Water and Sewer System

Financial Results and Cost Metrics

Building Community

($ in thousands)

Revenues	FY16 Forecast	FY15 Actual	FY16 Budget	FY16F vs FY15 ($)	Variance (%)
Water & Sewer Revenues	$ 393,008	$ 393,167	$ 383,162	$ (159)	-0.0%
Other Revenue	35,385	43,750	34,529	(8,365)	-19.1%
Total Revenues	**$ 428,393** ①	**$ 436,917**	**$ 417,691**	**$ (8,524)**	**-2.0%**

$11M

$(4M)

Select Expenses	FY16 Forecast	FY15 Actual	FY16 Budget	FY16F vs FY15 ($)	Variance (%)
O & M Expense	$ 134,260 ②	$ 127,174	$ 138,368	$ (7,086)	-5.6%
Net Revenues	**$ 268,633**	**$ 278,471**	**$ 254,266**	**$ (9,838)**	**-3.5%**
Capital Expenditures	$ 163,904[1] ③	$ 100,806	$ 175,000	$ (63,098)	-62.6%
Debt Service	$ 98,017	$ 101,108	$ 105,370	$ 3,091	3.1%

Depreciation
$132 million

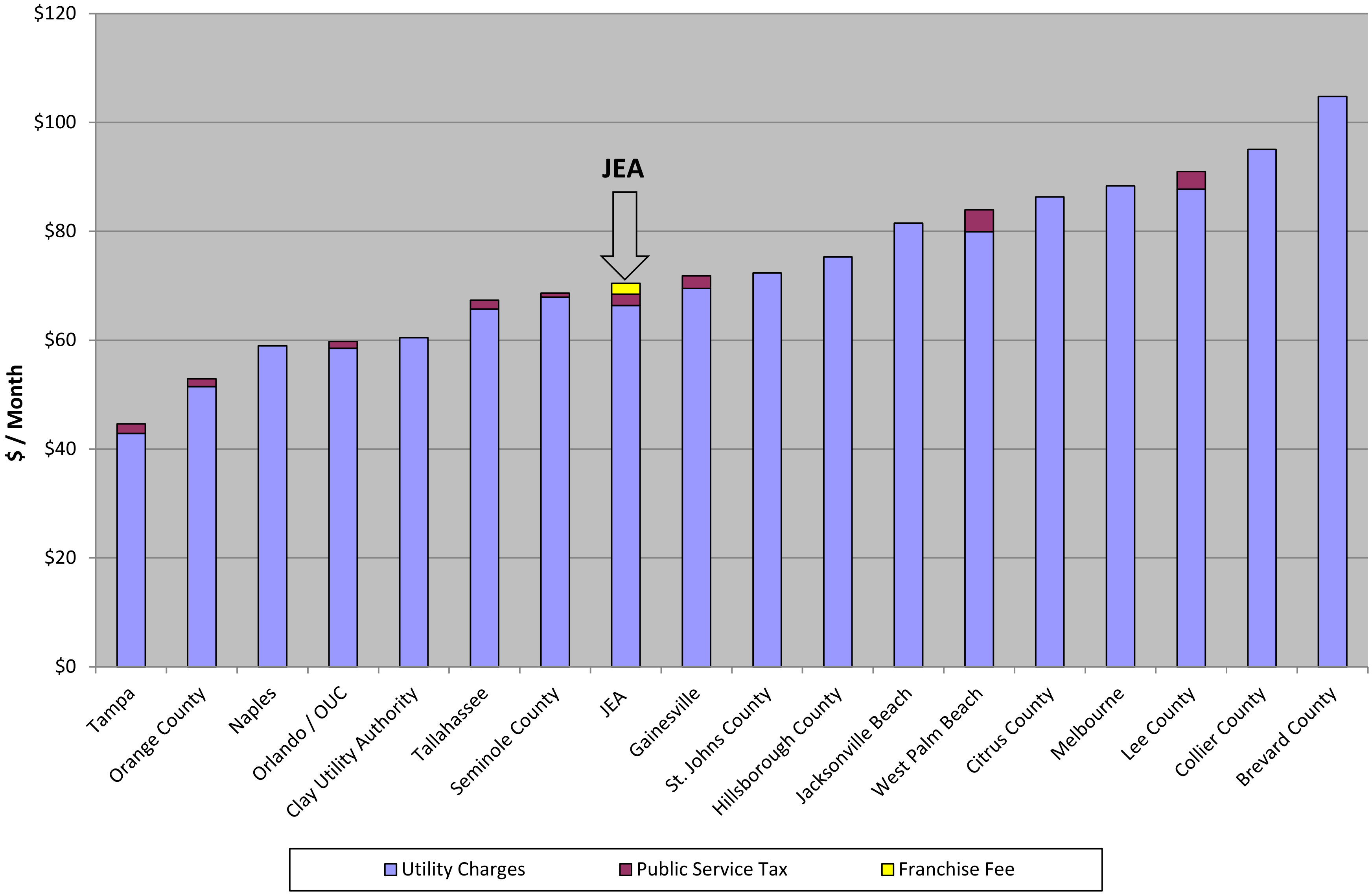
Metrics	FY16 Forecast
Coverage:	2.7x
Days Cash/Liquidity:	160 / 281
Debt/Asset:	53% (2% lower)
Total Debt:	$1.6B ($33M lower)

Cost / KGal	Water	Sewer
Target	$ 3.98	$ 7.25
Forecast	4.59	7.94
Difference	$ (0.61)	$ (0.69)

[1] Council approved limit for capital expenditures in FY16 is $195 million

Water & Sewer Rates in Florida

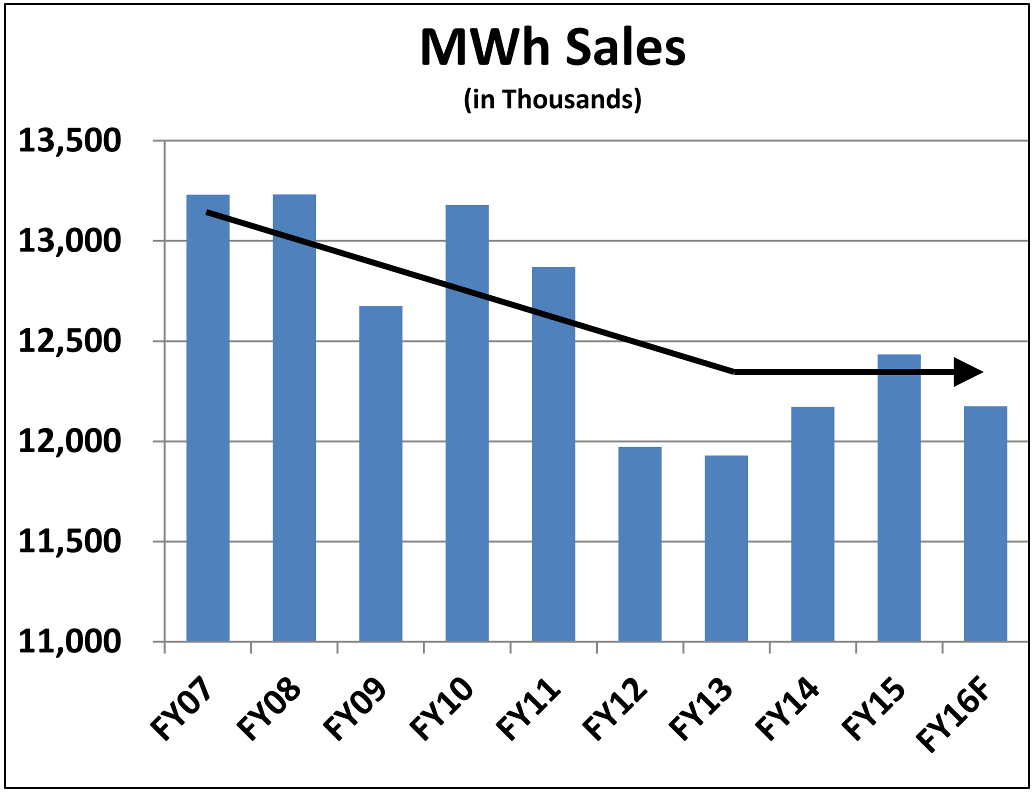
Residential Service with a 5/8" meter and 6 kgals of Consumption
Residential Rates as of May 2016



Building Community

JEA Electric System

MWh Sales



Month	FY15	FY16	% Change
Oct	971,595	952,515	(2.0%)
Nov	895,617	923,705	3.1%
Dec	943,753	922,956	(2.2%)
Jan	1,035,621	1,049,897	1.4%
Feb	934,102	894,563	(4.2%)
Mar	898,524	893,954	(0.1%)
Apr	954,803	900,013	(5.7%)
Year-to-Date	**6,634,015**	**6,537,603**	**(1.5%)**
May	1,062,459		
Jun	1,187,741		
Jul	1,254,252		
Aug	1,212,295		
Sep	1,083,446		
Total/Forecast	**12,434,208**	**12,175,219**	

Unit Sales Driver: Degree days 9% lower than last year.

YTD Degree Days		
30-yr. Avg.	**FY15**	**FY16**
1,819	1,895	1,722

Total System	**(1.5%)**
Residential	(4.1%)
Comm./Industrial	1.5%
Interruptible	(5.2%)
Wholesale (FPU)	(2.7%)

JEA FY2016 Performance Objectives

Electric System Reliability Metrics

Building Community

T&D Grid Performance	Metric	FY2016 YTD	FY2016 Target	FY2015	FY2014
Customer Outage Frequency	# of Outages per Year	1.7	1.8	1.7	1.7
Electric Outage Duration	# of Minutes out per Year	89	80	99	71
Transmission Line Faults	# of Faults per 100 miles	1.6	3.0	1.7	2.4
$CEMI_5$	% Customers > 5 outages per yr	2.1	1.5	2.1	2.34

Electric Service Reliability

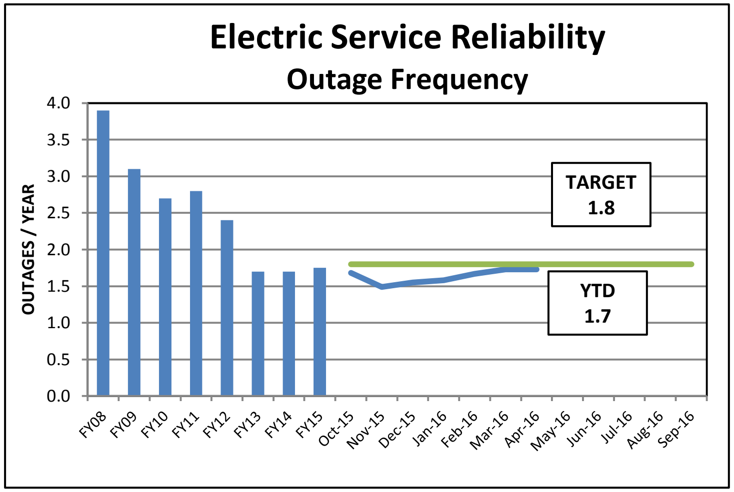
- Outage frequency and duration have been reduced significantly over the last 8 years; running flat this year and near the FY2016 targets.
- The typical JEA customer sees 1.7 outages per year and a total outage duration of 89 minutes
- $CEMI_5$: 9,521 (2.1%) of our customers have experienced more than 5 outages in the past 12 months

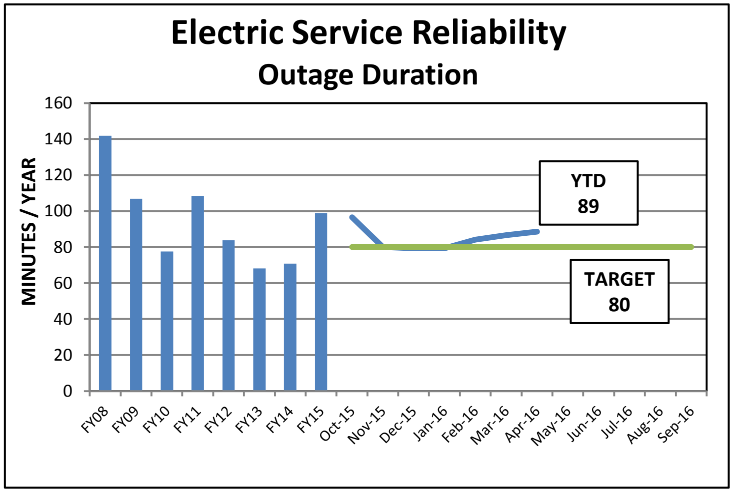
Transmission Line Reliability

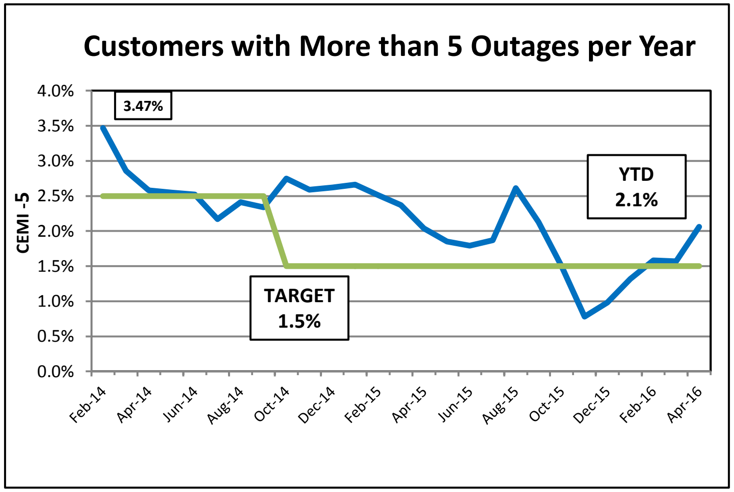
- Overall downward trend over the last eight years
- YTD (1.6) running below the FY16 target

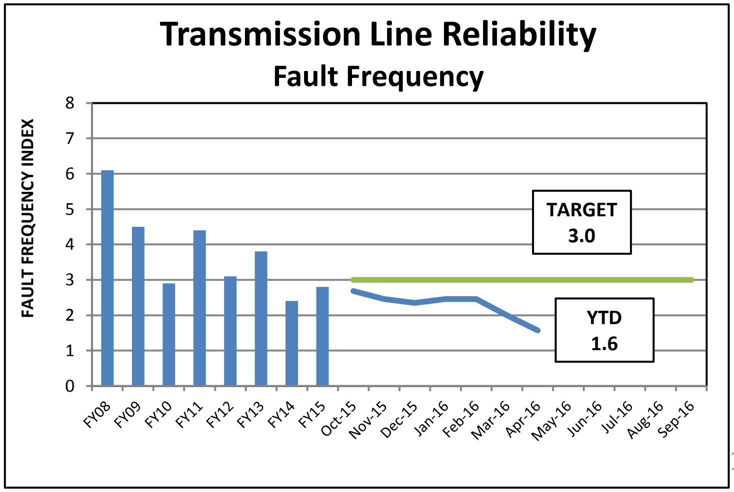
Other Operational Metrics

- Continue showing favorable trends over time







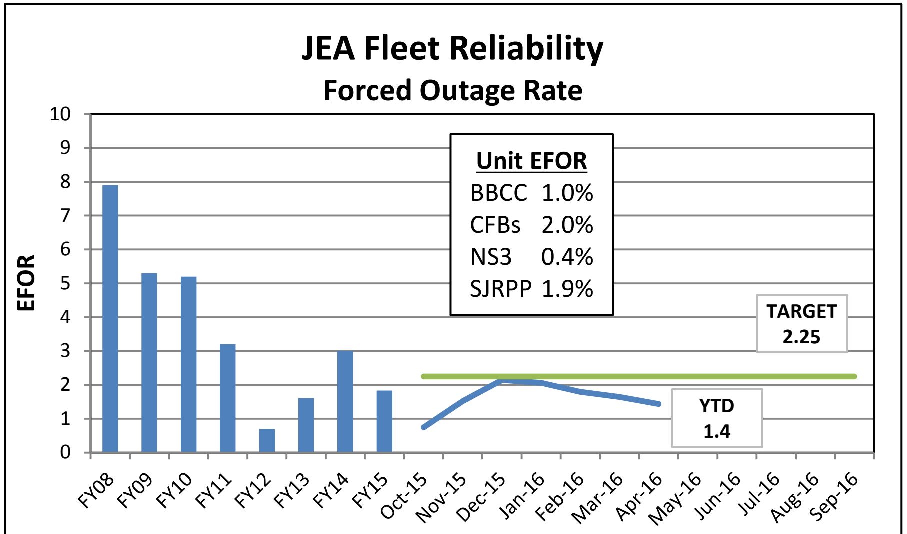


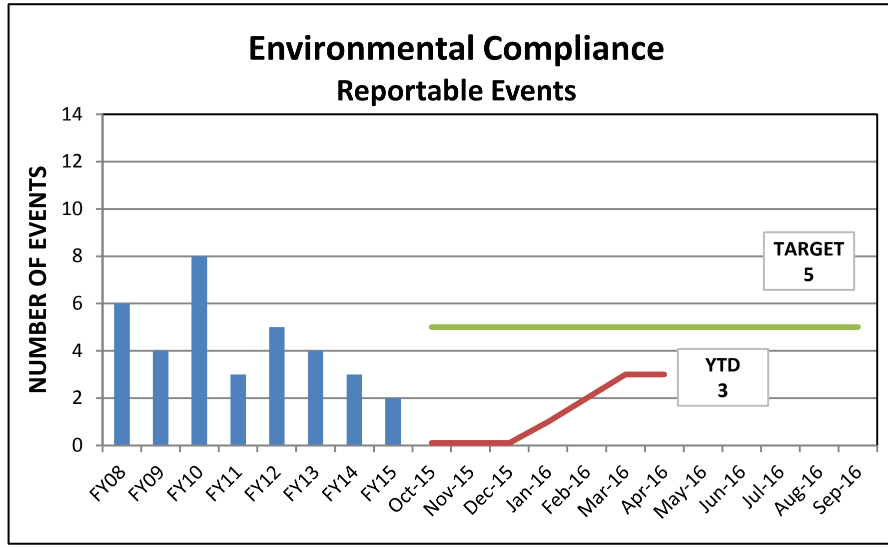
Building Community

JEA FY2016 Performance Objectives

Electric System Reliability Metrics

Generating Plant Performance	Metric	FY2016 YTD	FY2016 Target	FY2015	FY2014
Generation Fleet Reliability	Forced Outages Rate	**1.4**	**2.25**	1.8	3.0
Environmental Compliance	Permit Exceedances	**3**	**5**	2	3





Generating Fleet Reliability

- The JEA fleet Forced Outage Rate is in line with prior 5-year performance and under FY2016 target of 2.25
- Successful outages completed last fall on three Northside Units. A major outage is currently underway at Brandy Branch on the combined cycle unit. Also Scherer Unit 4 and SJRPP Unit 2 are currently in planned outages.
- High unit reliability contributes to lower fuel and non-fuel expenses

Environmental Compliance

- Excellent environmental performance in prior years.
- There are three reportable events for FY2016.
- JEA remains actively engaged in and preparing for all new and emerging environmental regulations.

JEA
Building Community

JEA Electric System

Financial Results and Cost Metrics

($ in thousands)

Revenues	FY16 Forecast	FY15 Actual	FY16 Budget	FY16 vs FY15 ($)	Variance (%)
Fuel Revenue	$ 411,642 [1]	$ 486,362 [2]	$ 485,631	$ (74,720)	-15.4%
Base Revenue	725,254	741,411	711,502	(16,157)	-2.2%
Other Revenue	41,888	38,183	51,716	3,705	9.7%
Total Revenues	**$ 1,178,785**	**$ 1,265,956**	**$ 1,248,849**	**$ (87,171)**	**-6.9%**
		$(70M)			
Select Expenses					
Fuel Expense	$ 380,270	$ 441,076	$ 460,315	$ 60,806	13.8%
Fuel Fund Transfers	31,373	45,286	25,255	13,913	
O & M Expense	205,369	191,764	222,827	(13,605)	-7.1%
Non-fuel Purchased Power	97,717	114,804	113,015	17,087	14.9%
Net Revenues	**$ 449,036**	**$ 461,604**	**$ 405,311**	**$ (12,568)**	**-2.7%**
		$44M			
Capital Expenditures	$ 165,514	$ 116,728	$ 153,200 [3]	$ (48,786)	-41.8%
Debt Service	$ 176,710	$ 175,779	$ 185,614	$ (931)	-0.5%

Electric Costs / MWh	Non-Fuel
Target	$ 49.44
Actual	54.09
Difference	$ (4.65)

Financial Metrics	FY16 Forecast
Coverage:	2.5x
Days Cash/Liquidity:	206 / 328
Debt/Asset:	66% (2% lower)
Total Debt:	$3.0B ($150M lower)

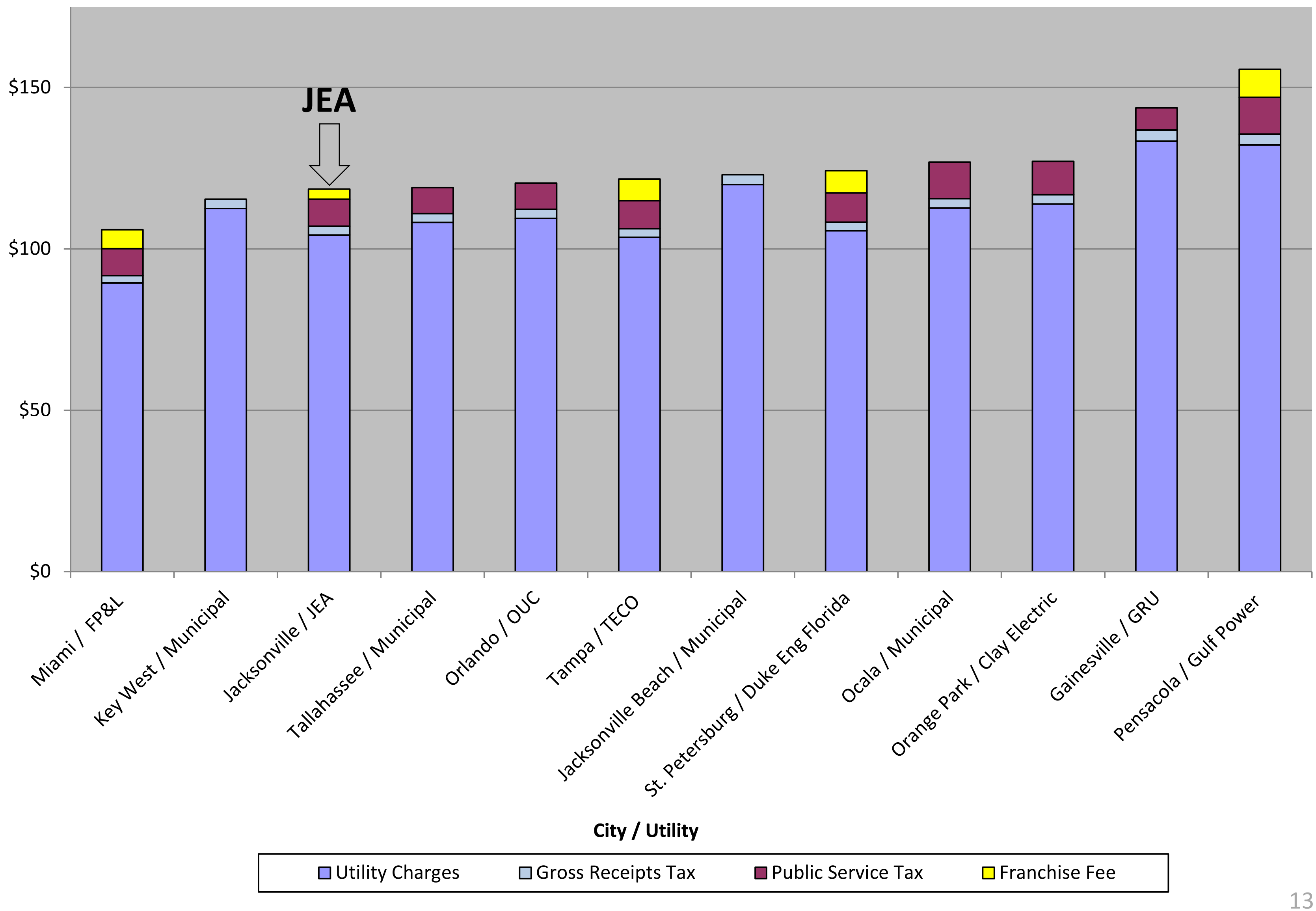
Fuel Fund *($ in millions)*	
Beginning Balance	$ 151
Surplus/(Deficit)	88
Fuel Credit	(57)
Ending Balance	$ 182

[1] Net of $57 million fuel credit in October bill and fuel rate reduction in February
[2] Net of $50 million fuel credit in FY15
[3] Council approved limit for capital expenditures in FY15 is $170 million

Florida Utilities Monthly Residential Electric Bill Comparison

(Consumption @ 1,000 kWh)

Residential Rates as of May 2016



Customer Experience

Presenter: Monica Whiting

Date: May 2016

FY16 Customer Satisfaction Goal

Achieve 1st Quartile Ranking for JD Power Customer Satisfaction Index for both Residential and Business Studies

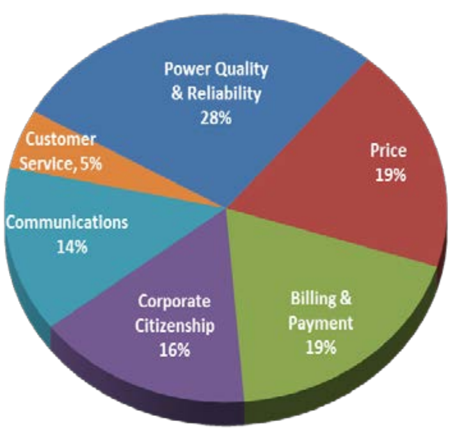
Residential (R)

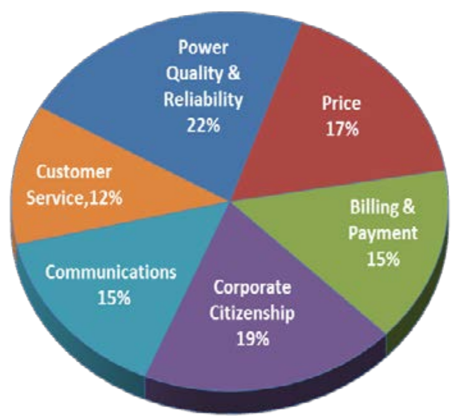
FY14		FY15		Wave 1		Wave 2		Wave 3		Wave 4		FY16 YTD	
3Q	647	1Q	692	2Q	698	2Q	700	1Q	720			1Q	706

Business (B)

FY14		FY15		FY16 YTD	
1Q	682	1Q	705	1Q	754

"Highest Customer Satisfaction with Business Electric Service in the South among Midsize Utilities."





2016 Residential # of companies ranked: 137
2016 Business # of companies ranked: 86

1Q= 1st quartile 2Q= 2nd quartile 3Q = 3rd quartile 4Q = 4th quartile

Achieve 1st Quartile Ranking on All Drivers

Be Easy to Do Business With

Customer Service

	FY15		Wave 1		Wave 2		Wave 3		Wave 4		FY16 YTD	
R	1Q	775	1Q	777	1Q	777	1Q	799			1Q	784
B	1Q	754	1Q	798	2Q	767					1Q	782

Power Quality & Reliability

	FY15		Wave 1		Wave 2		Wave 3		Wave 4		FY16 YTD	
R	2Q	736	2Q	744	2Q	751	1Q	766			2Q	753
B	2Q	736	1Q	813	1Q	774					1Q	794

Empower Customers to Make Informed Decisions

Billing & Payment

	FY15		Wave 1		Wave 2		Wave 3		Wave 4		FY16 YTD	
R	1Q	755	2Q	753	1Q	770	1Q	778			1Q	767
B	1Q	756	1Q	809	2Q	762					1Q	785

Communication

	FY15		Wave 1		Wave 2		Wave 3		Wave 4		FY16 YTD	
R	1Q	653	2Q	660	2Q	654	1Q	687			1Q	667
B	1Q	648	1Q	741	1Q	701					1Q	721

Price

	FY15		Wave 1		Wave 2		Wave 3		Wave 4		FY16 YTD	
R	2Q	615	2Q	619	2Q	620	1Q	645			2Q	628
B	1Q	650	1Q	728	2Q	674					1Q	701

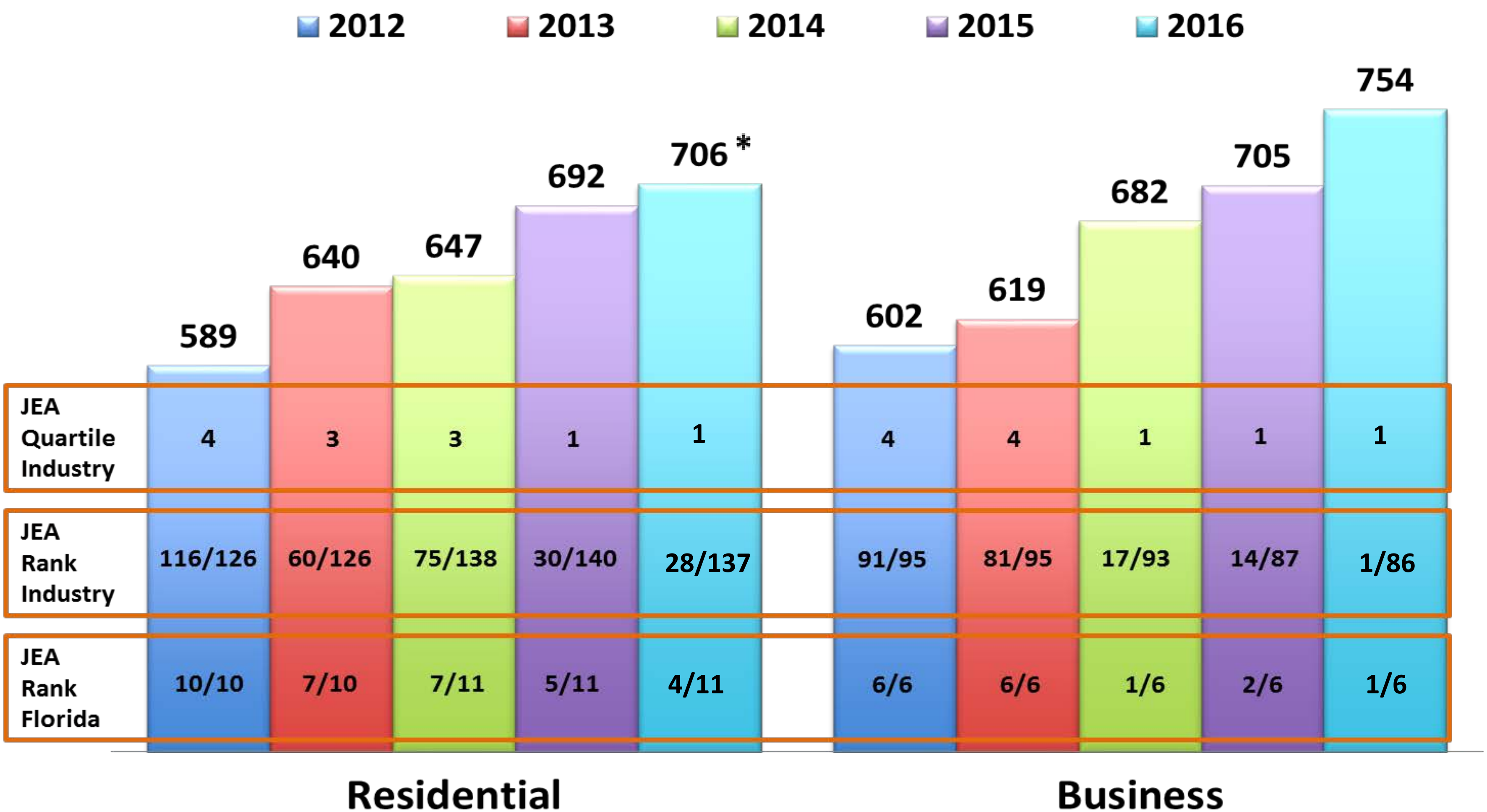
Demonstrate Community Responsibility

Corporate Citizenship

	FY15		Wave 1		Wave 2		Wave 3		Wave 4		FY16 YTD	
R	2Q	634	2Q	655	2Q	635	1Q	667			1Q	652
B	1Q	673	1Q	736	1Q	727					1Q	731

Building Community

Customer Satisfaction Index Scores



* Data for residential is YTD with the recent Wave 3 survey results. Business is final for 2016

Easy to do Business With

Customer Service

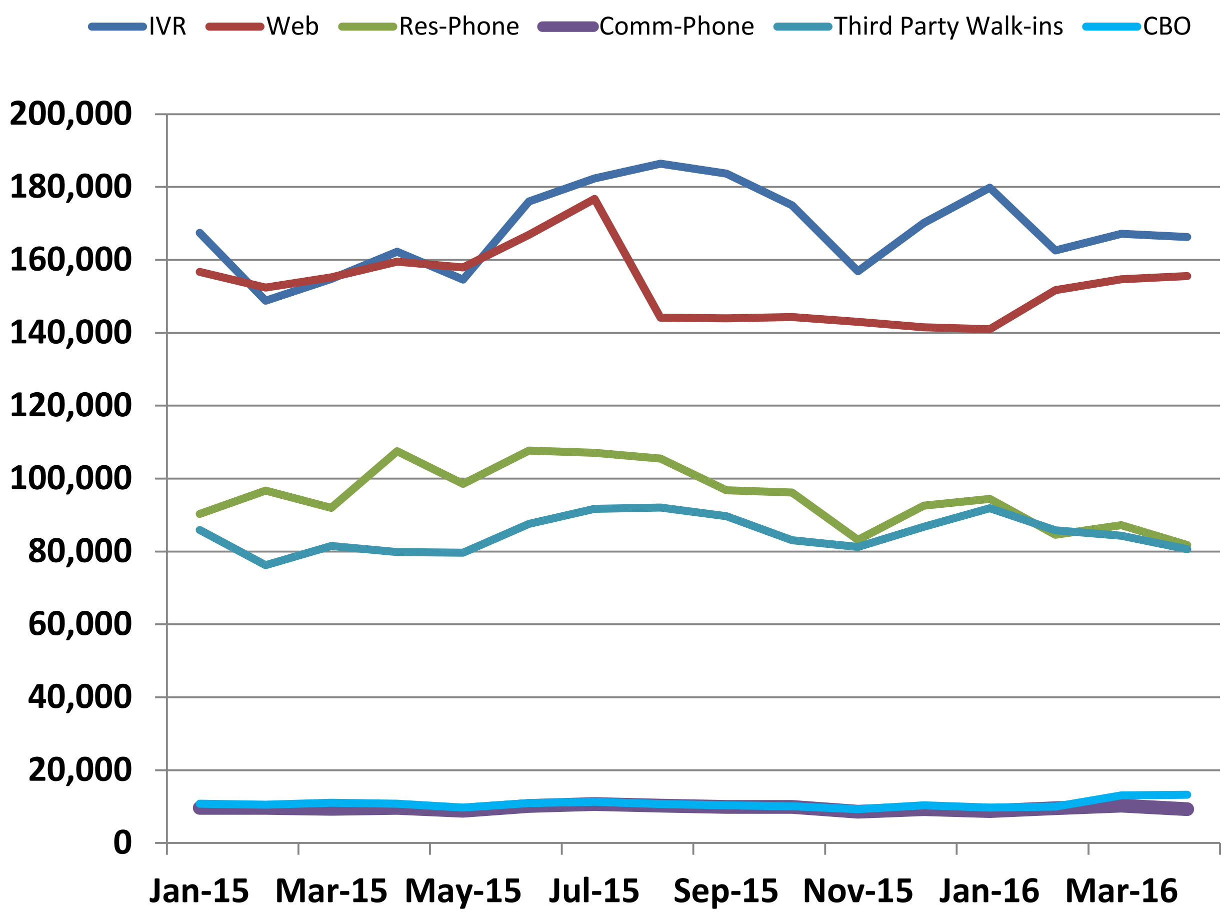
Building Community

Providing multiple contact channels allows the customer to interact with JEA in a way that's easiest for them.

Customer Satisfaction Rating: 8s-10s by Channel - JDP

	FY15	FY16	Ind.
Phone	65.5%	72.9%	61.2%
CCC	60.8%	52.2%	60.5%
IVR	68.5%	80.9%	61.4%
Web	74.0%	61.9%	60.8%

Transactional Volume

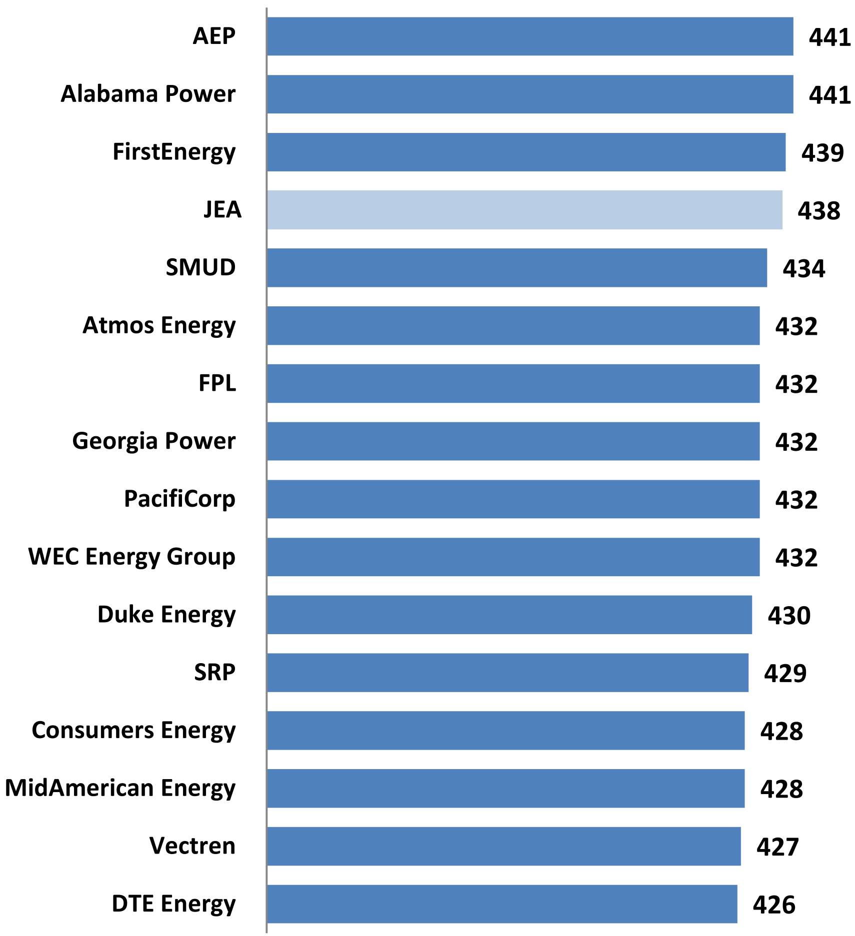


Building Community

Easy to do Business With

Customer Service

JDP Website Usability Study Rankings



Brands with Highest Phone Satisfaction

NOVEC	811
SRP	793
JEA	791
Georgia Power	790
Seattle City Light	786
Omaha Public Power District	783
Pacific Gas and Electric	782
Idaho Power	780
Pacific Power	778
Con Edison	775

Easy to do Business With

Customer Service

Building Community

Accurately addressing a customer's needs the first time produces a positive customer experience

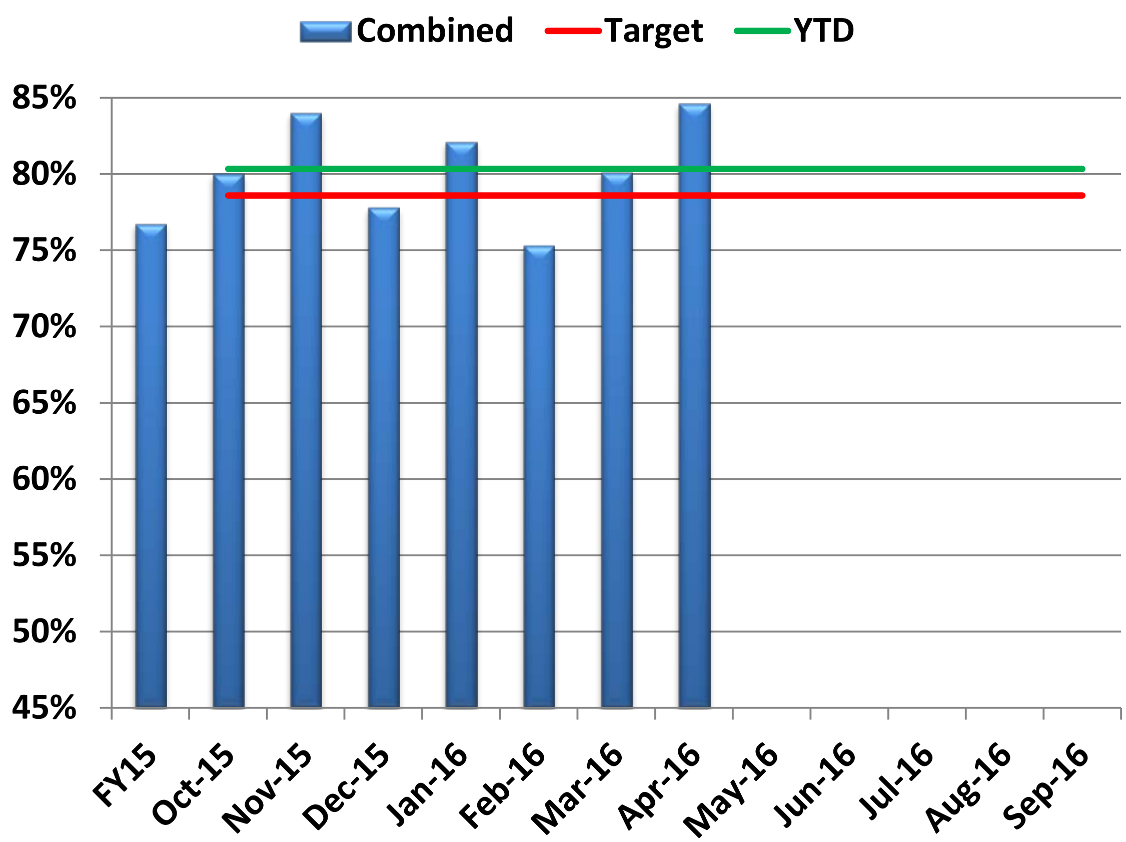
FY2016 YTD

Residential CC	77.8%
Branches	82.8%
Commercial CC	76.2%
IVR	83.1%
jea.com	79.1%
Overall	80.3%

JD Power FCR

	FY15	FY16	Ind.
Res CC/IVR	74.3%	72.3%	73.0%
Jea.com	80.2%	78.7%	74.0%
Bus CC/IVR	73.8%	71.4%	67.8%

First Contact Resolution
Branches, Call Centers, and jea.com



Easy to do Business With

Power Quality & Reliability

Building Community

Customers are more satisfied when receiving additional information when reporting an outage and when given updates when power is restored

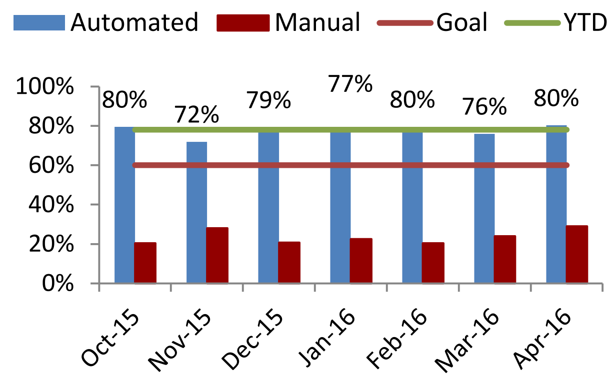
JD Power
"Keeping you informed about outage"

Score	FY15	FY16	Ind.
8 – 10	36.1%	39.5%	35.0%
< 5	24.1%	19.7%	20.2%

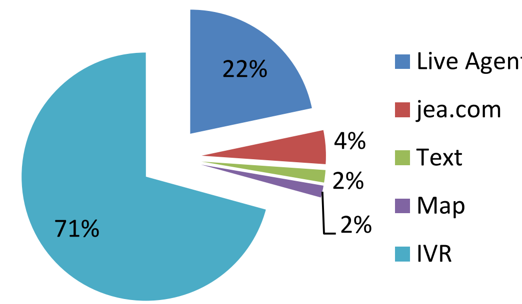
 # Outage Information Points

	FY15	FY16 YTD
JEA	2.3	2.1
Ind.	2.1	2.1

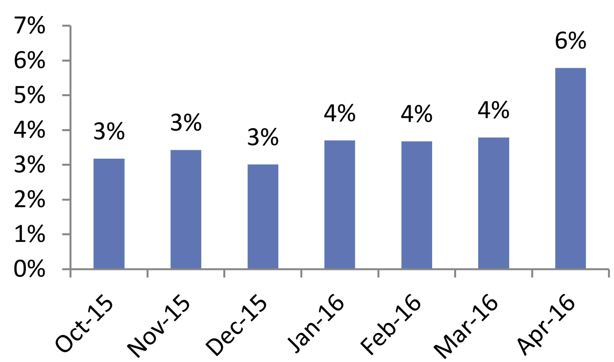
Automated Outage Reporting



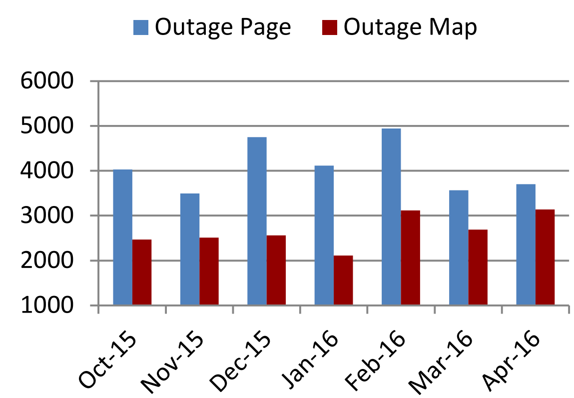
Outage Reporting by Channel



% Customers Receiving Outage Updates



jea.com Outage Page Volume



JEA
Building Community

Empowering Customers to Make Informed Decisions

Billing & Payment: Customer Solutions

Customer Solution Participation	FY16 Goal	FY16 YTD
e-Billing Participation	72,600	68,325
Levelized Bill Participation	20,186	19,823
AutoPay Participation	36,640	32,604
JEA MyWay Participation	11,235	★ 11,565

Our Apr-May eBill Campaign has been a great success achieving 30% of our FY16 enrollment goal in the first month!

	FY16YTD	Industry Benchmark*
e-Bill	17.3%	18.5%
Budget Bill	5.0%	9.0%
Auto Pay	8.3%	13.0%

*2015 IOU Benchmark Average

Empowering Customers to Make Informed Decisions

Communications

JEA Building Community

Communicating with customers is a key driver of satisfaction and impacts all drivers.

JDP Frequency of Comm Received

FY16 YTD

Not enough	8%
Just right	86%
Too much	6%

JDP Comm Awareness

Residential

FY13	48.8%
FY14	51.9%
FY15	54.6%
FY16 YTD	55.0%

Commercial

FY13	53.4%
FY14	55.7%
FY15	70.4%
FY16 YTD	54.8%

The Power of Tracking Your Usage

Communication Channels FY16

Volume: 142,409,111

- **e-Com** (jea.com, email, social) 19.879,590
- **Paid Media** (Radio, TV, Print) 114,622,602
- **Community Engagement** (Events, Workshops) 328,189
- **Other Communication** (Bill Inserts, Brochures, 7,578,730

Building Community

Empowering Customers to Make Informed Decisions

Corporate Citizenship

Giving back to our community through volunteering is foundational as a community-owned utility

FY16 YTD Volunteers—473

April— 87 Volunteers

- HabiJax (4)
- One Spark
- Special Olympics
- Feeding NE Florida Food Bank
- Walk MS
- Rethreaded
- Relay for Life
- Tree Hill Butterfly Festival

May—Vol. Events

- HabiJax – May 5, 6, 19, 20
- TourdeCure – May 7
- First Coast Kids Triathlon – May 20
- Miracle on Ashley Street – May 20
- Jazz Festival – May 27, 27, 28, 29
- Feeding NE Florida Food Bank – May 27

JEA Employee Volunteer Participation

JEA Employee Ambassadors participated in the Arlington Middle School Career Fair, sharing information about their JEA careers and the path they followed to get their with future JEA customers and potential employees.

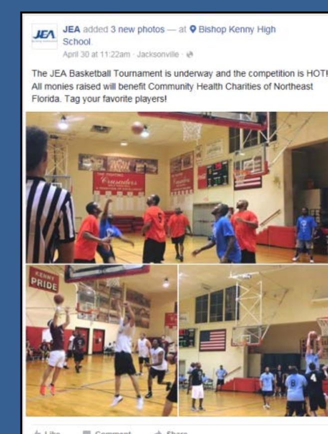
JEA Employee Ambassadors participated in the RealSense Senior Day, providing our customers with information about our many cost saving products and services as well as conservation tips. They also shared information about our JEA Senior Day events.

JEA Ambassador Program

JEA Ambassadors are engaging customers throughout our community in a greatly expanded way.

FY16 Activities:

- Speakers Bureau—32
- Facility Tours—25
- Community Events—57
- Educational Partnership Activities—24



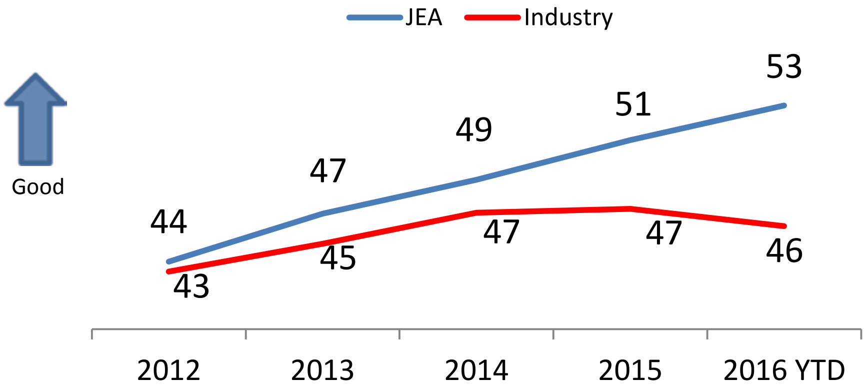
JEA
Building Community

Demonstrating Community Responsibility

Corporate Citizenship: Environmental

DSM Programs & Participation	FY16 Goal	FY16 YTD
On-site Efficiency Assessment	N/A	4,062
Tracker Participation (Entering Site)	105,000	60,983
Invest Smart	350	121
Shop Smart	62,030	30,566
Neighborhood Energy Efficiency	1,274	733
Electric Vehicle Rebates	55	31
Charging Stations Installed	26	25

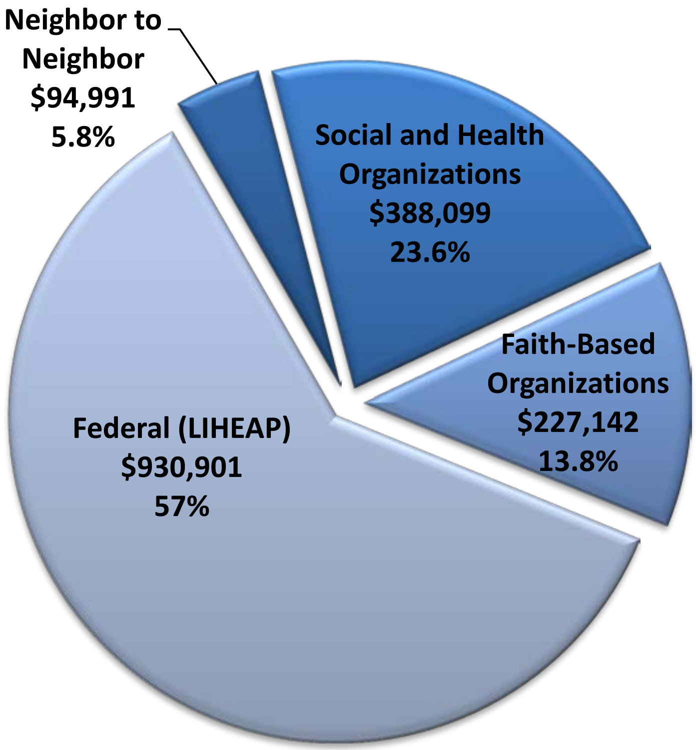
Familiarity with Utility Energy Efficiency or Conservation Programs (%)



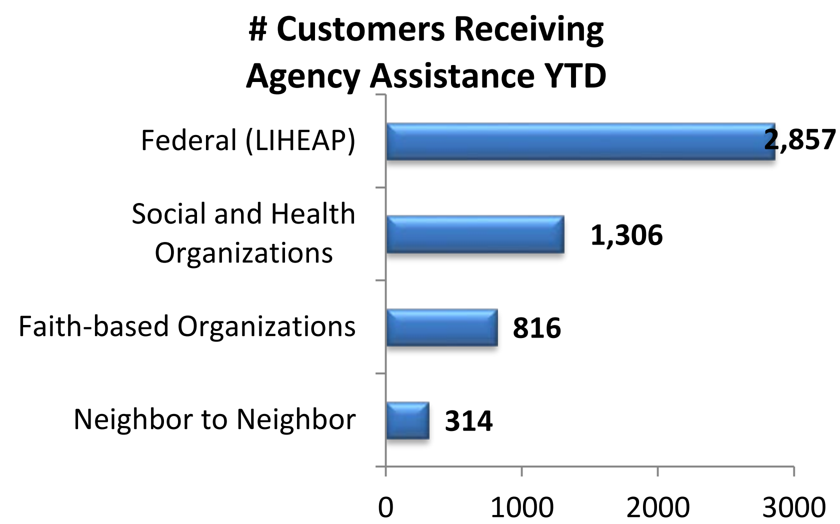
Demonstrating Community Responsibility

Corporate Citizenship: Customer Assistance Funding

JEA
Building Community



28 agencies provided **711** utility payments on behalf of JEA customers in April 2016 totaling **$ 226,878**



Agency & Federal Customer Assistance
FY 16 YTD
$1,641,132

Number of Customers Receiving Agency & Federal Utility Assistance
FY 16 YTD
5,293

Continuous Improvement Tracker

Building Community

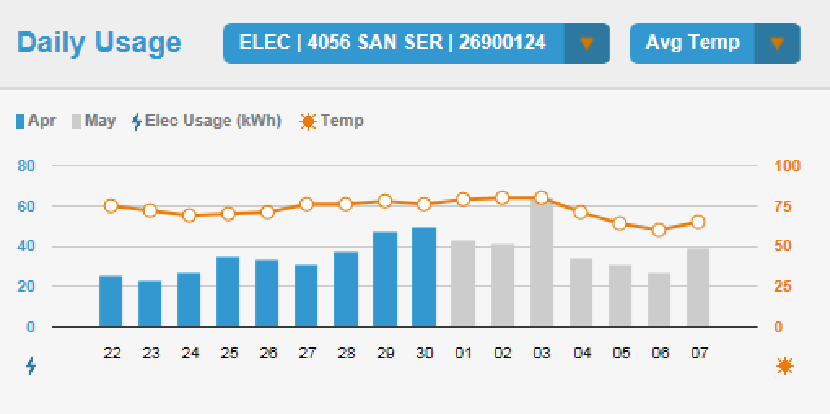
Empowering Customers to Make Informed Decisions/Being Easy to do Business With

- JEA MyBudget automated at jea.com
  - Helps customers understand how JEA MyBudget works
  - Customers can Sign-up for the Program online
  - Includes Customer testimonials

True stories from our MyBudget customers

Nancy is a single mom and a technology analyst with Sungard Wealth Management. She likes the fact that JEA uses a rolling average of her last 12 bills to determine her bill amount. (A rolling average means we add her current month's usage to her previous 11 months and divide the total by 12.) "It's so nice to be able to predict what my bill will be every month," said Nancy, who lives in Orange Park. "My bill used to fluctuate a lot. Now, with MyBudget, I know what to expect."

- Enhancements to weather feature on consumption graphics
  - Drop down feature to toggle High/Low/Avg. temp



Demonstrate Community Responsibility

- Commercial Fats, Oils and Grease Program Registration enabled at jea.com
  - Any food service establishment, commercial/institutional kitchen that is connected to the JEA sewer system is required to participate in the FOG program

- Pay it Forward Day – Crocheting for a Cause

JEA
FINANCE & AUDIT COMMITTEE AGENDA

DATE: May 9, 2016
TIME: 8:00 – 10:00 AM
PLACE: 21 W. Church Street
8th Floor Conference Room

Committee Members will meet on the 8th Floor
Other Board Members may join via conference call by dialing:
1-866-907-1051 / Attendee access code: 317619

				Responsible Person	Action (A) Info (I)	Total Time
I.	**OPENING CONSIDERATIONS**			Kelly Flanagan		
	A.	Call to Order				
	B.	Adoption of Agenda			A	
	C.	Approval of Minutes – March 7, 2016		Melissa Charleroy	A	
II.	**NEW BUSINESS**					
	A.	FY2017 Budget Presentation		Melissa Dykes/ Ryan Wannemacher	I	55 mins.
	B.	Update on Procurement for External Auditor		Janice Nelson	I	5 mins.
	C.	Audit Services - Quarterly ERM/Audit Update		Steve Tuten	I	15 mins.
	D.	Chief Information Officer Report		Paul Cosgrave	I	10 mins.
	E.	Identity Theft Protection Program Fair and Accurate Credit Transactions Act (FACTA) Annual Risk Assessment		Dan Mishra	I	5 mins.
	F.	Ethics Officer Quarterly Report		Walette Stanford	I	5 mins.
	G.	Treasury				
		1.	Electric System and Water and Sewer System Reserve Fund Quarterly Report	Joe Orfano	I	5 mins.
	H.	JEA Energy Market Risk Management Policy Report		Mike Brost	I	5 mins.
	I.	Announcements				
		1.	Next Meeting, August 8, 2016, 8:00 – 10:00 AM			
	J.	Committee Discussion Sessions				
		1.	Director, Audit Services	Steve Tuten	I	5 mins.
		2.	Ernst & Young	Mike Pattillo	I	5 mins.
		3.	Council Auditor's Office	Robert Campbell	I	5 mins.
	K.	Adjournment				

JEA FINANCE & AUDIT COMMITTEE MINUTES
March 2, 2016

The Finance & Audit Committee of JEA met on Wednesday, March 2, 2016, in the 8th Floor Conference Room, JEA Plaza Tower, 21 W. Church Street, Jacksonville, Florida.

Agenda Item I – Opening Considerations

A. Call to Order – Chair Kelly Flanagan called the meeting to order at 8:00 AM with Member Tom Petway in attendance. Member Ed Burr attended telephonically. Member Husein Cumber was absent and excused. Others in attendance were Paul McElroy, Melissa Dykes, Mike Brost, Angie Hiers, Brian Roche, Joe Orfano, Steve Tuten, Walette Stanford, Janice Nelson, Ryan Wannemacher, Jane Upton, David Jolley, and Judi Spann. Jody Brooks, Office of General Counsel, Mike Pattillo and Chris Edmunds, Ernst & Young, and Robert Campbell, Council Auditors Office, were also in attendance.

Due to a lack of quorum physically present, agenda items were received for information only. Action items will be brought before the March 15, 2016 full Board for action.

B. Adoption of Agenda – Due to a lack of quorum, the agenda was received for information.

C. Approval of Minutes – Due to a lack of quorum, the August 10, 2015 Minutes were received for information.

Agenda Item II – New Business

A. FY2017 Budget Assumptions – Melissa Dykes, Chief Financial Officer, presented and reviewed the FY2017 Budget Assumptions and process, requesting Committee feedback and discussion. Items covered included key strategic issues, risks, challenges, and assumptions. Strategic issues focus on emphasizing business excellence opportunities, workforce readiness, financial performance and flexibility, with risks relating to future environmental constraints on electric generation, water resource management, and the health of the St. Johns River. Major cost challenges relate to fuel, purchased power, and labor. Ms. Dykes stated staff will prepare a draft budget, as well as related agenda items for review at the May 9, 2016 Finance and Audit Committee. This presentation was received for information.

B. Audit Services & Enterprise Risk Management (ERM) Report – Steve Tuten, Director, Audit Services, presented the purpose and mission of JEA's Audit Services department, the departmental structure including three teams: Internal Audit, Ethics and Investigations Audit, and Enterprise Risk Management. Mr. Tuten provided the Committee with key FY2015 highlights, future challenges, FY2016 Internal Audit Plan, structure and risks reviewed by the Enterprise Compliance & Risk Committee (ECRC), ERM Trend Report, and the Ethics Hotline Report. This presentation was received for information.

C. External Auditors Contract Extension – Janice Nelson, Controller, presented the current contract with Ernst and Young (E&Y) expires on June 30, 2016. At the January 19, 2016 Board Meeting, Board Members approved a one-year extension of the contract with E&Y. The duration of the contract extension will be from July 1, 2016 through June 30, 2017. Ms. Nelson stated staff has completed contract negotiations with E&Y. E&Y's fees for FY2016 are $355,000, and includes: first year of comparative financials for the changes implemented in FY2015; complete audit of JEA financial statements; implementation of Governmental Accounting Standards Board (GASB) 72, Fair Value Measurement and Application; and continued emphasis on auditing IT controls in order to achieve a controls base audit approach. The proposed fee for the St. Johns River Power Park (SJRPP) Pension Audit is $18,500, a $2,602 increase over the 2015 audit. The primary driver for the increase is additional audit hours related to GASB 68, Accounting for Pension. The proposed fee for the single audit is $20,000, a $4,102 increase over 2015 audit. The increase is due to uniform Office of Management and Budget (OMB) grant guidance, effective for fiscal year 2016. Committee Members held discussions regarding the process for external auditor vendor selection. Due to a lack of quorum, this item was received for information and will be presented at the March 15, 2016 Board Meeting for action.

D. Report from COJ Auditors Regarding JEA GERP Pension Liability – Janice Nelson, Controller, presented the implementation of GASB 68, Accounting and Financial Reporting for Pensions, which requires component unit auditors to obtain audit evidence from the primary government on the allocation of employer allocations and net pension liability. As a result, Carr Riggs & Ingram (CRI), the auditors for the City of Jacksonville and General Employees Retirement Plan (GERP), audited the employer allocations and net pension liability allocations to support the financial audit of JEA performed by Ernst & Young for FY2015 ended September 30, 2015. This item was received for information.

E. Resolution Determining the Sufficiency of Revenues – St. Johns River Power Park – Joe Orfano, Treasurer, presented an annual requirement under the St. Johns River Power Park (SJRPP) Bond Resolution for JEA to determine that for the upcoming fiscal year, the Electric System’s revenues will be sufficient to make all required payments under the bond resolution. JEA staff recommends that the Board approve and adopt Resolution No. 2016-8, determining that the estimated revenues for the Fiscal Year ending September 30, 2017, will be sufficient for their intended purposes. Due to a lack of quorum, this item was received for information and will be presented at the March 15, 2016 Board Meeting for action.

F. JEA Annual Disclosure Policy Report – Melissa Dykes, Chief Financial Officer, presented JEA’s Disclosure Policies and Procedures require that the Chief Financial Officer shall provide the Finance and Audit Committee each year with a report regarding the compliance with those policies, to report any issues or problems complying with those policies in the preceding twelve-month period and to present recommendations, if any, for changes to those policies. Ms. Dykes stated staff is in the process of preparing the Annual Disclosure Reports for the fiscal year ended September 30, 2015, and plans to seek the Board’s approval and authorization to disseminate those reports at its April 19, 2016 Board Meeting. Additionally, in accordance with past practice and prior Boards’ requests, staff intends to provide Board Members with substantially final drafts for their review at the March 15, 2016 Board Meeting. This item was received for information.

G. Ethics Officer Quarterly Report – The Ethics Officer Quarterly Report, reviewed by Walette Stanford, Ethics Officer and Director, Workforce Strategies, was received for information. Ms. Stanford stated that March is National Ethics Awareness Month and JEA is rolling out its new Business Ethics Computer-Based Training module to employees for 100% completion prior to fiscal year-end 2016. This presentation was received for information.

H. JEA Energy Market Risk Management Policy Report – Mike Brost, Vice President/General Manager, Electric Systems, reviewed the Energy Market Risk Management Policy Report, which was received for information.

I. Treasury

   1. Electric System and Water and Sewer System Reserve Fund Quarterly Report – Joe Orfano, Treasurer, reviewed the Electric System and Water and Sewer System Reserve Fund Quarterly Report, which was received for information.

J. Announcements

   1. The next Finance and Audit Committee meeting will be held on May 9, 2016, at 8:00 AM.

K. Committee Discussion Sessions

1. Ernst & Young – At 9:51 AM, Ms. Flanagan dismissed staff and the Committee held a general conversation with Mike Pattillo and Chris Edmunds.
2. Director, Audit Services – At 10:00 AM, Ms. Flanagan and the Committee held a general conversation with Steve Tuten, Director, Audit Services.
3. Council Auditor's Office – At 10:05 AM, Ms. Flanagan and the Committee held a general conversation with Robert Campbell, Council Auditor's Office.

Closing Considerations

With no further business claiming the attention of this Committee, the meeting was declared adjourned at 10:09 AM.

APPROVED BY:

____
Kelly Flanagan, Committee Chair
Date: ________________

Submitted by:

____
Melissa Charleroy
Executive Assistant

II. A.
5/9/2016
FAC

Building Community

IV. A. 2.
5/17/2016

AGENDA ITEM SUMMARY

April 25, 2016

SUBJECT:	**FY2017 BUDGET PRESENTATION**

Purpose: ☐ Information Only ☐ Action Required ☒ Advice/Direction

Issue: Obtain feedback and direction from the Finance and Audit Committee regarding the FY2017 Budget prior to submittal to the Board at the June meeting.

Significance: High: The budget is the plan and basis for appropriating revenues and expenses, as well as capital expenditures and debt financing.

Effect: The budget effects customers and the City of Jacksonville, and is integral to JEA's strategic planning, financial performance and resulting metrics, and regulatory accounting.

Cost or Benefit: The budget process benefits from the Committee providing feedback and direction regarding the key strategic issues, risks, major challenges, and assumptions for the FY2017 Budget covering: revenue; fuel revenue and expense; O&M expense levels; interest rates and the resulting financial metrics; capital expenditures and related financing plan; and regulatory accounting items.

Recommended Board action: Staff recommends that the Finance and Audit Committee provide feedback and direction regarding the key strategic issues and major budget assumptions used in preparing the FY2017 operating and capital budgets including revenue, O&M expense levels, interest rates and debt structure, financial metrics, and regulatory accounting items. Staff also recommends that the Finance and Audit Committee provide feedback and direction in its report or staff presentation to the Board at the May 2016 meeting for final Board approval at the June 2016 meeting.

For additional information, contact: Melissa Dykes

Submitted by: PEM/ MHD/ DRJ

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II. A.
5/9/2016
FAC

IV. A. 2.
5/17/2016

Building Community

INTER-OFFICE MEMORANDUM
April 25, 2016

SUBJECT: **FY2017 BUDGET PRESENTATION**

FROM: Paul E. McElroy, Managing Director/CEO

TO: JEA Finance and Audit Committee

Kelly Flanagan, Chair
Tom Petway
Husein Cumber
Edward Burr

BACKGROUND:
Annually, JEA Staff recommends and, after the JEA Board's review and action, transmits JEA's recommended Electric System, Water and Sewer System, and District Energy System operating and capital budgets to the Jacksonville City Council for final action. By law, JEA must submit its proposed budget to the City Council by July 1, 2016.

DISCUSSION:
Staff will present key strategic initiatives and major budget assumptions for the FY2017 operating and capital budgets. Budget assumptions include: no rate adjustments for Electric or Water and Sewer systems; and financial metrics that are within Pricing Policy goals. The proposed budgets include considerable internal funding for the capital program in an effort to support the "pay-go" philosophy for all recurring capital expenditures. The proposed budgets address key strategic initiatives to support the quality of service delivery, climate change, Total Water Resource Plan, regulatory compliance, workforce readiness, communications, conservation, and customer satisfaction initiatives. In addition, the budget includes a record high contribution to the City of Jacksonville General Fund in the amount of $115.3 million. The operating and capital budget schedules that will be transmitted to the City Council upon JEA Board approval are attached as Schedule A and B. As required by the City of Jacksonville, JEA transmits its Five-Year Capital Improvement Program during the annual budget process and is attached as Schedule C.

The proposed budgets include the following:

1. Consolidated Operating Budget and Capital Budget Schedules
   The proposed budgets include considerable internal funding for the capital program in an effort to support the "pay-go" philosophy for all recurring capital expenditures.

2. Electric System
   There are no planned rate increases in FY2017. The FY2017 operating budget includes a $22.7 million reduction from FY2016. Budget assumptions include a $37.5 million reduction in Fuel and Purchased Power. The proposed Salaries and Benefits budget includes a $3.9 million increase in net pension payments. FY2017 Budget assumptions include stable debt service coverage and an increase of $32.4 million in debt service which includes $38.6 million prepayment of debt.

3. Water and Sewer System
   There are no planned rate increases in FY2017. The FY2017 operating budget includes a $10.9 million increase from FY2016. Budget assumptions include stable debt service coverage and an increase of $12.9 million in debt service. The proposed Salaries and Benefits budget includes a $1.4 million increase in net pension payments.

4. Government Transfers
   The budget includes a record high contribution to the City of Jacksonville General Fund in the amount of $115.3 million.

5. Regulatory Accounting
   In connection with the Pricing Policy, the budget was prepared using the Utility Basis, resulting in the inclusion of regulatory accounting items such as Pension, Demand-side Management (DSM)/ Conservation, Debt Management, Environmental, Fuel, Purchased Power and Self-Funded Health Plan.

Under the terms of the St. Johns River Power Park (SJRPP) Joint Operating Agreement (JOA), the co-owners share the cost of constructing, operating, and maintaining the two coal-fired units. The JEA Board approves the annual operating and capital budget for JEA's ownership interest in SJRPP. The total SJRPP budget is approved by the SJRPP Executive Committee representing the two co-owners. The SJRPP budget is not approved by the City Council. JEA's share of the SJRPP budget is a component of fuel and purchased power expense in JEA's Electric System Operating budget. Schedule D, attached, summarizes JEA's share of the proposed FY2017 operating and capital budgets for SJRPP.

JEA owns a 23.64 percent interest in Unit 4 of the Robert W. Scherer Electric Generating Plant (Scherer Unit 4). As with SJRPP, JEA's share of the operating and capital budgets for this unit is a component of the JEA Electric System fuel and purchased power expense. Decisions regarding the operation of Unit 4 are made by majority vote of the co-owners. The JEA Board approves JEA's share of the annual budget for Scherer Unit 4, but the City Council does not review or approve the Plant Scherer budget. Schedule D, attached, summarizes JEA's share of the FY2017 operating and capital budgets for Plant Scherer. Note that this budget is subject to approval by the other co-owners.

RECOMMENDATION:

Staff recommends that the Finance and Audit Committee provide feedback and direction regarding the key strategic issues and major budget assumptions used in preparing the FY2017 operating and capital budgets including revenue, O&M expense levels, interest rates and debt structure, financial metrics, and regulatory accounting items. Staff also recommends that the Finance and Audit Committee provide feedback and direction in its report or staff presentation to the Board at the May 2016 meeting for final Board approval at the June 2016 meeting.

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Paul E. McElroy, Managing Director/CEO

PEM/MHD/DRJ

JEA
CONSOLIDATED OPERATING BUDGET
FISCAL YEAR 2017

	Electric System	Water & Sewer System	District Energy System	Total
FUEL RELATED REVENUES & EXPENSES:				
FUEL REVENUES:	$ 472,264,680	$ -	$ -	$ 472,264,680
Total Net Revenues	$ 472,264,680	$ -	$ -	$ 472,264,680
FUEL EXPENSES:				
Fuel & Purchased Power	$ 472,264,680	$ -	$ -	$ 472,264,680
FUEL SURPLUS/(DEFICIT)	$ -	$ -	$ -	$ -
BASE RELATED REVENUES & EXPENSES				
BASE OPERATING REVENUES:				
Base Rate Revenues	$ 762,971,975	$ 381,678,122	$ 9,247,921	$ 1,153,898,018
Environmental Charge Revenue	7,942,200	23,908,290	-	31,850,490
Conservation Charge & Demand Side Revenue	1,000,000	-	-	1,000,000
Other Revenues	29,966,575	11,638,859	-	41,605,434
Natural Gas Pass Through Revenue	7,188,723	-	-	7,188,723
Total Base Related Revenues	$ 809,069,473	$ 417,225,271	$ 9,247,921	$ 1,235,542,664
BASE OPERATING EXPENSES:				
Operating and Maintenance	$ 209,105,373	$ 141,698,943	$ 5,252,918	$ 356,057,234
Environmental	7,942,200	2,449,584	-	10,391,783
Conservation & Demand-side Management	7,510,000	-	-	7,510,000
Natural Gas Pass Through Expense	6,880,298	-	-	6,880,298
Non-Fuel Purchased Power	83,394,296	-	-	83,394,296
Non-Fuel Uncollectibles & PSC Tax	1,749,583	844,390	-	2,593,973
Emergency Reserve	5,000,000	1,000,000	-	6,000,000
Total Base Related Expenses	$ 321,581,750	$ 145,992,917	$ 5,252,918	$ 472,827,585
BASE OPERATING INCOME:	**$ 487,487,723**	**$ 271,232,354**	**$ 3,995,002**	**$ 762,715,079**
NON-OPERATING REVENUE:				
Investment Income	4,631,588	3,152,787	-	7,784,375
Transfer To/From Fuel Recovery	-	-	-	-
Capacity Fees	-	19,000,000	-	19,000,000
Total Non Operating Revenues	$ 4,631,588	$ 22,152,787	$ -	$ 26,784,375
NON-OPERATING EXPENSES:				
Debt Service	229,481,927	122,572,849	3,022,454	355,077,230
Total Non Operating Expenses	$ 229,481,927	$ 122,572,849	$ 3,022,454	$ 355,077,230
BASE INCOME BEFORE TRANSFERS	**$ 262,637,384**	**$ 170,812,292**	**$ 972,549**	**$ 434,422,225**
City Contribution Expense	92,637,384	22,692,030	-	115,329,413
Interlocal Payments	-	-	-	-
Renewal and Replacement Fund	59,953,918	21,324,415	433,635	81,711,968
Operating Capital Outlay	110,046,082	94,937,141	538,914	205,522,137
Environmental Capital Outlay	-	12,858,706	-	12,858,706
Capacity Fees	-	19,000,000	-	19,000,000
Operating Contingency	-	-	-	-
Total Non-Fuel Expenses	$ 262,637,384	$ 170,812,292	$ 972,549	$ 434,422,225
SURPLUS/(DEFICIT)	**$ -**	**$ -**	**$ -**	**$ -**
TOTAL REVENUES	**$ 1,285,965,741**	**$ 439,378,058**	**$ 9,247,921**	**$ 1,734,591,720**
TOTAL APPROPRIATIONS	**$ 1,285,965,741**	**$ 439,378,058**	**$ 9,247,921**	**$ 1,734,591,720**
BUDGETED EMPLOYEE POSITIONS	1,554	599	5	2,158
BUDGETED TEMPORARY HOURS	208,000	20,800	0	228,800

Schedule A

JEA
CONSOLIDATED CAPITAL BUDGET
FISCAL YEAR 2017

	Electric System	Water & Sewer System	District Energy System	Total
CAPITAL FUNDS:				
Renewal & Replacement Deposits	$ 59,953,918	$ 21,324,415	$ 433,635	$ 81,711,968
Operating Capital Outlay	110,046,082	94,937,141	538,914	205,522,137
Environmental Capital Outlay	-	12,858,706	-	12,858,706
Capacity Fees	-	19,000,000	-	19,000,000
Debt Proceeds	-	-	-	-
Other Proceeds	-	77,379,738	2,766,999	80,146,737
Total Capital Funds	$ 170,000,000	$ 225,500,000	$ 3,657,000	$ 399,157,000
CAPITAL PROJECTS:				
Generation Projects	$ 33,340,000	$ -	$ -	$ 33,340,000
Transmission & Distribution Projects	82,368,000	-	-	82,368,000
District Energy Projects	-	-	3,657,000	3,657,000
Water Projects	-	60,238,000	-	60,238,000
Sewer Projects	-	127,854,000	-	127,854,000
Other Projects	54,292,000	37,408,000	-	91,700,000
Total Capital Projects	$ 170,000,000	$ 225,500,000	$ 3,657,000	$ 399,157,000

Schedule B

JEA
Five Year Capital Improvement Program
Fiscal Years 2017-2021
($000'S Omitted)

Project Title	FY2017	FY2018	FY2019	FY2020	FY2021	Project Total
Expanded Generation Capacity	$0	$0	$0	$0	$0	$0
Electric System Distribution Projects	49,044	45,991	37,995	39,324	37,733	210,087
Electric System Substation & Transmission	33,324	26,586	20,456	16,886	20,850	118,102
Electric System Generation Projects	33,340	18,486	25,049	15,568	10,500	102,943
Electric System Other Projects	54,292	72,831	50,802	32,747	34,742	245,414
Total	**$170,000**	**$163,894**	**$134,302**	**$104,525**	**$103,825**	**$676,546**
Water Treatment	$27,626	$24,798	$22,039	$15,775	$24,120	$114,358
Water Distribution	32,612	28,238	28,372	24,784	28,988	142,994
Sewer Collection	33,476	37,042	34,815	29,793	33,371	168,497
Sewage Pump Stations	26,673	19,791	8,928	6,521	8,650	70,563
Wastewater Treatment	67,705	45,599	27,383	26,570	38,890	206,147
Reclaimed Water Distribution	12,936	10,452	20,830	17,694	23,876	85,788
Other Capital Projects	24,472	21,240	19,221	19,517	19,564	104,014
Total	**$225,500**	**$187,160**	**$161,588**	**$140,654**	**$177,459**	**$892,361**
District Energy System	**$3,071**	**$1,424**	**$1,442**	**$1,350**	**$1,783**	**$9,070**

Schedule C

JEA
ST. JOHNS RIVER POWER PARK (SJRPP)
AND PLANT SCHERER (SCHERER)
OPERATING AND CAPITAL BUDGET
FISCAL YEAR 2017

	SJRPP	SCHERER
OPERATING BUDGET:		
Revenue:		
Operating Revenue from JEA	$ 140,120,853	$ 65,586,003
Expenses:		
Fuel and O & M	$ 121,094,956	$ 44,328,973
Transmission	-	4,700,000
Debt Service	39,704,711	9,679,445
Renewal & Replacement	(20,678,814)	6,877,585
Total Expenses	$ 140,120,853	$ 65,586,003
CAPITAL BUDGET :	$ 12,926,000	$ 6,877,585
MWHs Purchased by JEA Electric System	2,640,500	1,244,600
Employee Positions	239	

Note: all Plant Scherer employees are Georgia Power Co. employees.

Schedule D

II. A.
5/9/2016
FAC

IV. A. 2.
5/17/2016

FY2017 Budget

Finance & Audit Committee

May 9, 2016

JEA

Agenda

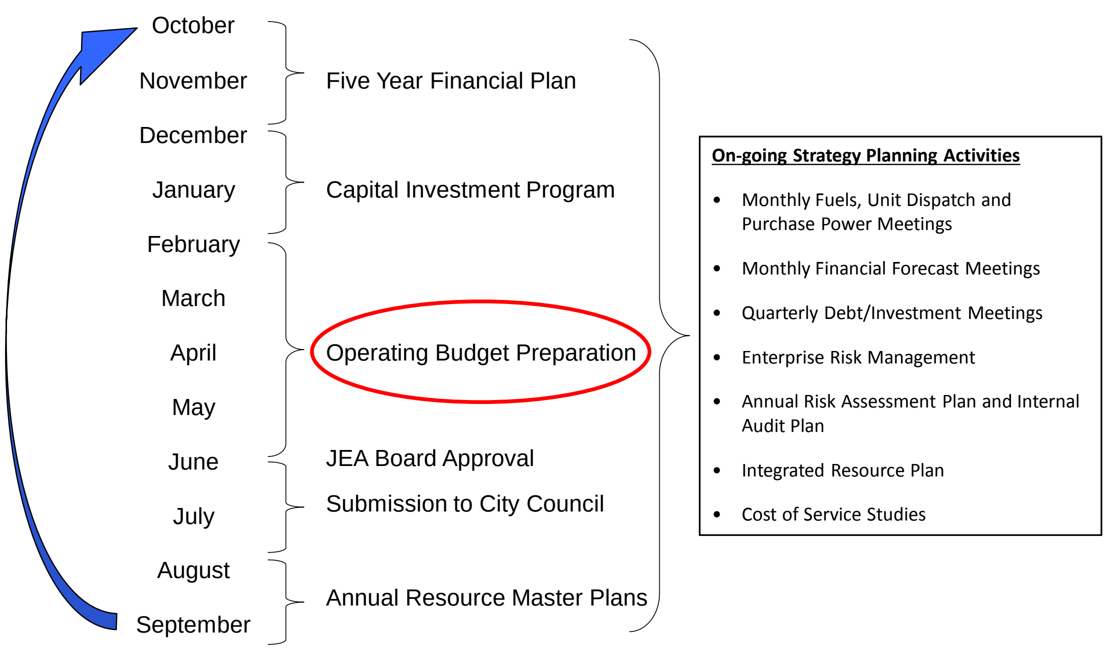
- **Budget Process Summary**
- JEA Budget Summary and Consolidated Schedules
- Electric System
- Water and Sewer System
- District Energy System
- Rate Stabilization Funds
- Summary
- Supplemental Schedules

JEA Budget Process Summary

Background

JEA Budget development is a continuous process where the annual Budget is constructed for the following fiscal year beginning each fall, a full year prior to the Budget being in effect. The formation of the annual Budget begins with the Five-Year Financial Plan component of the annual Rating Agency presentation which includes key current inputs such the Annual Resource Master Plans and the prior year's unit sales and financial results for the fiscal year ending September 30th. The annual Budget development process follows the steps and timeline displayed below, culminating in the formation of the annual Operating and Capital Budgets for JEA Board approval in June and submission to the City Council by July 1st for their approval prior to October 1st. In recent years, the JEA Board's Finance and Audit Committee has reviewed the proposed Budget assumptions in March and the proposed Budget in May, with the full Board receiving a report or presentation in May and then approving the Budget in June.

Budget Cycle Timeline



Process Steps

Executive Management Strategy Initiatives are incorporated in the financial plans and annual Budgets such as Climate Change, Consumptive Use Permit requirements, September 2008 cost reductions, Succession Planning, Customer Satisfaction and Strategic Technology Services and Sourcing initiatives.

Annual Resource Master Plans provides long term investment plans for non-recurring investments in major assets such as electric generation or transmission, water / wastewater / reclaim production or transmission, distribution, system reliability and regulatory needs, and serve as the direct input of non-recurring projects into to the five-year and ten-year Capital Plans and Annual Budget.

Five-Year Financial Plan is based on integrated ten-year financial projection models for each utility System (Electric, Water/Wastewater/Reclaim, and District Energy) which utilize input variables including projected unit sales and revenues, fixed expenditures such as Debt Service, City Contribution, and Renewal and Replacement (R&R) funding required by bond covenants along with variable expenditures such as Fuel, O&M, and Other Capital Outlay. The JEA Pricing Policy provides guidelines centered on issuing debt only for non-recurring, growth related or major regulatory projects, and target financial metric ranges for Debt Service Coverage, Debt/Asset and Liquidity ratios. The Five-Year Financial Plan assumptions and final plan are presented and discussed with the Board each fall in October and/or November prior to its inclusion as a major component in the annual Rating Agency Presentation conducted each December.

The ten-year financial projections and Five-Year Financial Plan include the following years' targeted Operating and Capital Budgets and serve as a foundation in developing the following year's annual Budget. In addition, the ten-year projections serve as the Revenue Requirements in each system's Utility Cost of Service report, produced every five years per the Pricing Policy that support both overall system and class rate design.

Capital Investment Program for the annual Budget is based on the multi-year Annual Resource Plan and Five-Year Financial Plan, with updates made each February, reflecting timing, scope, cost or other changes to the unique, non-recurring major capital investments. In addition, annual updates are received from the organization's project owners each February on all other capital project requests which include recurring capital R&R projects, such as electric pole replacement, wastewater pump station renewal, new services, meters, fleet, and technology projects. All capital projects greater than $200,000 are itemized requiring project definitions to include scope, justification, process design, schedule, project delivery methodology, and cost estimates prior to approval, and milestone updates at 30% design and 100% design. A Core Team, consisting of the VP/GM of Electric Systems, VP/GM of Water Wastewater Systems and representatives from Operations and Finance, lead the development of the five-year capital plan, the annual Capital Budget and monthly monitoring/reporting. The Capital Core Team reviews the project requests, prioritizes and formulates the annual Capital Program of itemized projects such that the targeted expenditures are within the allocation of funding based on the prior Five-Year Financial Plan.

Operating Budget Preparation each spring begins with the input variables of unit sales, revenue, fuel, O&M expenses, interest rates and debt service, and capital expenditure assumptions based on the prior Five-Year Financial Plan and then updated with the most current information and results which are monitored and reported on a continuous basis during monthly financial forecast meetings.

The business units' O&M expenses line item totals $356 million or 21% of the $1.7 billion proposed FY2017 JEA Consolidated Budget consisting of $261 million of payroll expenses and the remaining $95 million is in material and supplies, other services and charges, insurance payments, succession planning and other expenses.

- Payroll expenses are monitored throughout the year through Human Resources and business unit processes along with monthly budget variance reporting. The payroll expenses in the annual Budget is formed based on a selected payroll period in January, summing each filled personnel allocation and the employees current salary plus all active recruitments and budgeted vacancies with their targeted salaries. If there are new or emerging positions needed to be added to the organization they would also be added to the budgeted baseline salary expense. Benefit costs, primarily medical expenses and pension expenses including unfunded liability payments associated with prior employees no longer on the payroll, are added to the salary and benefit expense. If any bargaining unit or other specific planned salary increases are known, including step increases or general increases, the amounts are added to form the salary and benefit expense. Overtime expenses that are budgeted via the bullet below are added to salary and benefit roll-up amount. Then a "salary lapse" credit is utilized to account for the natural or strategic variances in position vacancies through attrition, and wage differences associated with the hiring of staff at entry level wages replacing staff retiring or leaving at higher level wages. The FY2017 budgeted salary lapse is 6.25% for the Electric System and 4.00% for the Water and Sewer System, which are representative of recent year's activity.
- Material and Supplies, and Other Services and Charges include chemicals and supplies, information technology and other licensing and maintenance contracts, industrial services, professional services, supplemental workforce, training, utility services and vehicle fuel expense types. All planned expenditures of these expense types over $20,000 (and many lower than the threshold) are included in a Budget Detail listing. Each year during the month of March, the Budget Detail along with prior year and year-to-date variance reports by expense types are provided to the business unit's VP/GM's or Chiefs. The VP/GM's or Chiefs work with their staff to update the requirements for the next fiscal years' Budget by denoting betterments and reductions to each line item as required to meet customer service levels and strategy initiatives.
- Capitalization Credits, Fuel and Byproduct Handling Credits, and Shared Services Credits are utilized to allocate payroll, material and supplies, other services and charges, and motor pool costs initially charged to business units' O&M expenses, and then transferred to capital work orders, fuel expenses or to the Water and Sewer System O&M expenses.
- Reductions are made by the team, if necessary, to meet the financial targets depicted in the prior Five-Year Financial Plan or new targets updated with current business strategies and objectives.

JEA Board Review and Approval formation of the annual Operating and Capital Budgets for JEA Board approval prior to submission to the City Council by July 1st. In recent years, the JEA Board's Finance and Audit Committee has reviewed the proposed Budget assumptions in March and the proposed Budget in May. The full Board receives the presentations and budget schedules prepared for discussion at the Finance and Audit (F&A) Committee meetings in the monthly Board packages, and either receives a report from the F&A Committee chair or staff presentation in May. At the June Board meeting, the Board is scheduled to approve the Budget to be submitted to the City Council.

City Council Review and Approval process formally begins each year with the JEA budget transmittal letter and Consolidated Operating and Capital Budget schedules from JEA's Board Chair to the incoming City Council President by July 1st. There is ongoing communication with the City Council throughout the year via Quarterly Financial Schedules that JEA prepares for the City Council Auditor's review and inclusion in the Council Auditor's financial reports to the Council.

- JEA's Five-Year Capital Improvement Plan (CIP) is transmitted to either the City Planning Department or Budget Department as requested each year after the JEA Board approves the annual Budget, and accompanying Five-Year CIP schedule. In recent years, the COJ Budget Department has requested this schedule early, June 1st, thus will receive the Five-Year CIP schedule in Draft Final form pending JEA Board approval.
- After submittal of the Consolidated Operating and Capital Budget schedules, JEA prepares Council Auditor prescribed budget schedules which depict the current year budget, current year projections, and prospective year proposed budget, along with variance analysis and comments.
- JEA CEO, CFO, Legislative Affairs and Director of Financial Planning and Analysis meet individually with the Council Finance Committee members to review JEA's Financial Plan and proposed JEA Board approved Budget.
- In recent years, lead Council Auditor staff provides a report of the JEA Budget to the Council Finance Committee and then the full Council during sessions held in August and September. The Council Auditor has communicated that JEA presentations are not wanted, but JEA CEO, CFO or other designee should be present at scheduled meeting times to answer questions the Council Members may have prompted by the Council Auditor led report.
- Note: the Council Auditor staff and the City Council Liaison to JEA attend most JEA Board Meetings, the Council Auditor is offered Agenda time at JEA's Finance and Audit Committee Meetings, and JEA has ongoing communication with the Council Auditor staff throughout the year on JEA budget and financial related matters.

Agenda

Budget Process Summary

JEA Budget Summary and Consolidated Schedules

- ✓ FY2017 Proposed Budget Summary
- ✓ Government Transfers

Electric System

Water and Sewer System

District Energy System

Rate Stabilization Funds

Summary

Supplemental Schedules

Proposed Budget Summary

Electric System

Revenue	FY17B	FY16B	Δ	FY16F
(in millions)	$1,286	$1,309	($23)	$1,178

Unit Sales Growth

3.3% increase to system sales from FY2016B
7.1% increase to system sales from FY2016F to FY2017B
5.0% weather contingency

Pricing

Variable Fuel Rate decreased to $36.75/MWh in FY2016, no change for FY2017

COJ Transfer	FY07	FY14	FY15	FY16F	FY17P
Total ($ in millions)	$121	$187	$191	$189	$193

O&M

Increases by $8.5 million or 4.2% versus prior year's budget

- Generating Unit Outages, $9.4 million
- Includes net pension increase of $3.9 million
- Includes funding for strategic initiatives

Capital (millions)	FY16F	FY17*	FY18	FY19
Depreciation	$ 179	$178	$184	$191
Expenditures	$ 161	$170	$164	$134
Funding				
R&R	$ 62	$ 60		
OCO	$ 86	$110		
Prior	$ 13	$ 0		
Debt	$ 0	$ 0		
	$ 161	$170		

* FY17 Budget includes 10% contingency

Metrics	FY2017B	Rating Agency	Pricing Policy
Coverage	2.7x	2.5x	≥2.2x
Debt to Asset	64%	64%	≤60%
Days of Liquidity	329	293	150 – 250 days
Total Debt	$2.76 billion	$2.76 billion	------
Δ Debt	($231) million	($231) million	------

Water and Sewer System

Revenue	FY17B	FY16B	Δ	FY16F
(in millions)	$439	$428	$11	$426

Unit Sales Growth

6.1% increase to water sales from FY2016B
8.2% increase to water sales from FY2016F to FY2017B
5.0% weather contingency

Pricing

There are no planned rate changes for FY2017

COJ Transfer	FY07	FY14	FY15	FY16F	FY17P
Total ($ in millions)	$27	$45	$45	$46	$46

O&M

Increases by $5.4 million or 4.0% over prior year's budget

- Includes net pension increase of $1.4 million
- Includes funding for strategic initiatives

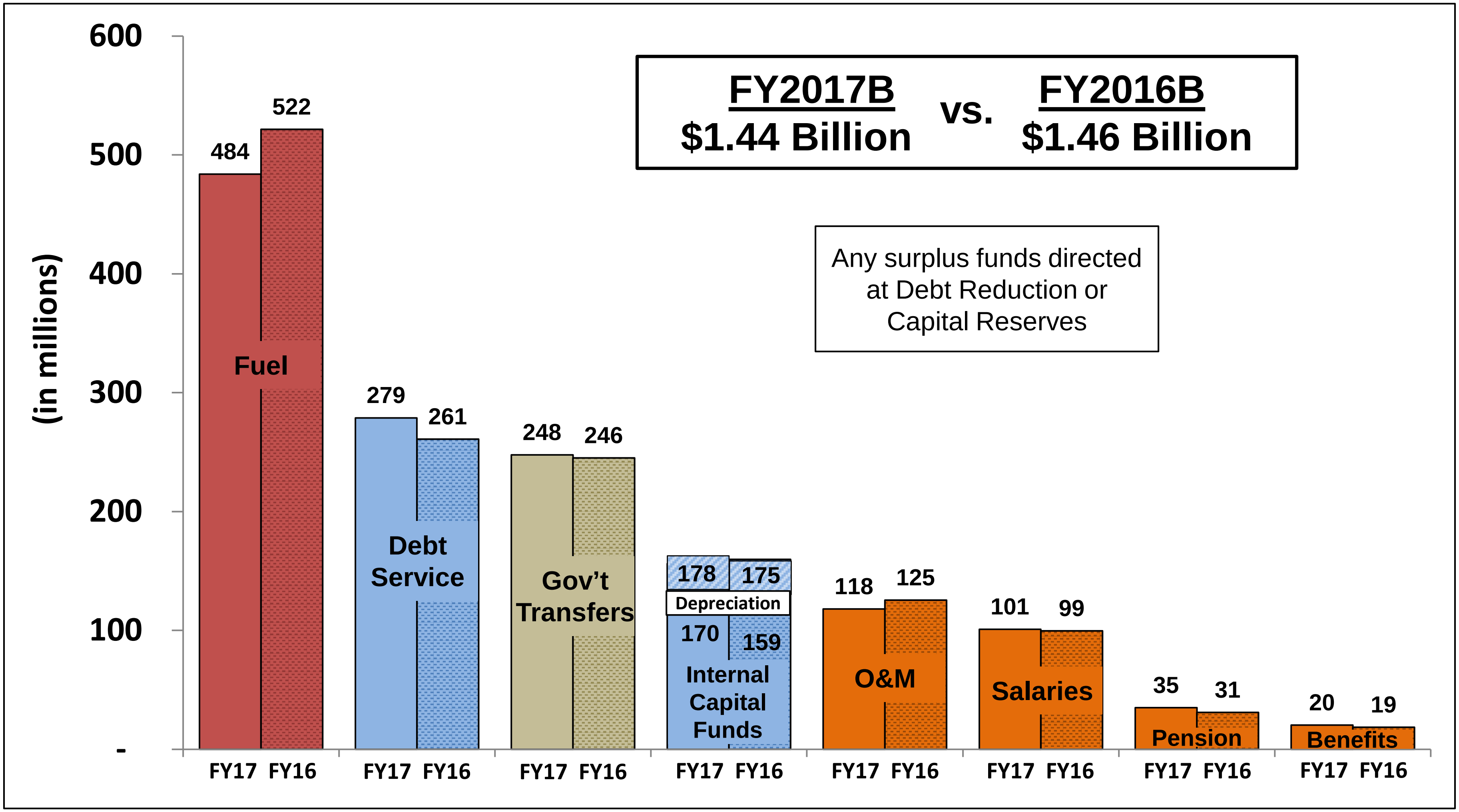
Capital (millions)	FY16F	FY17*	FY18	FY19
Depreciation	$ 133	$ 131	$133	$138
Expenditures	$ 163	$ 225	$ 187	$162
Funding				
R&R	$ 21	$ 21		
OCO/Capacity Fee	$116	$114		
Environmental	$ 11	$ 18		
Prior	$ 15	$ 72		
Debt	$ 0	$ 0		
	$163	$225		

* FY17 Budget includes 10% contingency and $5.0 million of Environmental transferred from rate stabilization

Metrics	FY2017B	Rating Agency	Pricing Philosophy
Coverage	2.6x	2.2x	≥1.8x
Debt to Asset	50%	50%	≤50%
Days of Liquidity	261	250	≥100 days
Total Debt	$1.61billion	$1.61 billion	------
Δ Debt	($34) million	($34) million	------

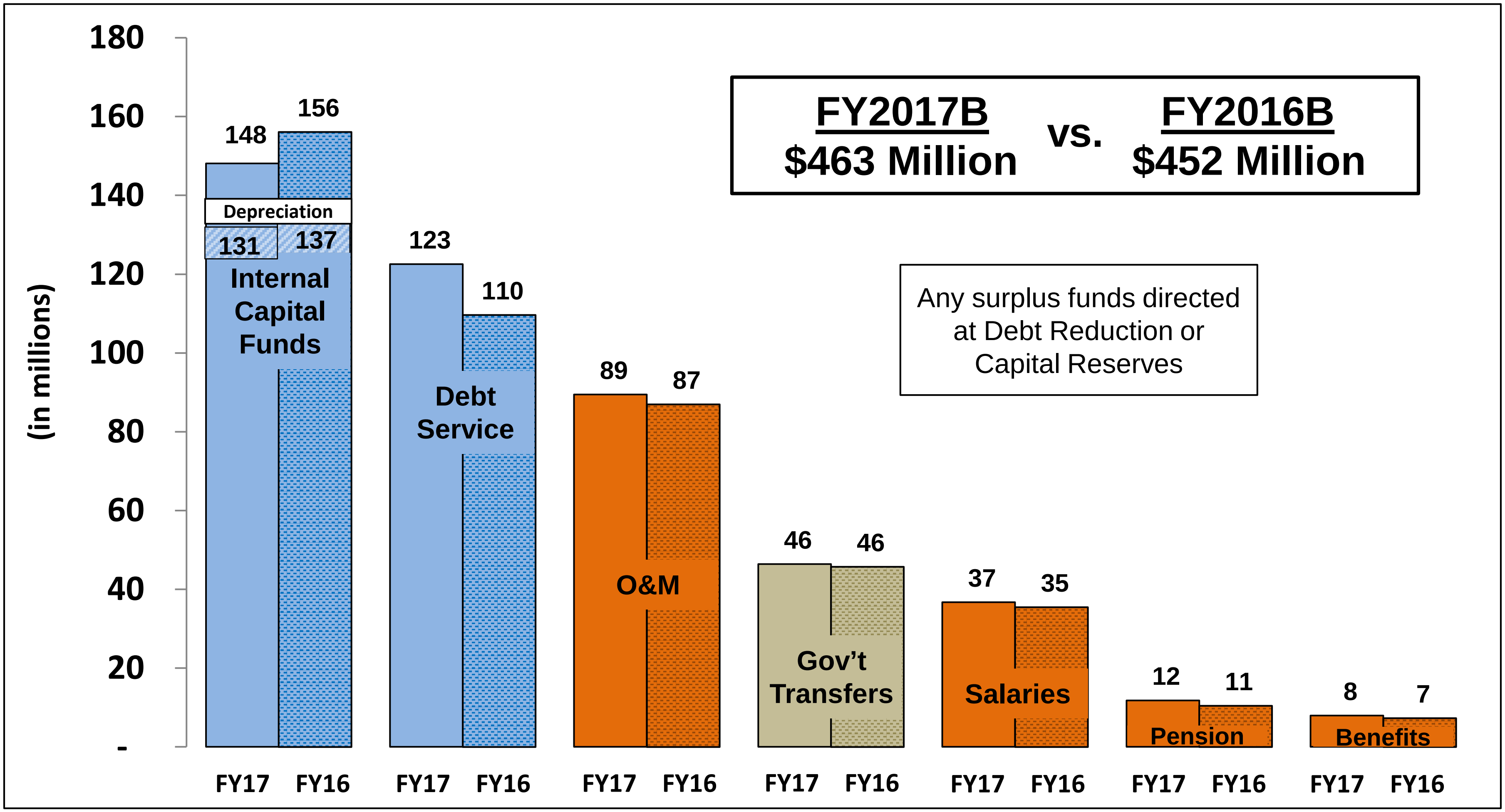
8

FY2017 Budget: Customer Electric Bill by Expense Category



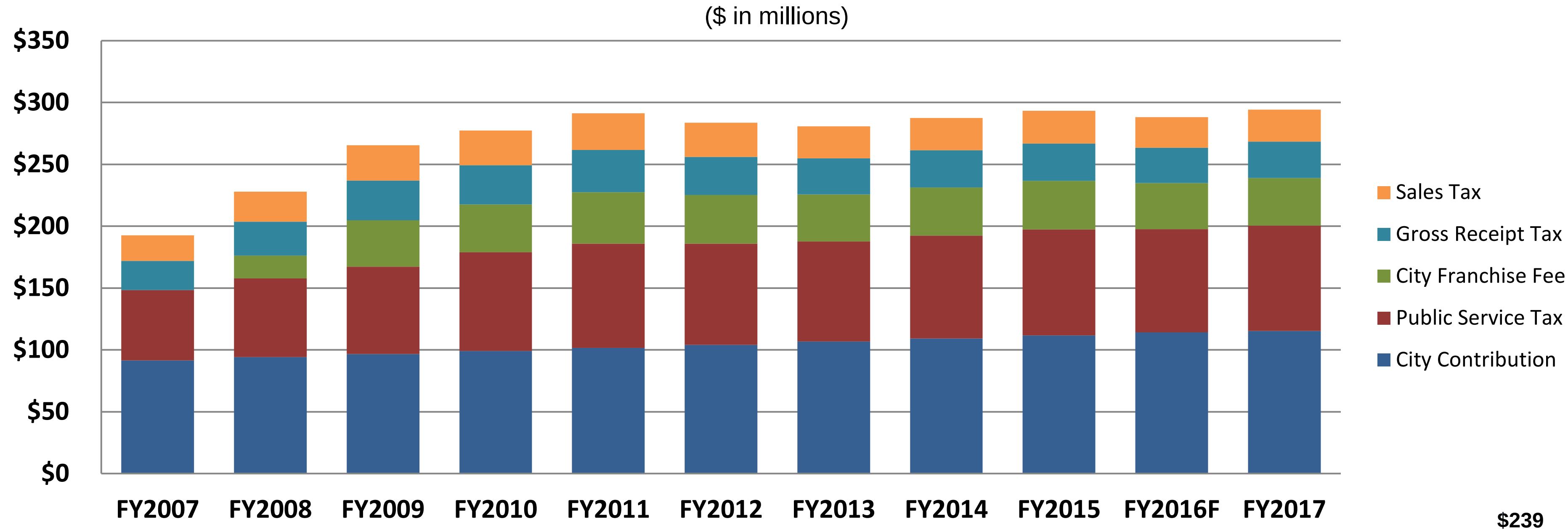
Notes:
1. Fuel includes Scherer transmission and capacity expenses
2. SJRPP and Scherer non-fuel purchase power expenses included in Debt Service, Internal Capital and O&M
3. Government Transfers include City Contribution, COJ Public Service Tax, COJ Franchise Fee, State Gross Receipt Tax, and State and COJ Sales Tax (Commercial customers only)
4. O&M Salaries, Benefits, and Pension are net of capital
5. FY2017 O&M includes $6.9 M Natural Gas retail sale operations
6. Internal Capital Funds include JEA Electric System R&R and OCO, SJRPP R&R, and Scherer R&R, no new debt is required
7. Debt Service in FY2017 reflects a $14 million drop in SJRPP Debt Service Requirements and $39 million of bond buy back

FY2017 Budget: Customer Water and Sewer Bill by Expense Category



Notes:
1. Government Transfers include City Contribution, COJ Public Service Tax, and COJ Franchise Fee
2. O&M Salaries, Benefits, and Pension are net of capital
3. The FY2017 capital program is funded by Internal Capital, no new debt is required
4. FY2017 Debt Service increase reflects higher principal payments
5. Internal capital funds for FY2017 are greater than annual depreciation but less than the annual capital plan for FY2017. The capital budget for FY2017 is $205.5m.

Government Transfers via the JEA Bill



$235[1]

$239 COJ

Description	Paid To	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016F	FY2017P
City Contribution	COJ	$91.4	$94.2	$96.7	$99.2	$101.7	$104.2	$106.7	$109.2	$111.7	$114.2	$115.3
Public Service Tax	COJ	56.9	63.6	70.5	79.7	84.2	81.8	80.9	83.1	85.6	83.5	85.2
City Franchise Fee	COJ	-	18.3	37.5	38.6	41.7	39.3	38.1	39.0	39.4	37.2	38.4
Gross Receipt Tax	State	23.7	27.6	32.1	31.7	34.1	30.8	29.3	30.2	30.2	28.5	29.5
Sales Tax	State and COJ	20.6	24.1	28.5	28.1	29.7	27.7	25.8	26.1	26.4	24.8	25.7
Total		**$192.6**	**$227.8**	**$265.3**	**$277.3**	**$291.4**	**$283.8**	**$280.8**	**$287.6**	**$293.3**	**$288.2**	**$294.1**
Percent increase from FY2007			18%	38%	44%	51%	47%	46%	49%	52%	50%	53%

Discussion and Analysis

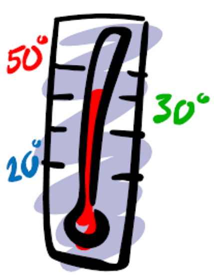
- JEA transfers to the City of Jacksonville have increased to $239 million

[1]Excludes $15m additional one-time payment to the City of Jacksonville for Water & Sewer infrastructure expansion.

Budget to Rating Agency Comparison

Electric System	FY17 Budget*	FY17 R/A	Variance	%
Fuel and Purchased Power	448,708,681	456,495,250	7,786,569	1.7%
O&M (excl. DSM, Env, Nat. Gas)	209,105,374	198,905,468	(10,199,906)	-5.1%
Non-Fuel Purchased Power	83,394,296	85,670,941	2,276,645	2.7%
Debt Service	193,710,525	190,898,917	(2,811,608)	-1.5%
City Contribution	92,637,384	91,720,182	(917,202)	-1.0%
R&R and OCO	170,000,000	165,175,576	(4,824,424)	-2.9%
Other (DSM/Env, Em. Reserve etc.)	29,210,540	34,230,332	5,019,792	14.7%
	1,226,766,800	1,223,096,666	(3,670,134)	-0.3%

Water and Sewer System	FY17 Budget*	FY17 R/A	Variance	%
O&M (excl. DSM, Env, Nat. Gas)	$ 141,698,943	$ 139,683,998	$ (2,014,945)	-1.4%
Debt Service	122,572,849	122,482,849	(90,000)	-0.1%
City Contribution	22,692,030	22,467,356	(224,674)	-1.0%
R&R and OCO	136,987,295	134,210,822	(2,776,473)	-2.1%
Other (DSM/Env, Em. Reserve etc.)	4,270,748	4,054,094	(216,654)	-5.3%
	$ 428,221,865	$ 422,899,119	$ (5,322,746)	-1.3%



District Energy System	FY17 Budget*	FY17 R/A	Variance	%
O&M (excl. DSM, Env, Nat. Gas)	$ 5,077,918	$ 4,922,491	$ (155,427)	-3.2%
Debt Service	3,022,454	3,019,303	(3,151)	-0.1%
City Contribution	-	-	-	0.0%
R&R and OCO	680,935	841,080	160,145	19.0%
Other (DSM/Env, Em. Reserve etc.)	-	-	-	0.0%
	$ 8,781,307	$ 8,782,874	$ 1,567	0.0%

JEA

* Does not include the 5% weather contingency

Agenda

Budget Process Summary

JEA Budget Summary and Consolidated Schedules

Electric System

- ✓ Operating Budget
- ✓ Capital Budget
- ✓ Fuel Rate
- ✓ O&M
- ✓ Capital Plan
- ✓ Debt Service
- ✓ Financial Metrics and Ratios

Water and Sewer System

District Energy System

Rate Stabilization Funds

Summary

Supplemental Schedules

JEA

JEA
ELECTRIC SYSTEM
OPERATING BUDGET

	FY 2017 Budget	FY 2016 Budget	Change	FY 2016 Forecast
FUEL RELATED REVENUES & EXPENSES:				
FUEL REVENUES:	$ 472,264,680	$ 509,884,201	$ (37,619,521)	$ 410,938,896
Transfer To/From Fuel Recovery	-	-	-	(11)
Total Net Revenues	$ 472,264,680	$ 509,884,201	$ (37,619,521)	$ 410,938,885
FUEL EXPENSES:				
Fuel & Purchased Power	$ 472,264,680	$ 509,884,201	$ (37,619,521)	$ 410,938,885
FUEL SURPLUS/(DEFICIT)	$ -	$ -	$ -	$ -
BASE RELATED REVENUES & EXPENSES				
BASE OPERATING REVENUES:				
Base Rate Revenues	$ 762,971,975	$ 738,360,001	$ 24,611,974	$ 716,371,675
Environmental Charge Revenue	7,942,200	7,686,000	256,200	7,431,986
Conservation Charge & Demand Side Revenue	1,000,000	989,059	10,941	753,002
Other Revenues	29,966,575	35,447,663	(5,481,088)	31,881,606
Natural Gas Pass Through Revenue	7,188,723	12,491,417	(5,302,694)	6,321,222
Total Base Related Revenues	$ 809,069,473	$ 794,974,140	$ 14,095,333	$ 762,759,491
BASE OPERATING EXPENSES:				
Operating and Maintenance	$ 209,105,373	$ 200,570,314	$ 8,535,059	$ 192,914,976
Environmental	7,942,200	7,686,000	256,200	7,431,986
Conservation & Demand-side Management	7,510,000	7,289,059	220,941	6,876,429
Natural Gas Pass Through Expense	6,880,298	12,140,876	(5,260,578)	6,222,464
Non-Fuel Purchased Power	83,394,296	113,015,053	(29,620,757)	97,045,252
Non-Fuel Uncollectibles & PSC Tax	1,749,583	1,703,452	46,131	1,632,609
Emergency Contingency	5,000,000	5,000,000	-	5,000,000
Total Base Related Expenses	$ 321,581,750	$ 347,404,754	$ (25,823,004)	$ 317,123,716
BASE OPERATING INCOME:	**$ 487,487,723**	**$ 447,569,386**	**$ 39,918,337**	**$ 445,635,774**
NON-OPERATING REVENUE:				
Investment Income	4,631,588	3,776,585	855,003	3,965,423
Transfer To/From Fuel Recovery	-	-	-	11
Total Non Operating Revenues	$ 4,631,588	$ 3,776,585	$ 855,003	$ 3,965,434
NON-OPERATING EXPENSES:				
Debt Service	229,481,927	197,132,899	32,349,028	197,997,791
Total Non Operating Expenses	$ 229,481,927	$ 197,132,899	$ 32,349,028	$ 197,997,791
BASE INCOME BEFORE TRANSFERS	**$ 262,637,384**	**$ 254,213,072**	**$ 8,424,312**	**$ 251,603,417**
City Contribution Expense	92,637,384	91,720,182	917,202	91,720,182
Interlocal Payments	-	-	-	12,000,000
Renewal and Replacement Fund	59,953,918	66,155,208	(6,201,290)	62,374,400
Operating Capital Outlay	110,046,082	96,337,682	13,708,400	85,508,835
Contingencies & Working Capital	-	-	-	-
Total Non-Fuel Expenses	$ 262,637,384	$ 254,213,072	$ 8,424,312	$ 251,603,417
SURPLUS/(DEFICIT)	**$ -**	**$ -**	**$ -**	**$ -**
TOTAL REVENUES	**$ 1,285,965,741**	**$ 1,308,634,926**	**$ (22,669,185)**	**$ 1,177,663,810**
TOTAL APPROPRIATIONS	**$ 1,285,965,741**	**$ 1,308,634,926**	**$ (22,669,185)**	**$ 1,177,663,810**
BUDGETED EMPLOYEE POSITIONS	1,554	1,554	-	1,554
BUDGETED TEMPORARY HOURS	104,000	208,000	(104,000)	208,000

ELECTRIC SYSTEM
CAPITAL BUDGET

	FY 2017 Budget	FY 2016 Budget	Change	FY 2016 Forecast
CAPITAL FUNDS:				
Renewal & Replacement Deposits	$ 59,953,918	$ 66,155,208	$ (6,201,290)	$ 62,374,400
Operating Capital Outlay	110,046,082	96,337,682	13,708,400	85,508,835
Environmental Capital Outlay	-	-	-	-
Debt Proceeds	-	-	-	-
Construction Fund Investment Income	-	-	-	-
Other Proceeds	-	7,507,110	(7,507,110)	12,766,337
Total Capital Funds	$ 170,000,000	$ 170,000,000	$ (0)	$ 160,649,572
CAPITAL PROJECTS:				
Generation Projects	$ 33,340,000	$ 27,466,000	$ 5,874,000	$ 40,474,466
Transmission & Distribution Projects	82,368,000	93,824,000	(11,456,000)	81,281,434
Other Projects	54,292,000	48,710,000	5,582,000	38,893,672
Total Capital Projects	$ 170,000,000	$ 170,000,000	$ -	$ 160,649,572

Operating Variance Analysis ($ millions)	Budget FY2017	Budget FY2016	Change	Percent Chg
MWh sales	13,020,000	12,600,000	420,000	3.3%
Fuel Revenues [1]	$472.26	$509.88	($37.62)	-7.4%
Variable Fuel Rate per MWh	$36.75	$41.00	($4.25)	-10.4%
Fuel (excluding reserve adj & discounts) [2]	$434.56	$484.63	($50.07)	-10.3%
Gas & Oil per MWh produced	$25.34	$26.49	($1.15)	-4.3%
Solid Fuel per MWh produced	$26.21	$31.36	($5.15)	-16.4%
Base Revenues	$762.97	$738.36	$24.61	3.3%
Electric O&M (see O&M schedule)	$209.11	$200.57	$8.54	4.3%
Non-Fuel Purchased Power [3]	$83.39	$113.02	($29.62)	-26.2%
Scherer O&M and R&R [3]	$16.92	$28.58	($11.66)	
SJRPP R&R	($20.68)	($19.21)	($1.47)	
Debt Service	$229.48	$197.13	$32.35	16.4%
Renewal & Replacement [4]	$59.95	$66.16	($6.21)	-9.4%
Operating Capital Outlay [4]	$110.05	$96.34	$13.71	14.2%
City Contribution	$92.64	$91.72	$0.92	1.0%
Capital Budget Variance Analysis				
Capital Funds [5]	$170.00	$170.00	-	0.0%
Capital Projects [6]	$170.00	$170.00	-	0.0%

(1) Reduced Fuel Rate from $41.00 to $36.75
(2) See fuel rate detail sheet
(3) Increased Scherer capital expenses. Lower SJRPP debt service
(4) The FY17 R&R is based on FY16 forecasted revenues. The FY17 OCO is the remaining amount to fully fund the FY17 capital expenses
(5) FY17 Capital Fund Sources are from Current Year Internal Funding and prior year balances
(6) Includes Management target of $154M plus a 10% contingency

Electric System Capital Budget

Budget Line Items (000's Omitted)	FY2017B	FY2016B	FY2016F
Expanded Generation Capacity	$0	$0	$0
Electric System Generation Projects	33,340	27,466	40,474
Electric System Distribution Projects	49,044	58,493	53,560
Electric System Substation & Transmission	33,324	35,331	27,722
Electric System Other Projects	54,292	48,710	38,894
Total	**$170,000**	**$170,000**	**$160,650**

Note: Detailed FY2017 project list is included in the CIP Schedules within the Supplemental section

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Fuel Rate per MWH

	FY2015	FY2016F	FY2017B	FY2018
Variable Fuel Rate per MWh				
Rate for Budgeted Fuel Cost	$43.60	$41.00[1]	$36.75	$36.75
Fuel Rate Change per $/MWh	-	$36.75	-	-
Reserve as a % of Target Expense	24%	15%[2]	15%	15%
Annual Fuel Cost (millions)	$441	$378	$431	$378

Discussion and Analysis

- The Fuel Fund Rate Stabilization Reserve is currently at 29% of the historical maximum 12-month fuel expense
- Current projections are based on the PIRA and NYMEX natural gas price forecasts and assume no major market disruption due to regulations

[1] Variable Fuel Rate decreased to $36.75/MWh per Board approval in January 2016 and made effective February 1, 2016.
[2] Assumes additional fuel credit to reduce balance to target amount.

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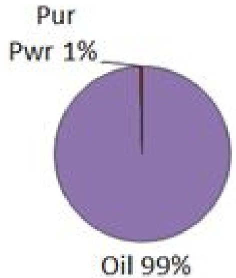
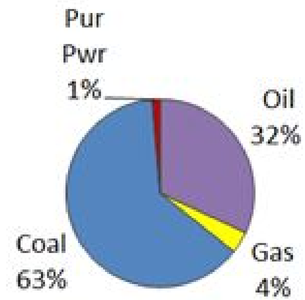
Historical Fuel Mix

1970

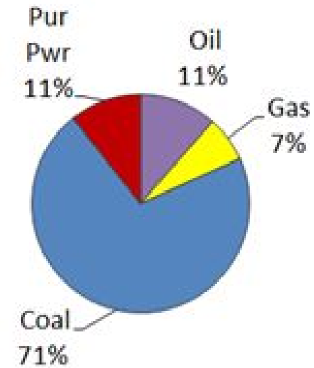
1977



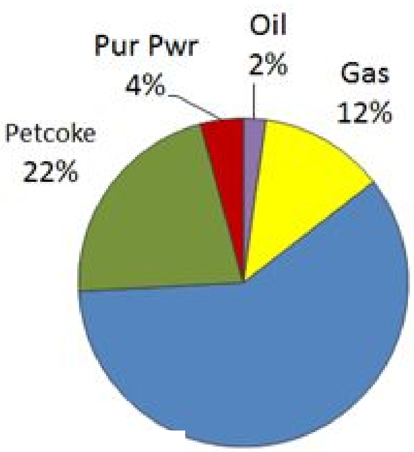
1987



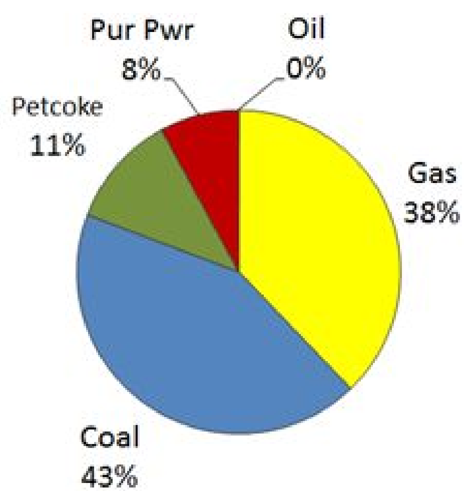
1997



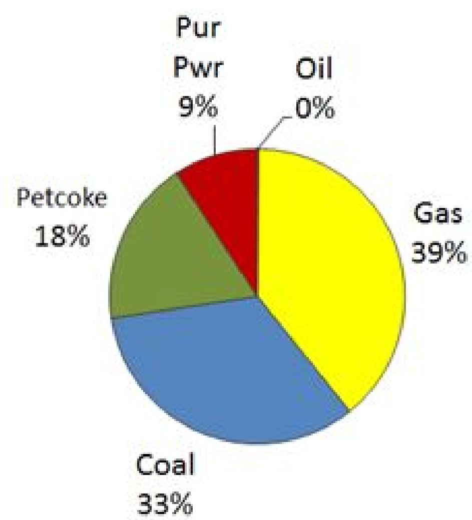
2007



2015



2016 (Forecast)



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FY2017 Electric System Budget: Operating Expenses

($ in millions)	FY2016 Budget[1]	FY2017 Budget[1]	FY2017 Rating Agency
Salaries & Benefits	$174.7*	$183.9*	
Other Services	96.0	101.4	
Material & Supplies	15.8	15.9	
Other	15.6	12.8	
Credits – Shared Services	(48.2)	(49.2)	
Credits – Capitalization	(36.9)	(38.7)	
Credits – Fuel Handling	(13.9)	(14.4)	
Credits – SJRPP Support	(2.5)	(2.6)	
Total	$200.6	$209.1	$198.9

4.2%

Key Strategic Issues Included in Budget

FY2016		FY2017	
Generating Unit Outages	$13.5	Generating Unit Outages	$9.4
Succession Planning Staffing Risks	2.6	Succession Planning Staffing Risks	2.6
Climate Change	1.0	Climate Change	1.0
Net Pension Increase	2.0	Net Pension Increase	3.9
		Strategic Initiatives	1.9
Compensation	*	Compensation	*
Total	**$19.1**	**Total**	**$18.8**

[1]Excludes Customer Benefit, Environmental, and Retail Natural Gas

FY2017 Electric System Budget: Operating Expenses

Discussion and Analysis

- FY2017 Salaries and Benefits budget includes step increases for applicable bargaining unit employees, market adjustments for appointed employees, and an increase in pension rate from 33.5% of salaries to 37.1% of salaries
- FY2017 Other Services and Materials budget increased 4.9% from FY2016
- FY2017 Credits for Shared Services and Capitalization are estimated to be $104.9 million
- FY2017 Customer Benefit total budget of $8.1 million, $7.5 million from current year revenues and $0.6 million from rate stabilization reserve
  - o Continuing focus on electrification strategy to mitigate declines in sales
- FY2017 Environmental Charge total budget $7.9 million, $2.1 million in current year expenditures and $5.8 million transfer to rate stabilization reserve
- Natural Gas new business expenses estimated to be $6.9 million

Current JEA[1] Salary Adjustment Summary

	Annual % Gen. Increase – Prior Period				Gen. Increase – Current Contract[2]
Unit	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**
IBEW	0%	0%	3%	2%	TBD
JSA	0%	0%	0%	2%	TBD
LIUNA	0%	0%	2%	2%	TBD
AFSCME	0%	0%	0%	1.5%	TBD
M&C	0%	0%	0%	2%	TBD
PEA	0%	0%	0%	3%	TBD
Appointed[3]	0%	0%	0%	0% - 6%, avg 2%	Market

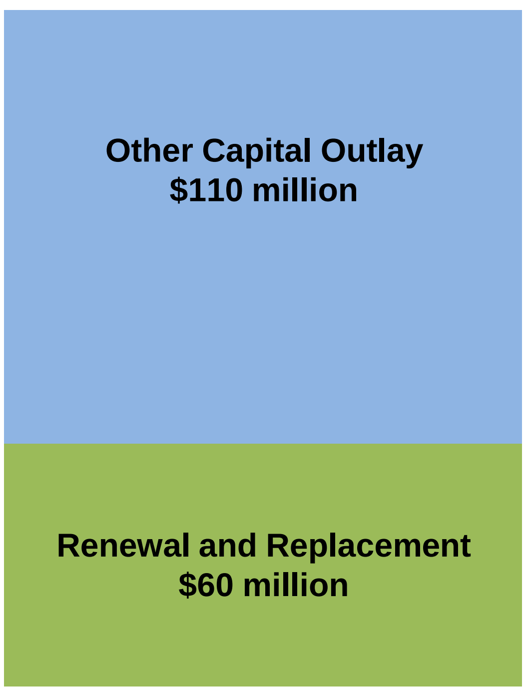
[1] Total JEA for both Electric and Water and Sewer Systems
[2] Collective Bargaining negotiations for current contract in progress
[3] Adjustments per market study

Electric System: Capital Funding

FY2017 – Electric System Capital Budget: $170 Million

System Maintenance: $149 Million	System Expansion: $21 Million
• Renewal and Replacement	• New or Expanded Generation
• Distribution	• New Transmission lines
• Facilities, Fleet, Technology	• New or Expanded Substations

Source of Capital Funding



Discussion and Analysis

- FY2017 capital funding plan utilizes existing capital cash balances to fund the "long-term eligible funds" qualified projects, resulting in no new debt issuance for FY2017
- FY2016 capital plan budget was $170 million, current forecast is $161 million
- December 2015 rating agency FY2017 capital program was projected to be $169 million

FY2017 Electric System Budget: Debt Service

	FY2015	FY2016		FY2017	
	Actual	Budget	Forecast	Budget	Rating Agency
Debt Service – Principal	$95.0	$89.8	$96.2	**$90.0**	$90.0
Debt Service – Prepayment	65.8	---	---	**38.6**	---
Debt Service – Interest	104.3	107.3	101.8	**100.9**	100.9
Total (see note below)	$265.1	$197.1	$198.0	**$229.5**	$190.9
Debt Service Coverage	2.6x	2.4x	2.5x	**2.7x**	2.5x
Debt to Asset %	68%	71%	66%	**64%**	64%
Variable Rate Debt %					
Gross	19%	21%	20%	**21%**	21%
Net of Swaps	6%	8%	7%	**7%**	7%
Variable Interest Rate %	0.7%	3.0%	1.8%	**3.0%**	3.0%
Liquidity – days cash	182	172	205	**212**	182

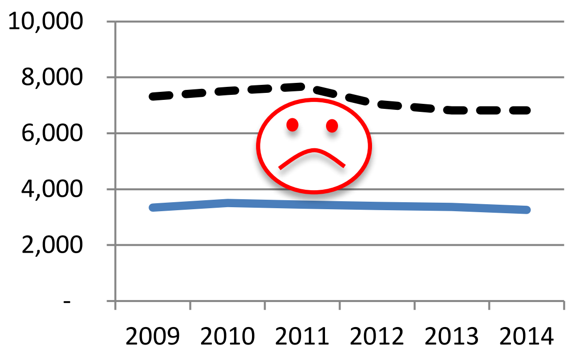
Discussion and Analysis

- Compared to FY2016F, higher FY2017 budgeted debt service is due to increased principal repayment
- JEA's senior lien credit ratings of AA- for S&P, Aa2 for Moody's, and AA for Fitch are stable

Note: Includes scheduled interest and principal payments to bondholders, variable rate financing costs, and swap payments

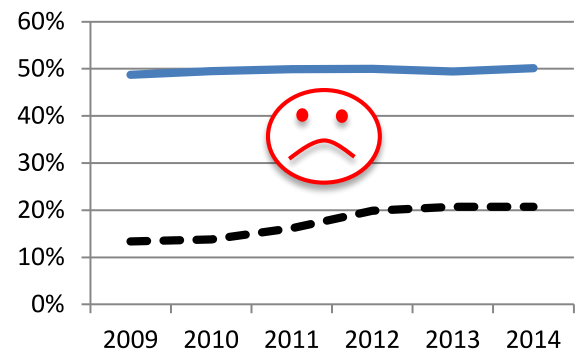
FY2017 Budget: Critical Issues – Financial Health

Debt/Customer (Retail)



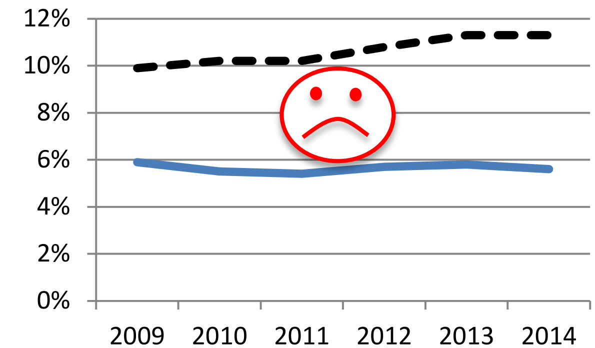
Provides a measure for relative comparison of leverage.

Equity/Capitalization



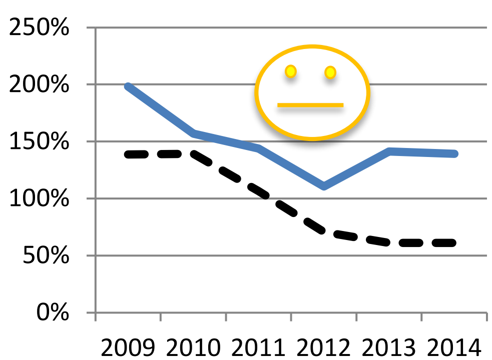
Provides a measure of cost recovery.

Transfer Payments as % of Operating Revenues



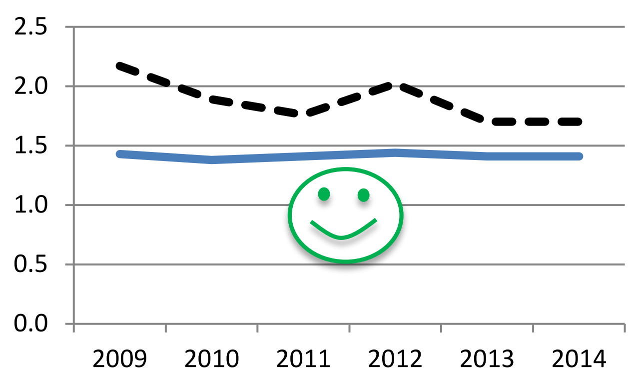
Indicates the degree to which a utility supports city general fund operations.

Capex/Depreciation



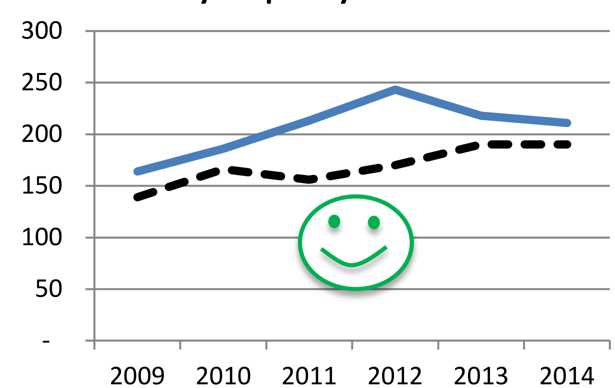
Indicates whether annual capital spending keeps pace with depreciation.

Coverage of Full Obligations



Indicates the margin available to meet current debt service and other fixed obligations.

Days Liquidity on Hand



Indicates financial flexibility, including all available sources of cash and liquidity, relative to expenses.

JEA **AA MEDIAN**

Financial Ratios are from the February 2015 Fitch U.S. Public Power Peer Study. Updated Fitch report expected to be available in late June 2016.

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JEA Budget Summary and Consolidated Schedules

Electric System

Water and Sewer System

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- ✓ Debt Service
- ✓ Financial Metrics and Ratios

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JEA
WATER AND SEWER SYSTEM
OPERATING BUDGET

		FY2017 Budget		FY2016 Budget		Change		FY2016 Forecast
BASE RELATED REVENUES & EXPENSES								
BASE OPERATING REVENUES:								
Base Rate Revenues	$	381,678,122	$	371,123,321	$	10,554,801	$	369,266,864
Environmental Charge Revenue		23,908,290		22,804,950		1,103,340		22,191,721
Other Revenues		11,638,859		14,769,077		(3,130,218)		13,341,960
Total Base Related Revenues	$	417,225,271	$	408,697,348	$	8,527,923	$	404,800,545
BASE OPERATING EXPENSES:								
Operating and Maintenance	$	141,698,943	$	136,320,816	$	5,378,127	$	134,077,130
Environmental CUP - DSM		2,449,584		2,046,800		402,784		1,228,166
Non-Fuel Uncollectibles & PSC Tax		844,390		858,999		(14,608)		738,609
Emergency Contingency		1,000,000		1,000,000		-		1,000,000
Total Base Related Expenses	$	145,992,917	$	140,226,615	$	5,766,302	$	137,043,905
BASE OPERATING INCOME:	**$**	**271,232,354**	**$**	**268,470,733**	**$**	**2,761,621**	**$**	**267,756,640**
NON-OPERATING REVENUE:								
Investment Income		3,152,787		2,759,926		392,861		3,051,698
Capacity Fees		19,000,000		17,000,000		2,000,000		18,636,051
Total Non Operating Revenues	$	22,152,787	$	19,759,926	$	2,392,861	$	21,687,749
NON-OPERATING EXPENSES:								
Debt Service		122,572,849		109,655,149		12,917,701		114,578,639
Total Non Operating Expenses	$	122,572,849	$	109,655,149	$	12,917,701	$	114,578,639
BASE INCOME BEFORE TRANSFERS	**$**	**170,812,292**	**$**	**178,575,510**	**$**	**(7,763,218)**	**$**	**174,865,750**
City Contribution Expense		22,692,030		22,467,356		224,674		22,467,356
Interlocal Payments		-		-		-		3,000,000
Renewal and Replacement Fund		21,324,415		20,825,400		499,015		20,825,400
Operating Capital Outlay		94,937,141		97,524,604		(2,587,462)		97,524,604
Operating Capital Outlay - Environmental		12,858,706		20,758,150		(7,899,444)		12,412,335
Capacity Fees		19,000,000		17,000,000		2,000,000		18,636,055
Contingencies & Working Capital		-		-		-		-
Total Non-Fuel Expenses	$	170,812,292	$	178,575,510	$	(7,763,218)	$	174,865,750
SURPLUS/(DEFICIT)	**$**	**-**	**$**	**-**	**$**	**-**	**$**	**-**
TOTAL REVENUES	**$**	**439,378,058**	**$**	**428,457,274**	**$**	**10,920,784**	**$**	**426,488,294**
TOTAL APPROPRIATIONS	**$**	**439,378,058**	**$**	**428,457,274**	**$**	**10,920,785**	**$**	**426,488,294**
BUDGETED EMPLOYEE POSITIONS		599		599		0		599
BUDGETED TEMPORARY HOURS		20,800		41,600		(20,800)		41,600

JEA
WATER AND SEWER SYSTEM
CAPITAL BUDGET

	FY2017 Budget		FY2016 Budget		Change		FY2016 Forecast
CAPITAL FUNDS:							
Renewal & Replacement Deposits	$	21,324,415	$	20,825,400	$	499,015	$ 20,825,400
Operating Capital Outlay		94,937,141		97,524,604		(2,587,463)	97,524,604
Environmental Capital Outlay		12,858,706		20,758,150		(7,899,444)	10,824,382
Capacity Fees		19,000,000		17,000,000		2,000,000	18,636,055
Debt Proceeds		-		-		-	
Construction Fund Investment Income		-		-		-	
Other Proceeds		77,379,738		38,891,846		38,487,892	15,538,438
Total Capital Funds	$	225,500,000	$	195,000,000	$	30,500,000	$ 163,348,879
CAPITAL PROJECTS:							
Water Projects		60,238,000		67,128,000		(6,890,000)	74,761,378
Sewer Projects		127,854,000		105,644,000		22,210,000	84,206,027
Other Projects		37,408,000		22,228,000		15,180,000	4,381,474
Total Capital Projects	$	225,500,000	$	195,000,000	$	30,500,000	$ 163,348,879

Operating Variance Analysis ($ millions)	Budget FY2017	Budget FY2016	Change	Percent Chg
kGal Sales	36,750	34,650	2,100	6.1%
Base Rate Revenues[1]	$381.68	$371.12	$10.56	2.8%
Operating and Maintenance (See O&M Schedule)	$141.70	$136.32	($5.38)	-3.9%
Debt Service[2]	$122.57	$109.66	($12.91)	-11.8%
Renewal & Replacement[3]	$21.32	$20.83	($0.49)	-2.3%
Operating Capital Outlay[4]	$94.94	$97.52	$2.58	2.6%
Capacity Fees[5]	$19.00	$17.00	$2.00	11.8%
Capital Budget Variance Analysis ($ millions)				
Capital Funds[6]	$225.50	$195.00	$30.50	15.6%
Capital Projects[6]	$225.50	$195.00	$30.50	15.6%

(1) 4.8% increase in total system sales
(2) FY2017 Debt Service increase reflects higher P&I payments.
(3) FY17 R&R is based upon forecasted FY16 total revenues
(4) OCO is based on forecasted projected FY16 revenues
(5) Adjusted to recent trends
(6) Includes management budget of $205m plus 10% contingency

Water and Sewer System Capital Budget

Budget Line Items (000's Omitted)	FY2017B	FY2016B	FY2016F
Water Treatment	$27,626	$32,951	$20,889
Water Distribution	32,612	34,177	32,439
Sewer Collection	33,476	43,000	36,291
Sewage Pump Stations	26,673	14,624	12,565
Wastewater Treatment	67,705	40,839	35,350
Reclaimed Water Distribution	12,936	7,181	4,381
Other Capital Projects	24,472	22,228	21,433
Total	**$225,500**	**$195,000**	**$163,348**

Note: Detailed FY2017 project list is included in the CIP Schedules within the Supplemental section

FY2017 Water and Sewer System Budget: Operating Expenses

($ in millions)	FY2016 Budget[1]	--------------FY2017------------ Budget[1]	Rating Agency
Salaries & Benefits	$64.0*	$67.8*	
Other Services	24.8	25.2	
Material & Supplies	12.6	13.2	
Shared Services	48.1	49.1	
Other	3.4	3.4	
Credits - Capitalization	(16.1)	(16.5)	
Credits – Fuel Handling	(0.5)	(0.5)	
Total	$136.3	$141.7	$139.7

4.0%

Key Strategic Issues Included in Budget

FY2016		FY2017	
Total Water Resource Plan	$1.0	Total Water Resource Plan	$1.0
Succession Planning Staffing Risks	0.5	Succession Planning Staffing Risks	1.0
Net Pension Increase	0.6	Net Pension Increase	1.4
Compensation	*	Compensation	*
Total	**$2.1**	**Total**	**$3.4**

[1]Excludes Customer Benefit and Environmental

JEA

FY2017 Water and Sewer System Budget: Operating Expenses

Discussion and Analysis

- FY2017 Salaries and Benefits budget includes step increases for applicable bargaining unit employees, market adjustments for appointed employees, and an increase in pension rate from 33.5% of salaries to 37.1% of salaries
- FY2017 Other Services and Materials budget is projected to increase by $1.0 million
- FY2017 Shared Services are estimated to be $49.1 million
- FY2017 Credits for Capitalization are estimated to be $17.0 million
- FY2017 Environmental Charge total budget of $23.9 million, $2.4 million in operating expenditures and $21.5 million transfer to operating capital outlay
- Salary increases consistent with page 13:

Current JEA[1] Salary Adjustment Summary					
	Annual % Gen. Increase – Prior Period				Gen. Increase – Current Contract[2]
Unit	FY13	FY14	FY15	FY16	FY17
IBEW	0%	0%	3%	2%	TBD
JSA	0%	0%	0%	2%	TBD
LIUNA	0%	0%	2%	2%	TBD
AFSCME	0%	0%	0%	1.5%	TBD
M&C	0%	0%	0%	2%	TBD
PEA	0%	0%	0%	3%	TBD
Appointed[3]	0%	0%	0%	0% - 6%, avg 2%	Market

[1] Total JEA for both Electric and Water and Sewer Systems
[2] Collective Bargaining negotiations for current contract in progress
[3] Adjustments per market study

Water and Sewer System: Capital Funding

FY2017 – Water and Sewer System Capital Budget: $225 Million

Environmental: $18 Million

- BMAP[1]/ TMDL[2]/ Reclaim
- Total Water Management Plan
- Major Environmental Initiatives
- Support COJ Septic Tank Phase-Out

[1]Basin Management Action Plan
[2]Total Maximum Daily Limit of Nitrogen

System Maintenance: $117 Million

- Renewal and Replacement
- Distribution
- Facilities, Fleet, Technology

System Expansion: $90 Million

- New or Expanded Treatment
- New Transmission lines
- New or Expanded Master Pump Stations

Source of Capital Funding

Environmental $18 million*
Renewal & Replacement $21 million
Carryover Internal Funds $72 million
Other Capital Outlay $114 million

* $13 million from current year revenues and $5 million from the rate stabilization fund

Discussion and Analysis

- FY2017 capital funding plan utilizes existing capital cash balances to fund the "long-term eligible funds" qualified projects, resulting in no new debt issuance for FY2017
- FY2016 capital plan budget was $175 million, current forecast is $163 million
- December 2015 rating agency FY2017 capital program was projected to be $205 million

FY2017 Water and Sewer System Budget: Debt Service

	FY2015	-----------FY2016-----------		-------------FY2017-----------	
	Actual	Budget	Forecast	Budget	Rating Agency
Debt Service - Principal	$36.2	$33.9	$33.9	**$51.0**	$ 51.0
Debt Service - Prepayment	73.7	---	10.3	**---**	---
Debt Service - Interest	72.0	75.8	70.4	**71.6**	71.5
Total (see note below)	$181.9	$109.7	$114.6	**$122.6**	$122.5
Debt Service Coverage	2.8x	2.7x	2.7x	**2.6x**	2.2x
Debt to Asset %	55%	53%	53%	**50%**	50%
Variable Rate Debt %					
Gross	17%	17%	17%	**18%**	18%
Net of Swaps	10%	9%	10%	**10%**	10%
Variable Interest Rate %	0.7%	3.0%	1.8%	**3.0%**	3.0%
Liquidity – days cash	149	109	155	**150**	138

Discussion and Analysis

- Compared to FY2016F, higher FY2017 budgeted debt service is due to increased principal repayment
- Debt to Asset and Liquidity metrics are expected to remain within current targeted objectives
- JEA credit ratings of AAA for S&P, Aa2 for Moody's, and AA for Fitch are stable

Note: Includes scheduled interest and principal payments to bondholders, variable rate financing costs, swap payments, and Revolving Credit Agreement payments

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DISTRICT ENERGY SYSTEM
OPERATING BUDGET

	FY2017 Budget	FY2016 Budget	Change	FY2016 Forecast
BASE RELATED REVENUES & EXPENSES				
BASE OPERATING REVENUES:				
Base Rate Revenues	$ 9,247,921	$ 9,089,118	$ 158,803	$ 8,675,491
Total Base Related Revenues	$ 9,247,921	$ 9,089,118	$ 158,803	$ 8,675,491
BASE OPERATING EXPENSES:				
Operating and Maintenance	$ 5,252,918	$ 5,175,137	$ (77,781)	$ 5,124,471
Total Base Related Expenses	$ 5,252,918	$ 5,175,137	$ (77,781)	$ 5,124,471
BASE OPERATING INCOME:	**$ 3,995,003**	**$ 3,913,981**	**$ 81,022**	**$ 3,551,020**
NON-OPERATING EXPENSES:				
Debt Service	3,022,454	3,023,980	1,526	3,023,980
Total Non Operating Expenses	$ 3,022,454	$ 3,023,980	$ 1,526	$ 3,023,980
BASE INCOME BEFORE TRANSFERS	**$ 972,549**	**$ 890,001**	**$ 82,548**	**$ 527,040**
City Contribution Expense	-	-	-	-
Renewal and Replacement Fund	433,635	457,185	23,550	448,167
Operating Capital Outlay	538,914	432,816	(106,098)	78,873
Total Non-Fuel Expenses	$ 972,549	$ 890,001	$ (82,548)	$ 527,040
SURPLUS/(DEFICIT)	**$ -**	**$ -**	**$ -**	**$ -**
TOTAL REVENUES	**$ 9,247,921**	**$ 9,089,118**	**$ 158,803**	**$ 8,675,491**
TOTAL APPROPRIATIONS	**$ 9,247,921**	**$ 9,089,118**	**$ 158,803**	**$ 8,675,491**
BUDGETED EMPLOYEE POSITIONS	5	5	0	5
BUDGETED TEMPORARY HOURS	0	0	0	0

JEA
DISTRICT ENERGY SYSTEM
CAPITAL BUDGET

	FY2017 Budget	FY2016 Budget	Change	FY2016 Forecast
CAPITAL FUNDS:				
Renewal & Replacement Deposits	$ 433,635	$ 457,185	$ (23,550)	$ 448,167
Operating Capital Outlay	538,914	432,816	106,098	78,873
Construction Fund Investment Income		-	-	-
Other Proceeds	2,098,451	2,766,999	(668,548)	1,974,352
Total Capital Funds	$ 3,071,000	$ 3,657,000	$ (586,000)	$ 2,501,392
CAPITAL PROJECTS:				
District Energy Projects	3,071,000	3,657,000	(586,000)	2,501,392
Total Capital Projects	$ 3,071,000	$ 3,657,000	$ (586,000)	$ 2,501,392

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($ in thousands)	FY2015 Ending Balance	Forecast FY2016 Deposits	Forecast FY2016 Withdrawals	Forecast FY2016 Ending Balance	Budget FY2017 Deposits	Budget FY2017 Withdrawals	Budget FY2017 Ending Balance
Electric System							
DSM/Conservation	$ 2,886	$ 6,833	$ (6,840)	$ 2,879	$ 7,510	$ (8,117)	$ 2,272
Debt Management	42,126	-	-	42,126	-	-	42,126
Environmental	23,430	7,432	(1,353)	29,509	7,942	(2,077)	35,374
Fuel[1]	150,742	90,015	(56,608)	184,149	41,365	-	225,514
Purchased Power	38,000	-	(3,598)	34,402	-	(9,232)	25,170
Self Funded Health Plan	10,937	34,341	(35,451)	9,827	36,441	(36,671)	9,597
Water & Sewer System							
Debt Management	$ 20,290	$ -	$ -	$ 20,290	$ -	$ -	$ 20,290
Environmental[2]	-	22,344	(22,344)	-	23,908	23,908	-

Notes

[1] If fuel prices continue to be lower than the fuel rate, staff will evaluate the Fuel Stabilization balances and current market price volatility and will recommend to the Board an action to bring the fund in line with the Pricing Policy

[2] Includes $17.9 million in Environmental capital projects and $8.6 million in funds repaid to the Water and Sewer system R&R fund.

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Finance and Audit Committee Action

- Provide feedback and direction regarding the key issues for the FY2017 Budget specifically covering:
  - Revenue
  - O&M Expense Levels
  - Interest Rates and Debt Structure
  - Financial Metrics
- Provide feedback and direction for staff to present the Proposed Budget to the full Board

Staff

- Prepare Draft Final Budget, agenda items for the June Board Meeting
- Prepare budget package for approval at the June Board meeting
- Communicate with the Council Auditor
- Begin communication plan for other key stakeholders

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Total JEA Labor Costs

Budget FY2017 labor costs, Baseline Payroll Expense, are projected to be 7% above FY2008

($ in millions)	FY2008	FY2011	FY2012	FY2013	FY2014	FY2015	Budget FY2016	Budget FY2017	Budget FY2017 vs FY2008
Payroll Expense	$159.9	$151.8	$153.5	$154.6	$155.2	$161.8	$166.4	$171.1	7.0%
Benefits	29.7	28.8	33.3	32.2	26.0	37.7	31.0	34.8	17.2%
Subtotal	$189.6	$180.6	$186.8	$186.8	$181.2	$199.5	$197.4	$205.9	8.6%
Pension	14.4	18.4	23.4	28.4	35.7	41.6	48.5	54.6	279.2%
Total	$204.0	$199.0	$210.2	$215.2	$216.9	$241.1	$245.9	$260.5	27.7%

Discussion and Analysis

- By operating with multiple years of no general wage or salary increases, reducing overtime, temporary and contract workforce, as well as tightly controlling new replacement employees, base payroll expense for FY2017 will be 7.0% above FY2008 levels
- The current 33.5% pension payment is expected to be 37.1% for FY2017

Notes
1) Labor costs include salary, wages, temporary and contract, as well as benefits for the Electric, Water and DES systems
2) Does not include Succession Planning of $4.9 million in FY2011 and FY2012; $4.1 million in FY2013; $3.1million FY2014, FY2015, FY2016; and $3.6 million FY2017

Preliminary FY2017 Budget: FY2017 Electric System Fuel and Purchase Power Expense

	Costs				Units Produced				Cost Per Unit		
	FY 17 Budget	FY 16 Budget	FY 16 Budget vs Budget Variance	% Change	FY 17 Budget	FY 16 Budget	FY 16 Budget vs Budget Variance	% Change	FY 17 Budget $/MWH	FY 16 Budget $/MWH	% Change
	($ in millions)				(MWh's in millions)						
Solid Fuel											
SJRPP	$ 95.0	$ 114.0			2.64	3.21	(0.57)		$ 35.99	$ 35.50	1.4%
Scherer	34.3	34.7			1.24	1.29	(0.04)		27.55	26.91	2.4%
NS 1 & 2	78.3	78.8			4.04	2.90	(1.13)		19.39	27.13	-28.5%
Subtotal	207.6	227.5	$ (19.9)	-8.7%	7.92	7.40	0.52	7.0%	26.21	30.72	-14.7%
Gas and Oil											
Gas	123.7	133.4			4.95	4.67	0.28		24.99	28.58	-12.6%
Oil	1.5	1.1			0.01	0.01	0.00		196.80	189.44	3.9%
Diesel	0.5	5.8			0.00	0.03	(0.03)		140.46	182.11	-22.9%
Subtotal	125.7	140.4	(14.7)	-10.5%	4.96	4.71	0.25	5.4%	25.34	29.83	-15.1%
Other Purchases	35.5	55.9			0.82	1.15	(0.33)	-28.8%	43.15	48.48	-11.0%
Off System Sales	(3.8)	(3.6)			(0.18)	(0.14)	(0.04)	31.7%	20.50	26.16	-21.7%
By-Product Exp	20.3	23.7							5.02	8.18	-38.6%
TEA Equity	(5.5)	(6.7)									
Other Expense	51.3	46.8									
Reserve Adjustment	41.8	26.4									
Rate Discount	5.6	6.3									
Total	$ 478.5	$ 516.7	$ (38.2)	-7.4%	13.52	13.12	0.40	3.0%	$ 35.39	$ 39.36	-10.1%
MWH Sales	13.02	12.60	0.4	3.3%							
$ per MWH Sold	$ 36.75	$ 41.00	$ (4.25)	-10.4%							
Fuel Rate	**$ 36.75**	**$ 41.00**	$ (4.25)	-10.4%							

Discussion and Analysis

- FY2017 natural gas prices are based upon current industry projections that are lower than prices used for the FY2016 Budget.
- FY2017 solid fuel prices are projected to fall compared to FY2016 Budget.

Current Year: FY2016 Electric System Fuel and Purchase Power Expense

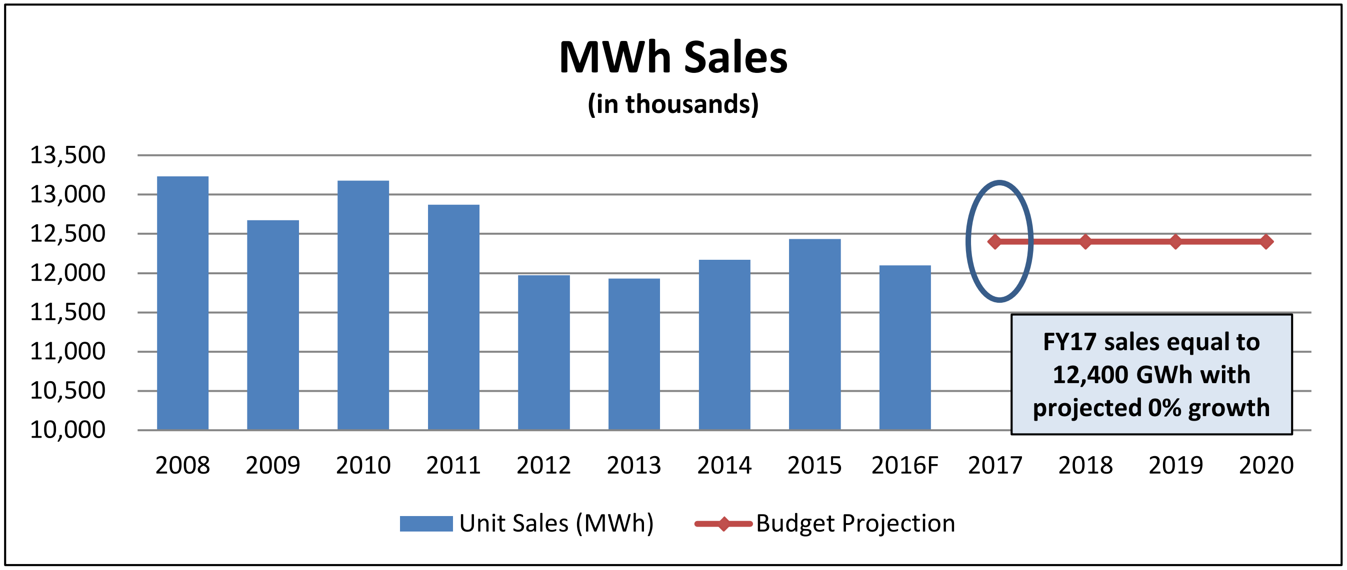
	Costs				Units Produced				Cost Per Unit		
	FY 16 Forecast @ 4/5/16	FY 16 Budget	FY 16 Forecast vs Budget Variance	% Change	FY 16 Forecast @ 4/5/16	FY 16 Budget	FY 16 Forecast vs Budget Variance	% Change	FY 16 Forecast $/MWH	FY 16 Budget $/MWH	% Change
		($ in millions)				(MWh's in millions)					
Solid Fuel											
SJRPP	$ 77.9	$ 114.0			2.06	3.21	(1.15)		$ 37.78	35.50	6.4%
Scherer	25.0	34.7			0.92	1.29	(0.37)		27.30	26.91	1.4%
NS 1 & 2	70.7	78.8			3.57	2.90	0.67		19.82	27.13	-26.9%
Subtotal	173.6	227.5	$ (53.8)	-23.7%	6.55	7.40	(0.85)	-11.4%	26.52	30.72	-13.7%
Gas and Oil											
Gas	103.3	133.4			4.97	4.67	0.30		20.78	28.58	-27.3%
Oil	2.7	1.1			0.01	0.01	0.00		188.99	189.44	-0.2%
Diesel	0.2	5.8			0.00	0.03	(0.03)		230.39	182.11	26.5%
Subtotal	106.2	140.4	(34.2)	-24.3%	4.98	4.71	0.27	5.8%	21.34	29.83	-28.5%
Other Purchases	37.7	55.9			1.18	1.15	0.03	2.8%	32.03	48.48	-33.9%
Off System Sales	(1.6)	(3.6)			(0.08)	(0.14)	0.06	-43.7%	20.78	26.16	-20.6%
By-Product Exp	21.2	23.7							5.95	8.18	-27.2%
TEA Equity	(2.9)	(6.7)									
Other Expense	43.4	46.8									
Reserve Adjustment*		26.4									
Rate Discount	4.9	6.3									
Total	$ 382.5	$ 516.7	$ (134.1)	-26.0%	12.63	13.12	(0.49)	-3.8%	$ 30.28	$ 39.36	-23.1%
MWH Sales	12.16	12.60	(0.4)	-3.5%							
$ per MWH Sold	$ 31.46	$ 41.00	$ (9.5)	-23.3%							
Fuel Rate	$ 31.46	$ 41.00									

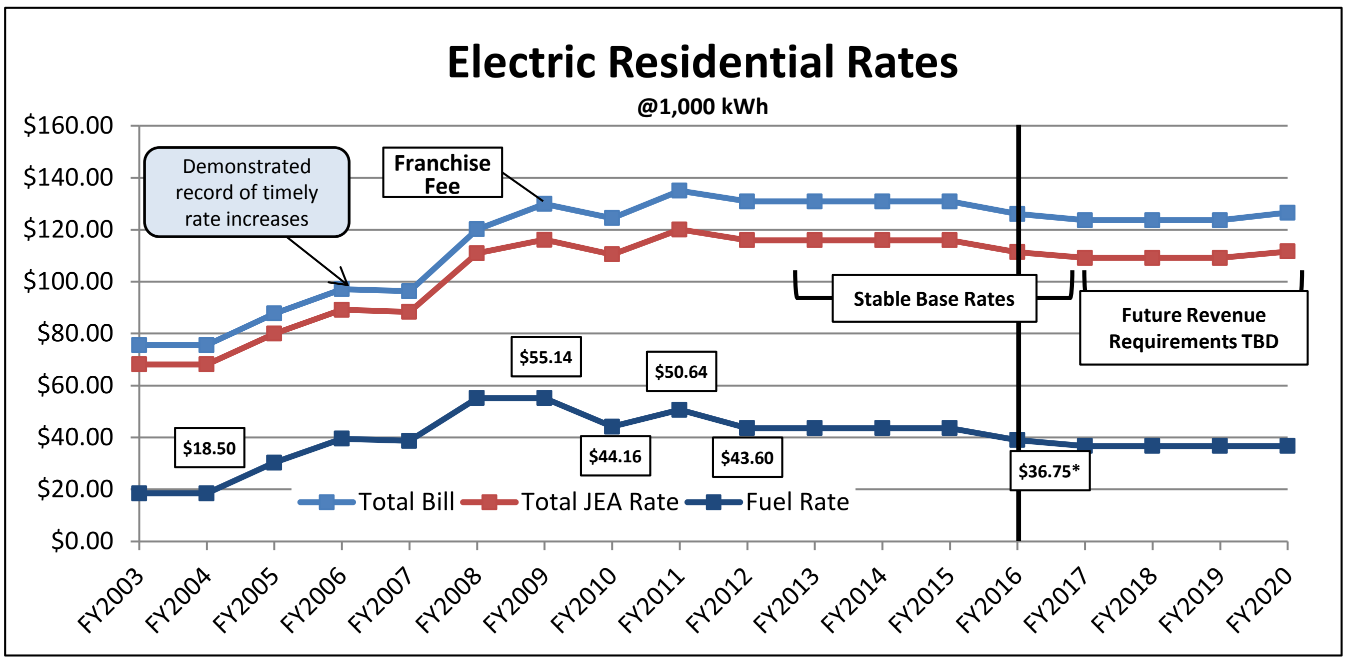
Discussion and Analysis

- FY2016 Fuel and Purchased Power expense is projected to be $134.1 million lower than budgeted. This variance is due to weather impacted lower unit MWh sales and production units ($18.1M), and lower than budgeted fuel cost ($116.0M).
- The FY2016 forecasted fuel reserve is expected to be 29% of highest 12-month fuel cost.
- FY2017 variable fuel rate decreased by $4.25 to $36.75 based on Fuel and Purchased Power expenses.

* Reserve contribution of $33.4 million omitted to calculate true fuel cost per MWh

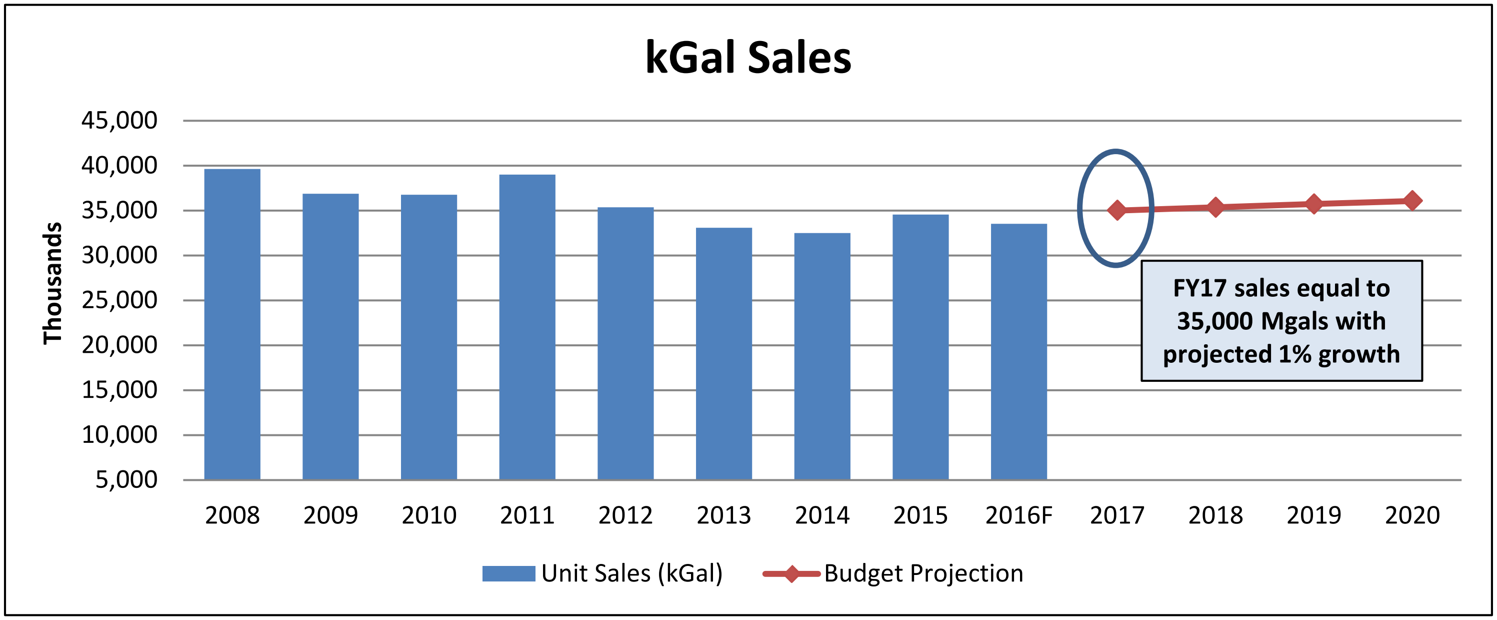
FY2017 Electric System Budget: Revenue Drivers

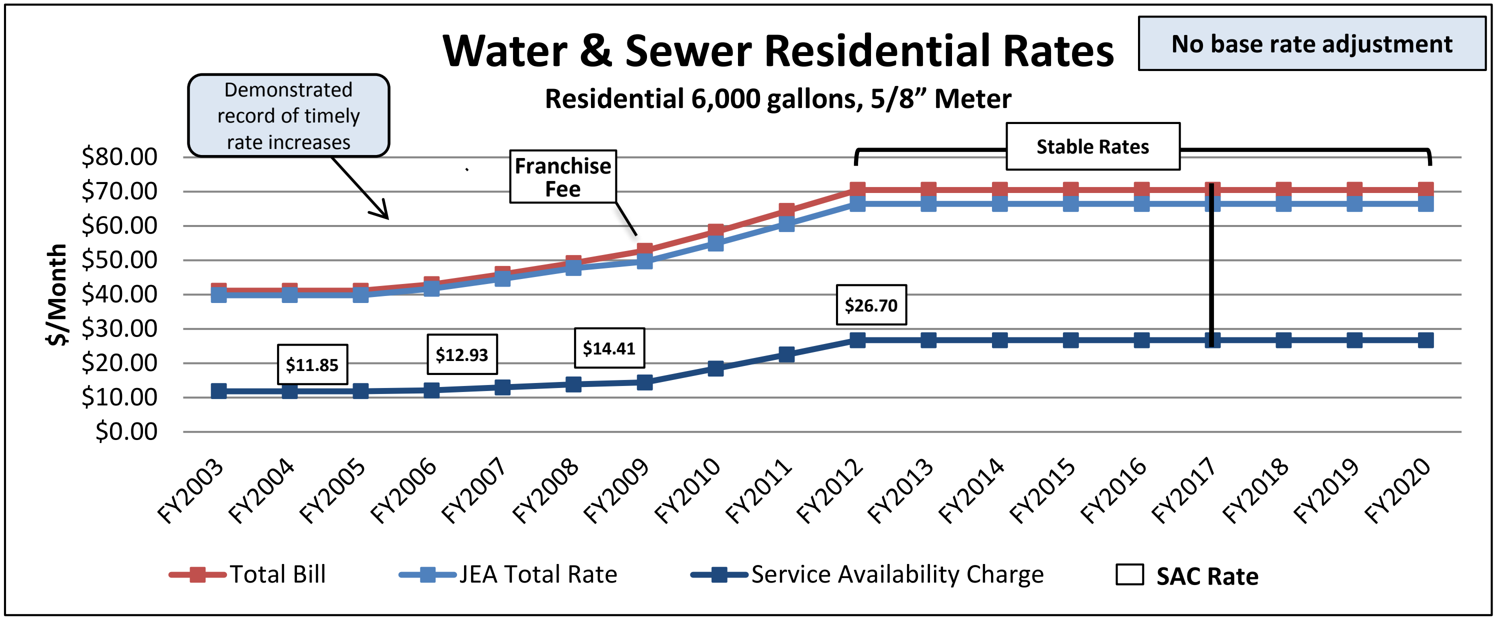




* Board approved a decrease in the Variable Fuel Rate to $36.75/MWh effective Feb-2016.

FY2017 Water and Sewer System Budget: Revenue Drivers





FY2017 Budget: Electric System Capital Improvement Plan

(in thousands)	Proposed					
	FY17	FY18	FY19	FY20	FY21	FY17-21
Project Description	TOTAL	TOTAL	TOTAL	TOTAL	TOTAL	TOTAL
EXPANDED GENERATION CAPACITY SUBTOTAL	**0**	**0**	**0**	**0**	**0**	**0**
ELECTRIC SYSTEM GENERATION PROJECTS						
Greenland Energy Center Diesel Fuel Oil Tanks Installation	6,360	0	0	0	0	6,360
Northside Units 1, 2, and 3 Capital Improvement Projects	6,000	6,000	6,000	6,000	6,000	30,000
Brandy Branch Combustion Turbine 1- Hot Gas Path Inspection #2	5,550	0	0	0	0	5,550
Northside Generating Station - Discharge Basin - Wall - Phase 2	3,027	0	0	0	0	3,027
Steam Plant General Capital Improvements	2,000	2,000	2,000	2,000	2,000	10,000
Brandy Branch - Greenland Energy Center - General Capital Improvements	2,000	2,000	2,000	2,000	2,000	10,000
Northside Generating Station - Controller Replacement	1,662	0	0	0	0	1,662
Brandy Branch-Recovery Steam Generator 2 - Selective Catalytic Reduction	1,450	0	0	0	0	1,450
Brandy Branch-Recovery Steam Generator 3 - Selective Catalytic Reduction	1,450	0	0	0	0	1,450
Brandy Branch - Low Voltage Ride Through System Installation	934	0	0	0	0	934
Northside - Units N33, N34, N35, N36 - Major Inspection Parts	750	0	0	0	0	750
Brandy Branch - Heat Recovery Steam Generator - Seal Replacement	560	0	0	0	0	560
Northside Generating Station - Tank 4 Demolition	499	0	0	0	0	499
Northside Units 1 and 2 - Distributed Control System - Replacement	359	359	360	0	0	1,078
Northside - Ash Silos 1 and 2 - Slurry Pump and Piping Replacement	317	563	553	0	0	1,433
Kennedy Combustion Turbine 7 - Hot Gas Path Inspection #3	250	5,182	0	0	0	5,432
Northside Generating Station - 1 and 2 Flyash Diverter Valves	115	0	0	0	0	115
Brandy Branch - Units 52 and 53 - Selective Catalytic Replacement	57	882	0	0	0	939
Potential Gas Line Capacity Upgrades	0	1,500	3,000	0	0	4,500
Brandy Branch Combustion Turbine 2 - Hot Gas Path Inspection #5	0	0	5,568	0	0	5,568
Brandy Branch Combustion Turbine 3 - Hot Gas Path Inspection #5	0	0	5,568	0	0	5,568
Kennedy Combustion Turbine 8 - Hot Gas Path Inspection #1	0	0	0	5,568	0	5,568
Brandy Branch Combustion Turbine 2 - Hot Gas Path Inspection #6	0	0	0	0	250	250
Brandy Branch Combustion Turbine 3 - Hot Gas Path Inspection #6	0	0	0	0	250	250
ELECTRIC SYSTEM GENERATION PROJECTS SUBTOTAL	**33,340**	**18,486**	**25,049**	**15,568**	**10,500**	**102,943**
ELECTRIC SYSTEM DISTRIBUTION						
New Electric Service Additions	7,300	7,600	8,000	8,500	7,500	38,900
Electric Distribution Maintenance Capital Upgrades	7,000	7,000	7,000	7,000	7,000	35,000
CEMI-5 Electric Distribution Betterment	6,000	3,000	2,000	2,000	2,000	15,000
Development Driven Projects	5,000	5,000	5,000	5,000	5,000	25,000
13kV Electric Distribution Network Improvements	5,000	5,000	0	0	0	10,000
Electric Meter Replacement	4,728	4,553	4,320	4,398	4,477	22,476
Joint Participation Electric Relocation Projects	2,000	2,000	2,000	2,000	2,000	10,000
Electric Meter Growth	1,591	1,620	1,650	1,679	1,709	8,249

FY2017 Budget: Electric System Capital Improvement Plan

(in thousands)	Proposed					
	FY17	FY18	FY19	FY20	FY21	FY17-21
Project Description	**TOTAL**	**TOTAL**	**TOTAL**	**TOTAL**	**TOTAL**	**TOTAL**
General Underground Network and Commercial Repairs and Upgrades	1,500	1,500	1,500	1,500	1,500	7,500
Automatic Recloser Deployment	1,050	1,210	1,210	1,000	1,000	5,470
Pole Replacement Program	1,000	1,000	1,000	1,300	1,300	5,600
Electric Distribution System Improvements	1,000	1,000	1,000	1,000	1,000	5,000
Baldwin 23KV to 26 KV Conversion	717	0	0	0	0	717
Distribution System - Pole Removal	600	600	600	600	600	3,000
Underground Cable Replacement Program - Existing Developments	500	500	500	500	500	2,500
4KV Rehabiltation – Distribution Projects	500	500	500	500	500	2,500
General Distribution Improvements	500	500	500	500	500	2,500
Point Meadows Substation Distribution Feeders	482	0	0	0	0	482
Church Reconductor Phase III - 182, 183, 185, 186 - Forest to Fuller Warren	430	0	0	0	0	430
Ritter Park 429 Reconductor	400	640	71	0	0	1,111
Church - Automated Skyway Service - Move to Church 187 to 188	375	0	0	0	0	375
26KV Reliability - Distribution Feeder Relay System Replacement	350	0	0	0	0	350
26KV Reconductor 417 to 418 - Woodley Rd from New Kings Rd to Old Kings	300	620	0	0	0	920
4KV Conversion - Fairfax and 21st to Hubbard	189	1,446	319	0	0	1,953
Capital Tools and Equipment	125	125	125	125	125	625
Hamilton 311 26KV Reconductor - Ortega Blvd - Verona to Robert Gordon Rd	95	0	0	0	0	95
Capital Tools and Equipment - E1	80	80	80	80	80	400
Electric Customer Service Response Tools and Equipment	54	92	92	92	92	422
Dinsmore Distribution Feeders	51	355	228	0	0	634
Electric Customer Service Response Lateral and Quick Response Work	50	50	50	50	50	250
Blair Rd Solar Center Project	38	0	0	0	0	38
Normandy 361 - Blair Rd to Blair Rd Solar Center - Electric and Fiber	30	0	0	0	0	30
Ortega Substation 26KV Feeds and 4KV Getaways	10	0	0	0	0	10
Nocatee Substation Distribution Feeders	0	0	250	1,500	500	2,250
Cecil Commerce South Distribution	0	0	0	0	300	300
ELECTRIC SYSTEM DISTRIBUTION PROJECTS SUBTOTAL	**49,044**	**45,991**	**37,995**	**39,324**	**37,733**	**210,087**
ELECTRIC SYSTEM SUBSTATION & TRANSMISSION PROJECTS						
Point Meadows 230 to 26KV Substation	8,055	0	0	0	0	8,055
Substation Repair and Rehabilitate Projects	3,000	3,000	3,000	3,000	3,000	15,000
Transmission Repair and Rehabilitate Projects	2,500	2,500	2,500	2,500	2,500	12,500
McDuff 13 to 4KV - Substation Rebuild	1,792	0	0	0	0	1,792
500 KV Transmission Line Upgrades	1,700	1,800	0	0	0	3,500
Southside GIS 69KV Controller Replacement	1,700	0	0	0	0	1,700
Rosselle 26 to 4KV Substation Rebuild	1,593	0	0	0	0	1,593
Substation Repair and Rehabilitate Project - Transformer Replacements	1,400	1,400	1,400	1,400	1,400	7,000
Preliminary Study - Riverside Area Substation Feasibility Review	1,300	0	0	0	0	1,300

FY2017 Budget: Electric System Capital Improvement Plan

(in thousands)	Proposed					
	FY17	FY18	FY19	FY20	FY21	FY17-21
Project Description	TOTAL	TOTAL	TOTAL	TOTAL	TOTAL	TOTAL
Kennedy Substation - 13KV Switchgear Replacement	1,125	2,425	0	0	0	3,550
Transmission Lines Protection and Control Updates - System Protection	1,000	750	750	750	0	3,250
Transmission - Circuits 821 to 822 to 853 Structure Rebuild – Improvements	936	0	0	0	0	936
Dinsmore 230 to 26 kV Substation	860	6,020	3,870	0	0	10,750
Imeson 138 to 26KV Substation Reconfiguration	700	800	0	0	0	1,500
General Substation Improvements	500	500	500	500	500	2,500
230KV / 138KV / 69KV - Pole Refurbishment	500	500	500	500	500	2,500
230KV / 138KV / 69KV - Insulator Refurbishment	500	500	500	500	500	2,500
Transmission Tower Warning Light Systems - Replacement	495	0	0	0	0	495
Kennedy and Dillon HPFF Pipe - Type Cable Pumping Skid Replacements	420	835	0	0	0	1,255
Transmission Circuit 666 - Replace Structures 31, 32, 33, 34, 35 36 and 37	375	1,010	0	0	0	1,385
Ft Caroline Substation Protection Improvement	341	34	0	0	0	375
Lane Ave - T1 Transformer Replacement	330	470	0	0	0	800
General Transmission Improvements	300	300	300	300	300	1,500
General Protection System Improvements Transmission	300	300	300	300	300	1,500
Transmission - Point Meadows 230KV Circuit Interconnect	299	0	0	0	0	299
Imeson 138 to 26kV Substation Reconfiguration - Protection and Control	295	105	0	0	0	400
West Jax Substation Protection Improvement	202	32	0	0	0	234
Southside Gas Insulated Switchgear - 6C1 Capacitor Bank Replacement	190	0	0	0	0	190
Dinsmore 230 to 26KV Substation - System Protection and Controls Project	182	468	0	0	0	650
College Street Substation - 13KV Protection and Arc Flash Upgrade	111	0	0	0	0	111
Dinsmore 230KV Circuit 937 Interconnect	100	200	200	0	0	500
OM - General Transmission Improvements	100	100	100	100	100	500
Energy Management System - Remote Terminal Unit Upgrade Project	100	50	50	50	50	300
Southeast Substation Protection Improvement	23	0	0	0	0	23
Greenland Energy Center to Nocatee 230KV Circuit 911 Addition	0	1,887	1,886	1,386	500	5,659
Greenland Energy Center 230KV Bay and Breaker Addition for Circuit 911	0	400	400	200	0	1,000
Nocatee 230KV Circuit 911 Interconnect	0	100	100	200	100	500
Greenland Energy Center 230KV Circuit 911 Interconnect	0	100	100	200	100	500
Nocatee 230 to 26KV Substation	0	0	4,000	5,000	1,000	10,000
Cecil Commerce South Transmission	0	0	0	0	5,000	5,000
Cecil Commerce South Substation	0	0	0	0	2,000	2,000
West Jax - Autotransformer Addition	0	0	0	0	2,000	2,000
Mayport T3 Addition	0	0	0	0	1,000	1,000
ELECTRIC SYSTEM SUBSTATION & TRANSMISSION SUBTOTAL	**33,324**	**26,586**	**20,456**	**16,886**	**20,850**	**118,102**

FY2017 Budget: Electric System Capital Improvement Plan

(in thousands)	Proposed					
	FY17	FY18	FY19	FY20	FY21	FY17-21
Project Description	**TOTAL**	**TOTAL**	**TOTAL**	**TOTAL**	**TOTAL**	**TOTAL**
ELECTRIC OTHER CAPITAL PROJECTS						
General Administration Office Building	10,000	25,000	16,000	0	0	51,000
Electric Capital Administrative Overhead	10,000	9,000	9,000	9,000	9,000	46,000
Technology Services - Projects	9,802	9,680	9,480	9,480	11,590	50,032
Fleet - Replacement	7,690	6,256	6,257	6,482	6,367	33,052
Streetlight Improvements	5,000	5,000	5,000	5,000	5,000	25,000
Westside Service Center - Administrative and Warehouse Space	3,000	0	0	0	0	3,000
Southside Service Center - Safety Restroom and Door Upgrades	1,380	0	0	0	0	1,380
Security - 69KV Substations Security Enhancements	1,080	0	0	0	0	1,080
Facilities Improvements - Security	620	620	620	620	620	3,100
Westside Service Center - Paving Upgrades	500	130	0	0	0	630
Critical Infrastructure Protection - Version 5 Implementation	500	0	0	0	0	500
Westside and Commonwealth Service Center - Parking Improvements	500	0	0	0	0	500
Byproduct Heavy Duty Equipment	460	0	0	0	0	460
Facilities Improvements - Heating, Ventilation, and Air	430	430	430	430	430	2,150
Facilities Improvements - Building Upgrades	425	425	425	200	200	1,675
Security - Commonwealth Warehouse Sprinkler System	360	0	0	0	0	360
New Operations Center (South)	350	14,700	0	0	0	15,050
Facilities Improvements - Lighting	305	100	100	100	100	705
Enabling Technologies	300	0	0	0	0	300
Security - Northside Generating Station - Access Control System Upgrades	290	0	0	0	0	290
Facilities Improvements - Paving and Site	250	250	250	250	250	1,250
Energy Management System - Base Upgrade Project	250	130	130	130	130	770
Security - Fire System Sprinklers	200	200	200	200	200	1,000
Facilities Improvements - Roof Replacement	150	450	450	450	450	1,950
Facilities Improvements - Plumbing and Fire System Upgrades	135	155	155	100	100	645
Security - Fencing	130	130	130	130	130	650
Laboratory Equipment Upgrades	75	75	75	75	75	375
Utility Locate Group - Capital Equipment	50	50	50	50	50	250
Facilities Improvements - Elevators	50	50	50	50	50	250
Energy Management System - Situational Awareness Mapboard Project	10	0	0	0	0	10
Commonwealth Service Center - Interior and Roof Upgrades	0	0	2,000	0	0	2,000
ELECTRIC OTHER CAPITAL PROJECTS SUBTOTAL	**54,292**	**72,831**	**50,802**	**32,747**	**34,742**	**245,414**
ELECTRIC TOTAL	**169,999**	**163,893**	**134,301**	**104,525**	**103,825**	**676,543**

FY2017 Budget: Water System Capital Improvement Plan

(in thousands)	Proposed					
	FY17	FY18	FY19	FY20	FY21	FY17-21
Project Description	TOTAL	TOTAL	TOTAL	TOTAL	TOTAL	TOTAL
WATER TREATMENT						
Northwest Regional - New 6.0 Million Gallons per Day Water Treatment Plant	7,056	2,000	0	0	0	9,056
West Nassau Regional Water Treatment Plant - Expansion 1.0 to 5.0 MGD	3,550	3,828	0	0	0	7,378
Greenland Water Treatment Plant - Sulfide Removal	3,359	0	0	0	0	3,359
Southeast Water Treatment Plant - High Service Pump and Pump Building	1,899	0	0	0	0	1,899
Well Rehabilitation and Maintenance - McDuff Wells	1,250	1,562	116	0	0	2,928
Well Rehabilitation and Maintenance - Fairfax Wells	1,157	1,013	800	235	0	3,205
Water Plant Capital Renewal and Replacement	1,000	1,000	1,000	1,000	1,000	5,000
Norwood Water Treatment Plant Reservoir Rehabilitation	915	0	0	0	0	915
Main St Water Treatment Plant - Well #15 - New Lower Florida Aquifer Well	858	607	0	0	0	1,465
South Grid Water Quality - Well Improvement	800	800	600	0	0	2,200
Marietta Water Treatment Plant - High Service Pump - Upgrade	800	191	0	0	0	991
Main St Water Treatment Plant - Well #13	651	0	0	0	0	651
RiverTown - New 6.0 Million Gallons per Day Water Treatment Plant	700	2,750	8,550	200	0	12,200
Well Field Repair and Replace	400	700	700	700	700	3,200
Fairfax Water Treatment Plant - High Service Pump Rehabilitation	387	0	0	0	0	387
Otter Run Water Treatment Plant Renewal and Replacement	337	1,441	0	0	0	1,778
McDuff Water Treatment Plant - Aeration Improvements	310	0	0	0	0	310
Arlington Water Treatment Plant - High Service Pump Replacement	300	874	0	0	0	1,174
Water Treatment Plants - Sodium Hypochlorite Storage Tank Upgrades	300	440	440	440	440	2,060
Woodmere Water Treatment Plant - Well #3 and Storage Tank Replacement	277	2,522	351	0	0	3,150
Main St Well #6A - Rehabilitation	277	0	0	0	0	277
Cecil Water Treatment Plant - Ground Storage Tank and High Service Pump	358	1,690	1,540	0	0	3,588
Main St Water Treatment Plant - Well #14 - New Lower Florida Aquifer Well	137	0	0	0	0	137
Ponce de Leon Water Treatment Plant - Building and Reservoir Replacement	125	0	0	0	0	125
Brierwood Water Treatment Plant - Well 4 and 5 Backplugging	125	0	0	0	0	125
Water Treatment Plant Reservoir Repair and Replace	100	100	100	100	100	500
McDuff Water Treatment Plant - High Service Pump Replacement	98	1,810	77	0	0	1,985
Lakeshore Water Treatment Plant - Reservoir Rehabilitation	50	400	2,300	1,000	0	3,750
East 1st St Main St to East 4th St - Raw Water - New	50	300	1,500	500	0	2,350
Alternative Water Supply - Pilot Plant	0	500	2,000	1,500	11,000	15,000
Lofton Oaks Water Treatment Plant Improvements	0	120	700	0	0	820
Greenland Water Treatment Plant - Expansion 6 to 12 Million Gallons per Day	0	50	600	3,250	2,600	6,500
Norwood Water Treatment Plant High Service Pump	0	50	200	1,000	500	1,750
Main St Water Treatment Plant - Ozone Generator - Addition	0	50	45	2,500	0	2,595
Westlake Water Treatment Plant - Expansion 3 to 7 Million Gallons per Day	0	0	320	2,000	4,180	6,500
St Johns Forest Wells	0	0	50	1,000	500	1,550
Main St Water Treatment Plant - Wells 7 and 12 Lining	0	0	50	250	250	550

FY2017 Budget: Water System Capital Improvement Plan

(in thousands)	Proposed					
	FY17	FY18	FY19	FY20	FY21	FY17-21
Project Description	TOTAL	TOTAL	TOTAL	TOTAL	TOTAL	TOTAL
Southeast Water Treatment Plant Ground Storage Tank	0	0	0	50	2,000	2,050
Beacon Hills Ground Storage Tank	0	0	0	50	750	800
Oakridge Water Treatment Plant High Service Pump Expansion	0	0	0	0	50	50
Brierwood Water Treatment Plant High Service Pump Expansion	0	0	0	0	50	50
WATER TREATMENT SUBTOTAL	**27,626**	**24,798**	**22,039**	**15,775**	**24,120**	**114,358**
WATER DISTRIBUTION						0
Residential Network Meter and Module Replacement Project	7,700	0	0	0	0	7,700
OM - Water Delivery System Repair and Replace	4,400	5,500	5,500	5,500	5,500	26,400
JP - FDOT - San Jose Blvd - Cornell Road to San Marco Blvd - W	2,411	179	0	0	0	2,590
Water Meter Growth	2,160	1,992	2,041	2,041	2,010	10,244
Water Meter Replacement	2,100	3,500	3,600	3,700	6,500	19,400
Water Transmission Replacement Program	2,000	5,000	5,000	5,000	5,000	22,000
Joint Participation Projects - W	2,000	2,000	2,000	2,000	2,000	10,000
Large Meter Change - Out Project	1,897	0	0	0	0	1,897
Roosevelt Blvd - Birmingham Gate to Collins Rd - Transmission - New - W	1,312	0	0	0	0	1,312
Integrated Water Supply Testing Evaluation and Rehabilitation (iWATER)	1,000	1,750	2,000	2,000	0	6,750
JP - JTA - Collins Road - W	776	360	0	0	0	1,136
JP - FDOT Beaver Street Water Improvements - Stockton to Ocean - W	538	5	0	0	0	543
Yellow Bluff - Marshland Drive to Tisons Bluff Road - Transmission - New - W	508	1,735	0	0	0	2,243
Main Extensions and Taps – W	500	750	750	750	750	3,500
JP - FDOT - State Road 134 at I295 Intersection Improvements - W	497	0	0	0	0	497
JP - JTA - Alta Drive Roadway Improvements - W	290	1,711	0	0	0	2,001
Nocatee - Snowden Parkway - W	270	0	0	0	0	270
Grid - Cost Participation - New - W	250	250	250	250	250	1,250
JP - JTA - Girvin Road - Atlantic Blvd to Wonderwood Drive - W	240	0	0	0	0	240
Nocatee - Crosswater to Pod Entrance - W	235	0	0	0	0	235
Rivertown - Main Stream Crossing - W	200	0	0	0	0	200
Ponte Vedra - Pablo Rd - Pablo Dr - San Juan Dr to Pablo Rd - Transmission	197	0	0	0	0	197
Nocatee - Crosswater Pkwy - Coastal Oaks to South Village - W	193	0	0	0	0	193
Rivertown - Homestead - W	185	0	0	0	0	185
Development Driven - RiverTown - Water	100	100	100	100	100	500
Development Driven - Nocatee - Water	100	100	0	0	0	200
JP - FDOT - Pecan Park Rd - I-95 - W	82	0	0	0	0	82
William Burgess - Harts Road to Nevada Ave - Transmission - New - W	67	231	462	0	0	760
JP - FDOT - Beach Blvd and University Blvd Intersection Improvements - W	60	0	0	0	0	60
Beaver Street - Lane Ave to Carnegie Street - Transmission - W	52	193	0	0	0	245
JP - COJ - Lower Eastside Drainage Improvements - Water	50	625	285	0	0	960
Main St Water Treatment Plant - 1st St to Franklin St - Transmission - New	50	594	2,475	781	0	3,900

FY2017 Budget: Water System Capital Improvement Plan

(in thousands)	Proposed					
	FY17	FY18	FY19	FY20	FY21	FY17-21
Project Description	**TOTAL**	**TOTAL**	**TOTAL**	**TOTAL**	**TOTAL**	**TOTAL**
Rivertown - Parcel 13 - Southern Plan of Development - W	39	0	0	0	0	39
JP - FDOT - State Road 200 (A1A) Rubin to O'Neil Scott - Section 3 - W	35	36	36	0	0	107
JP - FDOT - Beaver Street - McDuff Ave to Stockton Street - W	32	0	0	0	0	32
JP - FDOT - Emerson Street - W	31	0	0	0	0	31
JP - FDOT - Kings Road -Cleveland Street to Darrow Road - W	28	0	0	0	0	28
JP - FDOT - State Road 200 (A1A) I-95 to Still Quarters Road - Section 1 - W	11	11	11	2	0	35
JP - FDOT - State Road 9A (I-295) - Managed Lanes - JTB - 9B Extension	11	-29	0	0	0	-18
JP - FDOT - Cassat Ave - Lenox Ave to Blanding Blvd - W	10	1,553	0	0	0	1,563
JP - FDOT - I95 and I295 US17 North Interchange - W	6	2	0	0	0	8
JP - FDOT - 9B - Duval - St Johns County Line to County Road 2209	3	3	4	0	0	10
JP - FDOT - State and Union St - Resurfacing - (I-95 to Main Street) - W	3	0	0	0	0	3
JP - COJ - 11th and 12th Street Connector - Boulevard to Davis - W	0	87	0	0	0	87
103rd Street - Pressure Sustaining Valve - Addition	0	0	2,250	0	0	2,250
Ft. Caroline Road - McCormick Road to Fulton Road - Distribution - New - W	0	0	1,028	0	0	1,028
North Main Street Drive - Setzer Road to Gun Club Rd - Transmission - New	0	0	280	1,100	2,382	3,762
Jones Road - Teague Road to Prichard Road - Transmission - New - W	0	0	250	1,000	2,476	3,726
Fire Hydrant In-Fill	0	0	50	50	50	150
Cisco Dr - Westlake Treatment Plant to Garden St - Transmission - New	0	0	0	220	850	1,070
Trout River Blvd - US1 to Sibald Ave - Transmission - New - W	0	0	0	150	580	730
Pritchard Road - Old Plank Road to Cisco Drive West - Transmission - New	0	0	0	140	540	680
JP - FDOT - A1A - Still Quarters Road to Scott Road - Section 2 - W	-17	0	0	0	0	-17
WATER DISTRIBUTION SUBTOTAL	**32,612**	**28,238**	**28,372**	**24,784**	**28,988**	**142,994**
SEWER COLLECTION						
Alachua 24 inch Force Main - Alachua Pump Station to Wilson Blvd - New	6,594	222	0	0	0	6,816
Trunk Sewer Replacement Program	3,000	9,331	10,000	10,000	10,000	42,331
District 2 - Dunn - Key Haven Blvd - Wingate Rd - Transmission - Force Main	2,892	30	0	0	0	2,922
OM - Sewer Collection System Repair and Replace	2,700	3,000	5,200	5,200	5,200	21,300
Philips Highway - Emerson Street to Spring Park Road - Force Main - S	2,247	0	0	0	0	2,247
OM - Sewer Collection System Trenchless Repair and Replace	2,200	3,200	3,200	3,200	3,200	15,000
Huffman Blvd - Tulip Circle North to St. Johns Bluff Road - Force Main - S	2,177	0	0	0	0	2,177
William Burgess Road - State Road 200 to Harts Road - Transmission - New	2,011	185	0	0	0	2,196
Southwest 30 inch Force Main - Wilson Blvd to Timuquana Road - S	1,135	4,000	4,777	0	0	9,912
District 2 - T-Line to Busch Drive - Transmission - New - Force Main	1,042	4,468	0	0	0	5,510
Joint Participation Projects - S	1,000	2,000	2,000	2,000	2,000	9,000
District 2 - Main Street to Pulaski Road- Transmission - Force Main	834	1,741	0	0	0	2,575
District 2 - Main Street - Sara Drive to Noah Road - Force Main	690	20	0	0	0	710
Development Driven - RiverTown - S	500	500	750	500	500	2,750

FY2017 Budget: Water System Capital Improvement Plan

(in thousands)	Proposed					
	FY17	FY18	FY19	FY20	FY21	FY17-21
Project Description	TOTAL	TOTAL	TOTAL	TOTAL	TOTAL	TOTAL
Grid - Cost Participation - New - FM	500	500	500	500	500	2,500
Ductile Iron FM Replacement - Program - Repair and Replace	400	1,500	1,500	1,500	1,500	6,400
Main Extensions and Taps – S	400	500	500	500	500	2,400
Development Driven - Nocatee - S	300	300	0	0	0	600
Nocatee - Snowden Parkway - S	270	0	0	0	0	270
Nocatee - Crosswater to Pod Entrance - S	260	0	0	0	0	260
JP - FDOT - San Jose Blvd - Cornell Road to San Marco Blvd - S	248	6	0	0	0	254
T - Line - JTB to Town Center Parkway - Transmission - New - FM	230	890	1,975	0	0	3,095
Greenland Energy Center to US-1 - Transmission - FM	225	860	1,915	0	0	3,000
Rivertown - Homestead - S	185	0	0	0	0	185
Lenox Ave - Palisades Dr to Alachua Pump Station - New - FM	180	1,685	0	0	0	1,865
Ponte Vedra - San Juan Dr to Pablo Rd - Transmission - Replace - FM	177	0	0	0	0	177
Nocatee - Crosswater Parkway - Coastal Oaks to South Village - S	174	0	0	0	0	174
JP - JTA - Collins Road - S	153	69	0	0	0	222
JP - JTA - Alta Drive Roadway Improvements - S	114	524	6	0	0	644
JP - JTA - Girvin Road - Atlantic Blvd to Wonderwood Drive - S	105	0	0	0	0	105
JP - FDOT - State Road 134 at I295 Intersection Improvements - S	104	0	0	0	0	104
Air Relief Valves - Repair and Replace	100	100	100	100	100	500
District 2 - Key Haven to Harts Road - S	62	0	0	0	0	62
JP - COJ - Lower Eastside Drainage Improvements - Sewer	50	395	0	0	0	445
Manhole Supervisory Control and Data Acquisition - Repair and Replace	50	50	50	50	50	250
JP - FDOT - State Road 200 (A1A) I-95 to Still Quarters Road - Section 1 - S	50	25	14	2	0	91
South Shores Second Sub-Aqueous FM Crossing	50	0	0	0	0	50
JP - FDOT - State Road 200 (A1A) Rubin to O'Neil Scott - Section 3 - S	30	30	13	0	0	73
JP - FDOT - Pecan Park Road - I-95 - S	29	0	0	0	0	29
Rivertown - Parcel 13 - Southern Plan of Development - S	27	0	0	0	0	27
JP - FDOT - SR 9A (I-295) - Managed Lanes - JTB - 9B Extension - S	10	-29	0	0	0	-19
JP - FDOT - I95 and I295 US17 North Interchange - S	8	3	0	0	0	11
Kings Road - Cleveland Street to Darrow Road - S	4	0	0	0	0	4
JP - FDOT - 9B - Duval - St. Johns County Line to County Road 2209	2	2	3	0	0	7
JP - FDOT - State and Union Street - Resurfacing - (I-95 to Main St) - S	2	0	0	0	0	2
OM - Turberculated Iron Gravity Pipe Repair and Replace	0	500	500	500	500	2,000
5th St West - Imeson Rd to Melson Ave - Transmission - New - FM	0	405	1,500	3,507	0	5,412
JP - COJ - 11th and 12th Street Connector - Boulevard to Davis - S	0	30	0	0	0	30
St Johns Bluff Rd - UNF to Bradley Pump Station - Transmission - New	0	0	300	1,100	2,570	3,970
Deercreek Club Rd - Southside Blvd to Waterton Ln - Distribution - New - FM	0	0	12	144	249	405
T-Line - Brandy Branch to Beaver Street - Distribution - New - FM	0	0	0	360	1,300	1,660
District 2 - New Berlin Rd - Yellow Bluff Rd to Eastport Rd - New - FM	0	0	0	300	1,260	1,560

FY2017 Budget: Water System Capital Improvement Plan

(in thousands)	Proposed					
	FY17	FY18	FY19	FY20	FY21	FY17-21
Project Description	TOTAL	TOTAL	TOTAL	TOTAL	TOTAL	TOTAL
Old Middleburg Rd - Argyle Forest Blvd to Maynard Pl - Trans - New - FM	0	0	0	250	950	1,200
Deerwood Park - Burnt Mill to JTB - Transmission - New - FM	0	0	0	80	310	390
Old Middleburg Road - Maynard Place to Shindler Drive - New - FM	0	0	0	0	935	935
118th St - Kinkaid Rd to Ricker Rd - Transmission - New - FM	0	0	0	0	680	680
US-1 - Twin Creeks Pump Station to Alphons St - Transmission - FM	0	0	0	0	300	300
Reedy Branch Pump Station to Greenland - Transmission - FM	0	0	0	0	300	300
District 2 - Woodley to Key Haven - Transmission - FM	0	0	0	0	190	190
District 2 - Yellow Bluff Rd - New Berlin to Victoria Lakes - Trans - FM	0	0	0	0	177	177
Dunn Ave - Ross Blvd to Wingate Road - Transmission - FM	0	0	0	0	100	100
JP - FDOT - A1A - Still Quarters Rd to Scott Rd - Section 2 - S	-45	0	0	0	0	-45
SEWER COLLECTION SUBTOTAL	**33,476**	**37,042**	**34,815**	**29,793**	**33,371**	**168,497**
SEWAGE PUMP STATIONS						
2304 McMillan - Class III/IV Pump Station	6,828	0	0	0	0	6,828
Bradley Road Pump Station Improvements	5,273	3,481	0	0	0	8,754
Pumping Stations - Capital Equipment Replacement	2,600	2,600	2,600	2,500	2,500	12,800
Argyle Forest Booster Station and Related Stations Upgrades	2,520	1,604	0	0	0	4,124
Pumping Stations - Class 1 and 2 Rehabilitation	2,000	2,000	1,900	1,900	1,900	9,700
Supervisory Control and Data Acquisition - RTU and Control Panel Upgrades	1,200	1,200	1,200	1,200	1,200	6,000
834 Bay Street Bar Screens - Class III/IV Pump Stations	1,022	0	0	0	0	1,022
Nocatee - Crosswater to Pod Entrance - Pump Station	950	0	0	0	0	950
Alachua Master Pump Station Improvements	930	598	0	0	0	1,528
4511 Spring Park Road Lift Station	540	1,900	0	0	0	2,440
Rivertown - Homestead - Pump Station	430	0	0	0	0	430
Monterey Wastewater Plant - Pump Station Discharge Main Replacement	391	0	0	0	0	391
District 2 - 3641 Dunn Booster Wastewater Pump Station	364	1,050	0	0	0	1,414
District 2 - Teate Road Booster Wastewater Pump Station	307	858	0	0	0	1,165
Arlington East - 201 Ponte Vedra Blvd Pump Station Replacement - Class I	258	0	0	0	0	258
Southwest - 4881 Timuquana Rd - Class III/IV Pump Station	192	1,724	431	0	0	2,347
Rivertown - Parcel 13 - Southern Plan of Development - Pump Station	158	0	0	0	0	158
Cedar Bay - Supervisory Control and Data Acquisition - Repair and Replace	150	0	0	0	0	150
7696 Lenox Ave - Class III/IV Pump Station	111	1,012	0	0	0	1,123
District 2 - 10800 Key Haven Blvd - Class III/IV Pump Station	109	875	19	0	0	1,003
District 2 - 11308 Harts Road - Class III/IV Pump Station	100	250	485	0	0	835
Waste Water Pumping Station Safety Improvements - Guard Rail Installation	100	100	100	100	100	500
Ponte Vedra Influent Pump Station Replacement	90	0	0	0	0	90
Diesel-Driven Backup Pump - Repair and Replace	50	50	50	50	50	250
Diesel-Driven Backup Pumps - New	0	300	300	300	300	1,200

FY2017 Budget: Water System Capital Improvement Plan

(in thousands)	Proposed					
	FY17	FY18	FY19	FY20	FY21	FY17-21
Project Description	**TOTAL**	**TOTAL**	**TOTAL**	**TOTAL**	**TOTAL**	**TOTAL**
7703 Blanding Blvd - Class III/IV Pump Station	0	139	1,088	0	0	1,227
District 2 - 10800 Keyhaven Pump Station - Site Piping Modifications	0	50	0	0	0	50
1638 Talleyrand Ave - Class III/IV Pump Station	0	0	717	0	0	717
8431 Springtree Road - Class III/IV Pump Station	0	0	38	438	0	476
210 HollyBrook Ave - Class III/IV Pump Station	0	0	0	33	313	346
Class III and IV Pump Station Rehabilitation	0	0	0	0	2,187	2,187
District 2 - 10340 Woodley Pump Station - Pump Modifications	0	0	0	0	100	100
SEWAGE PUMP STATIONS SUBTOTAL	**26,673**	**19,791**	**8,928**	**6,521**	**8,650**	**70,563**
WASTEWATER TREATMENT						
Blacks Ford Reclamation Facility - Expansion from 3 to 6 MGD	37,122	11,893	0	0	0	49,015
Arlington East Secondary Clarifier Addition	10,089	3,000	1,206	0	0	14,295
Mandarin Water Reclamation Facility - High Level Ultraviolet Upgrade	4,186	0	0	0	0	4,186
Ponce De Leon Wastewater Treatment Plant - Package Treatment Plant	2,825	550	0	0	0	3,375
Mandarin WRF - Equalization Storage Tank and Transfer Pump Station	2,202	0	0	0	0	2,202
Wastewater Treatment Facilities - Capital Equipment Replacement	2,000	2,000	2,000	2,000	2,000	10,000
Buckman Aeration System Main Header Replacement	1,795	0	0	0	0	1,795
Southwest WRF - Screening Conveyance and Grit Removal System Remova	1,055	373	0	0	0	1,428
Arlington East Water Reclamation Facility - Influent Channel Rehabilitation	896	0	0	0	0	896
Biosolids Process Renewal and Replacement	800	900	740	740	740	3,920
Buckman Ultraviolet Disinfection System Replacement	780	4,502	1,593	0	0	6,875
Mandarin WRF - Headworks Bar Screen Replacement and Grit System	600	0	0	0	0	600
Buckman WRF - Primary Clarifier Scum Removal System Replacement	363	0	0	0	0	363
Southwest Water Reclamation Facility - Replace Valves	304	86	0	0	0	390
Mandarin Water Reclamation Facility - Bio-Filter Bed Replacement	290	0	0	0	0	290
Nassau Regional Water Reclamation Facility Equalization Tank Addition	262	0	0	0	0	262
Wastewater Odor Control - All Plants and Pump Stations	250	250	250	250	250	1,250
District 2 WTP - Engineering Study, Piping, Tanks, and Pumps	200	263	2,435	0	0	2,898
Buckman WRF - Aeration System Conduit Support Replacement	195	78	0	0	0	273
Buckman Biosolds Reuse Line Replacement	170	0	0	0	0	170
Supervisory Control and Data Acquisition Renewal and Replacement	150	150	150	150	150	750
Southwest Water Reclamation Facility - Upgrade Aeration Blowers	125	591	0	0	0	716
Julington Creek WTF - Influent Structure Rehabilitation	115	1,408	0	0	0	1,523
Southwest Water Reclamation Facility - Replace Main Breakers	112	291	0	0	0	403
Nassau Regional Water Reclamation Facility - Modification	105	955	20	0	0	1,080
Buckman Biosolids - Rebuild	100	500	10,000	10,000	10,000	30,600
Buckman Influent Pump Station MCC Replacement	100	0	0	0	0	100
Buckman - 1636 Talleyrand Ave - Sluice Gate Replacement	78	318	54	0	0	450

FY2017 Budget: Water System Capital Improvement Plan

(in thousands)	Proposed					
	FY17	FY18	FY19	FY20	FY21	FY17-21
Project Description	**TOTAL**	**TOTAL**	**TOTAL**	**TOTAL**	**TOTAL**	**TOTAL**
Mandarin Water Reclamation Facility - Headworks Channels Rehabilitation	63	0	0	0	0	63
Nassau Regional Water Reclamation Facility - Drainage Improvements	60	310	0	0	0	370
Buckman Water Reclamation Facility Turbo Blower Improvements	60	0	0	0	0	60
Buckman Water Reclamation Facility - Gallery Pipe Support Replacement	53	520	0	0	0	573
Greenland Water Reclamation Facility - Land Purchase	50	14,950	0	0	0	15,000
District 2 Effluent Outfall Extension	50	100	1,000	0	0	1,150
Reuse Facility - Capital Equipment Replacement	50	50	50	50	50	250
Monterey Supervisory Control and Data Acquisition Renewal	50	0	0	0	0	50
Blacks Ford and Ponte Vedra Treatment Plant	0	481	1,345	0	0	1,826
Greenland Wastewater Treatment Plant	0	400	0	1,600	2,000	4,000
District 2 Wastewater Treatment Facility Ultraviolet Upgrades	0	300	2,920	3,780	0	7,000
Southwest Wastewater Treatment Facility Expansion from 14 to 18 MGD	0	200	2,000	5,000	10,000	17,200
Southwest Wastewater Treatment Plant - Bio-filter Bed Replacement	0	180	1,620	0	0	1,800
Buckman Water Reclamation Facility - Bio-Nutrient Reduction - Phase 2	0	0	0	3,000	12,500	15,500
T-Line - Park Ave to Pulaski Rd Pump Station - Easement Acquisitions	0	0	0	0	1,000	1,000
Nassau Wastewater Treatment Facility Expansion to 4 MGD	0	0	0	0	200	200
WASTEWATER TREATMENT SUBTOTAL	**67,705**	**45,599**	**27,383**	**26,570**	**38,890**	**206,147**
RECLAIM WATER DISTRIBUTION						
Nocatee North - Reclaim Water Storage Tank - New	2,110	0	0	0	0	2,110
William Burgess Rd - State Road 200 to Harts Rd - Transmission - New - R	1,953	196	0	0	0	2,149
Bartram Park Water Treatment Plant - Reclaim Water - Storage Expansion	1,635	0	0	0	0	1,635
RG Skinner - 9B to Parcels 10A - 11 - R	1,114	0	0	0	0	1,114
RG Skinner - 9B to T-Line - R	1,026	0	0	0	0	1,026
County Road 210 - Old Dixie Highway to Twin Creeks - Transmission - R	750	750	0	0	0	1,500
Gate Parkway - Glen Kernan to T-Line - Transmission - New - R	500	2,895	3,825	1,530	0	8,750
Grid - Cost Participation - New - R	500	500	500	500	500	2,500
Nassau Reclaim Water Main - Radio Ave to Harts Road - Transmission - R	400	840	1,260	0	0	2,500
Nassau Regional WTF Reclaim Water Storage Tank, UV, and Pumps - R	400	711	5,207	0	0	6,318
Arlington East Water Reclamation Facility - Replace Auto-Transfer Switch	339	116	0	0	0	455
Nocatee - Snowden Parkway - R	270	0	0	0	0	270
Nocatee - Crosswater to Pod Entrance - R	235	0	0	0	0	235
Gate Parkway - Shiloh Mill Blvd to Town Center Parkway - R	216	66	0	0	0	282
Nassau - Radio Ave - Storage Tank and Booster Pump Station - R	200	415	2,672	0	0	3,287
Rivertown - Main Stream Crossing - R	200	0	0	0	0	200
Nocatee - Crosswater Parkway - Coastal Oaks to South Village - R	193	0	0	0	0	193
Rivertown - Homestead - R	185	0	0	0	0	185
Tredinick Parkway - Millcoe Road to Mill Creek Road - Transmission - R	150	566	850	0	0	1,566

FY2017 Budget: Water System Capital Improvement Plan

(in thousands)	Proposed					
	FY17	FY18	FY19	FY20	FY21	FY17-21
Project Description	**TOTAL**	**TOTAL**	**TOTAL**	**TOTAL**	**TOTAL**	**TOTAL**
Arlington East Water Reclamation Facility - Biotrickling Filter Rehabilitation	130	570	0	0	0	700
Monument Rd - Cancun Dr to Hidden Hills Ln - Transmission - New - R	100	535	0	0	0	635
JP - JTA - Alta Drive Roadway Improvements - R	75	352	9	0	0	436
St Johns Parkway - Racetrack Rd to Espada Ln - Transmission - New - R	60	196	295	0	0	551
County Road 210 - South Hampton to Ashford Mills - Transmission - R	50	572	0	0	0	622
Development Driven - RiverTown - R	50	50	50	50	50	250
OM - Reuse Delivery Repair and Replace	50	50	50	50	50	250
Rivertown - Parcel 13 - Southern Plan of Development - R	31	0	0	0	0	31
JP - FDOT - 9B - Duval - St Johns County Line to County Road 2209 - R	10	10	11	0	0	31
JP - FDOT - SR 9A (I-295) - Managed Lanes - JTB - 9B Extension - R	4	0	0	0	0	4
Nocatee South Reclaim Water Storage Tank and Booster Pump Station - R	0	300	2,030	2,670	0	5,000
RG Skinner - North Road - Transmission - R	0	300	1,080	1,620	0	3,000
Baymeadows Rd - Point Meadows Rd to Old Still PUD - Transmission - R	0	200	320	480	0	1,000
CR210 - St Johns Pkwy to Leo Maguire Pkwy - Transmission - New - R	0	100	409	614	0	1,123
Station Creek Rd - Beach Blvd to Hunt Club Rd N. - Transmission - New - R	0	50	225	0	0	275
Glen Kernan Pkwy - Kernan Blvd to Royal Troon Ln - Transmission - New	0	50	212	0	0	262
Bartram Trail High School - Longleaf Pine Parkway - Transmission - New - R	0	50	193	0	0	243
T-Line - Amelia Concourse to Amelia National - Transmission - R	0	12	132	510	146	800
US 1 - Greenland WRF to County Road 210 - Transmission - New - R	0	0	300	2,600	3,500	6,400
Twin Creeks Recalim Water Storage Tank and Booster Pump Station - R	0	0	300	1,280	1,920	3,500
CR210 - Twin Creeks to Russell Sampson Rd - Transmission - R	0	0	300	1,080	1,620	3,000
RiverTown WTP - Reclaim Water - New Storage and Pumping System	0	0	200	1,620	2,130	3,950
Greenbriar Rd - Longleaf Pine Pkwy to Spring Haven Dr - Transmission - R	0	0	200	1,320	1,980	3,500
Russell Sampson Rd - St. Johns Pkwy to CR210 - Transmission - R	0	0	200	920	1,380	2,500
Southwest WTF Public Access Reclaim Water System - R	0	0	0	550	5,750	6,300
Southwest WTF to Clay County Utilities - Transmission - R	0	0	0	300	3,400	3,700
Monument Rd - Arlington East WRF to St. Johns Bluff Rd - Trans - New - R	0	0	0	0	300	300
Arlington East WRF - Filter - Increase Capacity from 8 to 10 MGD	0	0	0	0	300	300
Veterans Pkwy - Longleaf Pine Pkwy to CR 210 - Transmission - R	0	0	0	0	300	300
District 2 Wastewater Treatment Facility RIB - Transmission and Pumping	0	0	0	0	300	300
CR210 - Longleaf Pine Pkwy to Ashford Mills Rd - Transmission - R	0	0	0	0	250	250
RECLAIM WATER DISTRIBUTION SUBTOTAL	**12,936**	**10,452**	**20,830**	**17,694**	**23,876**	**85,788**
WATER OTHER CAPITAL PROJECTS						
Technology Services - Projects	5,598	5,870	5,670	5,670	5,810	28,618
Capital Administrative Overhead	4,500	4,500	4,500	4,500	4,500	22,500
Fleet - Replacement	4,394	3,900	3,806	4,067	3,974	20,141
Buckman - New Administration Building	2,225	400	0	0	0	2,625

FY2017 Budget: Water System Capital Improvement Plan

(in thousands)	Proposed					
	FY17	FY18	FY19	FY20	FY21	FY17-21
Project Description	TOTAL	TOTAL	TOTAL	TOTAL	TOTAL	TOTAL
JEA Tower - Building Renovations	1,000	1,000	1,000	1,000	1,000	5,000
Facilities Generators	850	850	850	850	850	4,250
Fleet - Expansion	815	0	0	0	0	815
Pearl Street Service Center - New HVAC and Locker Room Upgrade	650	0	0	0	0	650
Facilities Security - Water	635	635	635	635	635	3,175
Facilities Improvements - Heating, Ventilation, and Air	520	520	400	400	400	2,240
Facilities Improvements - Building Upgrades	480	400	400	400	400	2,080
Facilities Improvements - Roof Replacement	400	400	400	435	435	2,070
Arlington East Exterior Yard Lighting	400	0	0	0	0	400
Facilities Improvements - Electric and Lighting Systems	300	300	400	400	400	1,800
Security - Fire Alarm and Sprinkler Systems	300	300	300	300	300	1,500
Ridenour Administrative Upgrades	300	0	0	0	0	300
Facilities Improvements - Plumbing Upgrades	275	275	250	250	250	1,300
Facilities Improvements - Paving	210	210	210	210	210	1,050
Laboratory Equipment Upgrades	195	100	100	100	100	595
Easement Location and Acquisitions	150	150	150	150	150	750
Facilities Improvements - Elevators	100	150	0	0	0	250
Security - Fencing	100	100	100	100	100	500
Utility Locate Group - Capital Equipment	50	50	50	50	50	250
Disposal of Radio Frequency Meter Interface Units	25	0	0	0	0	25
Buckman Control Building Renovation	0	500	0	0	0	500
Springfield Lab Hood Upgrade	0	400	0	0	0	400
Plaza 1 (Tower) - Restroom and Plumbing Upgrades	0	230	0	0	0	230
WATER OTHER CAPITAL PROJECTS SUBTOTAL	**24,472**	**21,240**	**19,221**	**19,517**	**19,564**	**104,014**
WATER WASTEWATER TOTAL	**225,500**	**187,160**	**161,588**	**140,654**	**177,459**	**892,361**

FY2017 Budget: Environmental Capital Improvement Plan

(in thousands)	Proposed					
	FY17	FY18	FY19	FY20	FY21	FY17-21
Project Description	TOTAL	TOTAL	TOTAL	TOTAL	TOTAL	TOTAL
ENVIRONMENTAL						
Mandarin WRF - Equalization Storage Tank and Transfer Pump Station - New	2,202	0	0	0	0	2,202
Nocatee North - Reclaim Storage Tank - New	2,110	0	0	0	0	2,110
William Burgess Rd - State Road 200 to Harts Rd - Transmission - New - R	1,953	196	0	0	0	2,149
Bartram Park Water Treatment Plant - Reclaim Water - Storage Expansion	1,635	0	0	0	0	1,635
Well Rehabilitation and Maintenance - McDuff Wells	1,250	1,562	116	0	0	2,928
RG Skinner - 9B to Parcels 10A - 11 - R	1,114	0	0	0	0	1,114
RG Skinner - 9B to T-Line - R	1,026	0	0	0	0	1,026
Integrated Water Supply Testing Evaluation and Rehabilitation (iWATER)	1,000	1,750	2,000	2,000	0	6,750
Norwood Water Treatment Plant Reservoir Rehab	915	0	0	0	0	915
South Grid Water Quality - Well Improvement	800	800	600	0	0	2,200
CR210 - Old Dixie Hwy to Twin Creeks - Transmission - R	750	750	0	0	0	1,500
Main St Water Treatment Plant - Well #13 - W	651	0	0	0	0	651
Grid - Cost Participation - New - R	500	500	500	500	500	2,500
Fairfax Water Treatment Plant - High Service Pump Rehabilitation	387	0	0	0	0	387
Main St Well #6A - W	277	0	0	0	0	277
Gate Parkway - Shiloh Mill Blvd to Town Center Pkwy - R	216	66	0	0	0	282
Nassau - Radio Av - Reclaim Storage Tank and Booster Pump Station - R	200	415	2,672	0	0	3,287
Nocatee - Crosswater Parkway - Coastal Oaks to South Village - R	193	0	0	0	0	193
Tredinick Pkwy - Millcoe Rd to Mill Creek Rd - Trans - RW	150	566	850	0	0	1,566
Main St Water Treatment Plant - Well #14 - New Lower Florida Aquifer Well - W	137	0	0	0	0	137
Arlington East Water Reclamation Facility - Biotrickling Filter Rehabilitation	130	570	0	0	0	700
Monument Rd - Cancun Dr to Hidden Hills Ln - Transmission - New - R	100	535	0	0	0	635
McDuff Water Treatment Plant - High Service Pump Replacement	98	1,810	77	0	0	1,985
Main St Water Treatment Plant - 1st St to Franklin St - Transmission - New - W	50	594	2,475	781	0	3,900
Development Driven - RiverTown - R	50	50	50	50	50	250
Rivertown - Parcel 13 - Southern Plan of Development - R	31	0	0	0	0	31
JP - FDOT - 9B - Duval - St Johns County Line to CR2209 - R	10	10	11	0	0	31
JP - FDOT - I-295 - Managed Lanes - JTB - 9B Extension - R	4	0	0	0	0	4
Nocatee South Reclaim Storage Tank and Booster Pump Station - R	0	300	2,030	2,670	0	5,000
Baymeadows Rd - Point Meadows Rd to Old Still PUD - Transmission - R	0	200	320	480	0	1,000
US 1 - Greenland Water Reclamation Facility to CR 210 - Transmission - New - R	0	0	300	2,600	3,500	6,400
Twin Creeks Reclaim Storage Tank and Booster Pump Station - R	0	0	300	1,280	1,920	3,500
CR210 - Twin Creeks to Russell Sampson Rd - Transmission - R	0	0	300	1,080	1,620	3,000
RiverTown Water Treatment Plant - Reclaim - New Storage and Pumping System	0	0	200	1,620	2,130	3,950
Buckman Water Reclamation Facility - Bio-Nutrient Reduction - Phase 2	0	0	0	3,000	12,500	15,500
Arlington East Water Reclamation Facility - Increase Capacity from 8 to 10 MGD	0	0	0	0	300	300
ENVIRONMENTAL SUBTOTAL	**17,939**	**10,674**	**12,801**	**16,061**	**22,520**	**79,995**

FY2017 Budget: District Energy System Capital Improvement Plan

(in thousands)	Proposed					
	FY17	FY18	FY19	FY20	FY21	FY17-21
Project Description	**TOTAL**	**TOTAL**	**TOTAL**	**TOTAL**	**TOTAL**	**TOTAL**
Downtown Development	2,000	0	0	0	0	2,000
Facilities Improvements	694	550	658	700	700	3,302
Springfield - Replace Variable Frequency Drives	286	0	0	0	0	286
Springfield - Additional Back-Up Generator	91	874	784	0	0	1,749
Springfield - Replace Chiller - 1	0	0	0	650	0	650
Springfield - Replace Chiller - 4	0	0	0	0	650	650
Hogan's Creek - Building Rehabilitation and Paint	0	0	0	0	300	300
Downtown Plant - Tower Repair and Replace	0	0	0	0	133	133
DES SUBTOTAL	**3,071**	**1,424**	**1,442**	**1,350**	**1,783**	**9,070**

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IV. A. 3.
5/17/2016

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AGENDA ITEM SUMMARY

April 25, 2016

SUBJECT:	**UPDATE ON PROCUREMENT FOR EXTERNAL AUDITOR**

Purpose: ☐ Information Only ☐ Action Required ☒ Advice/Direction

Issue: The current contract with Ernst and Young (E&Y) expires on June 30, 2016. At its meeting on January 19, 2016, the Board approved a one-year extension of the contract with E&Y. The duration of the contract extension will be from July 1, 2016 through June 30, 2017. At its meeting on March 15, 2016, the Board approved the contract extension with the proposed fee schedule. As part of the recommendation for approval of the contract extension, the Finance and Audit Committee stated that staff will evaluate and issue a Request for Proposal (RFP) for independent audit services the next fiscal year.

Significance: The fiduciary responsibilities of JEA and the Board include the engagement of an external auditor.

Effect: Not having a nationally qualified firm in place could leave room for exposure in such a highly regulated environment. JEA is required under its bond resolutions to provide financial statements audited by a "nationally recognized" firm. In addition, JEA's large debt balances place particular importance on producing high-quality audits from a firm with which investors are comfortable.

Cost or Benefit: An update is provided to assist the Finance and Audit Committee in the selection of an audit firm that has the expertise and knowledge to provide the services to meet JEA's needs.

Recommended Board action: Staff requests the Finance and Audit Committee provide direction regarding issuing a Request for Proposal for independent audit services.

For additional information, contact: Janice Nelson

Submitted by: PEM/MHD/JRN

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5/17/2016

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INTER-OFFICE MEMORANDUM
April 25, 2016

SUBJECT:	**UPDATE ON PROCUREMENT FOR EXTERNAL AUDITOR**
FROM:	Paul E. McElroy, Managing Director/CEO
TO:	JEA Finance and Audit Committee
	Kelly Flanagan, Chair Tom Petway Ed Burr Husein Cumber

BACKGROUND:
The current contract with Ernst and Young (E&Y) expires on June 30, 2016. At its meeting on January 19, 2016, the Board approved a one-year extension of the contract with E&Y. The duration of the contract extension will be from July 1, 2016 through June 30, 2017. At its meeting on March 15, 2016, the Board approved the contract extension with the proposed fee schedule. As part of the recommendation for approval of the contract extension, the Finance and Audit Committee stated that staff will evaluate and issue a Request for Proposal (RFP) for independent audit services the next fiscal year.

DISCUSSION:
Attached is a schedule of the audit firms used by other Large Power Public Council (LPPC) members. In the attached schedule, staff has indicated the 2015 Accounting Today ranking for each of the CPA firms based upon total revenues. JEA's various bond resolutions and bank liquidity agreements require that its financial statements be audited by a nationally recognized independent firm of certified public accountants. Nixon Peabody, Bond Counsel, stated that JEA has discretion on the interpretation of the term "nationally recognized firm of independent CPAs". In addition, staff spoke with four of JEA's investor analysts and four bank liquidity providers to obtain their views on the audit firms. The general feedback received was that they had a slight preference for the Big Four firms, but were comfortable with the middle-tier Top 25 firms. Of note is the fact that the 12th ranked firm, Baker Tilly, is the independent auditor for 5 of the 26 LPPC members.

Staff reached out to the Big Four firms, Baker Tilly and McGladrey to obtain their interest in submitting a proposal. All of the firms expressed an interest in receiving the RFP. The Big Four firms stated that they would use local office resources and supplement with specific utility experience, as needed, from other offices. Baker Tilly stated their audit would be staffed out of Madison, Wisconsin or Austin,Texas offices. McGladrey stated their audit would be staffed out of their Morehead, North Carolina office or New England office, and possibly supplemented with staff from their offices in Florida. Based on the feedback received, staff is recommending sending RFPs to the following firms:

Baker Tilly
Deloitte
Ernst & Young
KPMG
McGladrey
PwC

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Upon receipt of direction from the Finance and Audit Committee, staff will prepare the RFP, evaluation matrix, and timeline for the RFP and evaluation process.

RECOMMENDATION:

Staff requests the Finance and Audit Committee provide direction regarding issuing a Request for Proposal for independent audit services.

Paul E. McElroy, Managing Director/CEO

PEM/MHD/JRN

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LPPC Utilities External Auditors

Utility Name	Total Revenues (in thousands)	Total Debt (in thousands)	Auditors	Accounting Today Ranking
Austin Electric & Water Utility Dept.	$1,839,748	$3,912,713	Deloitte- Austin, Texas	1
Chelan County Public Utility District	400,388	672,798	PwC- Portland, Oregon	2
Clark Public Utilities	496,537	478,105	Moss Adams- Portland, Oregon	15
Colorado Springs Utilities	868,846	2,409,876	Baker Tilly- Madison, Wisconsin	12
CPS	2,629,677	5,591,381	Baker Tilly; Garza, Preis & Co; Robert Williams, CPA- San Antonio, Texas & Madison, Wisconsin	12
ElectriCities of NC, Inc., NCEMPA, NCEMPA1	563,828	1,269,124	McGladrey- Morehead City, N.C.	5
Grand River Dam Authority	475,159	1,166,811	Deloitte - Tulsa, Oklahoma	1
Grant County PUD	308,665	1,222,305	PwC- Portland, Oregon	2
Imperial Irrigation District	601,389	547,742	Moss Adams- Portland, Oregon	15
JEA	1,749,380	4,968,099	E&Y-Jacksonville, Florida	3
Long Island Power Authority	3,613,982	5,532,551	KPMG- New York, NY	4
Los Angeles Department of Power	3,336,963	8,568,281	KPMG- Los Angeles, California	4
Los Angeles Department of Water	1,082,581	4,496,962	KPMG- Irvine, California	4
Lower Colorado River Authority	1,021,300	3,323,300	Baker Tilly- Madison, Wisconsin	12
MEAG	748,571	3,512,442	PwC- Atlanta, Georgia	2
Nebraska Public Power District (NPPD)	1,122,454	1,802,850	PwC- St. Louis, Missouri	2
New York Power Authority	3,175,000	1,055,000	KPMG- New York, NY	4
Omaha Public Power District	1,126,458	2,135,390	Deloitte- Omaha, Nebraska	1
Orlando Utilities Commission	859,452	1,527,787	E&Y- Orlando, Florida	3
Platte River Power Authority	199,867	201,572	BKD CPAs- Denver, Colorado	13
Puerto Rico Electric Power Authority	4,468,922	8,247,006	E&Y- San Juan, Puerto Rico	3
Sacramento Municipal Utility District (SMUD)	1,529,344	2,881,701	Baker Tilly-Madison, Wisconsin	12
Salt River Project	3,033,109	4,274,885	PwC- Phoenix, Arizona	2
Santee Cooper	1,879,553	6,961,336	Cherry Bekaert- Raleigh, N.C.	25
Seattle City Light	886,400	1,925,200	Baker Tilly- Madison, Wisconsin	12
Snohomish County PUD	645,198	504,247	Baker Tilly- Madison, Wisconsin	12
Tacoma Public Utilities - Light Division	441,246	530,581	Moss Adams- Tacoma, Washington	15

Note: Information obtained from most recent financial statements posted on the company's website.

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5/17/2016

Audit Services Update

Steve Tuten

Director, Audit Services

Audit Services Update – Table of Contents

2Q16 Highlights

- **New Information Technology Auditor – Rashid Brittain.** Rashid joined JEA in April from One Call Care Management, and has four years of audit experience. Rashid holds a BS and MBA from FSU, as well as a Masters of Accountancy from FAU. He is a CPA, and has also successfully completed the Certified Information Systems Auditor (CISA) exam.
- **Two Open Positions** - Recruitments underway for Senior Ethics Auditor and Internal Auditor positions. Interviews will begin this month.
- **New Corporate-Level Enterprise Risk Management Training Sessions** - Seven sessions have been completed to date for various Directors, Managers and Functional Specialists. This training will be continued across the entire company over several quarters.
- **New Internal Audit Report Template** – Two report drafts currently in distribution.
- **FY17 Internal Audit Plan** - Planning now underway. Development process will include updating list of auditable areas, conducting interviews with Senior Leadership Team and Directors, rescoring risk assessments, and selecting the final roster of audits to perform. The final plan will be presented to the Finance & Audit Committee for approval at the August meeting.

FY16 Internal Audit Plan Status

Audit/Project	Budgeted Hours	Auditor-in-Charge	Estimated Draft Report Date	FY 2016 Hours											
				Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16
2015 Neighbor to Neighbor Program Review ***(carryover)***	5	Doris Champ	11/23/15												
2015 TEA ***(carryover)***	75	Troy England (TE)	Completed (No Report)												
2015 HIPAA Audit ***(carryover)***	20	Laurie Gaughan (LG)	11/18/15												
2016 FY15 Performance Pay Review	150	TE	12/02/15												
2016 SJRPP Fuels	400	LG	12/21/15												
2015 Investment Recovery Limited Scope ***(carryover)***	230	TE	04/01/16												
2016 JEA Fuels	450	LG	04/22/16												
2016 P-Card Audit	375	David Arnold (DA)	***04/30/16***												
2015 Fleet Services ***(carryover)***	130	Julie Moore / DA	***06/30/16***												
2016 Distribution, Development & Joint Projects	400	TE	***07/30/16***												
2016 Disaster Recovery	375	Rashid Brittain (RB)	***07/30/16***												
2016 Emerging Workforce Strategies	200	LG	***06/30/16***												
2016 System Protection & Controls	500	LG	***08/30/16***												
2016 Facilities Management	550	DA	***09/30/16***												
2015 Customer Billing & Payment Processing ***(carryover)***	295	TE	***09/30/16***												
2016 Technology Infrastructure	400	RB	***12/15/16***												
2016 PMO	550	Not Assigned	TBD												
2016 Information Security	400	Not Assigned	TBD												
2016 SJRPP Electric Production, Operations, and Bulk Material Handling	350	New Hire	TBD												
2016 SJRPP Electric Production Maintenance	350	New Hire	TBD												
2016 Debt Management	500	**Postponed**													
New Auditor Training	300	DA / RB	N/A												
2016 Action Plan Follow-Up	800	TE	N/A												
2017 Annual Risk Assessments	375	DA/ LG / RB / TE	N/A												

Completed Audit
In-Progress Audit
Scheduled Audit
Pending Audit
Administrative

Summary of Internal Audit Action Plans

- Action plans are management's specific commitments to correct the internal control deficiencies noted in the recommendations included in Audit Services' internal audit and investigative reports.
- Twenty-three (*23*) action plans were outstanding as of 3/31/16.
- Fourteen (*14*) of the action plans are aged twelve months or less, originating from more recently issued audit reports.
- The other nine (*9*) action plans (*one year or longer*), are mostly attributable to additional time needed to meet regulatory requirements or system enhancements.
- Internal Audit sometimes grants target date extensions, upon management's request, for more time to complete their action plans.
- Our new audit report template should reduce the future need for granting extensions, as each issue can be addressed separately, as opposed to parsing a multi-point recommendation. This will more easily allow for milestone updates from management regarding progress toward completion.

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ERM Top Corporate Risk Trends (Tier 1)

Risk	FY2012		FY2013				FY2014				FY2015				FY2016		Change
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	
Electric Risks																	
E01 - Carbon Emission Mitigation	20	20	20	20	20	20	20	20	25	25	25	25	25	25	25	25	
E02 - Effluent Limit Guidelines for Steam Units	8	8	8	12	12	16	16	16	16	16	16	16	16	16	16	16	
E04 - Adverse Electric Commodity Supply and Pricing	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	
E03 - Coal Combustion Residual Rule (CCR)	10	10	10	15	15	15	15	15	15	15	15	15	10	10	10	10	
E05 - Cooling Water Intake Structures 316(b)	16	12	12	12	10	10	10	10	10	10	10	10	10	10	10	10	
E06 - Long-term Planning/Load Forecast - Electric	6	6	6	6	6	6	6	6	10	10	10	10	10	10	10	10	
E07 - Critical Infrastructure Protection (CIP) Compliance	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	
Water/Wastewater Risks																	
W01 - Water Supply Management/Long Term Planning	9	9	8	12	12	12	12	12	12	15	15	15	15	15	15	15	
Corporate Wide Risks																	
H01 - Pensions	12	20	16	16	20	20	20	20	20	20	20	20	20	20	20	20	
F01 - Revenues and Expenses Management	16	16	16	16	16	16	16	16	16	16	16	16	16	16	16	16	
C16 - Weather and Climate Change Impact																15	
C01 - Customer Relationship Management	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	
C02 - Physical Security (Facilities Infrastructure Security and Regulatory Compliance)	9	9	9	9	9	9	9	12	12	12	12	12	12	12	12	12	
C03 - New Technology									12	12	12	12	12	12	12	12	

ERM Top Corporate Risk Summaries (Tier 1)

E01	Carbon regulations (Clean Power Plan – CPP) could require very expensive mitigations such as building new gas plants, more purchase power, decommissioning existing solid fuel plants, etc. State specific plans were expected by 2016, and implementation is expected in 5-10 years. However, the recent legal stay may delay the state plan and extend out the implementation date. The expansion of solar power generation, the new Distributed Generation Policy and the proposed Net Metering Policy will help JEA effectively address and mitigate customer-side generation issues.
E02	JEA is developing a strategy for compliance with the rule. Risk impact is based on cost estimates for potential biological treatment of power plant effluent. The rule became effective January 2016. JEA will determine its method of compliance as part of the permit renewal, expected in November 2016. Estimated Compliance Date: December 2017-2023.
E04	In progress mitigations focus on continuing to maximize dispatch of natural gas and solid fuels as economically as possible, to minimize the impact of future regulations, and improve the deliverability of gas to JEA's units.
E03	The published rule treats CCR as a non-hazardous material but increases the operational processes, monitoring, recordkeeping, notification, and internet posting requirements. Since SJRPP costs (approx. $25 M) are known and will be funded as part of the annual budget process, this cost is no longer included in the risk score. The score reflects the estimated (approx. $15.9M) but still unknown cost of compliance at Plant Scherer. $15.9 million represents only JEA's portion.
E05	The rule was finalized on 5/19/14. Although additional studies are required, it is expected that JEA can comply utilizing fish screens, which are less expensive than building cooling towers. Estimated Compliance Date: FY24-FY27, depending upon biological study results.
E06	Environmental mandates and difficulty in forecasting the various scenarios impacting demand, raise the inherent risk impact. Other top corporate risks both increase and help mitigate this risk. The ability to effectively manage this risk remains unlikely.
E07	JEA has implemented processes to comply with CIP V5 Cyber Security regulations. The CIP V5 standards have been expanded to include certain power plants and substations. The first FERC audit of CIP V5 is expected in 2017.
W01	Compliance with the Consumptive Use Permit (CUP) provisions may be costly depending on weather conditions and the need to address minimum flow levels (MFL's), alternate water sources, and expansion of reuse. The Water Management Districts may also require participation in regional MFL and other projects, which may be costly. Mitigation efforts focus on developing a Water Management plan to meet long term water needs and expand reclaimed and alternative water sources.
H01	The cost of funding the current pension program may result in a significant increase in employee contributions, and/or a reduction in benefits, which could negatively affect employee morale and retention. Reductions in the rate of return for the pension fund has increased JEA's annual cost. JEA is monitoring the proposed initiative by the COJ and state legislature to add a 1/2 cent sales tax increase, which may address the shortfall in financing of pension obligations. The change to JEA 's pension plan from a Defined Benefits Plan to a Defined Contribution Plan, for new employees, should reduce the long-term financial impact to JEA.
F01	Insufficient revenues and inadequately controlled expenses may result in a reduced credit rating, increased cost of debt, deterioration of the financial and structural health of the organization, AND inability to adequately serve our customers.
C16	Long-term weather patterns and/or short-term or seasonal extreme weather may negatively impact long-term planning and JEA's financial and reliability performance. The variance in weather patterns is a significant factor and is mitigated to the extent possible in a number of other top corporate risks. The timeframe for significant impact from climate change may be in excess of 20+ years.
C01	Customers may have a negative opinion of JEA caused by past, present and future pricing actions, customer service policies and practices, and negative press. The risk covers relationships with the ratepayers. Managing relationships with other external stakeholders is covered in risk R3. JEA continued its strong performance, finishing in the first quartile nationally as rated by commercial customers. Residential Customer Satisfaction score continues to improve.
C02	Additional security measures were implemented to comply with ever-increasing regulatory requirements, including aspects of CIP V5 and 14 and to better safeguard company assets and employees. Other initiatives are underway to improve JEA's overall security infrastructure, including an active shooter policy, increased access security and enhanced security at substations. The risk also reflects the inherent risk associated with ensuring effective security protocols, and the reliance for employees to follow established safety practices.
C03	Emerging new technologies are providing customers with an increasing number of options in terms of distributed generation, increasingly efficient appliances, as well as alternate energy providers such as natural gas and propane. The Net Metering policy was modified in 2014 to credit avoided cost to customers who put energy on the grid instead of the full retail rate. This helps protect against subsidization of net metering customers by non-net metering customers, and help protect against raising rates.

ERM Tier 2 Corporate Risk Trends

Risk	FY2012		FY2013				FY2014				FY2015				FY2016		Change
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	
Electric Risks																	
E08 - SJRPP	9	9	9	9	9	9	9	9	9	9	9	9	9	9	9	9	
E09 - FERC/NERC (Section 693) O&P Reliability & Compliance	9	9	9	9	9	9	9	9	9	8	8	8	8	8	8	8	
E10 - Nuclear Power Portfolio	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	
E21 - Natural Gas Sales - Commercial Customers													6	6	6	6	
E11 - Infrastructure Maintenance - Electric Systems Assets	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	
E20 - Operations Technology Management - Electric	4	4	4	4	4	4	4	4	4	4	4	6	6	6	6	6	
E12 - By Product Management	9	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	
E13 - Infrastructure Destruction Due to Severe Weather	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	
Water/Wastewater Risks																	
W02 - Operations Technology Management - Water/Wastewater Systems	9	9	9	9	9	9	9	9	9	9	9	9	9	9	9	9	
W03 - Sanitary Sewer Overflow Management	6	6	6	6	6	6	6	6	6	6	6	8	8	8	8	8	
W04 - Infrastructure Maintenance - Water/Waste Water Systems	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	
Corporate Wide Risks																	
C05 - Records Management	9	9	9	9	9	9	9	9	9	9	9	9	9	9	9	9	
C06 - Fraud Risk Management	9	9	9	9	9	9	9	9	9	9	9	9	9	9	9	9	
T02 - Cyber Security Information Protection						9	9	9	9	9	9	9	9	9	9	9	
T05 - Technology Services Resource Optimization															9	9	
H02 - Staffing	16	16	16	16	16	12	12	9	9	9	9	9	9	9	9	9	
H03 - Public and Employee Safety	6	6	6	6	6	6	6	6	9	9	9	9	9	9	9	9	
T01 - Technology Infrastructure Reliability	12	12	12	12	12	12	12	12	12	12	4	4	4	4	8	8	
T03 - Cyber Security Business Disruption												8	8	8	8	8	
T04 - Technology Services Disaster Recovery/Business Continuity												8	8	8	8	8	
C04 - External Influence on Policy	9	9	9	9	9	9	9	10	10	10	10	10	10	10	10	8	X
C07 - Disaster Recovery/Business Continuity	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	
C08 - Black Swan (High Impact - Low probability event)	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	
F03 - Credit Availability/Cost	9	9	9	6	6	6	6	6	6	6	6	6	6	6	6	6	
C09 - Other Regulatory Compliance	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	
F04 - Counterparty Risk	6	6	10	10	5	5	5	5	5	5	5	5	5	5	5	5	

ERM Tier 2 Corporate Risk Summaries

E08	Eventual changes to JEA's power sharing agreement may require more integration of operational and financial processes.
E09	While an effective compliance program is in place, the score is based on the need to continue to strengthen our compliance efforts as regulations continue to tighten, and to meet regulatory requirements to implement an internal control infrastructure, instead of just a "check the box" approach. The inherent risk remains that a serious reliability event could occur despite documented compliance with FERC/NERC regulatory requirements. The likelihood of such an event occurring is low.
E10	This risk is associated with JEA's current 20-year PPA with MEAG for 206 MW from Vogtle units 3 and 4, primarily relating to potential cost overruns, loss of power due to schedule delays, as well as potential misallocation of costs.
E21	JEA's entry into the Natural Gas sales market potentially poses some operational, financial and reputational risks that could result in negative media coverage and/or reduced commercial customer satisfaction.
E11- W04	Physical inspections have noted no major structural issues. Enterprise Asset Management systems are in the process of being implemented. Additional mitigations are noted as part of the Tier 1 Physical Security Risk which address the risk of internal/external tampering or terrorist activities.
E20	The likelihood of a disruption to our electric systems from cyber security breaches continues to be a significant risk.
W02	Although water/wastewater mechanical processes can function manually for some time if the computer systems (SCADA system) go down, the impact of a cyber and/or physical intrusion could result in the inability to properly monitor the infrastructure, causing significant operational and reputational risk. Additional mitigations are noted as part of the Tier 1 Physical Security Risk.
W03	Although ongoing infrastructure maintenance makes it unlikely a non-weather related significant SSO event will occur, a major SSO event could have a major impact.
C05	The risk focuses on effective records retention policies and managing public records requests.
T02	Unauthorized intrusion into JEA's critical systems could cause a loss of sensitive data and may occur without effective, fully-functioning cyber security protections in place. This risk focuses on protecting information. The risk of preventing business disruptions (e.g., DOS attack) is covered under risk T3 below.
T05	High demand from business units exceeds Technology Services' capabilities to provide timely service; resulting in outsourcing work to meet business needs. This leaves JEA resources without the knowledge to effectively support these efforts.
H02	Critical employees may be eligible for retirement or could be recruited away mid-career, impacting business objectives and service levels. Retirement impact is reduced as the average age of employees decreases, but flight risk may increase. In addition, current practices may not maximize the staffing flexibility, and/or utilize the full skillsets of the workforce. A process is in place to identify at-risk positions and recruit/train in time to mitigate retirements and loss of critical staff.
H03	Additional safety related initiatives are being implemented to further reduce both the number and severity/impact of the incidents.
T01	Although unlikely, the impact of a significant disruption of the technology infrastructure would have a major impact on JEA's ability to provide essential services.
T03	Cyber intrusion can be in the form of a Denial of Service (DOS) attack or Grid disruption, causing disruption of services and the inability to meet operational and customer needs.
T04	The inability to recover our technology services timely, in an event of a loss of an application(s) or the Data Center, impacts our ability to meet operational and customer needs.
C04	External parties may continue to increase demands on JEA's resources, which may significantly impact JEA's finances. However, interactions with external stakeholders are deemed to be effectively managed, limiting the negative impact to JEA. As such, the total risk score was lowered from a 5/2 (Tier 1) to a 4/2 (Tier 2).
C07	Formal process is underway for developing Business Continuity (BC) or Continuity of Operation Plans (COOP) for each business group. The process includes developing, reviewing and assessing the effectiveness and completeness of current Disaster Recovery/Business Continuity plan.
C08	Although deemed extremely unlikely, high impact events that are out of JEA's control may pose significant risks to JEA, and require mitigation strategies. Examples of Black Swan events include: 1. Pandemic/Reduced workforce; 2. Hurricanes greater than Cat 1; 3. River crossing transmission line failure; 4. the Loss of the Downtown Substation; and 5. Electromagnetic Pulse (EMP) and Geomagnetic Disturbances (GMD).
F03	JEA continues to convert increasing amounts of variable debt to fixed. Historical trending from the Interest Rate risk is used in the trending above, as it better reflects market volatility.
F04	Current efforts focus on increasing committed funding positions, increased diversification of JEA's counterparties, and monitoring available lines of credit.

2Q FY16 Ethics Hotline (EHL) Cases

Open Cases 1/1/2016	Cases Opened During 2Q FY16	Cases Closed During 2Q FY16	Open Cases 3/31/2016
16	7	15	8

Categories For Cases Opened During 2Q FY16	
Alleged Misuse of Resources	4
Alleged Discrimination/Harassment	1
Other (Environmental/Substance Abuse)	2
Total	7

Summary of Closed EHL Cases - 2Q FY16

Reporting Source	Allegation	Investigation Results
Internal	15-01-0002 – An employee may have insulted a JEA customer after his employment with JEA was terminated.	We determined the JEA employee used his JEA e-mail account to send a customer's complaint to his personal email account. After the individual was no longer employed by JEA, he sent the customer an email that contained an insulting comment. Recommendations were made to modify the current annual training modules to better communicate the inappropriate use of JEA customer data. Further, the former employee's personnel record was amended to state that he is not eligible for re-hire.
Internal	15-07-0002 – SJRPP Management reported that an employee was possibly falsifying time card hours in Oracle.	A fact-finding was conducted, and the employee admitted to timecard hour falsification. A thorough examination revealed fraudulent hours and payroll payments totaling $23,863. JEA is seeking restitution from the terminated employee through a Felony Pretrial Intervention Program (Deferred Prosecution Agreement). Recommendations were also made to strengthen the controls over timecard processing.
EHL	15-07-0003 – It was alleged that a JEA Manager and Supervisor were harassing and disrespecting an employee.	The caller did not provide enough information to conduct a full investigation. We attempted to contact the caller through the hotline; however, the caller did not respond. Labor Relations was also contacted to see if there had been any complaints involving the identified manager or supervisor; but none were noted. We did not have enough information to proceed further with this investigation.
EHL	15-08-0002 – A caller reported that a JEA Supervisor allowed a Randstad employee to work overtime and not record it on the timecard. The individual later took three days off work by using this accumulated overtime although the timecard indicated regular time worked. The caller also alleged that two JEA Managers were regularly reporting a full day's work although not on premises the full day, as they sometimes came to work late and took extended lunch breaks to go shopping or go home.	We determined the JEA supervisor allowed the Randstad employee to work extra hours over a period of time to be used later as comp-time; however, these extra hours were not recorded on the Randstad timecard. The Randstad contract does not address flex or comp-time, nor is there a Human Resources procedure for guidance. Recommendations were made for management to provide the appropriate guidance for the administration of time and attendance of Randstad employees. A comprehensive analysis was performed of the JEA Managers' time/attendance. Due to tailgating and insufficient badging data, we could not find conclusive evidence to confirm the caller's allegations. We provided the results of our time and attendance analysis to the Director and discussed the perception of timecard abuse by the two Managers.

Summary of Closed EHL Cases - 2Q FY16 (Continued)

Reporting Source	Allegation	Investigation Results
Internal	15-09-0001 – A Meter Specialist reported a possible stolen JEA fire hydrant located in the front yard of a residence.	Our investigation revealed the fire hydrant was not stolen, but was obtained from a scrap dealer, who apparently purchased it from a contractor. It had been common practice for JEA contractors to take possession of scrap materials from jobsites, as indicated in the respective contract or utility plan. However, there may be environmental and reputational risks associated with old hydrants due to the potential for high lead content. As a result, management decided that contract documents for future projects will contain language to address the appropriate disposal of fire hydrants.
EHL	15-09-0002 – The caller alleged that on a regular basis, a JEA Manager works fewer than eight hours daily, and the Manager may be taking time off without the Director's knowledge.	A comprehensive review revealed multiple instances where the Manager's timecard hours were not consistent with hours on-site due to the Director allowing the employee to work from home periodically. The Director was able to provide information that indicated the Manager was doing JEA work on the dates in question.
Internal	15-09-0003 – Labor Relations requested our assistance for a case they were working on related to alleged threats made to a SOCC employee by another SOCC employee and a JSO Officer.	The investigation did not produce sufficient evidence to conclude the SOCC employee had actually received threats from anyone.
EHL	15-09-0004 – The caller observed a JEA employee urinating in the street in front of the caller's house.	Based on the caller's limited physical description of the JEA employee in conjunction with multiple JEA vehicles in the vicinity of the caller's address, we were unable to identify the employee in question.
Internal	15-09-0005 – While reviewing UPS invoices, a Supervisor discovered that a JEA employee appeared to have sent a personal letter/package using JEA's UPS Express Service.	Evidence was found to sufficiently conclude the employee used JEA's UPS account to send a personal envelope. The employee was subsequently terminated for this and other infractions, and the City Civil Service Board upheld the termination.
EHL	15-10-0001 – A caller reported that Service Center associates were told not to enter inventory receipts at the end of fiscal year 2015. The caller alleged this was to keep the 2015 fiscal budget at a certain level so management would receive a larger bonus.	We confirmed that Service Center employees were instructed at 2015 fiscal year-end to only enter invoices that needed to be processed, and hold the rest until the beginning of fiscal year 2016. Management contends the intent of doing this was to meet department goals to reduce inventory values at fiscal year-end. Based on our review, there was no conclusive evidence that management's actions directly impacted the amount of their performance pay. We informed the Director of the accounting implications associated with delayed invoice booking.

Summary of Closed EHL Cases - 2Q FY16 (Concluded)

Reporting Source	Allegation	Investigation Results
EHL	15-11-0001 – It was alleged that a Director berates the caller for no legitimate reason, favors certain groups over others, and has been uninvolved in his/her job duties. The caller reported the matter to management and as a result, the caller continued to be belittled and talked down to. Additionally, the caller said that Human Resources falsified information on a review of the caller's Manager and denied an employee a higher pay bracket on the basis of age.	The caller subsequently called back and requested the investigation be stopped. At the request of the caller, we discontinued the investigation, but also informed the caller that retaliation is prohibited per JEA's Harassment Procedure EWS A0202 LR 652.
EHL	15-11-0003 – A caller reported that a SJRPP employee made sexually inappropriate comments about another employee's appearance, making the caller and other employees uncomfortable. The caller said this was not the first time this has happened, and that management has addressed the issue before; however, the employee's behavior has continued.	Based on our investigation, we were able to verify the SJRPP employee made inappropriate comments to another employee; however, we could not verify that management had addressed this issue previously with the employee. We discussed our findings with SJRPP management, and they performed a formal counseling with the employee.
EHL	15-11-0004 – It was alleged that for the past four years, a customer witnessed the dumping of waste by JEA in the St. Johns River and surrounding creeks.	The investigation revealed the effluent discharge from the Julington Creek Wastewater Facility is within the limits of the wastewater discharge permit. The results of the investigation were communicated to the caller through the Ethics Hotline.
EHL	16-01-0002 – The caller reported that two JEA employees should have removed themselves from the three-person interview committee due to a conflict of interest with the job applicant. The caller believes that the best candidate may not have been chosen for the position.	We determined there was consistent scoring of the candidates amongst the interview committee. The order of selection of candidates from an external eligibility list is subjective, and is not prescribed by the Civil Service or Personnel Rules and Regulations. From the eight candidates, the individual in question was the fourth to be offered the position. There was no evidence to conclude that the interview committee violated any recruitment procedures.
External	16-01-0003 – We received a complaint through jea.com that SJRPP employees are purchasing and selling drugs during work. A subsequent complaint also alleged use of drugs by a SJRPP employee.	In conjunction with law enforcement, we performed an investigation and did not find evidence that drugs were being purchased or sold on SJRPP property. Two employees were found to be on medications that necessitated reporting to management per procedures. The employees were disciplined for non-reporting, and they were cleared to work without restriction by JEA's medical facility.

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Building Community

Finance and Audit Committee

Technology Services Overview
May 9, 2016

Paul Cosgrave
Chief Information Officer

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Paul Cosgrave Background

- Paul joined JEA in 2014 as the Chief Information Officer (CIO) of JEA and oversees the Technology Services (TS) Organization. He has over 40 years of Senior information technology experience.

- Prior to JEA, Paul held the following positions:
  - City of New York – Commissioner and CIO
  - Internal Revenue Service – CIO
  - United States Department of Transportation (USDOT) – Special Advisor to the Secretary and Acting CIO
  - Claremont Technology Group – Chairman and Chief Executive Officer
  - AGS Computers – President
  - AEC global – President
  - Technology Solutions Company – Executive Vice President
  - Crown Consulting, Inc. – Executive Vice President
  - Andersen Consulting (aka Accenture) – Managing Partner

- Paul has served on the Boards of Directors of three public companies and five not-for-profits.

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Technology Services At-A-Glance

- **TS is one of eight departments that report directly to the JEA CEO**
  - 110 employees, $30M operating & maintenance budget – split 50/50 between salaries/benefits/pension and other expenses, and a $15M CapEx budget
- **Services provided to all other departments include:**
  - **Telecommunications/Network Support**
    - JEA owns/manages 650 miles of fiber and operates a state-of-the-art, Cisco based Ethernet network, which is connected to all JEA generating stations, sub-stations, and water/wastewater (W/WW) facilities
    - JEA owns/operates a number of cell towers to reach the more remote locations of our territory
    - JEA recently agreed to offer these capabilities to other companies in Jacksonville that require communications across multiple locations and/or connect to the Internet
  - **Data Center/Customer Services**
    - JEA currently maintains two production data centers
    - JEA's website, jea.com, provides numerous self-service capabilities and is highly rated, supporting JEA's top tier J.D. Power ranking (#3 in the country)
  - **Application Development, Maintenance & Support**
    - Support 12 essential business systems; 245 other systems
    - JEA is an innovator in Internet of Things (IoT) due to a significant distributed environment of meters and sensors
  - **Program Management Office (PMO), Enterprise Architecture, Analytics, GIS, & Information Security** are additional services offered

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Cyber Security Protection @ JEA

JEA has a number of organizations cooperatively working to improve Cyber Security:

1. Technology Services – 12 person Information Security Office
    - Develop/maintain Cyber Security Policies
        - Computer/system use policies, password policies, etc.
    - Install/administer Cyber Security Protective software
    - Review event logs and identify potential problems
    - Administer Information Technology system permissions across the company
2. Physical Security
    - Physical access control to all JEA facilities
        - Physical and cyber permissions are jointly managed through a common integrated identity management system
        - Video surveillance of facilities
3. Operational Technology
    - Electrical System Operations manages Grid Operations
    - Water/Wastewater Supervisory Control And Data Acquisition (SCADA) operations
4. Compliance and Internal Audit
    - Compliance plays a major coordinating role on the North American Electric Reliability Corporation (NERC) Critical Infrastructure Protection (CIP) activities

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Cyber Security Activities

- JEA's cyber security activities focus on a number of critical activities
  - Protecting the security of the electric grid
  - Protecting the security of the W/WW systems
  - Ensuring that JEA's essential systems are available
  - Protecting JEA's assets, systems and data
  - Protecting employee and customer Personal Identifiable Information (PII)
  - Protecting against ransomware or other personal attacks
  - Educating employees and customers on good cyber security practices
  - Administering employee and contractor system access
  - Meeting compliance requirements – NERC-CIP, Fair and Accurate Credit Transactions Act (FACTA), and Health Insurance Portability and Accountability (HIPAA)

- JEA's cyber and physical security activities are well coordinated
  - The TS organization staff of 12 is dedicated to cyber security activities
  - Compliance has a dedicated CIP team of four individuals
  - Physical security has over 120 security guards. The physical security systems are integrated with the same system we use to determine cyber security permissions
  - Electric Operations have dedicated resources to secure the Bulk Electric System and detailed procedures to secure and protect cyber assets
  - Internal Audit has a dedicated IT audit function

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Cyber Security Activities (con't)

- All JEA employees and contractors are required to take an annual cyber security awareness training. Employees involved in the grid operation are engaged in additional NERC/CIP training.

- JEA employs a multi-layered, state-of-art defensive strategy to provide protection to its assets, systems and data.
  - The perimeter is protected by traditional firewalls, intrusion detection software, denial of service protection and other defensive security services
    - 90+% of all incoming email traffic is stopped and not even transmitted to the intended recipient
    - Employee internet access is restricted to known sites
  - JEA uses Citrix to manage remote encrypted communications
  - Access to critical systems are logged. A security information and event system (SIEM) is employed to log events and provide a holistic view of JEA's cyber security
  - A Zero-day threat prevention solution is employed
  - Common Vulnerabilities and Exposures (CVE) testing is regularly performed

- JEA's essential systems are fully backed-up with secondary off-site disaster recovery capability
  - jea.com operates in an active-active recovery mode with Domain Name System Security (DNSS) protection

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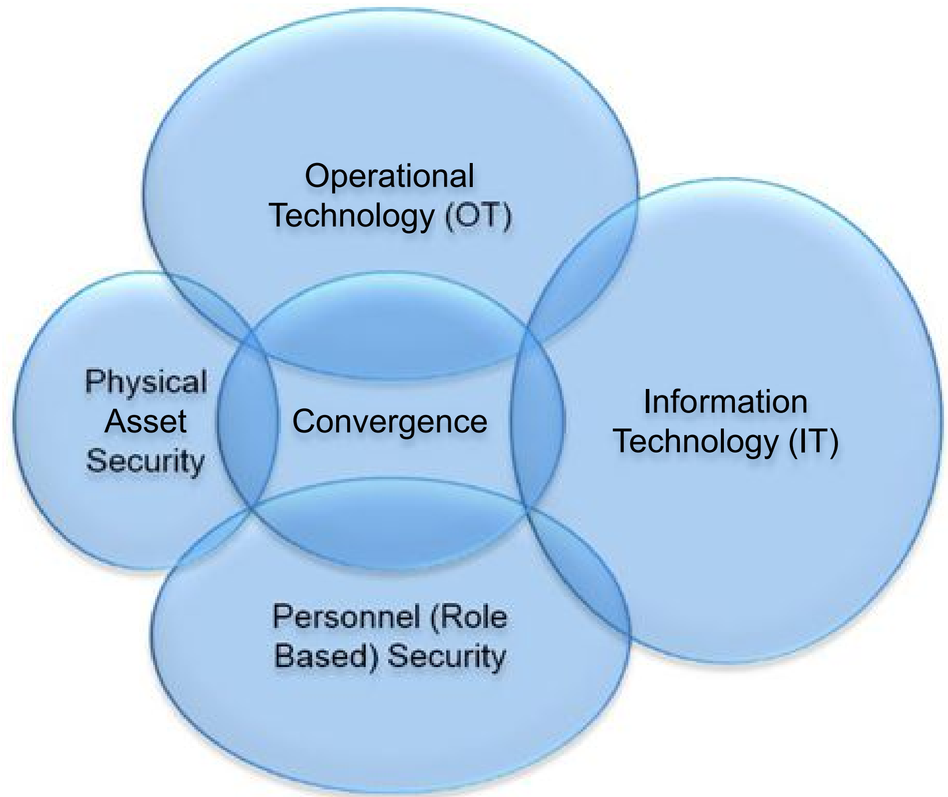
Cyber Security Assessments

- Five major areas
- Regularly review each area, paying particular attention to the overlaps and convergence
- The assessments provide risks, insights, and actions needed to mitigate potential threats
  - ✓ Verizon study
  - ✓ Common Vulnerabilities and Exposures (CVE) tests/NERC-CIP Audit
  - ✓ Internal & external audits
  - ✓ Detailed project reviews
  - ✓ Third-party contractor/service provider reviews
  - ✓ Encryption assessments of data bases
  - ✓ Social Engineering Test (Phishing)



Adversarial Threats

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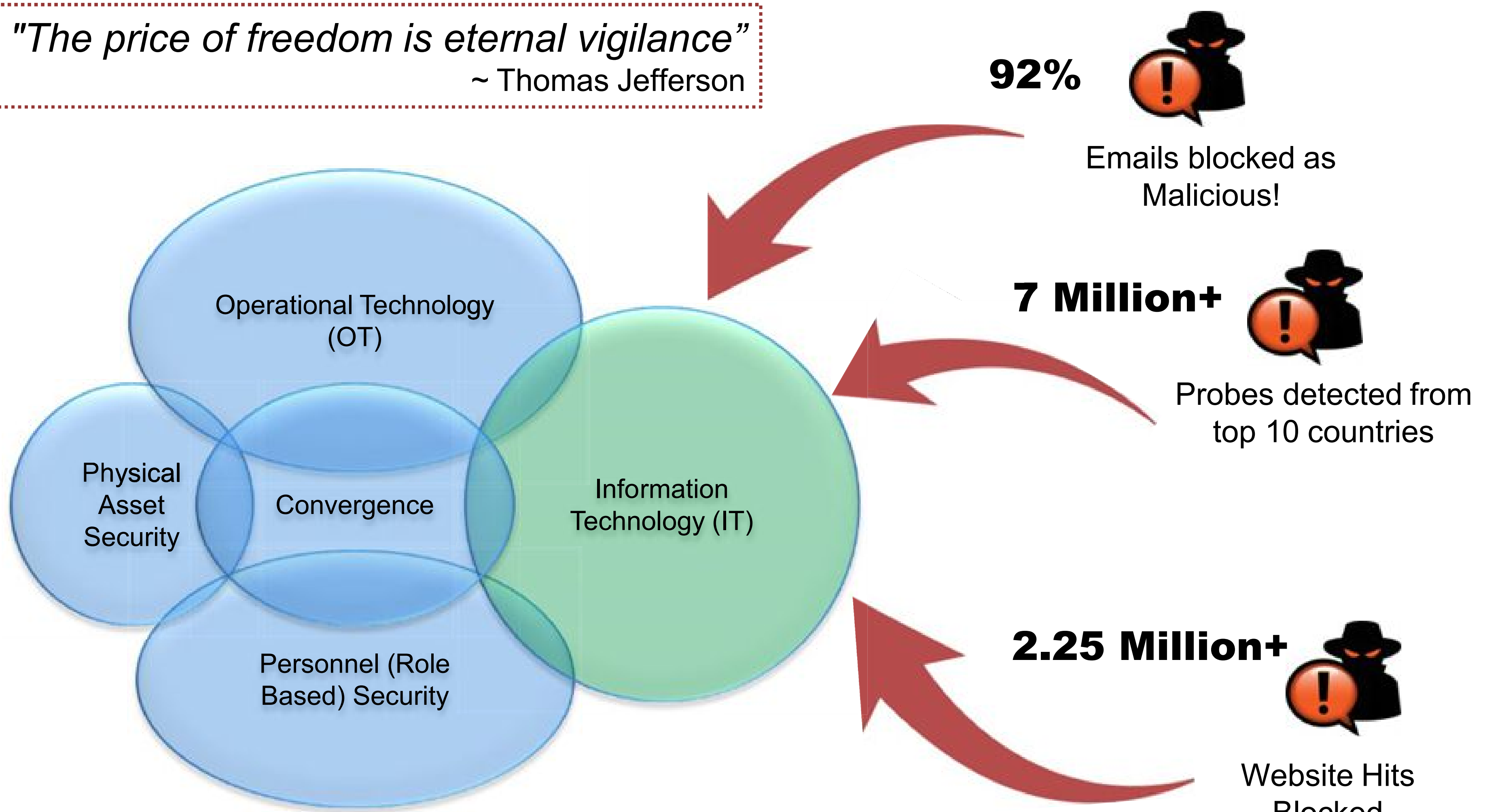
"The price of freedom is eternal vigilance"
~ Thomas Jefferson



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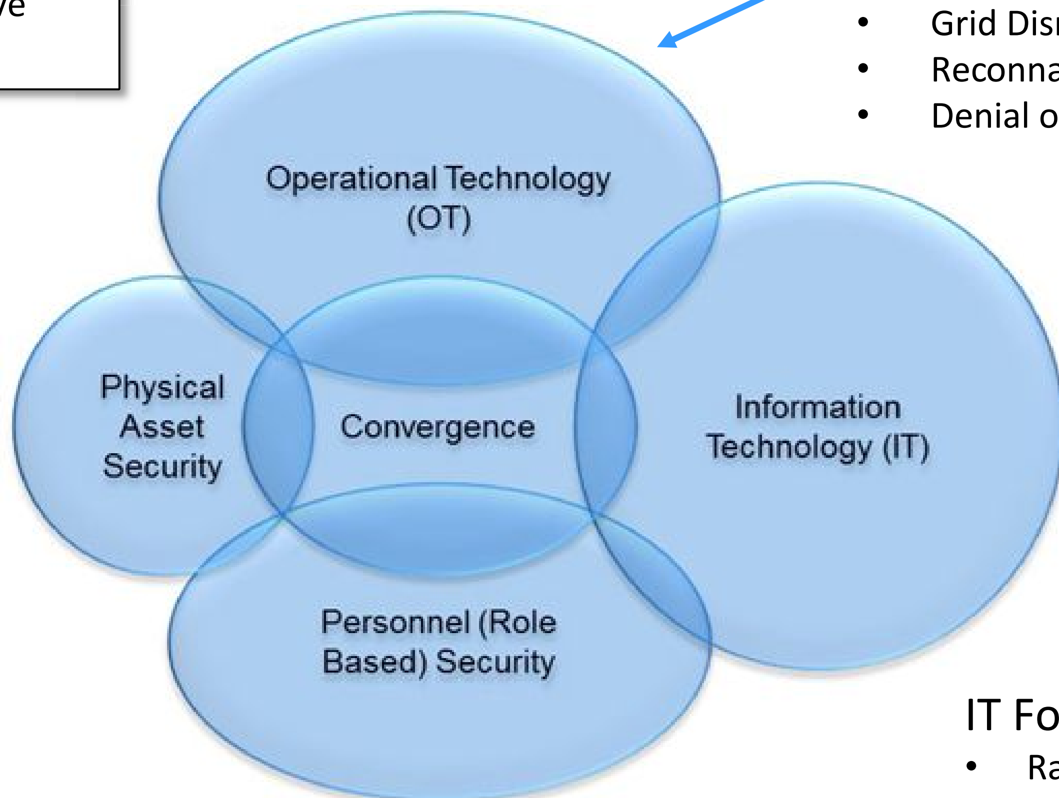
Types of Adversarial Threats

89% of all breaches had a financial or espionage motive
-- (Verizon DBI Report 2016)

Major Operational Threats

- Grid Disruption
- Reconnaissance
- Denial of Service

Physical Attacks



IT Focused Attacks

- Ransomware
- Malware Intrusion

Personnel Focus

- Compromised Employees
- Payment Scams

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Cyber Security Threats (non-adversarial)

Governance

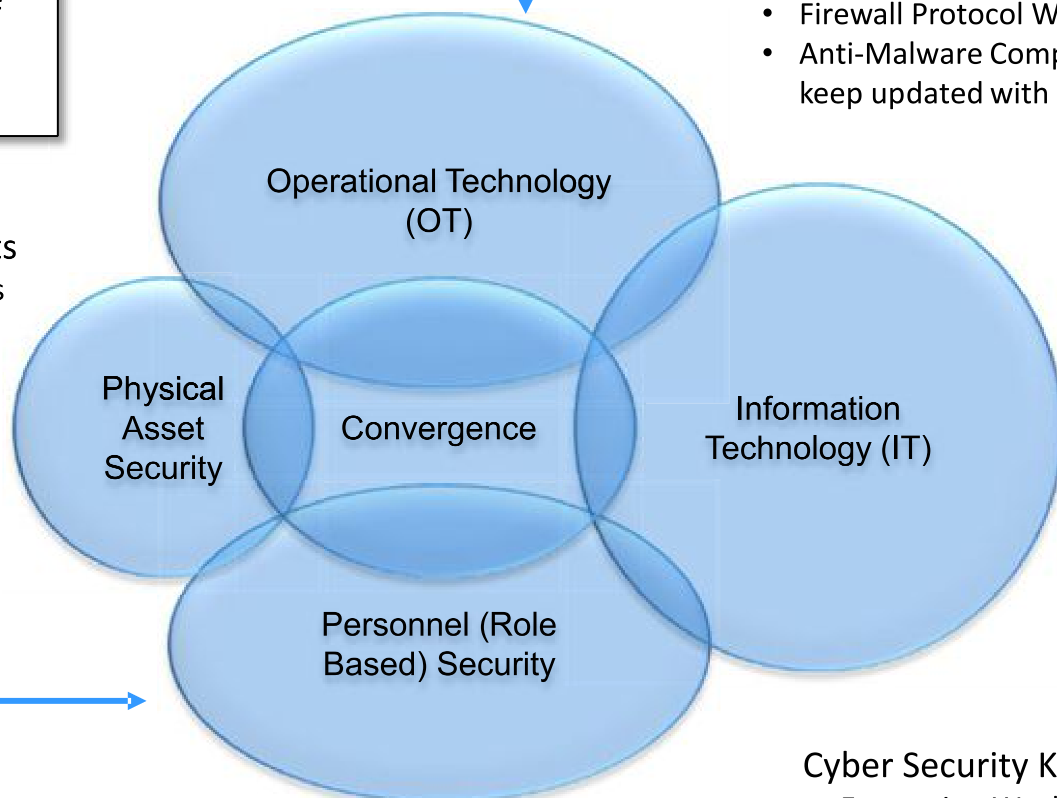
1) Internal Audit/ECRC
2) Information Security Office
3) Physical Security Office
4) Compliance/CIP Team

Cyber Security Key Focus Threats

- Inconsistent Security Policies
- Firewall Protocol Weaknesses
- Anti-Malware Compatibility (failure to keep updated with software patches)

Physical Security & Hardware Threats

- Inactive Contractors with Facility Access
- Physical Access Policy in Remote Locations



Training & Process Focus

- Information Security Awareness
- Access for Items not needed for Job

Cyber Security Key Focus Threats

- Encryption Weaknesses
    - (lost laptop)
- Private Info Mismanagement

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Critical Infrastructure Protection

- Critical Infrastructure Protection (CIP) Compliance
  - Ensuring and protecting the grid is of primary importance
  - JEA is regulated by NERC
  - NERC sets very exacting CIP standards which have a high penalty for non-compliance
  - TS is responsible, along with Electric Systems Operations and Physical Security for meeting the CIP regulations. Compliance (reporting to Ted Hobson) oversees our performance
  - All employees involved with CIP assets are required to take additional annual training courses
  - JEA will be audited in 2017 for CIP Compliance
  - CIP Version 5 goes into effect July 1, 2016, and increases the number of assets (additional sub-stations) that must be protected
  - Remote access into the CIP environment is heavily protected with a multi-authentication technique in place

Worst-Case Scenario for Grid Outage Due to Cyberattack Is One to Two Weeks: NERC
Rachel King, Wall Street Journal, April 14, 2016

The North American Electric Reliability Corp., the non-profit organization that acts as a watchdog and standards-bearer for North America's power grid, said that physical attacks on electric substations are potentially more damaging than a cyberattack.

In a worst-case scenario, a power outage due to a cyberattack on the electric grid would last one to two weeks, NERC president and CEO Gerry W. Cauley told lawmakers Thursday. "It's very technically challenging to go from an electronic cyberattack to causing physical damage to equipment." Mr. Cauley was speaking at a Congressional hearing devoted to threats to the electrical grid and potential consequences.

While officials say they have not yet seen a blackout in the U.S. due to a cyberattack, foreign attacks are cause for concern. The December 2015 cyberattack on Ukraine's electric grid affected four dozen substations and left 250,000 people without power, said Rep. Lou Barletta (R-Pa.), chairman of the subcommittee on economic development, public buildings and emergency management.

In most cases, outages due to cyberattacks would likely last anywhere from several hours to a few days, said Mr. Cauley, who said he spent 35 years working in substations. Even with threats such as BlackEnergy malware, which was used in the attacks against the Ukrainian electrical grid, it's difficult to cause widespread outages, said Mr. Cauley. "There was no damage to equipment," he said.

Instead, on December 23, attackers entered the industrial control system remotely through hijacked connections to the computer system and opened up breakers which took a string of substations off the grid, reported Wired's Kim Zetter. In order to get the power back up, the Ukrainian power companies had to disconnect the industrial control system and manually operate the breakers. Power was restored because the equipment still worked, said Mr. Cauley.

The more likely cause of an outage that lasts weeks or months are physical attacks such as shootings or explosive devices against transformers in substations, he said. One such attack happened in 2013 against a Silicon Valley substation, reported the Journal's Rebecca Smith. In particular, the loss of a large transformer in an attack could pose a big problem. They need to be delivered by rail cars or barges and it can take months to get a new one.

To create a blackout using this method would require simultaneously physically attacking many sites, which would be difficult with efforts they've taken with law enforcement to improve security, he said. Still, Mr. Cauley added, "it's the one I worry about the most."

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AGENDA ITEM SUMMARY

April 25, 2016

SUBJECT:	**IDENTITY THEFT PROTECTION PROGRAM FAIR AND ACCURATE CREDIT TRANSACTIONS ACT (FACTA) ANNUAL RISK ASSESSMENT**

Purpose: ☐ Information Only ☐ Action Required ☒ Advice/Direction

Issue: JEA's Identity Theft Protection Program, as per the regulations listed below, requires an assessment of JEA's Identity Theft Risk and presentation to an appointed committee of the JEA Board. The current report covers the JEA performance for the period of January thru December 2015.

Significance: JEA's Identity Theft Protection Program is a critical program designed to protect JEA customers' Personally Identifiable Information (PII). Various regulations listed below mandate JEA to maintain an effective identity theft protection program.

Regulation:
FCRA: Fair Credit Reporting Act – enacted 1970 (Enforced by the Federal Trade Commission)
FACTA: Fair and Accurate Credit Transactions Act – enacted 2003 (Enforced by the Federal Trade Commission)
FIPA: Florida Information Protection Act – enacted 2014 (Enforced by the Florida State Department of Legal Affairs)

Effect: This assessment is a regulatory compliance activity required for governance of JEA's Identity Theft Protection Program.

Cost or Benefit: This is a compliance program which limits the risk of customer identity theft. JEA can be fined up to $5,000 per customer data breach, as per the directive of FIPA.

Recommended Board action: Staff requests the members of the Finance and Audit Committee review the assessment data and provide feedback for any improvements to the program.

For additional information, contact: Daniel D. Mishra, Director, CIP Compliance, JEA, (904) 665-7655

Submitted by: PEM/ TEH/ DDM

Commitments to Action

1 Earn Customer Loyalty
2 Deliver Business Excellence
3 Develop an Unbeatable Team

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2015 JEA FACTA Risk Assessment

JEA Identity Theft Protection Program (Red Flags)

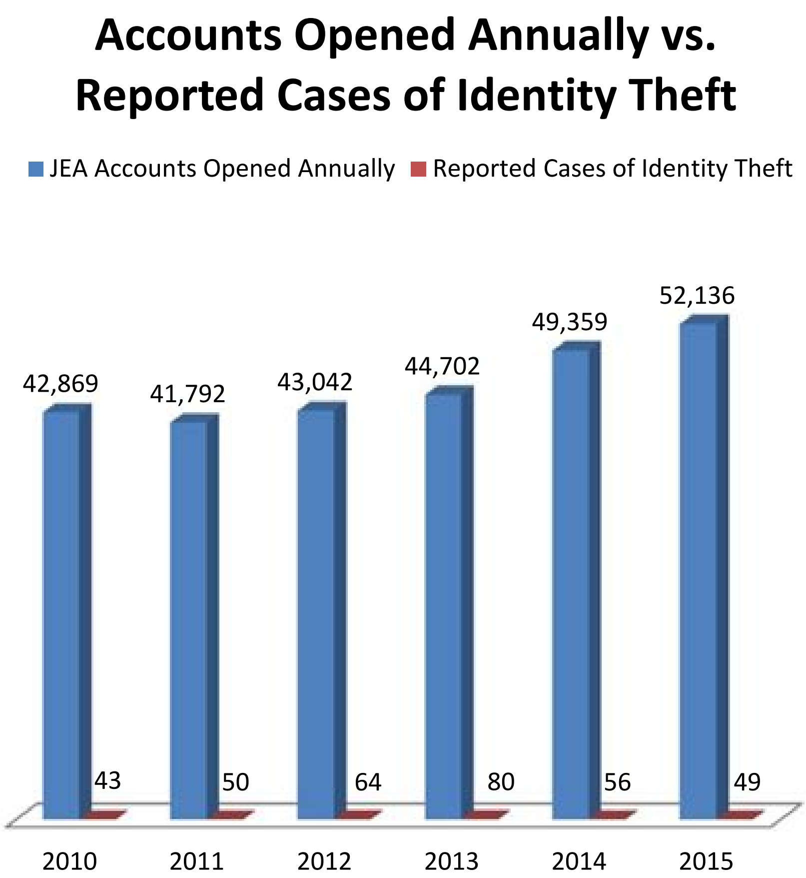
Overview

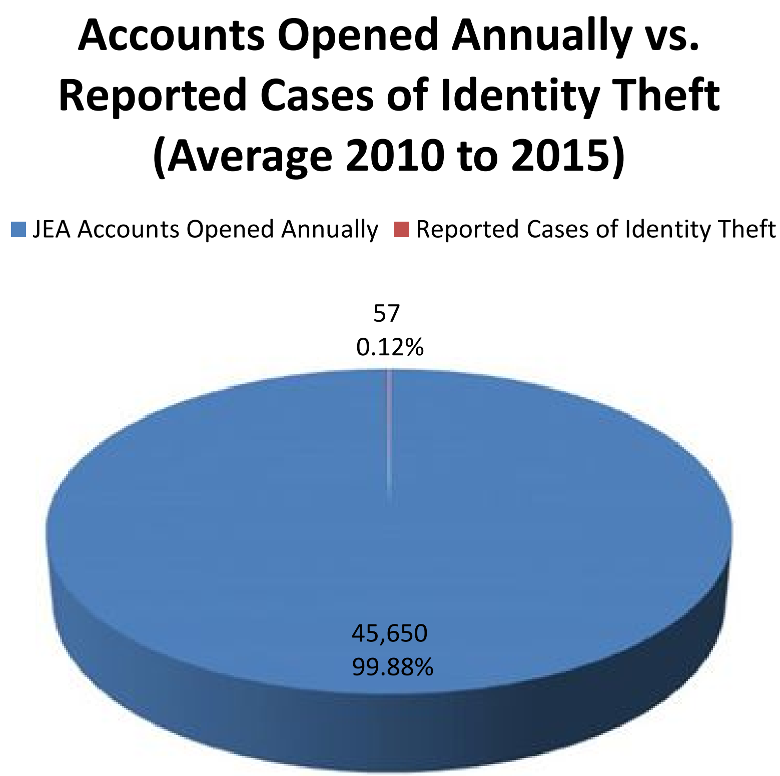
- JEA has a program to comply with Federal and State regulations concerning identity theft (Fair Credit Reporting Act (FCRA), Fair and Accurate Credit Transactions Act (FACTA) and Florida Information Protections Act (FIPA)).
- These three acts address protection of Personally Identifiable Information (PII) of customers, employees, agents and contractors in JEA's possession.

Compliance Oversight Committee

- Compliance Oversight Committee (COC) oversees compliance with identity theft standards.
- Committee consists of Chief Compliance Officer, Chief Customer Officer, Chief Information Officer, and Chief Human Resources Officer.
- Objective of COC's Risk Assessment – Review performance and identify major weaknesses or improvement opportunities.
- Summary of Risk Assessment is provided to the Finance & Audit Committee to fulfill the FACTA Annual Reporting requirement.

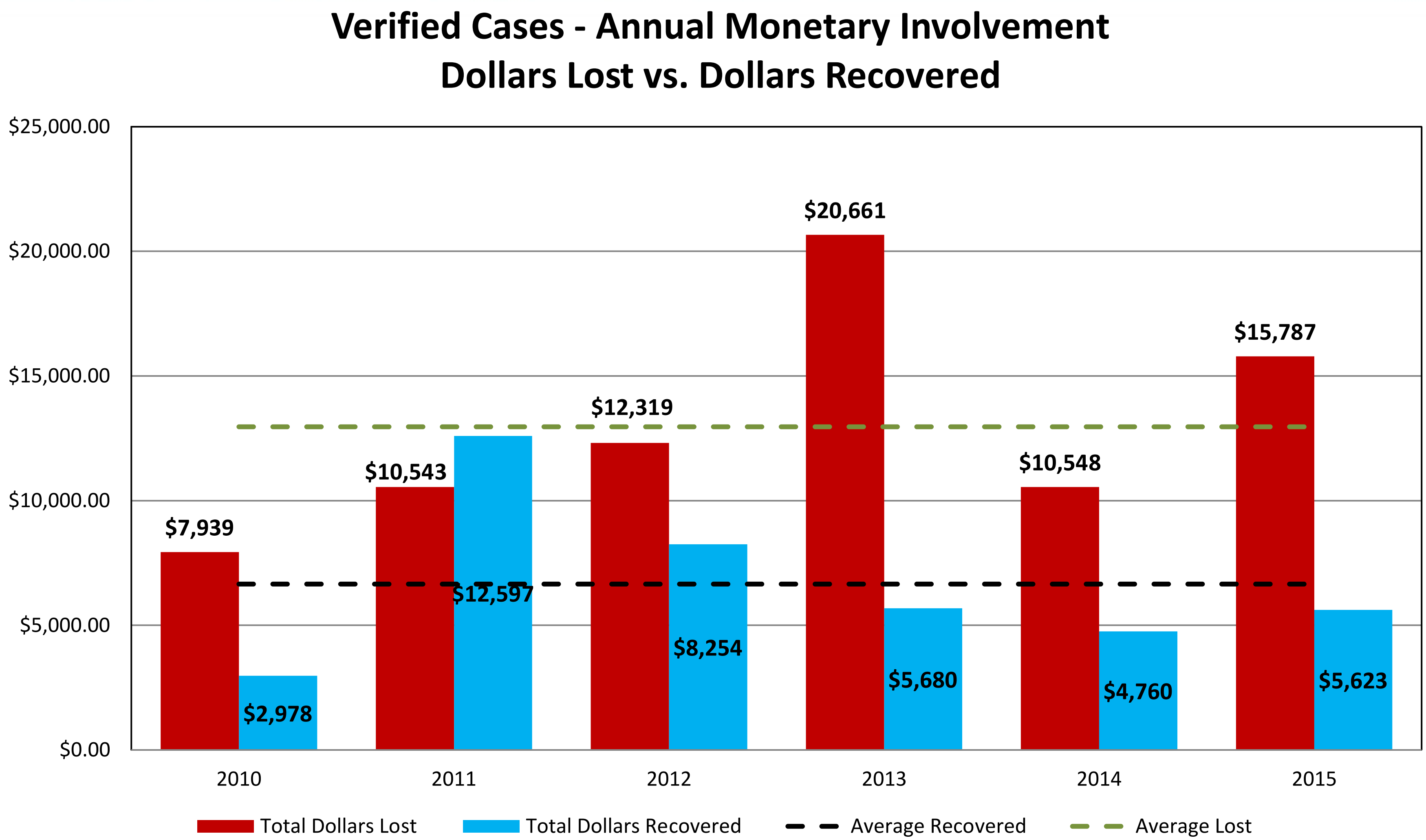
Program Metrics



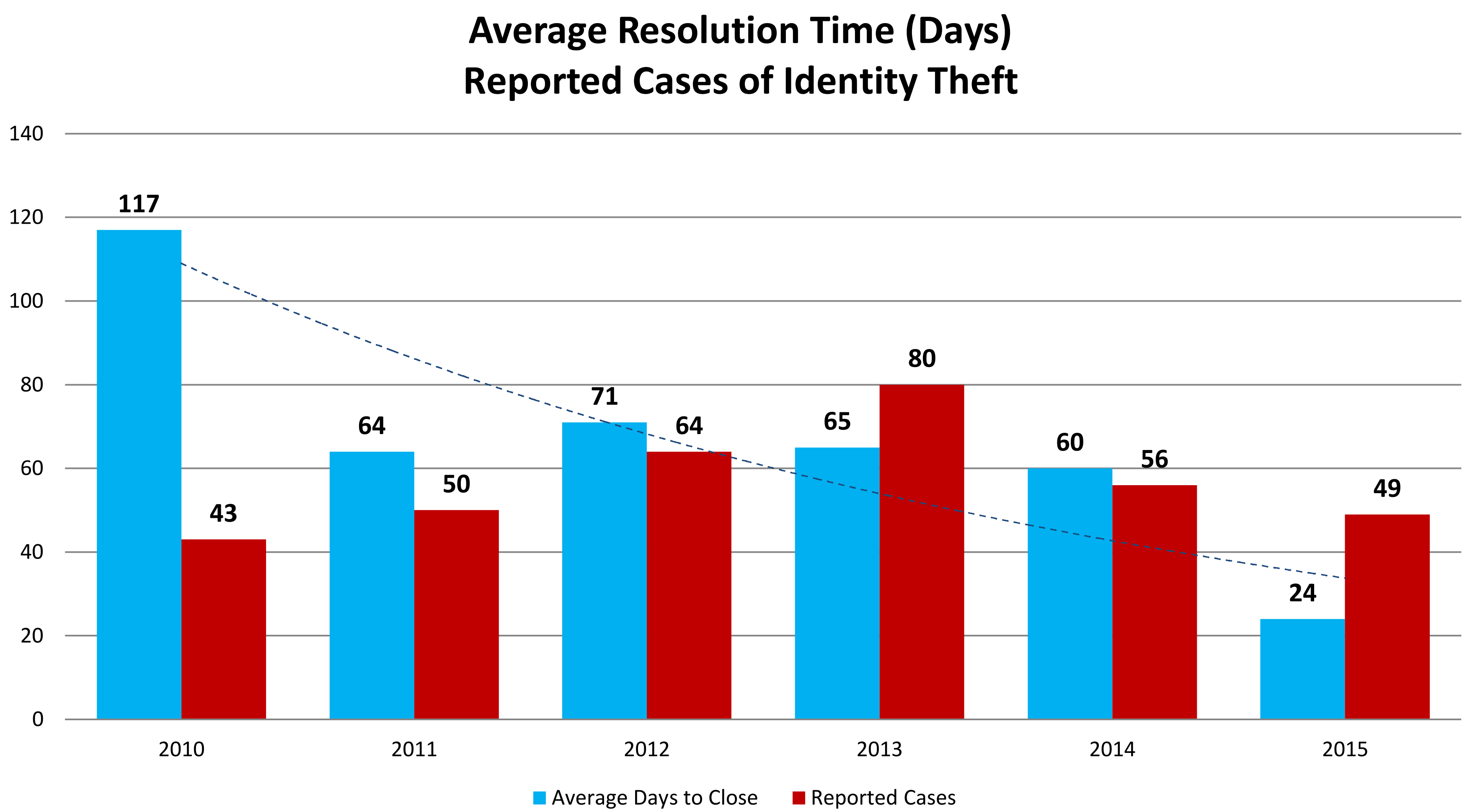


JEA

Program Metrics

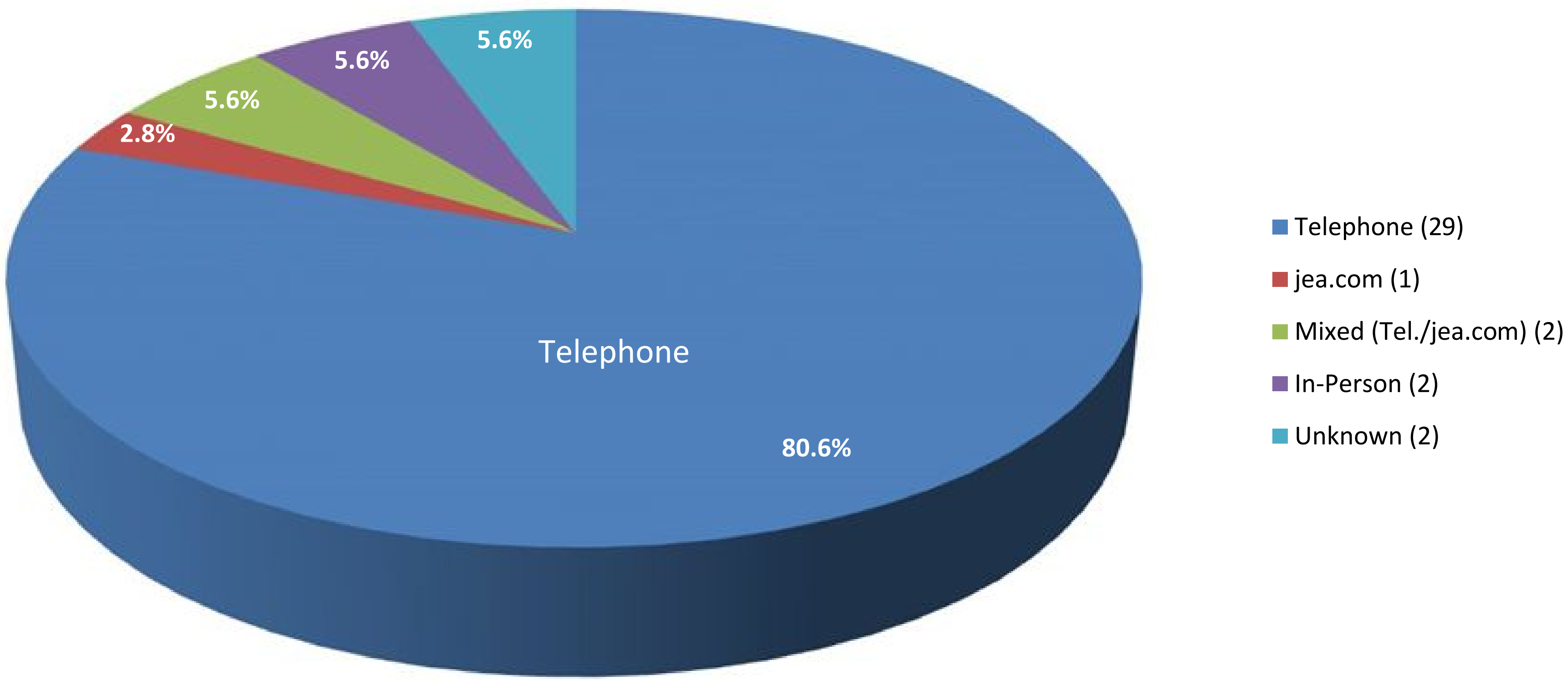


Operational Metrics



Sources

Source of Account Opening Verified Cases 2015



JEA

2015 Summary of Results

36 Confirmed Cases of Identity Theft Reported in 2015

- In 20 of the cases, the account was opened prior to the 2012 implementation of a more robust identity verification process using Experian.
- In 12 of the cases, the person opening the account provided verifiable PII.
- In 4 of the cases (.0077% of the accounts opened in 2015), there was human error. As a result, additional training was designed and provided to staff.

JEA

2015 Summary of Results

- Audit Services reported no cases of identity theft by JEA employees.
- Information Security reported no detection of data extraction or access indicative of identity theft.
- Time to close reported cases of identity theft decreased to 24 days from a previous high of 117 days.

Conclusion

- JEA is compliant with FACTA, FCRA, and FIPA.
- Appropriate controls are in place to prevent, detect and mitigate identity theft.
- In the rare event identity theft occurs, steps are taken to identify the root cause, and corrective actions are taken.
- Tracking was enhanced in 2013 and continuously enhanced to provide better metrics and root cause analysis.

JEA
Finance and Audit Committee Report
May 9, 2016

Creating an Ethical Culture

Business Ethics Update and What's Next

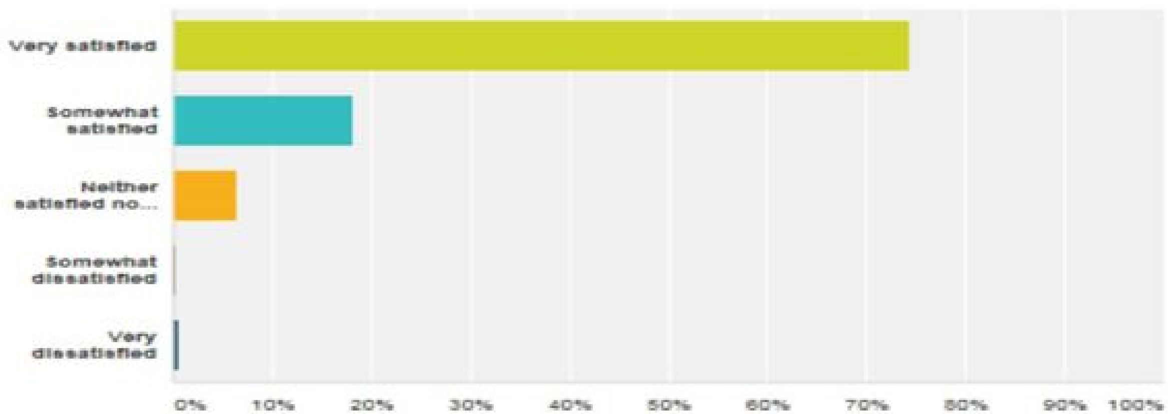
- 100 % compliant with ethics training requirements in FY2016, including new employees who must take training within 10 days of employment.
- Update the JEA/SJRPP Ethical Conduct Guidelines
  - The Code of Conduct, our Values, examples of ethical questions you might face, information about business compliance issues, and resources you can use when you need ethical advice or help.
- Implement new Business Ethics tools on The Grid Ethics page.
- Bi-Annual Meeting with Business Group Ethics Representatives in May 2016

JEA

Business Ethics Training Survey Results

Overall, how satisfied were you with the knowledge you obtained in the Business Ethics Refresher?

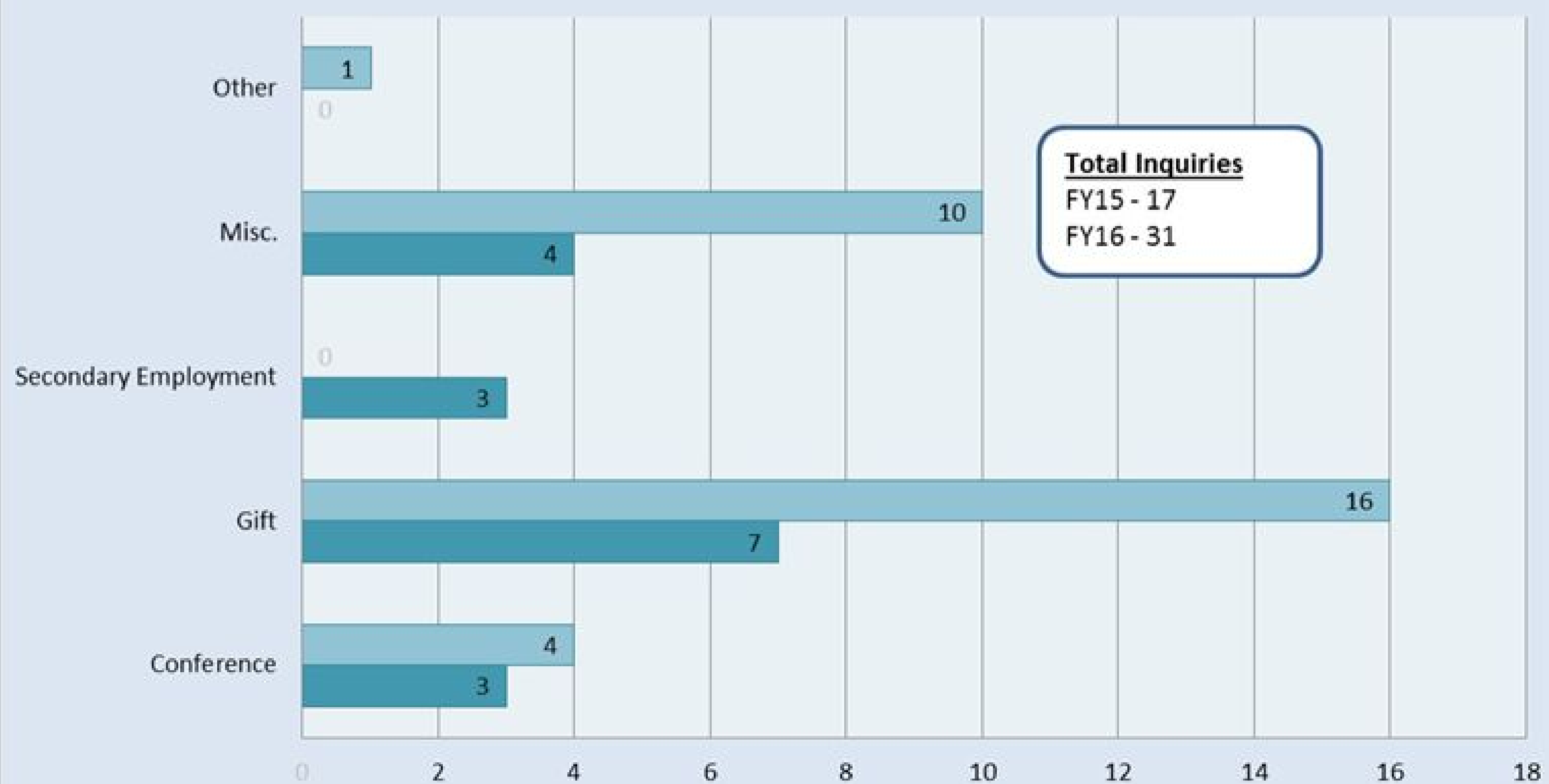
Answered: 625 Skipped: 0



Answer Choices	Responses	
Very satisfied	74.24%	464
Somewhat satisfied	18.24%	114
Neither satisfied nor dissatisfied	6.40%	40
Somewhat dissatisfied	0.48%	3
Very dissatisfied	0.64%	4
Total		625

FY15/16 Comparison

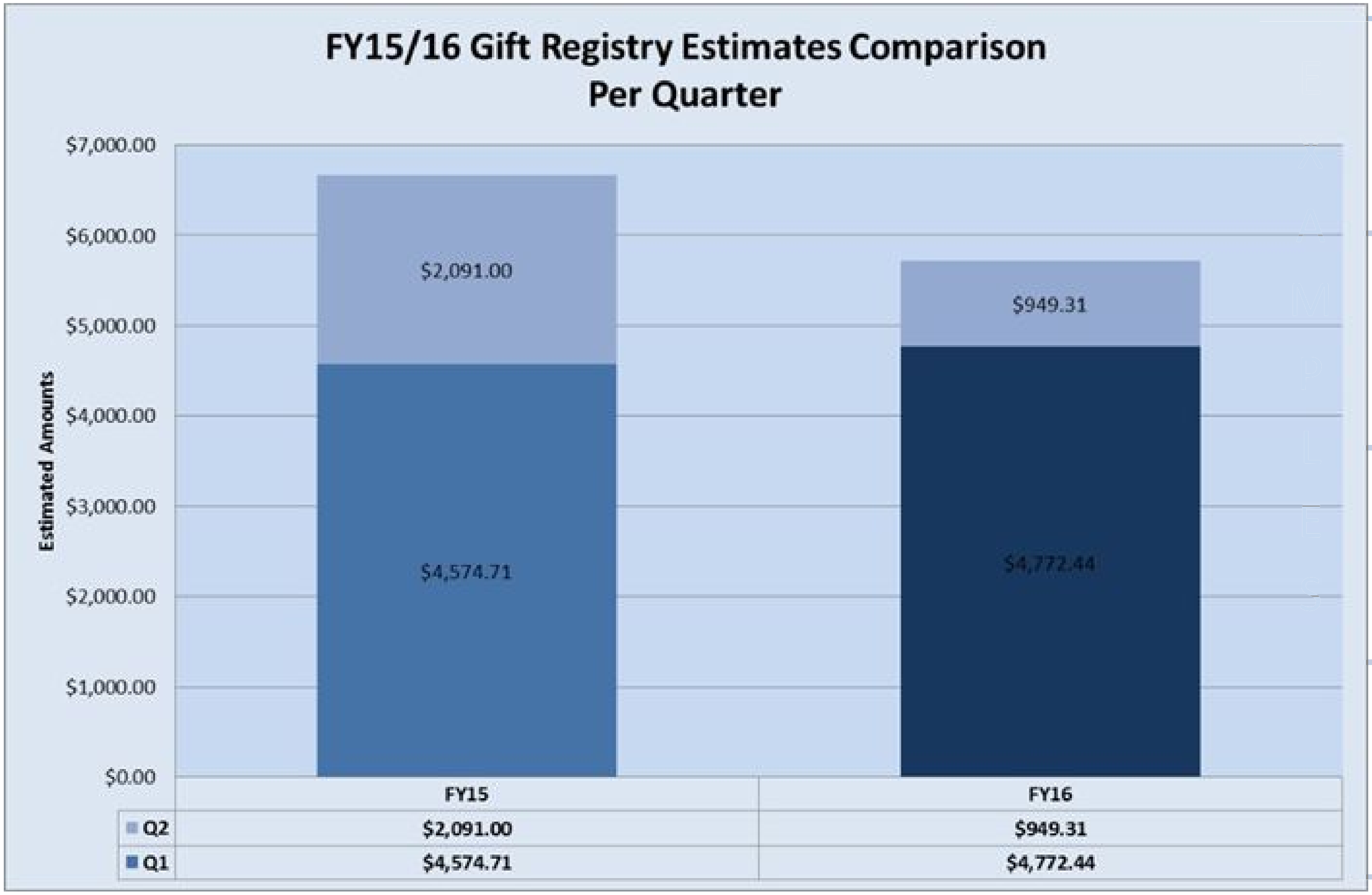
Ethics Inquiries Comparison FY15/FY16 through 2nd Quarter



	Conference	Gift	Secondary Employment	Misc.	Other
FY16	4	16	0	10	1
FY15	3	7	3	4	0

JEA

FY16 Gift Registry



Food Items: lunch or dinners during meetings or training, candies, doughnuts and cookies

Promotional items: ball caps, t-shirts, pens

Misc: golf, door prizes, bottles of wine

Conference registration fees

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AGENDA ITEM SUMMARY

April 26, 2016

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

Purpose: ☒ Information Only ☐ Action Required ☐ Advice/Direction

Issue: Electric System and Water and Sewer System Reserve Fund Quarterly Report as of March 31, 2016. This report is provided for transparency into JEA's reserve fund accounts and various cash balances. Staff is continuing to analyze JEA's cash and reserve positions, balancing the cost of carrying cash against the importance of liquidity to meet JEA's day-to-day operations, bond resolution requirements and credit ratings. Staff plans to report on this analysis at a future Finance and Audit Committee meeting.

Significance: High. JEA's liquidity position is an important balance between operating security and flexibility, financial metrics, and carrying cost of cash.

Effect: JEA operational needs, bond resolution requirements, and credit ratings.

Cost or Benefit: JEA's reserves are an important component of operating security and flexibility, a critical credit ratings factor.

Recommended Board action: No action required; provided for information only.

For additional information, contact: Joe Orfano, Treasurer, 665-4541

Submitted by: PEM/MHD/JEO/BHG

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INTER-OFFICE MEMORANDUM
April 26, 2016

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

FROM: Paul E. McElroy, Managing Director/CEO

TO: JEA Finance and Audit Committee

Kelly Flanagan, Chair
Tom Petway
Ed Burr
Husein Cumber

BACKGROUND:
At the May 7, 2012 Finance and Audit Committee meeting, staff presented a report reflecting historical and projected activity in JEA's Electric System and Water and Sewer System unrestricted and restricted fund balances. Many of these reserves are required under the respective System's bond resolutions or under Board approved policies such as Pricing Policy or Debt Management Policy. Staff also stated that this report would be provided to the JEA Board on a quarterly basis beginning in August 2012.

DISCUSSION:
This report is provided for transparency into JEA's reserve fund accounts and various cash balances. Staff is continuing to analyze JEA's cash and reserve positions, balancing the cost of carrying cash against the importance of liquidity to meet JEA's day-to-day operations, bond resolution requirements and credit ratings. Staff plans to report on this analysis at a future Finance and Audit Committee meeting.

RECOMMENDATION:
No action required; provided for information only.

Paul E. McElroy, Managing Director/CEO

PEM/MHD/JEO/BHG

Ver 2.2 02/01/2014

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

For the Fiscal Quarter Ending March 31, 2016
(In Thousands of Dollars)

Electric System	Fiscal Year FY 2013	Fiscal Year FY 2014	Fiscal Year FY 2015	Fiscal Year FY 2016	Detail Page #
Unrestricted					
Operations/Revenue Fund	$ 46,588	$ 43,178	$ 46,624	$ 50,961	
Debt Management Strategy Reserve	-	-	-	-	3
Self Insurance Reserve Fund					
• Property	10,000	10,000	10,000	10,000	4
• Employee health insurance	15,914	10,749	10,937	9,827	5
Rate Stabilization					
• Fuel	108,289	105,457	150,742	184,149	6
• DSM/conservation	3,891	3,570	2,886	2,879	7
• Environmental	10,023	16,639	23,430	29,509	8
• Debt Management	42,126	42,126	42,126	42,126	9
• Non-Fuel Purchased Power	-	12,000	38,000	34,402	10
Environmental	18,662	18,662	18,662	18,662	11
Customer Deposits	44,882	42,688	42,389	41,393	12
Total Unrestricted	300,375	305,069	385,796	423,908	
Unrestricted Days of Cash on Hand	129	123	182	205	
Restricted					
Debt Service Funds (Sinking Funds)	101,305	120,458	134,927	137,331	13
Debt Service Reserve Funds	64,841	64,841	64,595	60,582	14
Renewal and Replacement Funds/OCO (2)	140,486	146,910	145,711	134,726	15
Construction Funds	5,184	42	-	-	16
Total Restricted	311,816	332,251	345,233	332,639	
Total Electric System	$ 612,191	$ 637,320	$ 731,029	$ 756,547	

Water and Sewer System					
Unrestricted					
Operations/Revenue Fund	$ 5,886	$ 9,227	$ 22,588	$ 22,684	
Debt Management Strategy Reserve	304	304	-	-	17
Rate Stabilization					
• Debt Management	20,290	20,291	20,290	20,290	18
• Environmental				-	19
Customer Deposit	13,860	12,787	13,255	13,979	20
Total Unrestricted	40,340	42,609	56,133	56,953	
Unrestricted Days of Cash on Hand	110	118	149	145	
Restricted					
Debt Service Funds (Sinking Funds)	80,317	75,019	67,720	66,208	21
Debt Service Reserve Funds	119,915	116,829	108,849	108,086	22
Renewal and Replacement Funds					
• R&R/OCO (3)	78,689	59,295	37,337	42,828	23
• Capacity Fees/State Revolving Loans	60,360	76,887	90,912	92,150	24
• Environmental	(9,857)	5,299	19,245	-	25
Construction Funds	2,305	326	664	-	26
Total Restricted	331,729	333,655	324,727	309,272	
Total Water & Sewer System	$ 372,069	$ 376,264	$ 380,860	$ 366,225	

(1) This report does not include Scherer, SJRPP, DES or funds held on behalf of the City of Jacksonville.
(2) Balance includes $47,000 of Electric System Renewal and Replacement Reserve for MADS calculation.
(3) Balance includes $20,000 of Water & Sewer System Renewal and Replacement Reserve for MADS calculation.

Funds Established Per the Bond Resolutions

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

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

Electric System Debt Management Reserve

For the Fiscal Quarter Ending March 31, 2016

Reserve/Fund Authorization: Debt Management Policy

Metric: One-half percent of the par amount of outstanding variable debt (adjusted for variable to fixed rate long term swaps). Capped at 3% of the par amount of outstanding variable debt

Definitions and Goals: For the period FY 04 through FY 09, an annual budgeted reserve contribution for variable rate debt was made. The calculation was based upon one half percent of the par amount of outstanding variable rate debt (adjusted for variable rate to fixed rate long term swaps). The budget reserve was capped at three percent of the par amount of the outstanding variable rate debt. The reserve can be used for any lawful purpose including debt service, debt repayment, and capital outlay and must be approved in writing by the CEO.

	Actual as of 03/31/2016		**Full Year**			**Projection**		
(In Thousands)	Current Quarter	Year -to-Date	2016 Forecast	2016 Budget	Prior Year Actual	2017	2018	2019
Opening Balance	$ -	$ -	$ -	N/A	$ -	$ -	$ -	$ -
Additions:								
Contributions				N/A	-			
Sub-total	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Deductions:								
Withdrawals			-	N/A	-			
Sub-total	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Ending Balance	$ -	$ -	$ -	N/A	$ -	$ -	$ -	$ -

	Historical					**Statistical**			
	2011	2012	2013	2014	2015	Low	Median	Mean	High
Opening Balance	$ 12,257	$ 12,257	$ 12,257	$ -	$ -	$ -	$ 12,257	$ 7,354	$ 12,257
Additions:		-							
Contributions	-	-	-	-		-	-	-	-
						-	-	-	-
						-	-	-	-
Sub-total	$ -	$ -	$ -	$ -	$ -				
Withdrawals	-	-	12,257			-	-	4,086	12,257
						-	-	-	-
						-	-	-	-
Sub-total	$ -	$ -	$ 12,257	$ -	$ -				
Ending balance	$ 12,257	$ 12,257	$ -	$ -	$ -	$ -	$ -	$ 4,903	$ 12,257

Observations:

- This reserve fund discontinued contributions in FY 2009 due to adoption of new policy. Reserve activity reflected in RSF - Debt Management for that year.
- A portion of this reserve was used to pay on interest rate swap terminations in connection with a refunding of variable rate debt in February 2013, and the remainder was used in Sept 2013 for a defeasance.

Electric System Self Insurance - Property

For the Fiscal Quarter Ending March 31, 2016
Reserve/Fund Authorization: Budget Appropriation
Metric: Budgeted Deposit = $10 million

Definitions and Goals: JEA's self-insurance fund is for catastrophic damage to JEA's electric lines (transmission and distribution) caused by the perils of hurricanes, tornadoes, and ice storms. This fund was established in October, 1992, as an alternative to JEA's procurement of commercial property insurance.

	Actual as of 03/31/2016		**Full Year**			**Projection**		
(In Thousands)	Current Quarter	Year -to-Date	2016 Forecast	2016 Budget	Prior Year Actual	2017	2018	2019
Opening Balance	$ 10,000	$ 10,000	$ 10,000	N/A	$ 10,000	$ 10,000	$ 10,000	$ 10,000
Additions:								
Reserve Contribution				N/A	-			
Sub-total	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Deductions:								
Reserve Withdrawal								
				N/A				
Sub-total	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Ending Balance	$ 10,000	$ 10,000	$ 10,000	N/A	$ 10,000	$ 10,000	$ 10,000	$ 10,000

	Historical					**Statistical**			
	2011	2012	2013	2014	2015	Low	Median	Mean	High
Opening Balance	$ 3,500	$ 10,000	$ 10,000	$ 10,000	$ 10,000	$ 3,500	$ 10,000	$ 8,700	$ 10,000
Additions:									
Reserve Contribution	6,500					6,500	6,500	6,500	6,500
						-	-	-	-
						-	-	-	-
Sub-total	$ 6,500	$ -	$ -	$ -	$ -				
Reserve Withdrawal						-	-	-	-
						-	-	-	-
						-	-	-	-
Sub-total	$ -	$ -	$ -	$ -	$ -				
Ending balance	$ 10,000	$ 10,000	$ 10,000	$ 10,000	$ 10,000	$ 10,000	$ 10,000	$ 10,000	$ 10,000

Electric System Self Insurance - Employee Health Insurance

For the Fiscal Quarter Ending March 31, 2016

Reserve/Fund Authorization: Florida Statute for self insured government plans

Metric: An actuary calculates amount annually

Definitions and Goals: This reserve fund is a requirement under Florida Statute 112.08 that requires self insured government plans to have enough money in a reserve fund to cover the Incurred But Not Reimbursed (IBNR) claims and a 60 day surplus of claims. The IBNR claims are claims that would still need to be paid if the company went back to a fully insured plan or dropped coverage all together. An actuary calculates this amount annually.

	Actual as of 03/31/2016		Full Year			Projection		
(In Thousands)	Current Quarter	Year -to-Date	2016 Forecast	2016 Budget	Prior Year Actual	2017	2018	2019
Opening Balance	$ 9,578	$ 10,937	$ 10,937	N/A	$ 10,749	$ 9,827	$ 9,597	$ 9,349
Additions:								
Employee Contributions	1,361	2,703	5,406	N/A	5,447	6,038	6,521	7,043
Retiree & Other Contributions	1,488	2,538	5,076		5,141	7,082	7,649	8,260
Employer Contributions	9,384	14,327	23,859		22,220	23,321	25,187	27,202
Sub-total	$ 12,233	$ 19,568	$ 34,341	$ -	$ 32,808	$ 36,441	$ 39,356	$ 42,505
Deductions:								
Payments for Claims	8,878	16,878	31,047	N/A	30,408	31,915	34,468	37,226
Actuary & Other Payments	407	1,101	4,404		2,212	4,756	5,136	5,547
Sub-total	$ 9,285	$ 17,979	$ 35,451	$ -	$ 32,620	$ 36,671	$ 39,605	$ 42,773
Ending Balance	$ 12,526	$ 12,526	$ 9,827	N/A	$ 10,937	$ 9,597	$ 9,349	$ 9,080

	Historical					Statistical			
(In Thousands)	2011	2012	2013	2014	2015	Low	Median	Mean	High
Opening Balance	$ 8,227	$ 12,505	$ 15,440	$ 15,914	$ 10,749	$ 8,227	$ 12,505	$ 12,567	$ 15,914
Additions:									
Employee Contributions	5,926	6,147	5,893	4,573	5,447	4,573	5,893	5,597	6,147
Retiree & Other Contributions	4,725	6,910	5,701	5,188	5,141	4,725	5,188	5,533	6,910
Employer Contributions	20,484	21,155	20,629	14,252	22,220	14,252	20,629	19,748	22,220
Sub-total	$ 31,135	$ 34,212	$ 32,223	$ 24,013	$ 32,808				
Deductions:									
Payments for Claims	24,699	29,220	29,354	27,157	30,408	24,699	29,220	28,168	30,408
Actuary & Other Payments	2,158	2,057	2,395	2,021	2,212	2,021	2,158	2,169	2,395
Sub-total	$ 26,857	$ 31,277	$ 31,749	$ 29,178	$ 32,620				
Ending balance	$ 12,505	$ 15,440	$ 15,914	$ 10,749	$ 10,937	$ 10,749	$ 12,505	$ 13,109	$ 15,914

Observations:

- Self Insurance for Employee Health Insurance began in July 2009.
- Projections are using the 8% rate of increase based on information obtained from the Actuarial Memorandum and Report.
  Calendar year data is presented above in fiscal year format.

Electric System Rate Stabilization - Fuel Management

For the Fiscal Quarter Ending March 31, 2016

Reserve/Fund Authorization: Bond Resolution and Pricing Policy

Metric: Targeted 15% of total annual projected energy costs

Definitions and Goals: The Electric System Bond Resolution authorizes the establishment of a Rate Stabilization Fund in which contributions or withdrawals shall be made as set forth in the current annual budget or an amount otherwise determined by an authorized officer of JEA. The Rate Stabilization Fund provides a means to minimize the year-to-year impact to customer charges and support financial metrics by providing consistent revenue collection for expenditures impacted by external factors such as fuel, debt management and regulatory requirements or initiatives. Established pursuant to the section VII and Section IX of the Pricing Policy, the Fuel Reserve target is 15% of the greater of (a) the maximum 12-month historical fuel cost or (b) the projected 12-month fuel cost. Withdrawals from the Rate Stabilization Fund for fuel stabilization are limited to the following purposes: (a) to reduce the variable fuel rate charge to the customers for a determined period of time; (b) to reduce the excess of the actual fuel and purchased power expense for the fiscal year over the variable fuel rate revenues; (c) to be rebated back to the customers as a credit against the electric bill; and/or (d) to reimburse the costs associated with any energy risk management activities.

	Actual as of 03/31/2016		Full Year			Projection		
(In Thousands)	Current Quarter	Year -to-Date	2016 Forecast	2016 Budget	Prior Year Actual	2017	2018	2019
Opening Balance	$ 129,430	$ 150,742	$ 150,742	N/A	$ 105,457	$ 184,149	$ 225,514	$ 225,514
Additions:								
Contributions	20,296	55,590	90,013	25,285	95,224	41,365		
Sub-total	$ 20,296	$ 55,590	$ 90,013	$ 25,285	$ 95,224	$ 41,365	$ -	$ -
Deductions:								
Withdrawals					-			
Customer Fuel Rebate Credit		56,606	56,606	-	49,939			
Sub-total	$ -	$ 56,606	$ 56,606	$ -	$ 49,939	$ -	$ -	$ -
Ending Balance	$ 149,726	$ 149,726	$ 184,149	N/A	$ 150,742	$ 225,514	$ 225,514	$ 225,514

	Historical					Statistical			
	2011	2012	2013	2014	2015	Low	Median	Mean	High
Opening Balance	$ 55,935	$ 24,990	$ 92,362	$ 108,289	$ 105,457	$ 24,990	$ 92,362	$ 77,407	$ 108,289
Additions:		-							
Contributions	53,465	76,763	52,523	22,496	95,224	22,496	53,465	60,094	95,224
						-	-	-	-
						-	-	-	-
Sub-total	$ 53,465	$ 76,763	$ 52,523	$ 22,496	$ 95,224				
Deductions:									
Withdrawals	84,410	9,391				9,391	46,901	46,901	84,410
Customer Fuel Rebate Credit			36,596	25,328	49,939	25,328	36,596	37,288	49,939
						-	-	-	-
Sub-total	$ 84,410	$ 9,391	$ 36,596	$ 25,328	$ 49,939				
Ending balance	$ 24,990	$ 92,362	$ 108,289	$ 105,457	$ 150,742	$ 24,990	$ 105,457	$ 96,368	$ 150,742

Observations:

- Actual and historical numbers reflect fuel recovery contributions and withdrawls on a gross basis. Forecast and projected numbers reflected on a net basis. The fuel recovery charge ended 12/31/11.

Electric System Rate Stabilization - Demand Side Management (DSM)

For the Fiscal Quarter Ending March 31, 2016

Reserve/Fund Authorization: Bond Resolution and Pricing Policy

Metric: $0.50 per 1,000 kWh plus $0.01 per kWh residential conservation charge for consumption greater than 2,750 KWh monthly

Definitions and Goals: The Electric System Bond Resolution authorizes the establishment of a Rate Stabilization Fund in which contributions or withdrawals shall be made as set forth in the current annual budget or an amount otherwise determined by an authorized officer of JEA. The Rate Stabilization Fund provides a means to minimize the year-to-year impact to customer charges and support financial metrics by providing consistent revenue collection for expenditures impacted by external factors such as fuel, debt management and regulatory requirements or initiatives. Pursuant to section VII of the Pricing Policy, $0.50 per 1,000 kWh plus $0.01 per kWh residential conservation charge for consumption greater than 2,750 kWh monthly. These revenue sources are to fund demand side management and conservation programs.

	Actual as of 03/31/2016		Full Year			Projection		
(In Thousands)	Current Quarter	Year -to-Date	2016 Forecast	2016 Budget	Prior Year Actual	2017	2018	2019
Opening Balance	$ 3,230	$ 2,886	$ 2,886	N/A	$ 3,570	$ 2,879	$ 2,272	$ 2,272
Additions:								
Contributions	1,594	3,104	6,833	6,942	7,059	7,510	6,844	6,844
Other								
Sub-total	$ 1,594	$ 3,104	$ 6,833	$ 6,942	$ 7,059	$ 7,510	$ 6,844	$ 6,844
Deductions:								
Withdrawals	1,881	3,047	6,840	7,674	7,743	8,117	6,844	6,844
Sub-total	$ 1,881	$ 3,047	$ 6,840	$ 7,674	$ 7,743	$ 8,117	$ 6,844	$ 6,844
Ending Balance	$ 2,943	$ 2,943	$ 2,879	N/A	$ 2,886	$ 2,272	$ 2,272	$ 2,272

	Historical					Statistical			
	2011	2012	2013	2014	2015	Low	Median	Mean	High
Opening Balance	$ 10,813	$ 10,703	$ 6,912	$ 3,891	$ 3,570	$ 3,570	$ 6,912	$ 7,178	$ 10,813
Additions:									
Contributions	7,978	6,657	6,683	6,929	7,059	6,657	6,929	7,061	7,978
Transfer from Rev Fd						-	-	-	-
						-	-	-	-
Sub-total	$ 7,978	$ 6,657	$ 6,683	$ 6,929	$ 7,059				
Deductions:									
Withdrawals	8,088	10,448	9,704	7,250	7,743	7,250	8,088	8,647	10,448
						-	-	-	-
						-	-	-	-
Sub-total	$ 8,088	$ 10,448	$ 9,704	$ 7,250	$ 7,743				
Ending balance	$ 10,703	$ 6,912	$ 3,891	$ 3,570	$ 2,886	$ 2,886	$ 3,891	$ 5,592	$ 10,703

Observations:

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

Electric System Rate Stabilization - Environmental

For the Fiscal Quarter Ending March 31, 2016
Reserve/Fund Authorization: Bond Resolution and Pricing Policy
Metric: $0.62 per 1,000 kWh

Definitions and Goals: The Electric System Bond Resolution authorizes the establishment of a Rate Stabilization Fund in which contributions or withdrawals shall be made as set forth in the current annual budget or an amount otherwise determined by an authorized officer of JEA. The Rate Stabilization Fund provides a means to minimize the year-to-year impact to customer charges and support financial metrics by providing consistent revenue collection for expenditures impacted by external factors such as fuel, debt management and regulatory requirements or initiatives. Deposits to this fund began in fiscal year 2010 for amounts representing the Electric System Environmental Charge ($0.62 per 1000 kWh). Withdrawals from this reserve will represent payments for regulatory initiatives such as the premium cost of renewable energy generation which is considered available for JEA's capacity plans.

	Actual as of 03/31/2016		Full Year			Projection		
(In Thousands)	Current Quarter	Year -to-Date	2016 Forecast	2016 Budget	Prior Year Actual	2017	2018	2019
Opening Balance	$ 25,154	$ 23,430	$ 23,430	N/A	$ 16,639	$ 29,509	$ 35,374	$ 38,374
Additions:								
Contributions	1,740	3,454	7,432	7,320	7,586	7,942	3,000	3,000
Sub-total	$ 1,740	$ 3,454	$ 7,432	$ 7,320	$ 7,586	$ 7,942	$ 3,000	$ 3,000
Deductions:								
Withdrawals	142	132	1,353	2,442	795	2,077		
Sub-total	$ 142	$ 132	$ 1,353	$ 2,442	$ 795	$ 2,077	$ -	$ -
Ending Balance	$ 26,752	$ 26,752	$ 29,509	N/A	$ 23,430	$ 35,374	$ 38,374	$ 41,374

	Historical					Statistical			
	2011	2012	2013	2014	2015	Low	Median	Mean	High
Opening Balance	$ 2,467	$ 4,232	$ 5,343	$ 10,023	$ 16,639	$ 2,467	$ 5,343	$ 7,741	$ 16,639
Additions:		-							
Contributions	6,583	2,436	5,650	7,395	7,586	2,436	6,583	5,930	7,586
						-	-	-	-
						-	-	-	-
Sub-total	$ 6,583	$ 2,436	$ 5,650	$ 7,395	$ 7,586				
Deductions:									
Withdrawals	4,818	1,325	970	779	795	779	970	1,737	4,818
						-	-	-	-
						-	-	-	-
Sub-total	$ 4,818	$ 1,325	$ 970	$ 779	$ 795				
Ending balance	$ 4,232	$ 5,343	$ 10,023	$ 16,639	$ 23,430	$ 4,232	$ 10,023	$ 11,933	$ 23,430

Observations:
- Rate Stabilization Fund for Environmental began in June 2010.

Electric System Rate Stabilization - Debt Management

For the Fiscal Quarter Ending March 31, 2016

Reserve/Fund Authorization: Bond Resolution and Pricing Policy

Metric: Difference in actual interest rates for interest expense on the unhedged variable rate debt as compared to the budgeted assumptions for interest expense on unhedged variable rate debt

Definitions and Goals: The Electric System Bond Resolution authorizes the establishment of a Rate Stabilization Fund in which deposits or withdrawals shall be made as set forth in the current annual budget or an amount otherwise determined by an authorized officer of JEA. The Rate Stabilization Funds provide a means to minimize the year-to-year impact to customer charges and support financial metrics by providing consistent revenue collection for expenditures impacted by external factors such as fuel, debt management and regulatory requirements or initiatives. Deposits are made to this Rate Stabilization Fund for the purpose of managing JEA's debt portfolio. Deposits to this reserve reflect the difference in the actual interest rates for interest expense on the unhedged variable rate debt as compared to the budgeted assumptions for interest expense on the unhedged variable rate debt. Additionally, deposits can be made from excess debt service budget over the actual debt service expense for any fiscal year. However, the total amounts deposited (in addition to actual debt service costs for the fiscal year) cannot exceed the total amount of the budgeted debt service for any fiscal year. At a minimum, 50% of the calculated reserve contribution, if any, will be recorded and deposited each fiscal year. Debt and Investment Committee will review and record at their option an additional contribution amount, up to the full value of the calculated reserve contribution (the remaining 50%). The reserve contributions will be calculated on a system by system basis; however, based on the calculation, any mandatory deposit will exclude the District Energy System. The reserve contributions shall cease in the event the reserve balance exceeds the cap of five percent of the par amount of the total outstanding variable rate debt of all systems. Withdrawals from the Rate Stabilization Fund for Debt Management Strategy can be made for expenses related to market disruption in the capital markets, disruption in availability of credit or unanticipated credit expenses, or to fund variable interest costs in excess of budget.

	Actual as of 03/31/2016		Full Year			Projection		
(In Thousands)	Current Quarter	Year -to-Date	2016 Forecast	2016 Budget	Prior Year Actual	2017	2018	2019
Opening Balance	$ 42,126	$ 42,126	$ 42,126	N/A	$ 42,126	$ 42,126	$ 42,126	$ 42,126
Additions:								
Contributions				N/A	-			
Sub-total	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Deductions:								
Withdrawals					-			
			-					
Sub-total	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Ending Balance	$ 42,126	$ 42,126	$ 42,126	N/A	$ 42,126	$ 42,126	$ 42,126	$ 42,126

	Historical					Statistical			
	2011	2012	2013	2014	2015	Low	Median	Mean	High
Opening Balance	$ 19,213	$ 35,930	$ 41,611	$ 42,126	$ 42,126	$ 19,213	$ 41,611	$ 36,201	$ 42,126
Additions:									
Contributions	16,717	5,681	6,581			5,681	6,581	9,660	16,717
						-	-	-	-
						-	-	-	-
Sub-total	$ 16,717	$ 5,681	$ 6,581	$ -	$ -				
Deductions:									
Withdrawals	-	-	6,066			-	-	2,022	6,066
						-	-	-	-
						-	-	-	-
Sub-total	$ -	$ -	$ 6,066	$ -	$ -				
Ending balance	$ 35,930	$ 41,611	$ 42,126	$ 42,126	$ 42,126	$ 35,930	$ 42,126	$ 40,784	$ 42,126

Observations:

- Rate Stabilization Fund for Debt Management began in May 2009.

Electric System Rate Stabilization - Non-Fuel Purchased Power

For the Fiscal Quarter Ending March 31, 2016
Reserve/Fund Authorization: Bond Resolution and Pricing Policy
Metric: Difference in actual interest rates for interest expense on the unhedged variable rate debt as compared to the budgeted assumptions for interest expense on unhedged variable rate debt

Definitions and Goals: The Electric System Bond Resolution authorizes the establishment of a Rate Stabilization Fund in which deposits or withdrawals shall be made as set forth in the current annual budget or an amount otherwise determined by an authorized officer of JEA. The Rate Stabilization Funds provide a means to minimize the year-to-year impact to customer charges and support financial metrics by providing consistent revenue collection for expenditures impacted by external factors such as fuel, debt management and regulatory requirements or initiatives. Deposits to the Rate Stabilization Fund for Non-Fuel Purchased Power Stabilization during the fiscal year are made with the approval of the CEO or CFO, provided such deposits are not in excess of JEA's total operating budget for the current fiscal year. Withdrawals from the Rate Stabilization Fund for Non-Fuel Purchased Power are to reimburse the costs associated with any non-fuel purchased power activities. Withdrawals can be made as necessary during the fiscal year and requires the approval of the CEO or the CFO.

	Actual as of 03/31/2016		Full Year			Projection		
(In Thousands)	Current Quarter	Year -to-Date	2016 Forecast	2016 Budget	Prior Year Actual	2017	2018	2019
Opening Balance	$ 38,000	$ 38,000	$ 38,000	N/A	$ 12,000	$ 34,402	$ 25,170	$ 13,425
Additions:								
Contributions				-	26,000			
Sub-total	$ -	$ -	$ -	$ -	$ 26,000	$ -	$ -	$ -
Deductions:								
Withdrawals	514	514	3,598	-	-	9,232	11,745	9,937
Sub-total	$ 514	$ 514	$ 3,598	$ -	$ -	$ 9,232	$ 11,745	$ 9,937
Ending Balance	$ 37,486	$ 37,486	$ 34,402	N/A	$ 38,000	$ 25,170	$ 13,425	$ 3,488

	Historical					Statistical			
	2011	2012	2013	2014	2015	Low	Median	Mean	High
Opening Balance	$ -	$ -	$ -	$ -	$ 12,000	$ -	$ -	$ 2,400	$ 12,000
Additions:		-				-	-	-	-
Contributions				12,000	26,000	12,000	19,000	19,000	26,000
						-	-	-	-
						-	-	-	-
Sub-total	$ -	$ -	$ -	$ 12,000	$ 26,000				
Deductions:									
Withdrawals						-	-	-	-
						-	-	-	-
						-	-	-	-
Sub-total	$ -	$ -	$ -	$ -	$ -				
Ending balance	$ -	$ -	$ -	$ 12,000	$ 38,000	$ -	$ -	$ 10,000	$ 38,000

Observations:
- The Non-Fuel Purchased Power Rate Stabiliation Fund began in FY 2014.

Electric System Environmental Reserve

For the Fiscal Quarter Ending March 31, 2016
Reserve/Fund Authorization: Pricing Policy
Metric: Target equals the balance in the environmental liability account

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

	Actual as of 03/31/2016		**Full Year**			**Projection**		
(In Thousands)	Current Quarter	Year -to-Date	2016 Forecast	2016 Budget	Prior Year Actual	2017	2018	2019
Opening Balance	$ 18,662	$ 18,662	$ 18,662	N/A	$ 18,662	$ 18,662	$ 18,662	$ 18,662
Additions:								
Contributions			-	N/A	-			
Sub-total	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Deductions:								
Withdrawals			-	N/A	-			
Sub-total	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Ending Balance	$ 18,662	$ 18,662	$ 18,662	N/A	$ 18,662	$ 18,662	$ 18,662	$ 18,662

	Historical					**Statistical**			
	2011	2012	2013	2014	2015	Low	Median	Mean	High
Opening Balance	$ 16,946	$ 20,899	$ 18,359	$ 18,662	$ 18,662	$ 16,946	$ 18,662	$ 18,706	$ 20,899
Additions:		-							
Contributions	3,953		970			970	2,462	2,462	3,953
						-	-	-	-
						-	-	-	-
Sub-total	$ 3,953	$ -	$ 970	$ -	$ -				
Deductions:									
Withdrawals		2,540	667			667	1,604	1,604	2,540
						-	-	-	-
						-	-	-	-
Sub-total	$ -	$ 2,540	$ 667	$ -	$ -				
Ending balance	$ 20,899	$ 18,359	$ 18,662	$ 18,662	$ 18,662	$ 18,359	$ 18,662	$ 19,049	$ 20,899

Observations:
- The Environmental Reserve began in FY 2008.

Electric System Customer Deposits

For the Fiscal Quarter Ending March 31, 2016

Reserve/Fund Authorization: Management Directive 302 Credit and Collections and Internal Procedure CR40400 MBC302

Metric: Internal procedure CR40400 MBC302 Credit and Collections

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

	Actual as of 03/31/2016		Full Year			Projection		
(In Thousands)	Current Quarter	Year -to-Date	2016 Forecast	2016 Budget	Prior Year Actual	2017	2018	2019
Opening Balance	$ 41,724	$ 42,389	$ 42,389	N/A	$ 42,688	$ 41,393	$ 41,393	$ 41,393
Additions:								
Net Customer Activity			-	N/A	-			
Loan Repayment to ES Revenue Fund					-			
Sub-total	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Deductions:								
Net Customer Activity	331	996	996		299			
Loan to ES Revenue Fund				N/A	-			
Sub-total	$ 331	$ 996	$ 996	$ -	$ 299	$ -	$ -	$ -
Ending Balance	$ 41,393	$ 41,393	$ 41,393	N/A	$ 42,389	$ 41,393	$ 41,393	$ 41,393

	Historical					Statistical			
	2011	2012	2013	2014	2015	Low	Median	Mean	High
Opening Balance	$ 38,801	$ 42,767	$ 43,454	$ 44,882	$ 42,688	$ 38,801	$ 42,767	$ 42,518	$ 44,882
Additions:		-							
Net Customer Activity	5,011	905	1,430			905	1,430	2,449	5,011
Loan Repayment to ES Revenue Fund	16,000					16,000	16,000	16,000	16,000
						-	-	-	-
Sub-total	$ 21,011	$ 905	$ 1,430	$ -	$ -				
Deductions:									
Net Customer Activity	1,045	218	2	2,194	299	2	299	752	2,194
Loan to ES Revenue Fund	16,000					16,000	16,000	16,000	16,000
Sub-total	$ 17,045	$ 218	$ 2	$ 2,194	$ 299				
Ending balance	$ 42,767	$ 43,454	$ 44,882	$ 42,688	$ 42,389	$ 42,389	$ 42,767	$ 43,236	$ 44,882

Observations:

- JEA is in the process of implementing a prepaid meter program which could reduce customer deposits starting in Fiscal Year 2014.

Electric System Debt Service Sinking Fund

For the Fiscal Quarter Ending March 31, 2016
Reserve/Fund Authorization: Bond Resolution
Metric: Accrued interest and principal currently payable on fixed and variable rate bonds pursuant to the Bond Resolutions

Definitions and Goals: JEA is required monthly to fund from revenues an amount equal to the aggregate of the Debt Service Requirement for senior and subordinated bonds for such month into this account. On or before such interest payment date, JEA shall pay out of this account to the paying agents the amount required for the interest and principal due on such date.

	Actual as of 03/31/2016		**Full Year**			**Projection**		
(In Thousands)	Current Quarter	Year -to-Date	2016 Forecast	2016 Budget	Prior Year Actual	2017	2018	2019
Opening Balance	$ 43,948	$ 134,927	$ 134,927	N/A	$ 120,458	$ 137,331	$ 129,640	$ 132,021
Additions:								
Revenue Fund Deposits	44,163	88,279	183,627		181,006	183,251	189,153	186,306
Bond funded interest					-			
Sub-total	$ 44,163	$ 88,279	$ 183,627	$ -	$ 181,006	$ 183,251	$ 189,153	$ 186,306
Deductions:								
Principal and Int Payments	251	135,346	181,223	N/A	166,537	190,942	186,772	186,908
Sub-total	$ 251	$ 135,346	$ 181,223	$ -	$ 166,537	$ 190,942	$ 186,772	$ 186,908
Ending Balance	$ 87,860	$ 87,860	$ 137,331	N/A	$ 134,927	$ 129,640	$ 132,021	$ 131,419

	Historical					**Statistical**			
	2011	2012	2013	2014	2015	Low	Median	Mean	High
Opening Balance	$ 86,769	$ 125,988	$ 107,754	$ 101,305	$ 120,458	$ 86,769	$ 107,754	$ 108,455	$ 125,988
Additions:		-							
Revenue Fund Deposits	187,629	159,724	159,072	167,340	181,006	159,072	167,340	170,954	187,629
Bond funded interest	1,726					1,726	1,726	1,726	1,726
						-	-	-	-
Sub-total	$ 189,355	$ 159,724	$ 159,072	$ 167,340	$ 181,006				
Deductions:									
Principal and Int Payments	150,136	177,958	165,521	148,187	166,537	148,187	165,521	161,668	177,958
						-	-	-	-
						-	-	-	-
Sub-total	$ 150,136	$ 177,958	$ 165,521	$ 148,187	$ 166,537				
Ending balance	$ 125,988	$ 107,754	$ 101,305	$ 120,458	$ 134,927	$ 101,305	$ 120,458	$ 118,086	$ 134,927

Observations:
- September 30th ending balances are used to pay the October 1st interest and principal payments.
- Timing differences occur due to the accrual of debt service during one fiscal year and the payment in the following fiscal year (primarily fixed rate principal and interest on October 1st of the following fiscal year).

Electric System Debt Service Reserve Account

For the Fiscal Quarter Ending March 31, 2016

Reserve/Fund Authorization: Bond Resolution

Metric: Maximum interest payable on outstanding senior Electric System bonds as required by the Bond Resolutions

Definitions and Goals: This reserve will be funded, maintained and held for the benefit of bondholders as specified in the Supplemental Resolution authorizing the sale of the bonds to pay principal and/or interest on the bonds should revenues from operations not be sufficient for such purpose in accordance with the appropriate bond resolution. It is JEA's current practice to fund this reserve account with cash from the sale of bonds; however, revenues may be utilized to fund this reserve if necessary.

	Actual as of 03/31/2016		Full Year Budget Amounts			Projection		
(In Thousands)	Current Quarter	Year -to-Date	2016 Forecast	2016 Budget	Prior Year Actual	2017	2018	2019
Opening Balance	$ 60,582	$ 64,595	$ 64,595	N/A	$ 64,841	$ 60,582	$ 60,582	$ 60,582
Additions:								
Sub-total	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Deductions:								
Release to Revenue Fund		4,013	4,013	N/A	246			
Sub-total	$ -	$ 4,013	$ 4,013	$ -	$ 246	$ -	$ -	$ -
Ending Balance	$ 60,582	$ 60,582	$ 60,582	N/A	$ 64,595	$ 60,582	$ 60,582	$ 60,582

	Historical Actuals					Statistical			
	2011	2012	2013	2014	2015	Low	Median	Mean	High
Opening Balance	$ 72,226	$ 72,226	$ 72,226	$ 64,841	$ 64,841	$ 64,841	$ 72,226	$ 69,272	$ 72,226
Additions:		-							
Proceeds from Bonds	-		-	-	-	-	-	-	-
						-	-	-	-
						-	-	-	-
Sub-total	$ -	$ -	$ -	$ -	$ -				
Deductions:									
Defeasance			7,385		246	246	3,816	3,816	7,385
						-	-	-	-
						-	-	-	-
Sub-total	$ -	$ -	$ 7,385	$ -	$ 246				
Ending balance	$ 72,226	$ 72,226	$ 64,841	$ 64,841	$ 64,595	64,595	64,841	67,746	72,226

Observations:

- In FY 2007, the debt service reserve requirement was satisfied 100% by the use of debt service reserve surety policies. In accordance with the bond resolution, beginning in FY 2008, cash/investments replaced the downgraded sureties due to their downgrade by the rating agencies. Sureties of $67.6 million are still outstanding but are not eligible to be utilized as debt service reserve deposits per the Bond Resolutions.
- The debt service reserve account balance is currently in excess of the the debt service reserve requirement under the bond resolution by $3.0 million. The excess will be used, if needed, to (1) fund an increase in the reserve requirement caused by a future issuance of new money bonds and/or variable to fixed refunding bonds, (2) help satisfy cash reserve targets instituted by the rating agencies, and/or (3) redeem bonds, in accordance with applicable tax laws.

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

For the Fiscal Quarter Ending March 31, 2016

Reserve/Fund Authorization: Bond Resolution, Article 21 of the City of Jacksonville Charter and Pricing Policy

Metric: Renewal and Replacement required to deposit from the revenue fund annually an amount equal to the greater of 10% of the prior year defined annual net revenues or 5% of the prior year defined gross revenues per JEA's Electric System bond resolutions. Operating Capital Outlay - by 2013 the goal is to fund all non-capacity capital expenditures.

Definitions and Goals: Pursuant to the Electric System bond resolution and Article 21 of the City of Jacksonville Charter, JEA is required to deposit from the revenue fund annually an amount for Renewal and Replacement of system assets. According to the bond resolutions the amount is equal to the greater of 10% of the prior year defined annual net revenues or 5% of the prior year defined gross revenues. The funds shall be used for the purposes of paying the cost of extensions, enlargements or additions to, or the replacement of capital assets of the Electric System. In addition, as a portion of the base rate, JEA will recover from current revenue a formula driven amount for capital expenditures which is referred to as Operating Capital Outlay. This amount is calculated separately from the R&R deposit and may be allocated for use between capacity or non-capacity related expenditures based on the most beneficial economic and tax related financing structure incorporating the use of internal and bond funding.

	Actual as of 03/31/2016		Full Year			Projection		
(In Thousands)	Current Quarter	Year -to-Date	2016 Forecast	2016 Budget	Prior Year Actual	2017	2018	2019
Opening Balance	$ 151,861	$ 145,711	$ 145,711	N/A	$ 146,910	$ 134,726	$ 170,606	$ 174,816
Additions:								
R&R/OCO Contribution	37,622	74,272	147,883		110,351	179,093	170,461	153,116
Loans betw Capital Fds				-	-			
Other	975	2,718	3,802	-	970	18,590		
Sub-total	$ 38,597	$ 76,990	$ 151,685	$ -	$ 111,321	$ 197,683	$ 170,461	$ 153,116
Deductions:								
Capital Expenditures	25,664	57,907	162,668		112,483	161,803	166,251	134,206
Transfers betw Capital Fds	2	2	2	-	37			
R&R/OCO Contribution								
Transfer to Scherer				-	-			
Sub-total	$ 25,666	$ 57,909	$ 162,670	$ -	$ 112,520	$ 161,803	$ 166,251	$ 134,206
Ending Balance	$ 164,792	$ 164,792	$ 134,726	N/A	$ 145,711	$ 170,606	$ 174,816	$ 193,726

	Historical					Statistical			
	2011	2012	2013	2014	2015	Low	Median	Mean	High
Opening Balance	$ 48,626	$ 73,727	$ 105,235	$ 140,486	$ 146,910	$ 48,626	$ 105,235	$ 102,997	$ 146,910
Additions:		-							
R&R/OCO Contribution	156,406	142,822	124,630	85,639	110,351	85,639	124,630	123,970	156,406
Loans betw Capital Fds	-	-	-	-		-	-	-	-
Other	2,876	943	2,423	4,014	970	943	2,423	2,245	4,014
Sub-total	$ 159,282	$ 143,765	$ 127,053	$ 89,653	$ 111,321				
Deductions:									
Capital Expenditures	115,181	112,257	91,802	82,889	112,483	82,889	112,257	102,922	115,181
Bond Buy Back	-	-				-	-	-	-
Transfer to Scherer	19,000								
Loans betw Capital Fds				340	37				
Other		-		-		-	-	-	-
Sub-total	$ 134,181	$ 112,257	$ 91,802	$ 83,229	$ 112,520				
Ending balance	$ 73,727	$ 105,235	$ 140,486	$ 146,910	$ 145,711	$ 73,727	$ 140,486	$ 122,414	$ 146,910

Observations:

- Other includes the Oracle Financing and Sale of Property.
- Includes $47 million for Maximum Annual Debt Service calculation.

Electric Construction / Bond Fund

For the Fiscal Quarter Ending March 31, 2016

Reserve/Fund Authorization: Bond Resolution

Metric: Target = Capital expenditures per year minus internal funding available

Definitions and Goals: JEA maintains a senior and subordinated construction fund of which bonds proceeds are deposited and used for the payment of the costs of additions, extensions and improvements to the Electric System. The senior construction fund is limited to the costs of additions, extension and improvements relating to non-generation capital expenditures. The subordinated construction fund is used for capital projects relating to all categories of capital expenditures but primarily targeted to fund generation capital expenditures.

	Actual as of 03/31/2016		Full Year			Projection		
(In Thousands)	Current Quarter	Year -to-Date	2016 Forecast	2016 Budget	Prior Year Actual	2017	2018	2019
Opening Balance	$ -	$ 4	$ 4	N/A	$ 42	$ -	$ -	$ -
Additions:								
Bond Proceeds				-	-			
Line of Credit				-	-			
Transfers b/w Capital Fds	-			-	-			
Other		2	2	-	37			
Sub-total	$ -	$ 2	$ 2	$ -	$ 37	$ -	$ -	$ -
Deductions:								
Capital Expenditures		6	6	4	75	-	-	-
Bond Funded Interest				-	-			
Transfers betw Capital Fds					-			
Other			-	-	-			
Sub-total	$ -	$ 6	$ 6	$ 4	$ 75	$ -	$ -	$ -
Ending Balance	$ -	$ -	$ -	N/A	$ 4	$ -	$ -	$ -

	Historical					Statistical			
(In Thousands)	2011	2012	2013	2014	2015	Low	Median	Mean	High
Opening Balance	$ 36,981	$ 63,915	$ 40,034	$ 5,184	$ 42	$ -	$ 21,083	$ 24,359	$ 63,915
Additions:									
Bond Proceeds	91,545		1,550			1,550	46,548	46,548	91,545
Line of Credit						-	-	-	-
Transfers b/w Capital Fds				3,091		3,091	3,091	3,091	3,091
Other	562		34	340	37	34	189	243	562
Sub-total	$ 92,107	$ -	$ 1,584	$ 3,431	$ 37				
Deductions:									
Capital Expenditures	63,371	23,385	35,253	4,821	75	75	23,385	25,381	63,371
Bond Funded Interest	1,802					1,802	1,802	1,802	1,802
Line of Credit									
Transfers b/w Capital Fds			35	3,091		35	1,563	1,563	3,091
Other		496	1,146	661		496	661	768	1,146
Sub-total	$ 65,173	$ 23,881	$ 36,434	$ 8,573	$ 75				
Ending balance	$ 63,915	$ 40,034	$ 5,184	$ 42	$ 4	$ 4	$ 5,184	$ 21,836	$ 63,915

Observations:

- JEA's philosophy has been to borrow bond funds on a "just-in-time" basis. Staff has used line of credit borrowings and loans between capital funds to decrease borrowing costs.
- No new debt issues for the FY 2017 - 2019 projection period.

Water and Sewer Debt Management Reserve

For the Fiscal Quarter Ending March 31, 2016

Reserve/Fund Authorization: Debt Management Policy

Metric: One-half percent of the par amount of outstanding variable debt (adjusted for variable to fixed rate long term swaps). Capped at 3% of the par amount of outstanding variable debt.

Definitions and Goals: For the period FY 04 through FY 09, an annual budgeted reserve contribution for variable rate debt was made. The calculation was based upon one half percent of the par amount of outstanding variable rate debt (adjusted for variable rate to fixed rate long term swaps). The budget reserve was capped at three percent of the par amount of the outstanding variable rate debt. The reserve can be used for any lawful purpose including debt service, debt repayment, and capital outlay and must be approved in writing by the CEO.

	Actual as of 03/31/2016		Full Year			Projection		
(In Thousands)	Current Quarter	Year -to-Date	2016 Forecast	2016 Budget	Prior Year Actual	2017	2018	2019
Opening Balance	$ -	$ -	$ -	N/A	$ 304	$ -	$ -	$ -
Additions:								
Contributions					-			
Sub-total	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Deductions:								
Withdrawals					304			
Sub-total	$ -	$ -	$ -	$ -	$ 304	$ -	$ -	$ -
Ending Balance	$ -	$ -	$ -	N/A	$ -	$ -	$ -	$ -

	Historical					Statistical			
	2011	2012	2013	2014	2015	Low	Median	Mean	High
Opening Balance	$ 6,458	$ 6,458	$ 6,458	$ 304	$ 304	$ 304	$ 6,458	$ 3,996	$ 6,458
Additions:		-							
Contributions						-	-	-	-
						-	-	-	-
						-	-	-	-
Sub-total	$ -	$ -	$ -	$ -	$ -				
Deductions:									
Withdrawals			6,154		304	304	3,229	3,229	6,154
						-	-	-	-
						-	-	-	-
Sub-total	$ -	$ -	$ 6,154	$ -	$ 304				
Ending balance	$ 6,458	$ 6,458	$ 304	$ 304	$ -	$ -	$ 304	$ 2,705	$ 6,458

Observations:

- This reserve fund discontinued contributions in FY 2009 due to adoption of new policy. Reserve activity reflected in RSF - Debt Management for that year.
- $6 million was used in Sept 2013 for a defeasance.

Water and Sewer Rate Stabilization Debt Management

For the Fiscal Quarter Ending March 31, 2016

Reserve/Fund Authorization: Bond Resolution and Pricing Policy

Metric: Difference in actual interest rates for interest expense on the unhedged variable rate debt as compared to the budgeted assumptions for interest expense on unhedged variable rate debt.

Definitions and Goals: TheWater & Sewer System Bond Resolution authorizes the establishment of a Rate Stabilization Fund in which deposits or withdrawals shall be made as set forth in the current annual budget or an amount otherwise determined by an authorized officer of JEA. The Rate Stabilization Funds provide a means to minimize the year-to-year impact to customer charges and support financial metrics by providing consistent revenue collection for expenditures impacted by external factors such as fuel, debt management and regulatory requirements or initiatives. Deposits are made to this Rate Stabilization Fund for the purpose of managing JEA's debt portfolio. Deposits to this reserve reflect the difference in the actual interest rates for interest expense on the unhedged variable rate debt as compared to the budgeted assumptions for interest expense on the unhedged variable rate debt. Additionally, deposits can be made from excess debt service budget over the actual debt service expense for any fiscal year. However, the total amounts deposited (in addition to actual debt service costs for the fiscal year) cannot exceed the total amount of the budgeted debt service for any fiscal year. At a minimum, 50% of the calculated reserve contribution, if any, will be recorded and deposited each fiscal year. Debt and Investment Committee will review and record at their option an additional contribution amount, up to the full value of the calculated reserve contribution (the remaining 50%). The reserve contributions will be calculated on a system by system basis; however, based on the calculation, any mandatory deposit will exclude the District Energy System. The reserve contributions shall cease in the event the reserve balance exceeds the cap of five percent of the par amount of the total outstanding variable rate debt of all systems. Withdrawals from the Rate Stabilization Fund for Debt Management Strategy can be made for expenses related to market disruption in the capital markets, disruption in availability of credit or unanticipated credit expenses, or to fund variable interest costs in excess of budget.

	Actual as of 03/31/2016		**Full Year**			**Projection**		
(In Thousands)	Current Quarter	Year -to-Date	2016 Forecast	2016 Budget	Prior Year Actual	2017	2018	2019
Opening Balance	$ 20,290	$ 20,290	$ 20,290	N/A	$ 20,290	$ 20,290	$ 20,290	$ 20,290
Additions:								
Contributions	-	-	-	N/A	-			
Financial Statement Rounding								
Sub-total	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Deductions:								
Withdrawals								
Sub-total	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Ending Balance	$ 20,290	$ 20,290	$ 20,290	N/A	$ 20,290	$ 20,290	$ 20,290	$ 20,290

	Historical					**Statistical**			
	2011	2012	2013	2014	2015	Low	Median	Mean	High
Opening Balance	$ 9,514	$ 17,560	$ 20,290	$ 20,290	$ 20,290	$ 9,514	$ 20,290	$ 17,589	$ 20,290
Additions:									
Contributions	8,046	2,730				-	-	-	-
						-	-	-	-
						-	-	-	-
Sub-total	$ 8,046	$ 2,730	$ -	$ -	$ -				
Deductions:									
Withdrawals						-	-	-	-
						-	-	-	-
						-	-	-	-
Sub-total	$ -	$ -	$ -	$ -	$ -				
Ending balance	$ 17,560	$ 20,290	$ 20,290	$ 20,290	$ 20,290	$ 17,560	$ 20,290	$ 19,744	$ 20,290

Observations:

- Contributions began in June 2009.

Water & Sewer System Rate Stabilization - Environmental

For the Fiscal Quarter Ending March 31, 2016

Reserve/Fund Authorization: Bond Resolution and Pricing Policy

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

	Actual as of 03/31/2016		Full Year			Projection		
(In Thousands)	Current Quarter	Year -to-Date	2016 Forecast	2016 Budget	Prior Year Actual	2017	2018	2019
Opening Balance	$ 4,936	$ -	$ -	N/A	$ -	$ -	$ -	$ -
Additions:								
Contributions	5,238	10,728	22,344		-	23,908	22,867	22,952
Sub-total	$ 5,238	$ 10,728	$ 22,344	$ -	$ -	$ 23,908	$ 22,867	$ 22,952
Deductions:								
Withdrawals	6,070	6,624	22,344		-	23,908	22,867	22,952
Sub-total	$ 6,070	$ 6,624	$ 22,344	$ -	$ -	$ 23,908	$ 22,867	$ 22,952
Ending Balance	$ 4,104	$ 4,104	$ -	N/A	$ -	$ -	$ -	$ -

	Historical					Statistical			
	2011	2012	2013	2014	2015	Low	Median	Mean	High
Opening Balance	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Additions:									
Contributions						-	-	-	-
						-	-	-	-
						-	-	-	-
Sub-total	$ -	$ -	$ -	$ -	$ -				
Deductions:									
Withdrawals						-	-	-	-
						-	-	-	-
						-	-	-	-
Sub-total	$ -	$ -	$ -	$ -	$ -				
Ending balance	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

Observations:

- Rate Stabilization Fund for Environmental began in June 2010.

Water and Sewer System Customer Deposits

For the Fiscal Quarter Ending March 31, 2016

Reserve/Fund Authorization: Management Directive 302 Credit and Collections and Internal Procedure CR40400 MBC302

Metric: Internal procedure CR40400 MBC302 Credit and Collections

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

	Actual as of 03/31/2016		Full Year			Projection		
(In Thousands)	Current Quarter	Year -to-Date	2016 Forecast	2016 Budget	Prior Year Actual	2017	2018	2019
Opening Balance	$ 13,793	$ 13,255	$ 13,255	N/A	$ 12,787	$ 13,979	$ 13,979	$ 13,979
Additions:								
Allocated from Electric	186	724	724	N/A	468			
Loan Repayment			-					
Sub-total	$ 186	$ 724	$ 724	$ -	$ 468	$ -	$ -	$ -
Deductions:								
Allocated from Electric			-		-			
Loan to W&S Operations			-	N/A				
Sub-total	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Ending Balance	$ 13,979	$ 13,979	$ 13,979	N/A	$ 13,255	$ 13,979	$ 13,979	$ 13,979

	Historical					Statistical			
	2011	2012	2013	2014	2015	Low	Median	Mean	High
Opening Balance	$ 8,517	$ 9,727	$ 12,627	$ 13,860	$ 12,787	$ 8,517	$ 12,627	$ 11,504	$ 13,860
Additions:		-							
Allocated from Electric	1,210	2,900	1,233		468	468	851	851	1,233
Loan Repayment		1,000				-	-	-	-
						-	-	-	-
Sub-total	$ 1,210	$ 3,900	$ 1,233	$ -	$ 468				
Deductions:									
Allocated from Electric				1,073		1,073	1,073	1,073	1,073
Loan to W&S Operations		1,000				-	-	-	-
						-	-	-	-
Sub-total	$ -	$ 1,000	$ -	$ 1,073	$ -				
Ending balance	$ 9,727	$ 12,627	$ 13,860	$ 12,787	$ 13,255	$ 9,727	$ 12,787	$ 12,451	$ 13,860

Observations:

- JEA is in the process of implementing a prepaid meter program which could reduce customer deposits at some future date.

Water and Sewer Debt Service Sinking Fund

For the Fiscal Quarter Ending March 31, 2016
Reserve/Fund Authorization: Bond Resolution
Metric: Accrued interest and principal currently payable on fixed and variable rate bonds pursuant to the Bond Resolutions
Definitions and Goals: JEA is required monthly to fund from revenues an amount equal to the aggregate of the Debt Service Requirement for senior and subordinated bonds for such month into this account. On or before such interest payment date, JEA shall pay out of this account to the paying agents the amount required for the interest and principal due on such date.

(In Thousands)	Actual as of 03/31/2016 Current Quarter	Actual as of 03/31/2016 Year -to-Date	Full Year 2016 Forecast	Full Year 2016 Budget	Full Year Prior Year Actual	Projection 2017	Projection 2018	Projection 2019
Opening Balance	$ 24,051	$ 67,720	$ 67,720	N/A	$ 75,019	$ 66,208	$ 83,075	$ 82,929
Additions:								
Revenue fund deposits	24,097	48,153	101,092		102,789	120,883	121,878	122,454
Sub-total	$ 24,097	$ 48,153	$ 101,092	$ -	$ 102,789	$ 120,883	$ 121,878	$ 122,454
Deductions:								
Principal and interest payments	18	67,743	102,604	N/A	110,088	104,016	122,024	120,638
Sub-total	$ 18	$ 67,743	$ 102,604	$ -	$ 110,088	$ 104,016	$ 122,024	$ 120,638
Ending Balance	$ 48,130	$ 48,130	$ 66,208	N/A	$ 67,720	$ 83,075	$ 82,929	$ 84,745

(In Thousands)	Historical 2011	Historical 2012	Historical 2013	Historical 2014	Historical 2015	Statistical Low	Statistical Median	Statistical Mean	Statistical High
Opening Balance	$ 71,496	$ 80,936	$ 81,675	$ 80,317	$ 75,019	$ -	$ 77,668	$ 64,907	$ 81,675
Additions:									
Revenue fund deposits	120,846	125,160	119,535	117,444	102,789	102,789	119,535	117,155	125,160
Bond funded interest						-	-	-	-
						-	-	-	-
Sub-total	$ 120,846	$ 125,160	$ 119,535	$ 117,444	$ 102,789				
Deductions:									
Principal and interest payments	111,406	124,421	120,893	122,742	110,088	110,088	120,893	117,910	124,421
						-	-	-	-
						-	-	-	-
Sub-total	$ 111,406	$ 124,421	$ 120,893	$ 122,742	$ 110,088				
Ending balance	$ 80,936	$ 81,675	$ 80,317	$ 75,019	$ 67,720	$ 67,720	$ 80,317	$ 77,133	$ 81,675

Observations:
- September 30th ending balances are used to pay Oct 1st interest and principal payments.
- Timing differences occur due to the accrual of debt service during one fiscal year and the payment in the following fiscal year (primarily fixed rate principal and interest on Oct 1st of the following fiscal year).

Water and Sewer Debt Service Reserve Account

For the Fiscal Quarter Ending March 31, 2016

Reserve/Fund Authorization: Bond Resolution

Metric: 125% of average annual debt service on outstanding senior fixed and variable rate bonds plus subordinated fixed rate bonds as required by the Bond Resolutions

Definitions and Goals: This reserve will be funded, maintained and held for the benefit of bondholders as specified in the Supplemental Resolution authorizing the sale of the bonds to pay principal and/or interest on the bonds should revenues from operations not be sufficient for such purpose in accordance with the appropriate bond resolution. It is JEA's current practice to fund this reserve account with cash from the sale of bonds; however, revenues may be utilized to fund this reserve if necessary.

	Actual as of 03/31/2016		Full Year			Projection		
(In Thousands)	Current Quarter	Year -to-Date	2016 Forecast	2016 Budget	Prior Year Actual	2017	2018	2019
Opening Balance	$ 108,086	$ 108,849	$ 108,849	N/A	$ 116,829	$ 108,086	$ 108,086	$ 108,086
Additions:								
Construction reserve fund/bond issues			-	N/A	-			
Revenue fund			-	N/A	-			
Rounding			-					
Sub-total	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Deductions:								
Revenue fund		763	763		7,980			
Sub-total	$ -	$ 763	$ 763	$ -	$ 7,980	$ -	$ -	$ -
Ending Balance	$ 108,086	$ 108,086	$ 108,086	N/A	$ 108,849	$ 108,086	$ 108,086	$ 108,086

	Historical					Statistical			
	2011	2012	2013	2014	2015	Low	Median	Mean	High
Opening Balance	$ 91,239	$ 102,214	$ 119,131	$ 119,915	$ 116,829	$ 91,239	$ 116,829	$ 109,866	$ 119,915
Additions:			-						
Construction reserve fund/bond issues	10,975	10,917	784			784	10,917	7,559	10,975
Revenue fund	-	6,000	3,821			-	3,821	3,274	6,000
						-	-	-	-
Sub-total	$ 10,975	$ 16,917	$ 4,605	$ -	$ -				
Deductions:									
Revenue fund			3,821	3,086	7,980	3,086	3,821	4,962	7,980
						-	-	-	-
						-	-	-	-
Sub-total	$ -	$ -	$ 3,821	$ 3,086	$ 7,980				
Ending balance	$ 102,214	$ 119,131	$ 119,915	$ 116,829	$ 108,849	$ 102,214	$ 116,829	$ 113,388	$ 119,915

Observations:

- In 2008, debt service reserve sureties downgraded and JEA began replacing those downgraded sureties with cash/investments as required by the bond resolutions. Sureties of $149.8 million are still outstanding but are not eligible to be utilized as debt service reserve deposits per the Bond Resolutions.

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

For the Fiscal Quarter Ending March 31, 2016

Reserve/Fund Authorization: Bond Resolution, Article 21 of the City of Jacksonville Charter and Pricing Policy

Metric: Renewal and Replacement required to deposit from the revenue fund annually an amount equal to the greater of 10% of the prior year defined annual net revenues or 5% of the prior year defined gross revenues per JEA's Water and Sewer System bond resolutions. Operating Capital Outlay - by 2013 the goal is to fund all non-capacity capital expenditures.

Definitions and Goals: Pursuant to the Water and Sewer System bond resolutions and Article 21 of the City of Jacksonville Charter, JEA is required to deposit from the revenue fund annually an amount for Renewal and Replacement of system assets. According to the bond resolutions the amount is equal to the greater of 10% of the prior year defined annual net revenues or 5% of the prior year defined gross revenues. The funds shall be used for the purposes of paying the cost of extensions, enlargements or additions to, or the replacement of capital assets of the Electric System. In addition, as a portion of the base rate, JEA will recover from current revenue a formula driven amount for capital expenditures which is referred to as Operating Capital Outlay. This amount is calculated separately from the R&R deposit. In accordance with the Pricing Policy, by 2013, the objective is to fund an amount equal to all non-capacity capital expenditures with current year internally generated funds.

	Actual as of 03/31/2016		Full Year			Projection		
(In Thousands)	Current Quarter	Year -to-Date	2016 Forecast	2016 Budget	Prior Year Actual	2017	2018	2019
Opening Balance	$ 67,192	$ 37,337	$ 37,337	N/A	$ 59,295	$ 42,828	$ (5,536)	$ (21,879)
Additions:								
R&R/OCO Contribution	26,468	61,835	109,750	-	62,793	110,582	113,066	115,276
Loans betw Capital Fds				-	22			
Other	5,141	24,392	28,620	-	653	8,600	8,600	8,600
Sub-total	$ 31,609	$ 86,227	$ 138,370	$ -	$ 63,468	$ 119,182	$ 121,666	$ 123,876
Deductions:								
Capital Expenditures	26,713	51,464	132,816	-	85,426	167,546	138,009	135,241
Transfer to Capacity Fund	51	63	63	-	-			
Transfer to Construction Fund								
R&R/OCO Contribution				-	-	-		
Sub-total	$ 26,764	$ 51,527	$ 132,879	$ -	$ 85,426	$ 167,546	$ 138,009	$ 135,241
Ending Balance	$ 72,037	$ 72,037	$ 42,828	N/A	$ 37,337	$ (5,536)	$ (21,879)	$ (33,244)

	Historical					Statistical			
	2011	2012	2013	2014	2015	Low	Median	Mean	High
Opening Balance	$ 11,539	$ 28,840	$ 64,260	$ 78,689	$ 59,295	$ 11,539	$ 59,295	$ 48,525	$ 78,689
Additions:									
R&R/OCO Contribution	49,946	76,157	91,245	48,373	62,793	48,373	62,793	65,703	91,245
Loans betw Capital Fds	-	-	-		22	-	-	6	22
Other (incl septic tank)	1,067	5,771	1,539	1,614	653	653	1,539	2,129	5,771
Sub-total	$ 51,013	$ 81,928	$ 92,784	$ 49,987	$ 63,468				
Deductions:									
Capital Expenditures	33,712	46,508	68,355	67,488	85,426	33,712	67,488	60,298	85,426
Loan Repayment	-	-	-	-		-	-	-	-
Transfer to Constr. Fund	-	-	10,000	1,893		-	947	2,973	10,000
Other (incl septic tank)	-	-	-	-	-	-	-	-	-
Sub-total	$ 33,712	$ 46,508	$ 78,355	$ 69,381	$ 85,426				
Ending balance	$ 28,840	$ 64,260	$ 78,689	$ 59,295	$ 37,337	$ 28,840	$ 59,295	$ 53,684	$ 78,689

Observations:

- Other includes the Septic Tank Phase-out project, Sale of Property, and the transfer of RSF - Environmental in FY 2016 - 2019
- Includes $20 million for Maximum Annual Debt Service calculation.
- $57 million is projected to be withdrawn from this capital balance in FY 2016-2017 to support the capital program with lower Net Revenues as planned with the June 2012 approved reduction in the October 1, 2012 rate increase.

Water and Sewer Capacity Fees / State Revolving Fund Loans

For the Fiscal Quarter Ending March 31, 2016

Reserve/Fund Authorization: Florida Statute and Rate Tariff

Metric: Tariff rate

Definitions and Goals: Capacity fees are charged to customers as a one- time fee for a new connection to the Water System and a one- time fee for a new connection to the Sewer System. Capacity charges may be used and applied for the purpose of paying costs of expansion of the Water and Sewer System or paying or providing for the payment of debt that was issued for the same purpose. In addition, the Water and Sewer System has received funds from the State Revolving Fund (SRF) program for the construction of water and wastewater treatment facilities. SRF loans are subordinated to all Water and Sewer System Revenue Bonds and Water and Sewer System Subordinated Revenue Bonds.

	Actual as of 03/31/2016		**Full Year**			**Projection**		
(In Thousands)	Current Quarter	Year -to-Date	2016 Forecast	2016 Budget	Prior Year Actual	2017	2018	2019
Opening Balance	$ 94,216	$ 90,912	$ 90,912	N/A	$ 76,887	$ 92,150	$ 58,635	$ 41,213
Additions:								
Capacity Fees	5,528	10,112	18,612	-	19,579	18,440	18,624	18,810
State Revolving Fd Loan				-	-			
Transfer from R&R/OCO Fund	51	63	363	-	246	650	650	650
Other				-	-			
Sub-total	$ 5,579	$ 10,175	$ 18,975	$ -	$ 19,825	$ 19,090	$ 19,274	$ 19,460
Deductions:								
Capital Expenditures	1,018	2,310	17,737	-	5,805	52,605	36,696	22,135
Other				-	-			
				-	-			
Sub-total	$ 1,018	$ 2,310	$ 17,737	$ -	$ 5,805	$ 52,605	$ 36,696	$ 22,135
Ending Balance	$ 98,777	$ 98,777	$ 92,150	N/A	$ 90,907	$ 58,635	$ 41,213	$ 38,538

	Historical					**Statistical**			
(In Thousands)	2011	2012	2013	2014	2015	Low	Median	Mean	High
Opening Balance	$ 21,463	$ 41,025	$ 45,454	$ 60,360	$ 76,887	$ 21,463	$ 45,454	$ 49,038	$ 76,887
Additions:									
Capacity Fees	10,311	10,820	17,394	18,298	19,579	10,311	17,394	15,280	19,579
State Revolving Fd Loan	14,667	3,798	-	-		-	1,899	4,616	14,667
Loan Repayments	-	-	-	-	246	-	-	49	246
Other	-	-	12	-	5	-	-	3	12
Sub-total	$ 24,978	$ 14,618	$ 17,406	$ 18,298	$ 19,830				
Deductions:									
Capital Expenditures	5,268	7,096	2,270	1,758	5,805	1,758	5,268	4,439	7,096
Loans betw Capital Fds	-	-				-	-	-	-
Other	148	3,093	230	13		13	189	871	3,093
	-	-	-	-					
Sub-total	$ 5,416	$ 10,189	$ 2,500	$ 1,771	$ 5,805				
Ending balance	$ 41,025	$ 45,454	$ 60,360	$ 76,887	$ 90,912	$ 41,025	$ 60,360	$ 62,928	$ 90,912

Observations:

Water and Sewer Environmental

For the Fiscal Quarter Ending March 31, 2016
Reserve/Fund Authorization: Pricing Policy
Metric: Unit tariff rates times consumption

Definitions and Goals: The Environmental Charge will be applied to all water, sewer, irrigation and non bulk user reclaimed consumption. The environmental charge revenue will be collected from customers to partially offset current and future environmental and regulatory needs as specified in the Pricing Policy for specific environmental and regulatory programs.

(In Thousands)	Actual as of 03/31/2016 Current Quarter	Year -to-Date	Full Year 2016 Forecast	2016 Budget	Prior Year Actual	Projection 2017	2018	2019
Opening Balance	$ 103	$ 19,245	$ 19,245	N/A	$ 5,299	$ -	$ -	$ -
Additions:								
Environmental Contributions	1,660	2,076	11,056	-	22,056	18,458	8,753	12,331
Loans betw Capital Fds				-	-			
Other				-	-			
Sub-total	$ 1,660	$ 2,076	$ 11,056	$ -	$ 22,056	$ 18,458	$ 8,753	$ 12,331
Deductions:								
Capital Expenditures	1,454	1,766	10,693	-	7,318	17,808	8,103	11,681
Septic Tank Phase Out	63	64	363	-	203	650	650	650
Other		19,245	19,245	-	589			
Sub-total	$ 1,517	$ 21,075	$ 30,301	$ -	$ 8,110	$ 18,458	$ 8,753	$ 12,331
Ending Balance	$ 246	$ 246	$ -	N/A	$ 19,245	$ -	$ -	$ -

(In Thousands)	Historical 2011	2012	2013	2014	2015	Statistical Low	Median	Mean	High
Opening Balance	$ 5,920	$ 9,795	$ (8,158)	$ (9,857)	$ 5,299	$ (9,857)	$ 5,299	$ 600	$ 9,795
Additions:									
Environmental Contributions	14,577	21,747	21,193	21,018	22,056	14,577	21,193	20,118	22,056
Loans betw Capital Fds	-	-	-			-	-	-	-
Other						-	-	-	-
Sub-total	$ 14,577	$ 21,747	$ 21,193	$ 21,018	$ 22,056				
Deductions:									
Capital Expenditures	10,702	39,700	22,892	5,862	7,318	5,862	10,702	17,295	39,700
Septic Tank Phase Out					203	203	203	203	203
Other					589	589	589	589	589
Sub-total	$ 10,702	$ 39,700	$ 22,892	$ 5,862	$ 8,110				
Ending balance	$ 9,795	$ (8,158)	$ (9,857)	$ 5,299	$ 19,245	$ (9,857)	$ 5,299	$ 3,265	$ 19,245

Observations:

Water and Sewer Construction / Bond Fund

For the Fiscal Quarter Ending March 31, 2016
Reserve/Fund Authorization: Bond Resolution
Metric: Capital expenditures per year minus internal funding available
Definitions and Goals: JEA maintains a senior and subordinated construction fund of which bonds proceeds are deposited and used for the payment of the costs of additions, extensions and improvements to the Water and Sewer System.

(In Thousands)	Actual as of 03/31/2016 Current Quarter	Actual as of 03/31/2016 Year -to-Date	Full Year 2016 Forecast	Full Year 2016 Budget	Full Year Prior Year Actual	Projection 2017	Projection 2018	Projection 2019
Opening Balance	$ 664	$ 664	$ 664	N/A	$ 326	$ -	$ -	$ -
Additions:								
Bond Proceeds			-	-	-			
Line of Credit			-	-	-			
Transfer from R&R/OCO Fund				-	-			
Other	17	17	17	-	344			
Sub-total	$ 17	$ 17	$ 17	$ -	$ 344	$ -	$ -	$ -
Deductions:								
Capital Expenditures				-	6			
Bond Proceeds				-	-			
Other			681	-	-			
Sub-total	$ -	$ -	$ 681	$ -	$ 6	$ -	$ -	$ -
Ending Balance	$ 681	$ 681	$ -	N/A	$ 664	$ -	$ -	$ -

(In Thousands)	Historical 2011	Historical 2012	Historical 2013	Historical 2014	Historical 2015	Statistical Low	Statistical Median	Statistical Mean	Statistical High
Opening Balance	$ 18,708	$ 29,622	$ 7,419	$ 2,305	$ 326	$ 326	$ 7,419	$ 11,676	$ 29,622
Additions:									
Bond Proceeds	45,662	-	486	-		-	243	11,537	45,662
Line of Credit	-	-	-	-		-	-	-	-
Loans/trnsf btw CapFds	-	-	10,000	1,893		-	947	2,973	10,000
Other	-	-	3	476	344	-	3	165	476
Sub-total	$ 45,662	$ -	$ 10,489	$ 2,369	$ 344				
Deductions:									
Capital Expenditures	34,172	20,243	14,855	3,784	6	6	14,855	14,612	34,172
Bond Proceeds	-	-	411	48		-	24	115	411
Line of Credit	-	-	-	-		-	-	-	-
Loans/trnsf btw CapFds	-	-	337	516		-	169	213	516
Other	576	1,960	-	-		-	288	634	1,960
Sub-total	$ 34,748	$ 22,203	$ 15,603	$ 4,348	$ 6				
Ending balance	$ 29,622	$ 7,419	$ 2,305	$ 326	$ 664	$ 326	$ 2,305	$ 8,067	$ 29,622

Observations:
- JEA's philosophy has been to borrow bond funds on a "just-in-time" basis. Staff has used line of credit borrowings and loans between capital funds to decrease borrowing costs.
- No new debt issues for the FY 2017-2019 projection.

II. H.
5/9/2016
FAC

IV. A. 9.
5/17/2016

JEA
Building Community

AGENDA ITEM SUMMARY

April 26, 2016

SUBJECT:	**JEA ENERGY MARKET RISK MANAGEMENT POLICY REPORT**

Purpose: ☒ Information Only ☐ Action Required ☐ Advice/Direction

Issue: The JEA Board approved the Energy Market Risk Management (EMRM) Policy in March 2014. The Policy was developed to codify the risk, governance, limits, and criteria associated with managing energy market exposure, and to comply with requirements of the Dodd-Frank Wall Street Reform and Consumer Protection Act. The reporting section of the Policy requires that the CFO report quarterly on JEA's financial and physical fuel and power transactions. This report includes physical transactions greater than one year and all financial transactions. As background information, graphs presenting JEA's historical dispatch costs and power and natural gas market prices have been added.

Significance: High. The Policy governs JEA's wholesale energy market risk management and allows JEA to execute certain physical and financial transactions. The attached report is provided to the Board's Finance and Audit Committee and satisfies the requirements of the reporting section of the EMRM Policy.

Effect: Financial and physical transactions allow the JEA Fuels group to manage the risks inherent in the wholesale fuel and energy markets. The attached Finance and Audit Committee report summarizes JEA's current positions.

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

Recommended Board action: None required. The report is required by the EMRM Policy and is provided as information.

For additional information, contact: Steve McInall, 665-4309

Submitted by: PEM/ MJB/ SGM

Commitments to Action

1 Earn Customer Loyalty
2 Deliver Business Excellence
3 Develop an Unbeatable Team

Ver.2.0D 9/21/2013 jer

Physical Fuel and Purchase Power Positions as of 4/1/16

Table 1: JEA Generation Fleet Summary

Units	Primary Fuel Type	Contract Schedule
Northside 1 and 2	Petcoke, Coal	Quarterly; 1 Quarter in Advance
Northside 3	Natural Gas, Residual Oil	Market and Hedged; Stored Residual Oil
SJRPP 1 and 2	Coal	Contract Through 2017 and Partial 2018
Scherer 4	Coal	Contract through 2017
Brandy Branch	Natural Gas, Diesel	Market and Hedged /As Needed
Kennedy CT7 and 8	Natural Gas, Diesel	Market and Hedged /As Needed
Greenland CT1 and 2	Natural Gas	Market and Hedged

Table 2: Physical Positions

Plant	Energy Fixed Price (MWH)	Energy Fixed Price (%)	Expense Fixed Price ($)	Expense Fixed Price (%)
Northside CFB				
FY16	850,081	39%	13,034,729	37%
FY17	-	0%	-	0%
FY18	-	0%	-	0%
SJRPP				
FY16	1,222,500	100%	43,451,700	100%
FY17	2,563,935	100%	88,145,300	100%
FY18	640,160	19%	22,673,143	25%
Scherer 4				
FY16	374,300	100%	10,438,700	100%
FY17	928,783	80%	30,054,199	94%
FY18	216,329	30%	16,400,875	77%
Renewable Purchase Power				
FY16	110,653	100%	7,296,307	100%
FY17	192,928	100%	13,553,279	100%
FY18	200,706	100%	15,491,455	100%
Other Purchase Power				
FY16	-	0%	-	0%
FY17	-	0%	-	0%
FY18	-	0%	-	0%

Table 3: Physical Counterparties (Contracts One Year or Greater)

Supplier/ Counterparty	Fuel Type	Contract Type	Generating Unit	Original Contract Volume	Remaining Contract Volume	Units	Original Contract Term	Remaining Contract Term
Coal Marketing Company	Coal	Index w/ Collar	SJRPP	1,500,000	552,500	Tons	1/1/14 - 12/31/16	4/1/16 - 12/31/16
Sunrise Coal	Coal	Fixed Price	SJRPP	250,000	100,875	Tons	1/1/15 - 12/31/16	4/1/16 - 12/31/16
Coal Marketing Company	Coal	Fixed Price	SJRPP	2,000,000	1,397,500	Tons	1/1/15 - 12/31/17	4/1/16 - 12/31/17
Coal Sales, LLC	Coal	Fixed Price	Scherer 4	452,300	113,724	Tons	1/1/14 - 12/31/16	4/1/16 - 12/31/16
Alpha- Eagle Butte	Coal	Fixed Price	Scherer 4	940,900	613,590	Tons	1/1/15 - 12/31/17	4/1/16 - 12/31/17
Arch Coal Sales Company, Inc	Coal	Fixed Price	Scherer 4	7,217	5,838	Tons	1/1/16 -12/31/16	4/1/16 - 12/31/16
Coal Sales, LLC	Coal	Fixed Price	Scherer 4	250,000	212,741	Tons	1/1/16 - 12/31/17	4/1/16 - 12/31/16
BG	Natural Gas	Index w/Fixed Price Option	NG Fleet	445.6	115.1	Bcf (Billion Cubic Feet)	6/1/01 - 5/31/21	4/1/16 - 5/31/21

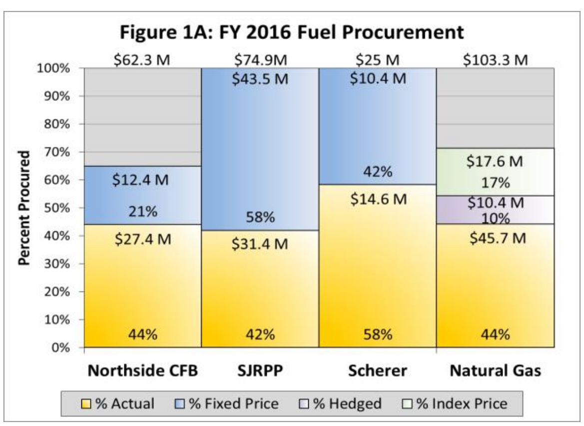


Figure 1A: FY 2016 Fuel Procurement

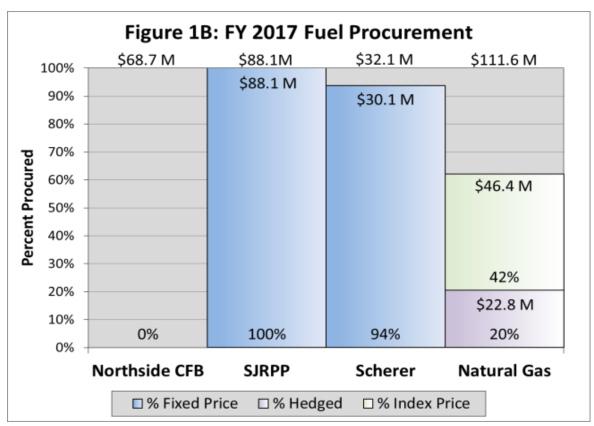


Figure 1B: FY 2017 Fuel Procurement

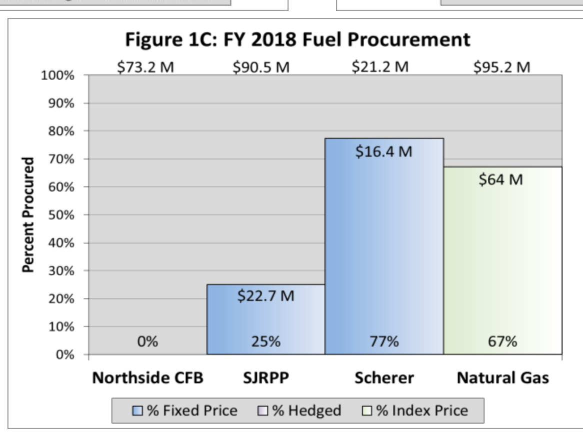


Figure 1C: FY 2018 Fuel Procurement

Figure 2: Historical Dispatch Price of JEA's Units

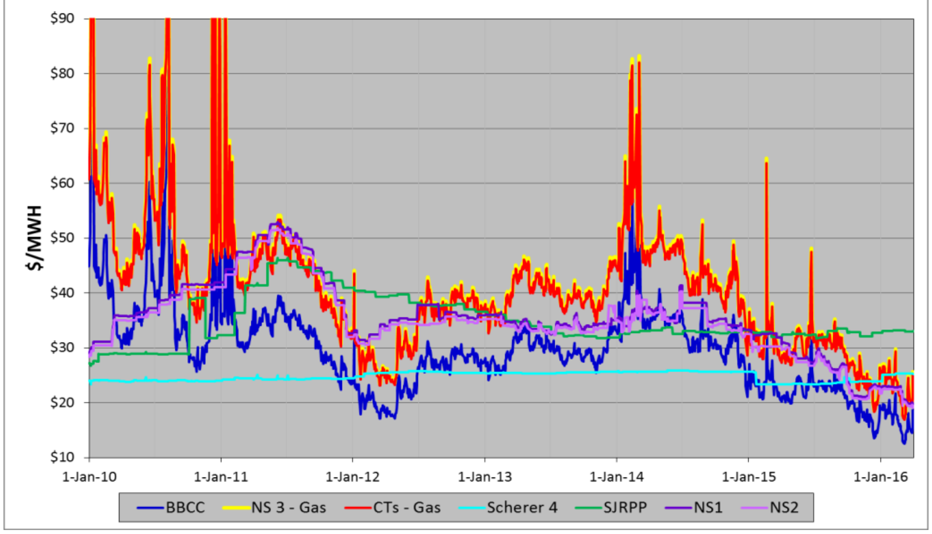


Figure 3: SOCO Power Market Review

Historical & Forward SOCO 7x24 Prices, ($/MWh)

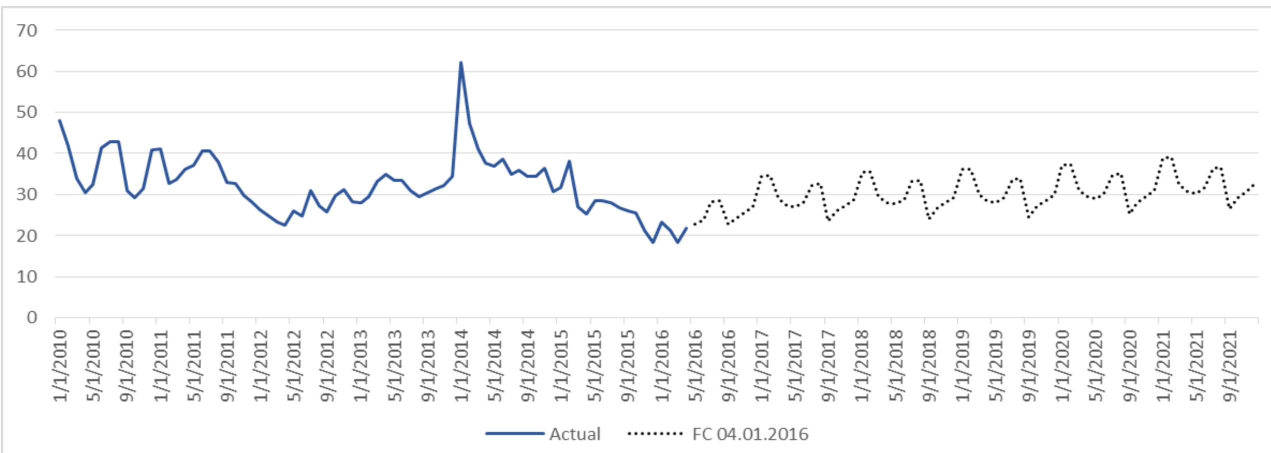


Figure 4: Natural Gas Market Review

Historical & Forward Henry Hub Prices, ($/MMBtu)

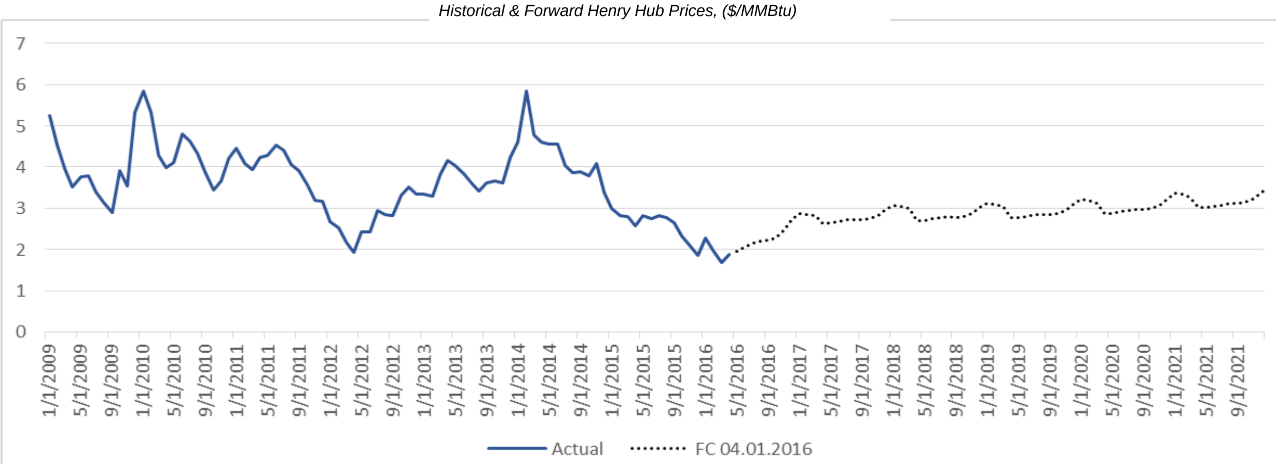


Table 4A: Financial Natural Gas Positions as of 4/1/2016

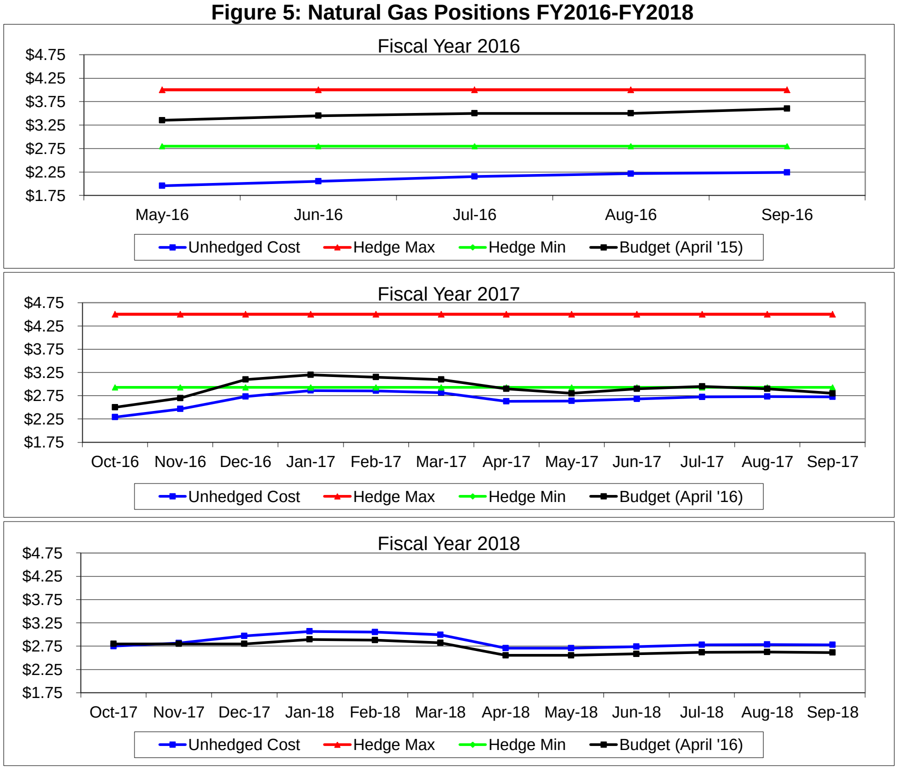
Month	Physical Volume	Hedged Volume	Percent Hedged	Unhedged Cost	Hedge Type	Hedge Price	Forecast at Time of Hedge	Mark-to-Market Value
May-16	3,767,300	600,000	15.9%	$1.96	Collar	$2.80 / $4.00	$3.77	$503,490
Jun-16	4,217,000	600,000	14.2%	$2.05	Collar	$2.80 / $4.00	$3.80	$448,800
Jul-16	4,448,100	600,000	13.5%	$2.16	Collar	$2.80 / $4.00	$3.85	$395,490
Aug-16	4,593,900	600,000	13.1%	$2.21	Collar	$2.80 / $4.00	$3.86	$372,000
Sep-16	3,450,700	600,000	17.4%	$2.24	Collar	$2.80 / $4.00	$3.84	$366,780
FY16 Total	**20,477,000**	**3,000,000**	**14.7%**	**$2.12**			**$3.83**	**$2,086,560**
Oct-16	3,803,600	600,000	15.8%	$2.29	Collar	$2.93 / $4.50	$3.87	$416,100
Nov-16	3,209,600	600,000	18.7%	$2.47	Collar	$2.93 / $4.50	$3.98	$333,660
Dec-16	3,365,100	600,000	17.8%	$2.73	Collar	$2.93 / $4.50	$4.20	$234,660
Jan-17	3,298,300	600,000	18.2%	$2.86	Collar	$2.93 / $4.50	$4.39	$196,320
Feb-17	2,807,400	600,000	21.4%	$2.86	Collar	$2.93 / $4.50	$4.38	$207,390
Mar-17	2,779,400	600,000	21.6%	$2.82	Collar	$2.93 / $4.50	$4.32	$226,530
Apr-17	1,984,600	600,000	30.2%	$2.63	Collar	$2.93 / $4.50	$4.11	$276,840
May-17	2,508,600	600,000	23.9%	$2.64	Collar	$2.93 / $4.50	$4.11	$273,390
Jun-17	2,733,700	600,000	21.9%	$2.68	Collar	$2.93 / $4.50	$4.15	$259,620
Jul-17	3,076,900	600,000	19.5%	$2.72	Collar	$2.93 / $4.50	$4.19	$243,480
Aug-17	3,056,900	600,000	19.6%	$2.73	Collar	$2.93 / $4.50	$4.20	$245,580
Sep-17	2,624,200	600,000	22.9%	$2.73	Collar	$2.93 / $4.50	$4.19	$248,310
FY17 Total	**35,248,300**	**7,200,000**	**20.4%**	**$2.67**			**$4.17**	**$3,161,880**
Oct-17	2,841,200	-	0.0%	$2.75	N/A	N/A	$4.22	-
Nov-17	3,396,900	-	0.0%	$2.82	N/A	N/A	$4.32	-
Dec-17	2,742,700	-	0.0%	$2.97	N/A	N/A	$4.52	-
Jan-18	2,703,100	-	0.0%	$3.07	N/A	N/A	$4.70	-
Feb-18	2,398,800	-	0.0%	$3.05	N/A	N/A	$4.68	-
Mar-18	2,890,000	-	0.0%	$2.99	N/A	N/A	$4.61	-
Apr-18	1,997,200	-	0.0%	$2.71	N/A	N/A	$4.33	-
May-18	2,546,400	-	0.0%	$2.71	N/A	N/A	$4.33	-
Jun-18	2,749,600	-	0.0%	$2.74	N/A	N/A	$4.37	-
Jul-18	3,190,400	-	0.0%	$2.78	N/A	N/A	$4.41	-
Aug-18	3,104,100	-	0.0%	$2.79	N/A	N/A	$4.42	-
Sep-18	2,525,200	-	0.0%	$2.78	N/A	N/A	$4.42	-
FY18 Total	**33,085,600**	**-**	**0.0%**	**$2.85**			**$4.44**	**-**

Volume - mmBtu
Cost - $/mmBtu

Table 4B: Counterparty Exposure

Supplier/ Counterparty	Fuel Type	Contract Type	Hedged Volume	Mark-to-Market Value
Wells Fargo Bank, N.A.				
FY16	Natural Gas	Puts and Calls	3,000,000	$2,086,560
FY17	Natural Gas	Puts and Calls	7,200,000	$3,161,880
FY18	Natural Gas	Puts and Calls	---	---
Royal Bank of Canada				
FY16	Natural Gas	Swaps, Puts, Calls	---	---
FY17	Natural Gas	Swaps, Puts, Calls	---	---
FY18	Natural Gas	Swaps, Puts, Calls	---	---

Figure 5: Natural Gas Positions FY2016-FY2018



JEA
GOVERNMENT AFFAIRS COMMITTEE AGENDA

DATE: May 6, 2016

TIME: 9:00 AM

PLACE: 21 W. Church Street
8th Floor Conference Room

Committee Members will meet on the 8th Floor
Other Board Members may join via conference call by dialing 904-665-7100 - No password is needed.

		Responsible Person	Action (A) Info (I)
I.	**OPENING CONSIDERATIONS**	Alan Howard	
A.	Call to Order		
B.	Adoption of Agenda		A
II.	**NEW BUSINESS**		
A.	Review and Approval of the Government Affairs Committee Charter	Paul McElroy	A
B.	Review of Current Litigation	Jody Brooks	I
C.	JEA Government Relations Local, State and Federal Update	Mike Hightower/ Nancy Kilgo	I
D.	Other New Business	Paul McElroy	I
E.	Announcements	Alan Howard	I
	1. Schedule Next Meeting as Appropriate		
F.	Adjournment		

II. A.
5/6/2016

IV. B. 1.
5/17/2016

Building Community

AGENDA ITEM SUMMARY

April 29, 2016

SUBJECT:	**REVIEW AND APPROVAL OF THE GOVERNMENT AFFAIRS COMMITTEE CHARTER**

Purpose: ☐ Information Only ☒ Action Required ☐ Advice/Direction

Issue: The JEA Board Chair created a new Government Affairs Committee in 2016 to review various policy and strategy issues relating to government affairs at the local, state and federal levels. A draft Committee Charter is presented for consideration by the Government Affairs Committee.

Significance: The first Government Affairs Committee will be held on May 6, 2016. The draft Charter will be considered at the initial committee meeting.

Effect: The Charter will guide the scope and work of the Committee going forward.

Cost or Benefit: Review of developing policy, regulatory and legislative issues at various levels of government will provide insight to the Committee and Board, of potential major cost and/or operational impacts.

Recommended Board action: Staff requests the Committee to review, modify and approve the Government Relations Committee Charter to be considered by the full Board of Directors at the May 17, 2016 meeting.

For additional information, contact: Mike Hightower

Submitted by: PEM/MH/NKV

Revised 5/6/16
Approved by Committee

JEA Board of Directors Government and Legal Affairs Committee Charter

Role of the Government and Legal Affairs Committee

The Government and Legal Affairs Committee is appointed by, and is a standing Committee of, the Board of Directors of JEA. The Committee's primary functions are to assist the Board in fulfilling its oversight responsibilities by reviewing and monitoring (i) JEA's government affairs involvement, strategies and major issues at the local/regional, state and federal levels, and (ii) legal matters affecting JEA, including litigation. In conjunction with its primary function, it is the responsibility of the Committee to provide an open avenue of communication between the Board and Management. The Government Affairs Committee shall review and approve relevant agenda items, provide periodic reports and make recommendations to the JEA Board for final approval. It will keep the Board apprised of its activities.

Membership

The Committee shall consist of at least three Board members, appointed annually by the Board Chair. The Board Chair shall appoint one of the Committee members as Chairperson. The Chief Public Affairs Officer shall have direct access to Government Affairs Committee members.

Meetings

The Committee will meet on an as needed basis. The Committee may invite members of Management and/or others to attend meetings and provide pertinent information, as necessary. Meetings shall be subject to open meetings and public information laws.

Responsibilities

The Committee shall:

- Review summary reports by JEA staff on legislation and regulations, proposed, pending and adopted, at the local/regional, state and federal levels that may have a direct or indirect impact to JEA
- Review JEA staff participation in government affairs stakeholder communications and outreach
- Ensure JEA maintains comprehensive government affairs strategies for all appropriate levels of government
- Report Committee summaries, actions and recommendations to the Board
- Review legal matters as appropriate which may include outstanding litigation and related legal representation
- Annually review and approve the Committee's Charter, updating as needed

Revised 5/6/16
Approved by Committee

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Revised 5/5/16

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II. C.
5/6/2016

IV. B. 3.
5/17/2016

JEA
Building Community

AGENDA ITEM SUMMARY

April 29, 2016

SUBJECT:	**JEA GOVERNMENT RELATIONS LOCAL, STATE AND FEDERAL UPDATE**

Purpose: ☒ Information Only ☐ Action Required ☒ Advice/Direction

Issue: JEA Government Relations closely monitors legislative action and other policy matters which may directly or indirectly impact JEA's business.

Significance: Legislative actions and policy decisions can potentially have a far-reaching influence on the day-to-day operations and long-term sustainability of JEA's core business.

Effect: JEA customers, employees and key stakeholders.

Cost or Benefit: Significant regulatory actions could result in substantial costs or benefits to JEA and its customers.

Recommended Board action: This item is provided for information only. Staff requests that the Government Affairs Committee provide advice and direction as necessary.

For additional information, contact: Nancy Kilgo 665-3439

Submitted by: PEM/MRH/NKV

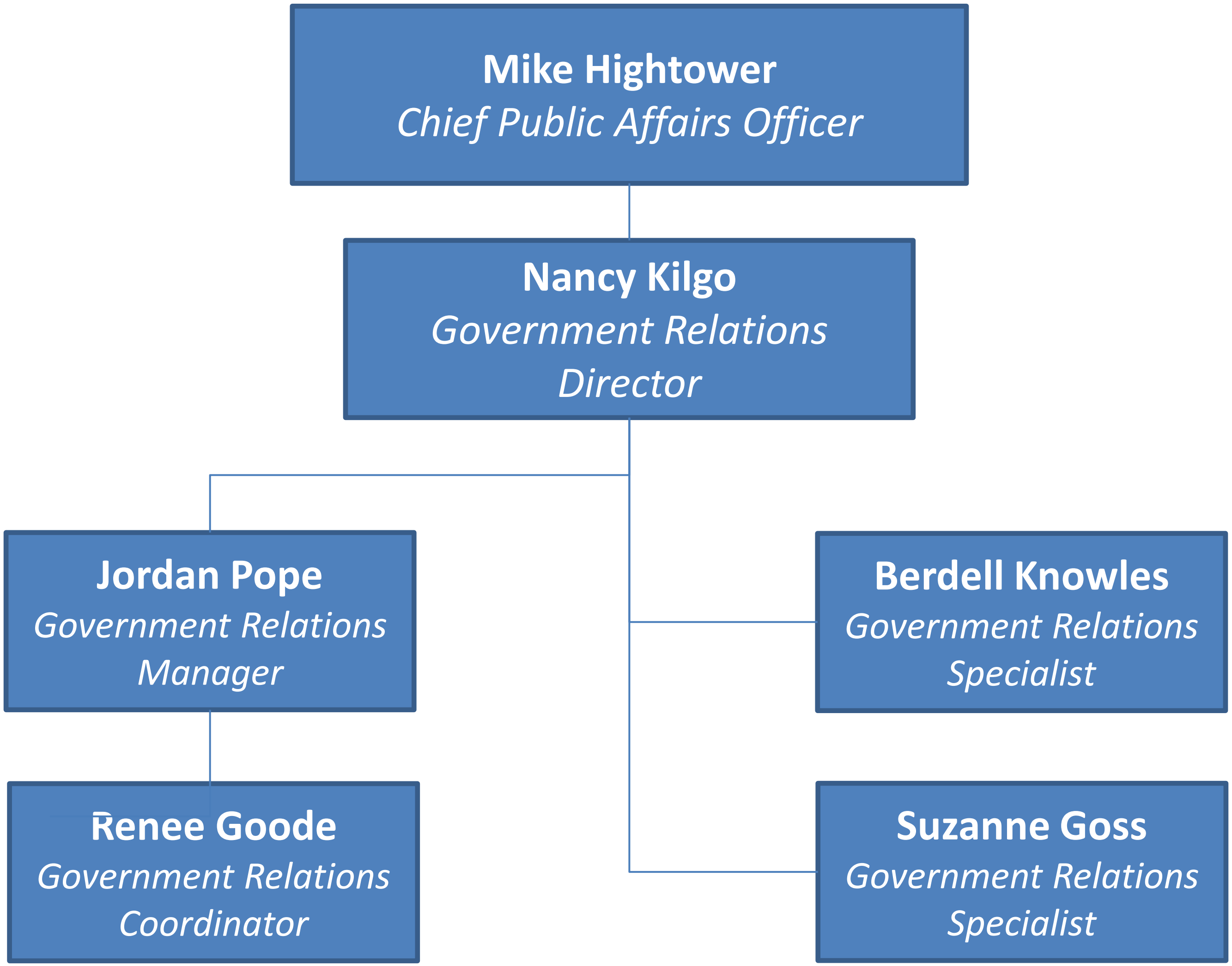
Commitments to Action

1 Earn Customer Loyalty

2 Deliver Business Excellence

3 Develop an Unbeatable Team

Government Affairs Org Chart



Public Affairs/Government Affairs

- Mike Hightower, Chief Public Affairs Officer
  - JEA since September 2015
  - Government Relations, Media Relations, Environmental
- Nancy Kilgo Veasey, Director Government Relations
  - JEA 17 Years, Government Relations 14 Years
  - Local, State, Federal
- Jordan Pope, Manager Government Relations
  - JEA 5 Years, Government Relations Jan 2016
  - Primary Local/Regional focus & economic development
- Suzanne Goss, Government Relations Specialist
  - JEA 25 Years, Government Relations 15 Years
  - Primary State focus
- Berdell Knowles, Government Relations Specialist
  - JEA/Government Relations 14 Years
  - Primary Federal and Public Service Commission regulatory focus
- Renee Goode, Government Relations Coordinator
  - JEA 15 Years, Government Relations 11 Years
  - Primary elected official constituents and projects focus

Public Affairs/Government Affairs
Direct External Consultants

- Federal Level
  - Hilary Sills
  - Sills Associates
  - Clean Air Act, Legislative and Regulatory focus
  - In 4th optional year renewal of 3 years plus one year option

- State level
  - Dean Cannon and Bill Peebles
  - Capitol Insight/William J. Peebles, P.A.
  - Strong municipal government and municipal utility background
  - New contract start December 2015
  - One year contract with one year renewal option
  - Gray Robinson announced a merger with Capitol Insight on May 5, 2016

- Additional support
  - Staffs and consultants to major industry associations
  - Federal – American Public Power Association, Large Public Power Council, National Association of Clean Water Agencies
  - State – Florida Municipal Electric Association

Public Affairs & Compliance
Outside Counsel - Regulatory Matters

- Federal Level

  Van Ness Feldman, LLP

  Washington, D.C.

  Federal energy related matters

- State level

  de la Parte & Gilbert, P.A.

  Tampa, Florida

  Consumptive use permits and water policy matters

  Hopping, Green & Sams, P.A.

  Tallahassee, Florida

  Environmental and regulatory matters

JEA Board Government Affairs Committee Local Update

Local Legislative Update

- **JEA and COJ Interlocal Agreement and Charter Revisions** (Ordinance 2015-764)
  - Approved by City Council March 8, 2016 and by the JEA Board March 15, 2016.
  - Resets millage rates to achieve minimum contribution level.
  - Increases JEA's contribution by 1% each year or the amount yielded by the millage calculation, if higher.
  - Provides for a $15,000,000 one-time contribution by JEA with a matching $15,000,000 contribution by COJ over a five year period to fund qualified water and sewer projects.
  - Facilitates the transfer of BMAP credits to COJ to help meet COJ's nitrogen reduction goals.
  - Modifies restrictions governing customer assistance programs.
  - Addresses real property tax treatment for new or additional utility systems.
- **Office of General Counsel Employee Cap Increase** (Proposed Ordinance 2016-258)
  - Provides for an attorney and a paralegal/assistant in the Office of General Counsel for JEA legal representation and administrative needs.
- **Pension Liability Discretionary Sales Surtax** (Proposed Ordinance 2016-300)
  - Provides for a voter referendum to extend the ½ cent discretionary sales surtax to fund underfunded defined benefit plans including the General Employees Pension Plan.

Local Government Affairs Support

- Special Committee on the JEA Agreement
- Continued participation in the Water and Sewer Review Subcommittee. Subcommittee is a collaborative effort between JEA and COJ with the task of recommending the most efficient use of available funds for water and sewer infrastructure expansion.
- Discussion and outreach regarding oversight and a Memorandum of Understanding between the Office of Inspector General and JEA.
- JEA Solar Policy-Deferred.
- Provide support and information to Chamber of Commerce regarding economic development opportunities.

JEA Board Government Affairs Committee State Update

2016 Legislative Session Update

Key Bills of Interest:

- Public Records/Utility Agencies Information Technology Security (Utility Cybersecurity) (HB 1025/SB 776)
- Discretionary Sales Surtax (HB 1297/SB 1652) (Jacksonville Pension)
- Utility Projects (HB 347/SB 324) (Cost Containment Bond Financing)
- Environmental Resources (SB 552/HB 7005) (Omnibus bill on Water Policy)
- Carbon Dioxide Emissions from Existing Stationary Sources (HB 639/SB 838) (Clean Power Plan)

Other Bills of Interest:

- Pollution Discharge Removal and Prevention (SB 100/HB 697)
- Public Records/Public Agency Contract for Services (HB 273/SB 390)
- Municipal Power Regulation (HB 579/SB 840) – (Florida Municipal Power Regulation (FMPA))
- Renewable Energy Source Devices (HB 193/SB 170 and HB 195/SB 172) (Additional tax exemptions)
- Gainesville Regional Utilities (HB 1355) – (Local bill on governance)

Scan Issues:

- Water Policy related - reclaimed water/reuse, water & land conservation funding
- Solar constitutional amendments (Devices tax exemption & Rights of Electricity Consumers Regarding Solar Energy Choice)
- Results of 2016 Elections

JEA Board Government Affairs Committee Federal Update

Key Policy Matters

- EPA's Final Rule to Regulate Carbon Dioxide Emissions from Existing Fossil Fuel-Fired Power Plants (CPP)
- Regulation of Coal Combustion Residuals from Power Plants
- Solar Distributed Generation
- Municipal Bonds and Public Power
- Cybersecurity and Electric Sector
- Physical Security and the Electric Sector

2016 Legislative Session Review

2016 Legislative Session – Key Bills of Interest

1. Public Records/Utility Agencies Information Technology Security (Utility Cybersecurity) (HB 1025/SB 776)
   - Passed
   - Expands the public records exemption for local government utility agencies for information related to security of information technology systems and industrial control technology systems.
   - Effective Date: March 24, 2016

2. Discretionary Sales Surtax (HB 1297/SB 1652) (Jacksonville Pension)
   - Passed
   - Authorizes a county to levy a pension liability surtax by ordinance if certain conditions are met; prescribes the form of ballot statement; specifies the manner in which a local government may use the surtax proceeds; etc.
   - Effective Date: July 1, 2016

3. Utility Projects (HB 347/SB 324) (Cost Containment Bond Financing)
   - Passed
   - Authorizes certain local government entities to finance the costs of defined water and sewer utility projects by issuing utility cost containment bonds upon application by local agencies (governments). This type of financing mechanism will be available for use by JEA and the City under specific conditions.
   - Effective Date: July 1, 2016

4. Environmental Resources (SB 552/HB 7005) (Omnibus bill on Water Policy)
   - Passed
   - Requires the Department of Environmental Protection to publish, update, and maintain a database of conservation lands; authorizes certain water management districts to designate and implement pilot projects; prohibits water management districts from modifying permitted allocation amounts under certain circumstances; creates the "Florida Springs and Aquifer Protection Act", etc. Provides approach for major water project funding through water management districts and state government.
   - Effective Date: July 1, 2016

5. Carbon Dioxide Emissions from Existing Stationary Sources (HB 639/SB 838) (Clean Power Plan)
   - Failed
   - Would have restricted the state’s ability to develop a state plan in response to the Clean Power Plan
   - The bill died in the committee process

Other bills of interest:

6. Pollution Discharge Removal and Prevention (SB 100/HB 697)
   - Passed
   - Exempts non-program petroleum-contaminated site from the application of risk-based corrective action principles under certain circumstances; improves use of long-term natural attenuation where site conditions warrant; revises how cleanup target levels are applied where surface waters are exposed to contaminated groundwater; provides additional contamination cleanup criteria for brownfield sites and brownfield areas; revises the eligibility requirements of the Abandoned Tank Restoration Program, among other changes.
   - Effective Date: July 1, 2016

7. Public Records/Public Agency Contract for Services (HB 273/SB 390)
   - Passed
   - Requires public agency contracts for services to include a statement directing the contractor to the public agency's custodian of public records for questions related to public records regarding the contract and specifies form and content of statement including contact information for the custodian of records; provides for records retention or records transfer requirements for the contractor relating to public agency contracts; directs that requests to inspect or copy public records be made directly to the public agency; and provides for enforcement, actions or penalties to the contractor for non-compliance.
   - Effective Date: March 8, 2016 for contracts entered or amended after July 1, 2016

8. Municipal Power Regulation (HB 579/SB 840) – (Florida Municipal Power Regulation (FMPA))
   - Failed
   - Would have required further oversight and reporting requirements for FMPA and changes in its board governance structure
   - Had possible implications for further oversight of municipal utilities in the future
   - The bill died in the committee process

9. Renewable Energy Source Devices (HB 193/SB 170 and HB 195/SB 172) (Additional tax exemptions)
   - Passed
   - Seeks to lower the cost of renewable energy projects for businesses who install solar panels on their buildings.
   - HB 193 is a joint resolution proposing an amendment to the State Constitution extending the ad valorem tax exemption for tangible personal property for renewable energy source devices to commercial and industrial property owners (installed only by end-users).
   - The amendment question will be placed on the August 30 primary election ballot for a vote of the electorate statewide.
   - HB 195 provides the enabling legislation if the voters approve the Constitutional amendment.
   - Effective Date: January 1, 2018, if Constitutional amendment passes

10. Gainesville Regional Utilities (HB 1355) – (Local bill on governance)
    - Passed in legislature, vetoed by the Governor
    - Would have required the City of Gainesville to conduct a referendum for the creation of a Gainesville Regional Utilities Authority. Referendum would have asked citizens whether to approve creation of a utility authority and outlined its governance structure to have members appointed by the City Commission with proportional representation on the Authority Board by outside city-limits customers. The authority would manage, operate, control and have broad authority with respect to the utilities owned by the City including establishing rates, fees, assessments, charges, rules, regulations and policies governing sale and use of services. Assets would continue to be titled to the City.

Key Federal Policy Matters

II. C.
5/6/2016

American Public Power Association

ISSUE BRIEF February 2016

IV. B. 3.
5/17/2016

EPA's Final Rule to Regulate Carbon Dioxide Emissions from Existing Fossil Fuel-Fired Power Plants

Summary

On August 3, 2015, the Environmental Protection Agency (EPA) released its final rule to establish emission guidelines for carbon dioxide (CO_2) emissions from fossil fuel-fired power plants. Called the Clean Power Plan (CPP) by EPA, the rule sets state-specific, rate-based goals for CO_2 emissions from the power sector, subcategory-specific CO_2 emission performance rates, and state mass-based CO_2 goals that represent the equivalent of each state's rate-based goal. The rule also establishes guidelines for the states to follow in developing plans to achieve the state-specific goals. According to the agency, the rule would reduce CO_2 emissions from the power sector by 32 percent by 2030 from CO_2 emission levels in 2005.

While EPA improved the final rule from its proposed rule, the American Public Power Association (APPA) believes the final rule goes well beyond what is permissible under Section 111(d) of the Clean Air Act (CAA or Act) and is strongly concerned about its potential impacts on some public power utilities and their customers. APPA believes we need to address climate change, but not through the existing CAA, which was enacted to address criteria pollutants for human health protection and not CO_2 or other GHG emissions. In spite of the obvious problems with regulating GHGs under the Clean Air Act, EPA has decided to go forward with its efforts to regulate such gases from existing fossil fuel-fired power plants under Section 111(d). Had EPA proposed a rule that sought to reduce emissions through heat rate improvements at fossil fuel-fired electric generating units, the affected source, its rule would be on very solid legal ground. Instead, the agency chose to propose a rule that imposes emissions reductions that cannot be achieved by affected sources and requires the owner or operator of those sources to take actions that are separate and apart from the source. Thus, APPA has supported legislation in Congress to put the rule on hold until the courts decide on its legality. APPA has also supported disapproval resolutions under the Congressional Review Act to overturn EPA's rules for CO_2 emissions from new and existing power plants. APPA has also challenged these rules in court.

Background

On June 25, 2013, President Obama sent a memo to the Acting Administrator of EPA directing him to issue proposed "standards, regulations, or guidelines, as appropriate, that address carbon pollution from modified, reconstructed, and existing power plants..." no later than June 1, 2014.[1] Final standards would have to be issued by June 1, 2015, and any guidelines addressing existing power plants must include a requirement that state plans required under Section 111(d) of the CAA and any implementing regulations be submitted to EPA by June 30, 2016. Following the President's directive, on June 2, 2014, EPA released its proposed emissions guidelines for CO_2 emissions from existing fossil fuel-fired power plants. It also released its proposed guidelines for emissions from modified and reconstructed power plants. On August 3, 2015, EPA released its final "Carbon Pollution Emission Guidelines for Existing Stationary Sources: Electric Generating Units" (called the Clean Power Plan) as well as its final "Standards for Performance for Greenhouse Gas Emissions from New Stationary Sources: Electric Generating Units" (new plant rule)[2] and final Carbon Pollution Standards for Modified and Reconstructed Stationary Sources: Electric Generating Units. In addition, EPA proposed its Fed-

1 A copy of the Presidential Memorandum can be viewed at http://www.whitehouse.gov/the-press-office/2013/06/25/presidential-memorandum-power-sector-carbon-pollution-standards.

2 While APPA has concerns with EPA's final rule to regulate CO2 emissions from new power plants, this issue brief focuses exclusively on the existing plant rule.

eral Plan Requirements for Greenhouse Gas Emissions from Electric Generating Units; Model Trading Rules; Amendments to Framework Regulations (Federal Plan and Model Trading Rules) on August 3 (this was done in an effort to assist states to develop implementation plans that rely on tradable compliance instruments). All three rules and the proposed Federal Plan and Model Trading Rules were published in the Federal Register on October 23, 2015.

The Clean Power Plan sets final emission guidelines in the form of nationally uniform CO_2 emission performance rates for two kinds of fossil fuel-fired EGUs—steam generating units (1,305 pounds CO_2 per megawatt hour (lb CO_2/MWh)) and combustion turbines (771 lb CO_2/MWh). It also finalizes state goals between 771 and 1,305 lb CO_2/MWh based on the weighted average of existing fossil-fuel fire generation in the state and provides equivalent mass-based goals in short tons of CO_2. This is a substantial change from the proposed rule, which did not establish performance rates that would directly apply to EGUs and only proposed mandatory state goals. These changes resulted in a range of state goals that is much narrower than in the proposed rule and impose more stringent goals on states that are heavily reliant on coal-fired power.

Under Section 111(d) of the CAA, EPA may establish procedures for states to develop plans to establish performance standards for an air pollutant from existing sources. The state plans must "establish standards of performance that reflect the degree of emission limitation reduction achievable through the application of the 'best system of emissions reduction' [BSER] that, taking into account the cost of achieving such reduction and any non-air quality health and environmental impacts and energy requirements, the Administrator determines has been adequately demonstrated."[3] In the final rule, EPA determined "that the BSER is the combination of emission rate improvements and limitations on overall emissions at affected EGUs that can be accomplished through" three building blocks:[4] (1) improving heat rates at affected coal-fired steam EGUs; (2) substituting increased generation from lower emitting existing natural gas combined cycle units for generation from higher-emitting affected steam generating units; and (3) Substituting increased generation from new zero-emitting renewable energy generating capacity for generation from affected fossil fuel-fired generating units. The fourth building block on energy efficiency included in the proposed rule was dropped in the final rule. EPA then calculated the amount of emission reduction achievable through application of these three building blocks.

Under the final rule, states have to submit initial state plans to EPA by September 6, 2016. The initial plan must contain a non-binding indication of what type of plan and approaches the state intends to adopt, the reason why an extension is needed (assuming the state is seeking an extension of time to submit a plan), and evidence of public engagement. An extension is deemed granted if EPA does not object within 90 days of receipt. States must submit progress reports to EPA on September 6, 2017, with final state plans due by September 6, 2018. EPA has a year to approve a final state plan, which is required to include information such as a list of affected EGUs and their emission standards, a trigger mechanism for corrective measures, if interim goals are not achieved, and recordkeeping and reporting requirements, among others. States whose final plans are rejected or that fail to submit a final plan would be subject to a federal plan imposed by EPA.

Compliance with the rule's final goals would be required by 2030, although the final reporting period is actually from January 1, 2030, to December 31, 2031. The rule imposes two year compliance periods thereafter. In response to stakeholder input, EPA pushed back the date for compliance with the interim goals. There are three compliance periods beginning in 2022 and states can adopt them as is or adjust them in their state plans. Under the proposed rule, compliance with the interim goals began in 2020 and front-loaded the emissions reductions (commonly referred to as the "cliff").

Congressional Activity

There has been a lot of interest in Congress in EPA's efforts to regulate CO_2 emissions from the electric utility industry. The House Energy & Commerce and Senate Environment & Public Works (EPW) Committees, which have jurisdiction over Clean Air Act issues, have held numerous hearings in the 114th and previous Congresses on the proposed and final rules, their potential impact to ratepayers, businesses, and the economy, and the Obama Administration's international efforts on climate change and whether those efforts are driv-

3 See footnote 1 of the final rule located at p. 64664 of the Federal Register, Vo. 80, No. 205, 10/23/2015.

4 P. 64707 of the Federal Register, Vo. 80, No. 205, 10/23/2015

ing the Clean Power Plan. Both committees have also approved legislation in 2015 that would put implementation of the final existing plant rule on hold until the courts decide on its legality. On June 24, 2015, the House passed H.R. 2042, the Ratepayer Protection Act, by House Energy & Power Subcommittee Chairman Ed Whitfield (R-KY) that would put the rule on hold until its legality has been determined by the courts. H.R. 2042 would also allow the governor of a state to opt out of compliance with the final rule if the governor determines complying with the rule would have a significant adverse impact on electric ratepayers or reliability in the state. Similar legislation, S. 1324, the Affordable, Reliable Electricity Now Act (ARENA), was approved by the Senate EPW Committee on August 5, 2015.

In addition, the House and Senate approved a disapproval resolution under the Congressional Review Act (S.J. Res 24), introduced by Senators Shelley Moore Capito (R-WV) and Heidi Heitkamp (D-ND), that would nullify the existing rule. Unfortunately, the disapproval resolution did not receive the number of votes needed to override a presidential veto. On December 18, 2015, President Obama vetoed the disapproval resolution, as well as another one on the new plant rule. APPA supported both disapproval resolutions.

APPA Position

While EPA improved the final rule from its proposed rule, the American Public Power Association (APPA) believes the final rule goes well beyond what is permissible under Section 111(d) of the CAA, and is strongly concerned about its potential impacts on some public power utilities and their customers. APPA believes the agency exceeded its authority under the CAA when it established standards of performance for any existing source in the fossil fuel-fired category that are not achieved in practice by an existing EGU through either technological or operational measures that limit the rate at which CO_2 is emitted by that source. APPA is not aware of any precedent under Section 111 whereby EPA has required the owner or operator of a source to take actions separate and apart from the source. Furthermore, the final rule sets standards that will result in the curtailment or closure of some affected facilities and the replacement of their generation by EPA-preferred sources such as wind and solar. EPA has the authority to require existing EGUs to make feasible improvements in their performance. Nothing in the CAA gives EPA the authority to tell EGU owners and operators to limit operation or shutdown their units and instead generate electricity from other types of sources.

APPA believes we need to address climate change, but not through the existing CAA, which was enacted to address criteria pollutants for human health protection and not CO_2 or other GHG emissions. In spite of the obvious problems with regulating GHGs under the Clean Air Act, EPA has decided to go forward with its efforts to regulate such gases from existing fossil fuel-fired power plants under Section 111(d). Had EPA proposed a rule that sought to reduce emissions through heat rate improvements at fossil fuel-fired electric generating units, the affected source, its rule would be on very solid legal ground. Instead, the agency chose to propose a rule that imposes emissions reductions that cannot be achieved by affected sources and requires the owner or operator of those sources to take actions that are separate and apart from the source. Thus, in the 114th Congress, APPA has supported the Ratepayer Protection Act and ARENA to put the rule on hold until the courts decide on its legality. APPA has also supported disapproval resolutions under the Congressional Review Act to overturn EPA's rules for CO_2 emissions from new and existing power plants and the strong oversight conducted by the House Energy & Commerce and Senate Environment & Public Works Committees. In addition, APPA has challenged EPA's new and existing plant rules in the U.S. Court of Appeals for the D.C. Circuit.

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American Public Power Association

ISSUE BRIEF February 2016

Regulation of Coal Combustion Residuals from Power Plants

Summary

Coal combustion residuals (CCR), also known as "coal ash," consist of inorganic residues that remain after pulverized coal is burned, typically in plants that produce electric power. According to the Environmental Protection Agency (EPA), 110 million tons of CCR were produced by electric utilities in 2012, making it one of the largest waste streams generated in the United States. Out of that, approximately 94 million tons were disposed of in landfills, surface impoundments, or as mine fill. The remaining coal ash was beneficially used in some capacity, including for cement mixing, among many other uses. EPA estimates there are approximately 300 CCR landfills and 629 CCR surface impoundments or similar management units in use at roughly 495 coal-fired power plants. The number of surface impoundments was determined from survey data gathered by EPA.

Although coal ash is not included as a hazardous waste under the Resource Conservation and Recovery Act (RCRA), if managed improperly and leaks result, it can cause damage, as evidenced by the December 22, 2008, breach of an impoundment pond at the Tennessee Valley Authority's (TVA's) Kingston, TN, plant; and Duke Energy's 2014 incident at its retired Dan River Steam Station in Eden, NC, where a break in a stormwater pipe beneath an ash basin caused a release of ash basin water and ash into the Dan River. In response to the Kingston plant spill, EPA, on June 21, 2010, proposed a rule that provided several options for regulating CCR, including regulation as hazardous waste under Subtitle C of RCRA or as non-hazardous waste under RCRA Subtitle D. On December 19, 2014, EPA released a final rule to regulate CCR as non-hazardous waste under Subtitle D.

APPA commends EPA for correctly regulating CCR as non-hazardous waste, but believes the final rule has some serious flaws. For one, it was issued under the general Subtitle D provisions, which generally do not allow implementation of Subtitle D rules through state permit programs and also preclude EPA from enforcing its own rules. Subtitle D also does not allow use of risk-based options to implement certain elements of the groundwater monitoring program or to conduct clean ups, thus effectively overriding existing state risk-based regulatory programs for coal ash. In addition, it regulates inactive impoundments that still contain water and have not been closed, essentially regulating them as active disposal sites, an authority EPA does not appear to have under RCRA. APPA therefore supports H.R. 1734, the Improving Coal Combustion Residuals Regulation Act of 2015, by Representative David McKinley (R-WV), and S. 2446 by Senators John Hoeven (R-ND) and Joe Manchin (D-WV) to eliminate the implementation problems associated with the final rule and give states the ability to enforce EPA's rule through the creation of state permit programs.

Background

Waste management is regulated under provisions of RCRA, which provides the general guidelines under which all waste is managed. RCRA also includes a congressional mandate that EPA must develop a comprehensive set of regulations to implement the law. Enacted in 1976, RCRA was intended, in part, to protect human health and the environment from the potential hazards of waste disposal, and ensure that wastes are managed in an environmentally sound manner.

At various stages of the coal combustion process, different types of residuals are generated. These residues include both coarse particles that settle to the bottom of the combustion chamber and fine particles that are removed from the flue gas by electrostatic precipitators, scrubbers, or fabric filters. Factors such as the source of the coal burned at a plant and the technology used (both to burn the coal and to filter the ash) have a bearing on CCR characteristics and potential toxicity. Because CCR is unique in terms of its characteristics and ability to be beneficially re-used, EPA has been studying how best to regulate CCR since at least 1980.

The 1980 Bevill Amendment to RCRA required EPA to "conduct a detailed and comprehensive study and submit a report" to Congress on the "adverse effects on human health and the environment, if any, of the disposal and utilization" of fly ash, bottom ash, slag, flue gas emission control wastes, and other byproducts from the combustion of coal and other fossil fuels and "to consider actions of state and other federal agencies with a view to avoiding duplication of effort." Subsequently, EPA conducted the comprehensive study required by the Bevill Amendment and reported its findings to Congress in March of 1988 and March of 1999. Both reports recommended that CCR should not be regulated as hazardous waste under Subtitle C of RCRA.

In August of 1993, EPA published a regulatory determination that regulation of the four large-volume CCRs (fly ash, bottom ash, boiler slag, and flue gas emission control waste) as hazardous waste under Subtitle C of RCRA was "unwarranted." In May of 2000, EPA published a final regulatory determination that fossil fuel combustion wastes, including CCR, "do not warrant regulation [as hazardous waste] under Subtitle C of RCRA," and that "the regulatory infrastructure is generally in place at the state level to ensure adequate management of these wastes." In 2005, EPA and the U.S. Department of Energy published a study of CCR disposal facilities constructed or expanded since 1994 and evolving state regulatory programs that found that state CCR regulatory requirements have become more stringent in recent years—that, in fact, the vast majority of new and expanded CCR disposal facilities have state-of-the-art environmental controls.

Unfortunately, in 2008, TVA's Kingston plant unintentionally released 1.1 billion gallons of coal fly ash slurry. The release covered more than 300 acres and damaged or destroyed homes and property. The sludge discharged into the nearby Emory and Clinch rivers, filling large areas of the rivers and resulting in fish kills. According to TVA, the estimated cleanup cost will likely reach $1.2 billion.

Because of the spill at TVA's Kingston site, and in spite of the history of CCR regulation and extensive analysis by EPA under various administrations, the agency proposed a range of options in a proposed rule released on June 21, 2010, including regulation of CCR as hazardous waste under Subtitle C of RCRA, as well as regulation of CCR as non-hazardous waste under RCRA Subtitle D. Under the first option, EPA would draw on its existing authority to identify a waste as hazardous and regulate it under the hazardous waste management standards established under Subtitle C of RCRA. The second option would establish criteria applicable to landfills and surface impoundments accepting CCR under RCRA's Subtitle D solid waste management requirements. Under Subtitle D, EPA does not have the authority to enforce its proposed requirements. Instead, EPA would rely on states or citizen suits to enforce its standards.

A final rule was released by EPA on December 19, 2014, that regulates CCR as non-hazardous waste under Subtitle D. Unfortunately, the rule has some serious flaws because it was issued under the general Subtitle D provisions of RCRA, which generally do not allow implementation of Subtitle D rules through state permit programs and precludes EPA from enforcing its own rules. Because the rule is self-implementing and cannot be delegated to the states, regulated facilities must comply with the requirements irrespective of whether the rule is adopted by the states. Even if a state adopts the rule, the federal rule remains in effect as an independent set of federal criteria that must be met, which can result in dual and likely inconsistent federal and state regulatory requirements. Furthermore, since the rule can only be enforced through citizen suits in federal district courts, legal disputes regarding compliance with any aspect of the rule will be determined on a case-by-case basis by different federal district courts across the country. This will result in federal judges making complex technical decisions on how to comply with the rule.

In addition, the rule does not allow for risk-based options for implementing elements of groundwater monitoring programs and conducting clean ups, thus effectively overriding existing state risk-based regulatory programs for coal ash that have proven to be protective of human health and the environment. It also regulates inactive impoundments (i.e., ones that no longer receive coal ash) that still contain water and have not been closed, essentially regulating them as active disposal sites, an authority EPA does not appear to have under RCRA. EPA has legal authority to address such impoundments under the Comprehensive Environmental Response, Compensation, and Liability Act and the imminent and substantial endangerment provision of RCRA.

Congressional Action

In the 113th Congress, Representative McKinley introduced H.R. 2218, the Coal Residuals Reuse and Management Act of 2013. This legislation aimed to amend Subtitle D of RCRA and establish a Coal Combustion Residuals Permit Program. The bill would have directed the states to administer a performance-based Subtitle D regulatory program for CCR patterned after the criteria for municipal solid waste landfills in 40 C.F.R. Part 258. It also included deadlines for issuing permits, setting criteria for assessing whether a state permit program meets minimum requirements, and new requirements focused on the structural integrity of coal ash dams. Many of the provisions in H.R. 2218 were designed to ensure that the states have adequate direction and authority to implement a CCR permitting program incorporating the minimum federal standards. H.R. 2218 passed the House of Representatives, but was not considered in the Senate.

In 2015, Representative McKinley introduced H.R. 1734, the "Improving Coal Combustion Residuals Regulation Act of 2015," to address the flaws in EPA's final rule and make it more workable for the states. The legislation would eliminate the implementation problems associated with the final rule and would give states the ability to enforce EPA's rule through the creation of state permit programs. It would also restore state flexibility related to risk-based options for implementing elements of the groundwater monitoring program and conducting clean ups that EPA disallowed in its final rule because of the self-implementing nature of Subtitle D. The bill was passed in the House of Representatives on July 22, 2015, by a vote of 258-166. Companion legislation (S. 1803) was introduced by Senators Hoeven (R-ND) and Joe Manchin (D-WV) on July 16, 2015. A modified version of S. 1803 was introduced in January 2016 by Senators Hoeven and Manchin — S. 2446. APPA has worked closely with the Utility Solid Waste Activities Group, National Rural Electric Cooperative Association, and Edison Electric Institute on the development of the legislation and supports it in its current form.

In the Senate on June 17, 2015, the Environment & Public Works Committee held a hearing on EPA' final coal ash rule and on whether Congress should consider legislation to give EPA authority to approve state permitting programs. The committee may mark up coal ash legislation in early 2016.

APPA Position

APPA is pleased EPA is regulating CCR under Subtitle D of RCRA as opposed to under Subtitle C, but is concerned about several major flaws in the final rule due to the self-implementing structure of RCRA Subtitle D. APPA therefore supports the Improving Coal Combustion Residuals Regulation Act of 2015 to address these flaws and improve the regulation of CCR.

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American Public Power Association

ISSUE BRIEF February 2016

Solar Distributed Generation

Summary

The amount of solar distributed generation (DG) has increased significantly in the last five years. As of September 2015, 7.7 gigawatts[1] (GW) of distributed capacity has been installed in the U.S.,[2] and is expected to increase to approximately 9 GW by 2016, and as much as 20 GW by 2020. Driving this exponential growth is the dramatic decrease in the price of solar panels, with the installed costs of residential and commercial photovoltaic (PV) declining by over 70 percent since 2008. Also driving this growth are state, federal, and utility incentives for solar panel installations, as well as state renewable portfolio standards (RPS).

Potential benefits of solar DG include avoided generation capacity costs (e.g., less need to build new generation), ancillary services (e.g., need for less back up power), and avoided transmission costs, as well as reduced air pollution and greenhouse gas (GHG) emissions and mitigation against outages on the grid. However, DG poses many operational challenges to electric utilities. They include maintenance of electric grid system balance (DG can cause imbalances), safety issues for line-workers, load forecasting impairment (variable solar power makes it harder to predict the need for generation), and increased strain on the distribution system. DG can also pose revenue challenges for electric utilities if DG customers do not pay their share of the costs of maintaining the distribution system they rely upon to export their excess power and import power when their DG system does not generate power. These costs are borne by utility customers who do not have rooftop solar. Many of these issues can be avoided through the use of community solar projects because they reduce variability on the system—a key to helping ensure reliable electric service. The American Public Power Association (APPA) believes solar DG can play an important role in helping utilities meet their state renewable portfolio standards (RPS) and other goals as long as solar DG customers pay their fair share of the costs of keeping the grid operating safely and reliably.

Background

DG is power that is produced at the point of consumption. Distributed energy resources (DER) can include solar photovoltaic (PV), small wind turbines, combined heat and power (CHP), fuel cells, and micro-turbines. Over 90 percent of installed DG in the U.S. today is solar. As of September 2015, 7.7 GW of distributed capacity has been installed in the U.S., and is expected to increase to approximately 9 GW by 2016 and as much as 20 GW by 2020. Driving this exponential growth is the dramatic decrease in the price of solar panels, with the installed costs of residential and commercial PV declining by over 70 percent since 2008. Also driving this growth are state, federal, and utility incentives for solar panel installations, such as tax credits, as well as state renewable portfolio standards (RPS) that require utilities to generate a certain percentage of their power from renewable energy sources such as wind and solar.

There are two basic methods for compensating distributed generators for the power they provide to utilities—net metering and feed-in tariffs. Under a net-metering program, a utility will credit customers with on-site generation for their kilowatt-hour (kWh) sales to the grid and charge them for periods when electricity consumption from the grid exceeds their generation. Essentially, the utility charges the net difference between consumption and generation. Under most net-metering

1 A unit of power equal to one billion watts. U.S. electric capacity exceeds 1,000 GW. One GW powers roughly 750,000 residential homes in the U.S. Statistics on the amount of installed distributed solar generation from Energy Information Administration at https://www.eia.gov/todayinenergy/detail.cfm?id=23972

2 EIA data on the amount of net metered solar PV customers in the U.S.

programs, the customer is both charged and credited at the utility's full retail rate of electricity. Since net-metering almost always does not account for time of usage, it potentially over-compensates distributed generators and credits them with a value of generation that is higher than the utility's avoided cost.

Under a feed-in tariff (FIT) program, the utility and distributed generator enter into a long-term contract under which the utility agrees to purchase excess generation at a per-kWh price, whereby the customer is paid like a non-utility wholesale power producer. Under FITs, rates vary from utility to utility and can be higher or lower than the retail rate. FITs are more common in Europe than the U.S. and have been used there to incent more DG.

Like the other sources for power generation, such as nuclear, natural gas, coal, hydropower, wind, geothermal, and biomass, solar provides numerous benefits and challenges. There are a number of potential benefits to solar DG. First, increased levels of solar DG could reduce the need for new utility generation assets, such as new natural gas-fired generation. Higher levels of solar DG could also help utilities avoid purchasing ancillary services such as spinning reserves to back up their existing generation, which are required to maintain grid reliability. More solar DG could also help utilities avoid higher transmission costs by reducing peak demand. Another benefit of solar DG is reduced air pollution and GHG emissions. Generally, solar DG displaces fossil fuel-fired generation with non-emitting resources. In addition, solar DG could help utilities mitigate against power outages on the grid by providing an alternate source of power.

However, solar DG poses many operational challenges to electric utilities. One challenge from solar DG is its impact on electric grid system balance. Low levels of solar DG can reduce demand at a substation, but too much solar DG can create excess demand at a substation causing power to flow from the substation to the transmission grid, which could cause high voltage swings and other stresses on electric equipment. Utilities will have to make capital investments to address these potential strains on the system. Solar DG also poses potential safety issues, such as "islanding," where the solar DG unit continues to energize a feeder even though the electric utility is no longer supplying power due to an outage or other cause. This creates a very high safety risk to line-workers who may not realize the circuit is still energized. While solar DG units are required to have inverters to prevent this from happening, some installations lack them.

In addition, while solar DG can provide a greater level of system protection, it is more difficult to monitor, which in turn impacts load forecasting. Such impairment of load (demand) forecasting, due to the variability of solar power, can lead in rare circumstances to outages and blackouts. Solar DG can also place increased strain on the distribution system since solar DG customers rely on the transmission, distribution, and generation systems more than non-DG customers. The distribution system was designed to carry power in one direction. Solar DG requires it to carry power in two directions, which causes some of the operational challenges discussed above.

Solar DG can also pose revenue challenges for electric utilities. Solar DG customers are typically compensated at times when they produce excess power to the distribution grid and charged when they consume power from the utility. Their electric bills can net to zero, and even in some cases, their net balance can go negative, meaning the utility must pay the customer. Since residential electric bills are based primarily on electric consumption, and the associated customer charges rarely reflect the full amount of fixed costs utilities incur to provide retail electric service, utilities could face a revenue shortfall. As a result, other retail customers subsidize customers with distributed generation or the utility under-recovers the cost of providing service. These electric "rate design" issues must be addressed in an equitable manner as solar DG penetration becomes a more significant part of the mix in utility service territories.

Many of the challenges posed by solar DG can be overcome with collaboration between electric utilities and their customers. Given their local focus and oversight, public power utilities are uniquely situated to have this dialogue. These challenges can also be overcome through the use of community solar projects where the PV system is centralized and owned my multiple members of the community and the local utility.

Congressional Activity on Solar DG

Because solar DG is interconnected to the distribution system and retail rate setting is handled by state public utility commissions or at the local level for public power utilities, solar DG issues have principally arisen at the state and local levels. However, given the rapid growth of solar DG and the recent policy debates that have occurred in many states about the appropriate way to compensate solar DG power, many Members of Congress are interested in learning more about DG and how it could impact their constituents and the utilities operating in their districts or states. In particular, Members of Congress have expressed concerns about potential deceptive roof-top solar practices. In November 2014, Representative Ann Kirkpatrick (D-AZ) and several Democratic Representatives sent a letter to Consumer Financial Protection Bureau asking what it is doing to protect consumers from misleading sales practices. In December 2014, a similar letter was sent by Representative Paul Gosar (R-AZ) and 11 other Republican representatives to the Federal Trade Commission. Concerns outlined in these letters included the possible use of deceptive marketing strategies by third-party leasing companies that "overstate the savings the homeowner will receive, while understating the risks associated with agreeing to a decades-long lease that is often secured by a second deed of trust to the house" that will likely exceed both the life of the roof and duration of the lessor's home ownership. Future examination by Congress of deceptive practices by roof-top solar leasing companies is possible in the 114th Congress, as is further exploration of the incentives, technology, and operational issues surrounding solar.

In addition, energy legislation in the Senate and House include provisions related to distributed energy resources (DERs), including solar DG. S. 2012, the Energy Policy Modernization Act of 2015, approved by the Senate Energy & Natural Resources (SENR) Committee in July, included provisions on solar DG, such as Section 2311, which directs the Department of Energy (DOE) to issue guidance on criteria for net metering studies conducted by the department. Section 2311 also directs DOE to undertake a study of net energy meeting. While APPA as a policy matter has concerns with any legislation that would federalize solar DG issues because they are jurisdictional at the state and local level, Section 2311 takes a balanced approach to the issue and requires DOE to take into account a balanced set of issues (i.e., these studies must factor in the benefits and challenges of solar). Section 2310 in the bill is problematic and would require Regional Transmission Organizations (RTOs) to submit a report to the Federal Energy Regulatory Commission on barriers to the deployment of distributed energy systems and micro-grid systems under 69 KV. APPA is concerned this provision would essentially do the same thing for DERs and micro-grids that FERC Order No. 745 did for demand response; that is to federalize a retail issue jurisdictional to states and local governments. When S. 2012 was marked up by the Committee in July, several amendments were offered on solar DG that were rejected. Similar amendments were filed and considered when S. 2012 came to the senate floor for debate this winter.

The House energy bill, H.R. 8, the North American Energy Security and Infrastructure Act, also includes several solar DG provisions, some of which are balanced and others are not. During floor consideration in the House of H.R. 8, language was added that would amend Section 111(d) of the Public Utility Regulatory Policies Act of 1978 to require states to consider forcing utilities to connect community solar installations into the grid, as well as offer net billing service. APPA opposes this language because it would violate retail electric service laws states without retail electric competition and is redundant of existing federal interconnection standards imposed on states.

APPA Position

APPA believes DG can and should play an important role in public power's renewable energy portfolio. Public power utilities will continue to work collaboratively with their customers to deploy solar DG as well as community-scale solar farms.

In order to continue fostering the growth of DG, and solar in particular, it is important that DG customers pay their fair share of the costs of keeping the grid operating safely and reliably. Net-metering policies and FITs need to be designed to reflect costs and assure that those who benefit from the grid are sharing in the cost of building and maintaining it. The federal government should not seek to federalize rate design and distribution-related matters that are governed by state and local laws. In addition, consumers must be protected from deceptive or misleading sales practices by third-party leasing companies.

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Municipal Bonds and Public Power

Summary

For more than 200 years, state and local governments and governmental entities, including public power utilities, have relied on municipal bonds as a means of financing. Nearly three-quarters of all core infrastructure built in the U.S. is financed with municipal bonds. Since the inception of the federal income tax in 1913, interest paid on these bonds has been exempt from federal tax, just as federal bonds, bills, and notes are exempt from state and local taxes. With the federal government facing severe fiscal challenges—seeking to reduce annual budget deficits while also lowering marginal income tax rates—several policymakers have proposed reversing this 100-plus year precedent. Doing so would simply shift the federal government's budget problems to state and local governments and, in the case of public power utilities, hurt critical investments in power generation, energy efficiency, safety, security, and emissions controls, while increasing costs for customers.

Therefore, the American Public Power Association (APPA) opposes any efforts to limit or eliminate municipal bonds given these adverse impacts on our public power utility members and their customers.

Background and History

The first recorded municipal bond was issued in 1812. Today, there are $3.7 trillion in municipal bonds outstanding, with more than $200 billion funding new projects every year. Close to five percent of those issuances (as much as $11 billion every year) finance new investments in power generation, distribution, reliability, demand control, efficiency, and emissions control: all needed to deliver safe, affordable, and reliable electricity.

In addition to infrastructure for public power utilities, these bonds finance roads, bridges, sewers, hospitals, libraries, schools, town halls, police stations, and every other sort of government-purpose investment made by state and local governments. In fact, nearly three-quarters of the infrastructure investment in the U.S. is financed by state and local government bonds.

Since the creation of the federal income tax in 1913, interest on government purpose municipal bonds has been excluded from federal income tax. This dates back to a series of Supreme Court decisions in the 1800s concluding first, that a state tax on a federal enterprise inherently violated the Constitution and, second, that a federal tax on municipal bond interest likewise would be unconstitutional. Subsequently, the Supreme Court has given the federal government the right to regulate government purpose municipal bonds—for example, requiring issuers to register bonds for the interest to be exempt from tax—and to tax the interest on bonds determined not to be for governmental purposes. By way of example of the latter, the 1986 Tax Reform Act substantially revised the tax treatment of private activity bonds.[1] In 1988, a slim Supreme Court majority in *South Carolina v. Baker* found that municipal bonds could be taxed, but Congress has been unwilling to overturn decades of precedent by changing the tax treatment of government purpose bonds.

1 Private activity bonds differ from government purpose municipal bonds in that they can be issued by a state or local government to finance certain private projects. Interest on qualifying private activity bonds is exempt from regular federal income tax, but subject to the federal Alternative Minimum Tax (AMT). The volume of private activity bonds that can be issued in a state is subject to an annual cap. While power generation and distribution are among the qualified private activity bond activities, other restrictions and considerations make the use of tax-exempt private activity bonds rare for such purposes. Of 1,150 municipal bonds issued for public power projects from 2007-2011, just 30 were private activity bonds.

Strengths and Benefits of Municipal Bonds

State and local governmental entities—including public power utilities—have limited means to raise funds for their communities' capital needs. The municipal bond market gives close to 42,000 governmental issuers access to investors. This is particularly important to the vast majority of small towns, counties, cities, and publicly owned utilities that issue municipal bonds. The median corporate bond issue is $210 million. Conversely, while roughly five percent of municipal bond issuances are for $200 million or more, the vast majority of municipal bonds, including for public power investments, are far smaller: the median municipal bond issuance is $7 million.

The federal tax exclusion of bond interest means issuers can finance their investments affordably. Over the past 20 years, the average yield of Standard & Poor's Corporate Bond (Aaa) Index has been 130 basis points higher than that of Moody's High-Grade Municipal Bond Index. Adjusting for the cost of call provisions common in municipal bonds, but rare in corporate taxable bonds, the spread is closer to 180 basis points. The difference can save municipal bond issuers 25 percent over the 30-year life of a project. These savings result in more critical investments in infrastructure and essential services by state and local governments and lower costs for the services they provide. Also, municipal bonds are ideally suited to finance capital-intensive and long-lived public infrastructure, such as the assets of a public power utility.

Investors purchase municipal bonds in part because of tax considerations, accepting a lower rate of return because the interest is exempt from federal income tax. Municipal bonds are also valued for their ability to generate a steady stream of revenue for fixed-income households. Individual households are the investors in over 70 percent of municipal bonds. Nearly 60 percent of this household tax-exempt interest is earned by taxpayers over 65 years old. In 2012, 48 percent of all municipal bond interest paid to individuals went to those with incomes of less than $250,000.[2]

Recent market performance and the "flight to quality" underscore that municipal bonds are also valued as stable financial investments. Now more than 200-years old, the U.S. municipal bond market is well-established, with a robust and comprehensive federal legislative and regulatory system that protects investors. Likewise, municipal bonds themselves are typically extremely secure investment vehicles: the default rate for investment grade municipal bonds is far less than 0.1 percent, a fraction of the default rate for comparably rated corporate bonds.

2 Internal Revenue Service, "Statistics of Income—2010: Individual Income Tax Returns" (2012).

Congressional and Administration Actions—Threats to Municipal Bonds

Calls to tax municipal bonds to pay for federal income tax rate cuts or deficit reduction are on the rise. All would have the same effect: limiting or eliminating the income tax exemption for interest from municipal bonds would reduce investments in vital infrastructure across the country and increase the cost of electricity for public power customers. Ultimately, a disproportionate share of this burden will be shouldered by those who can least afford it.

The draft report of the President's Commission on Fiscal Responsibility and Reform (the "Bowles-Simpson" report) proposed taxing interest on newly issued municipal bonds. It is unclear whether the taxable bond market could accommodate 12,000 municipal bonds issued every year and how smaller issuers—who would be dwarfed by the typical corporate issuer—would fair in the taxable market. Analyses show that financing debt with taxable bonds would increase municipal issuers' costs by as much as much as 38 percent. On average, public power municipal bonds finance as much as $11 billion in new projects every year. Repealing the exclusion for municipal bond interest would add an estimated $2.5 billion in borrowing costs over the life of each year's issuances. Ultimately those costs will be paid by public power customers in the form of higher electric bills.

The Obama Administration has proposed capping at 28 percent the tax value of the exclusion for municipal bond interest and other deductions and exclusions. This would have the effect of imposing a surtax on bond interest. An analysis of this proposal shows that it would increase borrowing costs by 32 to 35 percent. Moreover, the proposal would apply retroactively to $3.7 trillion of existing bonds—an unprecedented and unfair tax that would cause instability in the municipal bond market. At the levels being discussed—a flat dollar cap on deductions and exclusions—if it included municipal bond interest, would be even worse, effectively repealing the income exclusion for most bond holders.

Former House Ways and Means Committee Chairman David Camp (R-MI) proposed his own 10 percent surtax on municipal bond interest, and former Senate Finance Committee Chairman Ron Wyden (D-OR) proposed repealing the exclusion for municipal bonds, partly replacing the exclusion with an income tax credit available to individuals, but not corporations. Despite numerous efforts at creating workable tax credit bond programs, they have had little acceptance among investors, and the prices that investors have been willing to pay for these bonds have resulted in tax credit bonds having their own inefficiencies that far exceed the purported inefficiencies of tax-exempt bonds.

The Congressional Budget Office (CBO) has proposed replacing the exclusion for municipal bonds with a direct cash subsidy from the federal government to issuers. Currently such "direct payment bonds" work as a complement to tax-exempt bonds, not a replacement. They could not, however, accommodate the 44,000 state and local governments that routinely participate in the municipal bond market, most of whom are very small issuers. As a result, many local governments would be shut out of the bond market. One analysis shows that total borrowing costs would increase by 16 percent if the direct payment bond were set at 25 percent of the issuer's interest expenses. A payment of 15 percent—as proposed by CBO—would raise $30 billion annually for the federal government primarily at the expense of bond issuers. Bond issuers would also be vulnerable to the annual budget process, as evidenced by the ongoing sequestration order for Build America Bond payments. (See APPA's fact sheet, "Sequestration for Build America Bonds' Credit Payments" for additional information.)

APPA Position

The American Public Power Association (APPA) believes that municipal bonds should be preserved and enhanced, and, as a result, the federal tax exclusion of the interest from such bonds should not be limited or replaced with a tax credit or direct payment subsidy. As not-for-profit, consumer-owned utilities, our members' mission is to provide reliable and affordable electricity for our customers. Taxing municipal bonds would impose higher borrowing costs that would limit investment in critical infrastructure and, ultimately, impose higher electric rates on our residential and business customers, with unclear benefits for purposes of the overall economy and federal budget. As a result, APPA opposes any effort to undermine this important financing tool.

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American Public Power Association

ISSUE BRIEF February 2016

Cybersecurity and the Electric Sector

Summary

The electric utility industry (including public power utilities) takes very seriously its responsibility to maintain a strong electric grid. That is why the industry worked together to reach consensus on a mandatory reliability regime spelled out in the Energy Policy Act of 2005 (EPAct05). Partnering with Congress, the Federal Energy Regulatory Commission (FERC), and North American Electric Reliability Corporation (NERC), industry experts are engaged in an ongoing effort to establish and enforce comprehensive standards to strengthen the grid, including those to enhance cybersecurity. The American Public Power Association (APPA) applauds the recent passage of the Cybersecurity Act of 2015, which makes possible cyber threat information sharing and liability protection that public power has long believed are the best way to enhance cybersecurity across critical infrastructure sectors.

As the grid evolves, unfortunately, so do threats to its integrity. The threat of cyber-attacks is relatively new compared to long-known physical threats, but an attack with operational consequences could occur and cause disruptions in the flow of power if malicious actors are able to hack into data overlays used in some electric generation and transmission infrastructure. Furthermore, such an attack could also cause public power utilities to incur liability for damages. While APPA believes that the industry itself, with NERC, has made great strides in addressing cybersecurity threats, vulnerabilities, and potential emergencies, we recognize that emergency situations warranting federal involvement may arise. Thus, APPA has long supported language to give the Secretary of Energy broader authority to address grid security emergencies while facilitating the protection and voluntary sharing of critical electric infrastructure information (CEII) in order to fully address imminent cyber attacks with possible operational consequences. Protecting sensitive information about critical assets is a key element in keeping this sensitive information secure. Utilities and federal agencies must be able to compile and share sensitive information about the electric grid in order to improve grid security, but inappropriate disclosure of such sensitive information raises security concerns. This could have a negative effect on joint public-private security efforts, especially those that rely on voluntary information sharing. Thus, APPA applauds passage of Fixing America's Surface Transportation Act (FAST Act), P.L. 114-94, which includes provisions to protect such information. APPA also applauds the enactment of Cybersecurity Act of 2015, which facilitates information sharing on cybersecurity threats and provides limited liability protections for sharing activities.

Background and Congressional Action

The electric utility sector is the only critical infrastructure sector besides nuclear power plants (a part of the overall sector) that has any mandatory and enforceable federal regulatory regime in place for cybersecurity. Under the mandatory regime established in Section 215 of the Federal Power Act (FPA), which requires reliability standards for the electric utility industry, public power utilities have been working with FERC, NERC, and others in the electric utility sector to improve the reliability and security of the bulk electric system. This partnership between the federal government and the electric sector has proven to be one marked by constant improvements in communication, technology, and preparedness as the standards have evolved since full implementation of EPAct05 began in 2007.

To date, the electric utility sector's FPA Section 215 processes and its actions beyond the Section 215 regime have prevented a successful cyber-attack causing operational consequences on the bulk electric system. That said, APPA has long recognized that increased information sharing and appropriately tailored liability protection would further enhance the industry's ability to guard against cyber attacks. As such, APPA strongly supported passage of the Cybersecurity Act of 2015, which was incorporated as Division N of H.R. 2029, the Consolidated Appropriations Act, 2016. Signed into law by President Obama on December 18, 2015, it is the result of negotiations to reconcile cybersecurity bills passed by the House and Senate Intelligence Committees and House Homeland Security Committee earlier in the year (S.754 and H.R. 1560). The Act sets up policies and procedures for sharing cybersecurity threat information between the federal government and private entities (which include public power) and between private entities and provides limited liability protection for these activities if conducted in accordance with the Act.

In addition to the Cybersecurity Act of 2015, Section 61003 of P.L. 114-94, gives the Secretary of Energy broader authority to address grid security emergencies under the FPA and clarifies the ability of FERC and other federal agencies to protect sensitive CEII from public disclosure under the Freedom of Information Act (FOIA) and other sunshine laws. This language is identical to Section 1104 of H.R. 8, the North American Energy Security and Infrastructure Act of 2015, and similar to the language in Section 2001 of S. 2012, the Energy Policy Modernization Act of 2015.

The CEII language in the FAST Act and House and Senate energy bills is based on stand-alone legislation, H.R. 2402, introduced by Rep. Zoe Lofgren (D-CA) and Rep. Trey Gowdy (R-SC). Under the FAST Act, FERC designated CEII would be exempted from disclosure for a period of up to five years with a process to lift the designation or challenge it in court. The bill also requires FERC to facilitate voluntary information sharing between federal, state, local, and tribal authorities, the Electric Reliability Organization, regional entities, and owners, operators, and users of the bulk-power system in the U.S. In addition establishes sanctions for the unauthorized disclosure of shared information.

Outside of the legislative process, APPA and its members, as well as other utilities, continue to participate in the NERC CIP standards drafting process on cyber- and physical-security. (See APPA's "Physical Security and the Electric Sector" fact sheet for more information on the physical-security standard.) As attacks on critical electric infrastructure are ever-changing, so must be the nature of our defenses, whether they are designed to protect cyber or physical assets. As such, CIP Version 3 cybersecurity standards are in effect and enforceable. Version 5 has been approved by FERC, and will be enforceable on April 1, 2016. FERC has also approved a physical security standard to protect the Nation's most critical substations that becomes enforceable on October 1, 2015. Finally, APPA worked with others in the electric sector to participate in and comment on the activities outlined in President Obama's Executive Order on cybersecurity released in February 2013. The Executive Order required the creation of a cybersecurity framework, which was released in February 2014. APPA has encouraged its members to adopt this framework and evaluate their cybersecurity plans.

APPA is also involved with internal and external working groups that enhance the security of the electric grid. APPA created the Cybersecurity and Physical Preparedness Committee (CAPP), a collection of APPA members who serve on working groups and share information related to security issues. Furthermore, APPA and its members play a leadership role in the Electricity Sub-sector Coordinating Council (ESCC), the government/industry partnership focused on security and information sharing that is mentioned earlier in this document. Through the ESCC, APPA works with the other critical infrastructure sectors, such as the downstream natural gas and dam sectors.

APPA Position

APPA applauds the recent passage and signing into law of the Cybersecurity Protection Act of 2015 and the FAST Act, and looks forward to ensuring that both laws are appropriately implemented. We also appreciate our enhanced partnership with the federal government and will continue to ensure that the lines of communication are open between public power utilities and the federal government so that we can collectively prepare and respond to cyber attacks.

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American Public Power Association

ISSUE BRIEF February 2016

Physical Security and the Electric Sector

Summary

While threats from cyber attackers are on the rise, public power utilities also face threats to their physical infrastructure—the poles, wires, substations, transformers, and generating facilities comprising these utilities' means of delivering electricity to their customers. The majority of physical-security threats to electric infrastructure, such as copper theft, have been known for years. However, more sophisticated threats have emerged with the attack on a California substation in April 2013. While customers did not lose power as a result of the attack due to the redundancy built into the system, it was a reminder to law enforcement and electric utilities about the importance of working together to protect critical utility assets.

Electric utilities, including public power utilities, take physical (and cyber, as discussed in the companion issue brief "Cybersecurity and the Electric Sector") threats seriously and employ risk management programs to prioritize facilities and equipment, develop contingency plans, and employ defense-in-depth techniques to "keep the lights on."

Background

Public power utilities intimately understand the importance of physical security and have longstanding programs and protocols designed to protect their utility systems. As the nature of physical threats has changed over the years, public power utilities have planned, prepared, and responded accordingly. Today, due to security breaches, such as vandalism and terrorist attacks that can cause damage to this infrastructure, utilities must develop the best available mitigation practices to address such attacks. Physical infrastructure security can range from a substation with camera, locks, and fences to equipment tracking systems (such as Radio Frequency Identification (RFID) tags) on all of a given utility's equipment.

In recent years, a few high profile incidents of physical security failure have drawn increased scrutiny from several areas. One incident that received press attention was a shooting incident at a transformer at an Arkansas utility. Another high profile incident took place at the Metcalf substation on Pacific Gas and Electric's (PG&E) system in California where at least one person fired over 150 rounds of ammunition and cut two critical telecommunications cables to the substation. These and several other press reports on attacks on utility infrastructure have caused some Members of Congress to react by introducing or exploring legislation related to utility security.

Congressional and Regulatory Action

The nation's electric distribution systems have always been, and are today, regulated by state and local governments. This is a deliberate separation of power given the retail nature of distributions systems, and the vast differences in the configuration, size, and ownership of the 3,000 distribution utilities in the U.S. Given this situation, each individual utility's role in the security of its distribution facilities is paramount. However, in the past few Congresses, several legislative proposals have included physical-security requirements for electric utilities. While APPA supports physical security initiatives at the bulk power system and distribution levels, we do not support a federally legislated "one-size-fits-all" mandate due to the differences in systems and regions noted above.

The North American Electric Reliability Corporation (NERC), which promulgates mandatory and enforceable standards for the federally jurisdictional bulk power system to ensure the reliability of that system, has considered proposals and issued regularly updated security guidelines that would enhance physical-security requirements related to access to cyber assets at electric utilities. (See APPA's "Electric Transmission Policies" issue brief for additional information on the bulk power system.) On March 7, 2014, under its authority granted in Federal Power Act (FPA) Section 215, FERC directed NERC to submit proposed reliability standards within 90 days that would require utilities with critical assets to take steps, or to demonstrate that they have taken steps, to address physical-security risks and vulnerabilities related to the reliable operation of the bulk power system. NERC submitted a draft standard to FERC in 77 days and, on November 20, 2014, FERC approved this standard. (See APPA's "Cybersecurity and the Electric Sector" issue brief for more information about the FERC/NERC relationship, as codified in FPA Section 215.)

At the separate requests of then Senate Majority Leader Harry Reid (D-NV) and House Energy & Commerce Committee Chairman Fred Upton (R-MI), and in light of the Metcalf incident mentioned previously, the American Public Power Association (APPA), Edison Electric Institute, and National Rural Electric Cooperative Association participated in House and Senate briefings with Members of Congress in 2014 to explain what utilities are doing to secure their physical assets. Furthermore, APPA President and CEO Sue Kelly testified about physical security as part of her testimony to the Senate Energy & Natural Resources Committee in May 2014.

Industry Action

In 2013, the electric utility industry collaborated with the federal government to reconfigure the Electricity Sub-sector Coordinating Council (ESCC). Coordinating councils throughout the 16 critical infrastructure sectors exist to facilitate dialogue and collaboration between the sector (or sub-sector) and its sector-specific federal agency which, in the case of the ESCC, is the Department of Energy (DOE). The purpose of the ESCC is to facilitate and support the coordination of sub-sector wide, policy-related activities and initiatives designed to improve the reliability and resilience of the electric sub-sector, including physical and cybersecurity infrastructure and emergency preparedness of the entire subsector. The goal of the ESCC is to establish an ongoing dialogue between senior industry representatives and Administration officials in order to carry out the role of the Sector Coordinating Council as established in the National Infrastructure Protection Plan (NIPP).

APPA and its members played a leading role in developing the expanded and enhanced ESCC that was finalized in 2013, and continue to play a leadership role in the ESCC itself. Furthermore, APPA has created the Cybersecurity and Physical Preparedness Committee (CAPP), a collection of APPA members who are engaged on security issues and who interact with each other, other public power utilities, and APPA staff to enhance public power's existing security culture. Through the ESCC, APPA staff and its members have engaged in tabletop exercises with the DOE, Department of Homeland Security, White House National Security Staff, FERC, and other agencies along with industry partners, such as the National Governor's Association and National Association of State Energy Officials, which have led to improved communication and coordination.

APPA has taken many steps to advise its members on the importance of physical security. After the September 11, 2001, terrorist attacks, the association initiated a security listserv that remains active today. The creation and adoption of the National Electrical Safety Code for substations is another initiative APPA has supported and promoted. APPA continually provides its members with security-related guidance and updates, including security checklists, tools, and all other available opportunities to enhance their physical security.

In May 2014, APPA and public power utilities worked with NERC to draft a physical-security standard, CIP-014, to protect critical components of the bulk electric system. The standard does not prescribe specific solutions, but instead offers utilities the latitude to develop physical security practices that best mitigate risks specific to their geography and systems.

In addition, on November 18-19, 2015, APPA and other members of the electric utility sector participated in Grid Ex III, a simulated combined cyber- and physical-attack exercise organized by NERC. Designed to enhance and improve cyber-and physical-security resources within the electric utility industry, the Grid-Ex drill is held every two years. The first exercise took place in 2011, the second in 2013, and the 2015 drill was the third. The exercise gave the 360 electric entities and government agencies participating the opportunity to check the readiness of their crisis-action plans through a simulated security exercise to self-assess response and recovery capabilities, and to adjust actions and plans as needed, while communicating with industry and government information sharing organizations. Participating utilities faced simulations of prolonged, coordinated cyber-attacks against certain automated systems used by power system operators. The scenario also included coordinated physical attacks against key transmission substations and generation facilities. These attacks caused utilities to enact their crisis-response plans and "walk through" internal security procedures. While the details of the exact simulations are classified, press reports indicated that the threat scenario included attempts to turn out the lights across America, inject computer viruses into grid control systems, bomb transformers and substations, and knock out power lines by the dozen. Grid Ex III was a very useful exercise for APPA and participating public power utilities, allowing them to test their readiness and preparedness for both cyber and physical attacks.

On June 7, 2015, APPA hosted a successful tabletop exercise for public power utilities, government representatives, and industry partners. The exercise simulated a physical security breach at multiple electric utilities and allowed participants to discuss emergency response procedures at the executive level. Participants discussed coordination using the APPA Mutual Aid Playbook and Electricity Sub-sector Coordinating Council Playbook. An after-action report has been used to further refine procedures and strengthen public power's response to physical attacks. APPA will continue to use tabletop exercises as a tool to understand the needs of public power utilities in responding to manmade disasters.

APPA Position

APPA supports the adoption by public power utilities of appropriate physical-security measures that take into account the specific assets being secured. APPA supports enhanced dialogue between the industry and federal government on physical-security threats and potential remediation, but does not support federal mandates in this area at the distribution level because a "one-size-fits-all" approach would do little to secure those assets. APPA supports the FERC/NERC relationship codified in FPA Section 215 and as used to craft a standard on electric utility physical security for the bulk-power system.

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UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
WASHINGTON, D.C. 20460

APR 18 2016

OFFICE OF
AIR AND RADIATION

The Honorable James Inhofe
U.S. Senate
Washington, D.C. 20510

Dear Senator Inhofe:

Thank you for your letter of March 10, 2016, to U.S. Environmental Protection Agency Administrator Gina McCarthy regarding the recent Supreme Court decision to stay the Clean Power Plan (CPP). The Administrator asked that I respond on her behalf.

On February 9, 2016, the Supreme Court stayed the CPP pending judicial review before the U.S. Court of Appeals for the D.C. Circuit and any subsequent proceedings in the Supreme Court. The EPA firmly believes the Clean Power Plan will be upheld when the courts address its merits because the Clean Power Plan rests on strong scientific and legal foundations. During the stay, the EPA has made clear that implementation and enforcement of the Clean Power Plan are on hold. This means that during the pendency of the stay, states are not required to submit anything to EPA, and EPA will not take any action to impose or enforce any such obligations. For example, we have clearly communicated to states that they are not required to make initial submittals on September 6, 2016.

The ultimate effect of the stay on CPP deadlines will be determined when the stay is lifted. The Court's orders are ambiguous because different applicants requested different relief. The government interpreted the stay applicants' opening briefs as requesting that all CPP deadlines be tolled, and it opposed the stay in part on the grounds that such relief would be extraordinary and unprecedented. In their reply brief, however, the States clarified that they were only seeking a stay that would relieve States of the obligation to comply with CPP deadlines during the litigation and that the stay would not necessarily provide for day-for-day tolling of the deadlines. The Supreme Court's orders granting the stay did not discuss the parties' differing views of whether and how the stay would affect the CPP's compliance deadlines, and they did not expressly resolve that issue. In this context, the question of whether and to what extent tolling is appropriate will need to be resolved once the validity of the CPP is finally adjudicated.

States may regulate greenhouse gases under their own authorities whether or not the CPP is in effect. Since the stay was issued, many states have said they intend to move forward *voluntarily* to continue to work to cut carbon pollution from power plants and are seeking the Agency's guidance and assistance. The Agency will be providing such assistance, which is not precluded by the stay. In particular, they have asked us to move forward with our outreach and to continue providing support and developing tools, including the Clean Energy Incentive Program (CEIP), the proposed model rules, and the proposed evaluation, measurement and verification (EM&V) guidance. The EPA has received significant feedback on the CEIP and comment on the proposed model rules and EM&V guidance. We will move forward developing these actions in a way that is consistent with the stay while providing states the tools they have asked for to help address carbon pollution from power plants.

The EPA has in the past moved forward with preparing for the potential implementation of a rule while it has been stayed, in anticipation of the possibility that the stay could be lifted. Such actions are unaffected by a stay. *See Nken v. Holder*, 556 U.S. 418, 428 (2009). They do not impose any requirements on regulated units or on states. Furthermore, addressing carbon pollution is a part of the Agency's obligations under the Clean Air Act. It is undisputed that carbon dioxide, as a greenhouse gas, is an air pollutant under the Clean Air Act. *See Coalition for Responsible Regulation, Inc. v. EPA*, 684 F.3d 102, 122 (D.C. Cir. 2012). *See also Massachusetts v. EPA,* 549 U.S. 497 (2007); *AEP v. Connecticut*, 564 U.S. 410 (2011); *UARG v. EPA*, 134 S. Ct. 2427 (2014). Further, the Clean Air Act directs the agency to engage with states and other stakeholders and to provide technical and financial assistance on all aspects of air pollution prevention and control. *E.g.,* 42 U.S.C. §§ 7402, 7403. Therefore, the EPA expects to continue to use Agency funds to protect human health and the environment consistent with its authorities under the Act.

Again, thank you for your letter. If you have further questions, please contact me, or your staff may contact Kevin Bailey in the EPA's Office of Congressional and Intergovernmental Relations at bailey.kevinj@epa.gov or (202) 564-2998.

Sincerely,

Janet G. McCabe
Acting Assistant Administrator