

21 West Church Street
Jacksonville, Florida 32202-3139

November 8, 2022

Ms. Joy Ditto
American Public Power Association
2451 Crystal Drive, Suite 1000
Arlington, VA 22202



Dear Joy:

JEA appreciates APPA's efforts as an effective advocate for public power systems in the nation, especially regarding our immediate need to address serious national supply chain challenges and distribution transformer shortages that continue to severely impact the industry's ability to expand capacity, provide electricity to new communities, and, in some places, restore services after severe weather.

As Jacksonville's not-for-profit, community-owned utility, JEA is one of the principal economic engines for Northeast Florida, and we fully support and encourage APPA's initiative to escalate these concerns within the federal government. These unprecedented supply chain bottlenecks have impacted our ability to serve the needs of new residential and commercial developments that drive economic growth in the region. Among the items delayed are most notably pad-mount transformers, as well as other items including cabling, pole-mounted transformers and associated hardware. Ours is not a unique story. This is a national problem that demands a national solution.

JEA appreciates the continuing engagement from Florida's congressional delegation, as evidenced by a June 2022 letter to Federal Emergency Management Agency (FEMA) Administrator Deanne Criswell, which stated:

"Local electric utilities play a critical role in the growth and development of the communities they serve. Unfortunately, these new supply chain issues adversely affect the growth and management of these communities. Without proper equipment, local utilities must triage parts, which delays upgrades and 'non-essential' repairs."

Today, severe shortages of raw materials are still a significant issue. JEA has hundreds of pad-mounted transformer orders in place that are being disrupted by the inability of the nation's transformer manufacturers to source raw materials. This has resulted in several negative outcomes, which include:

E L E C T R I C

W A T E R

S E W E R

1) Fierce competition between the electric utility sector, electric vehicle makers and others for a limited supply of the specific steel needed to manufacture transformers.

2) Delay or cancellation of developer infrastructure projects that require more resources than we have on hand.

3) Extensive use of long-term generators to keep construction job sites and new homes powered while we look for transformers to reliably connect new electric load on our system.

Ultimately, each of these circumstances results in higher costs to developers and new home buyers, and thereby adds to the inflationary strains already being felt across the economy.

Nevertheless, we are taking a proactive approach to meet these ongoing challenges. At JEA, we have quickly turned to overseas manufacturers for solutions, even though components can be four to five times more costly. Our leadership is meeting regularly with manufacturers and suppliers while working internally to find workarounds and other creative solutions to boost inventory levels and address disruptions, including:

- Exploring alternative materials and product designs to lessen material impact and manufacturing capacity, including using amorphous steel versus silicone steel to shorten delivery times.
- Building a project/materials model to predict material usage and identify the timing of any shortfalls.
- Working with three overseas transformer manufacturers to review specifications and possibly source transformer needs.
- Working with manufacturers to supply parts needed from our local inventory to complete a transformer build if we have what they are missing to complete an order.
- Refurbishing transformers in-house and with an external vendor to supplement efforts to rebuild faster.
- Exploring rewinding and converting used transformers to 26.4k Va.
- Redeploying underutilized transformers.
- Exploring the viability of placing overhead transformers in place of pad-mounts in underground utility applications.
- Increasing inventory levels and ordering more material due to longer lead times.
- Issuing regular spot buys to the market to try and source items faster or procure additional items.
- Working with our Standards team for specification alternatives to expand our supplier base.

We acknowledge that there is no simple, magical solution to our collective supply chain challenges. Nonetheless, we continue to advocate for and support any specific intervention by the government—particularly Title III of the Defense Production Act of 1950—that declares the shortage of transformers and other electric components as a national priority and deploys federal resources to address this critical issue.

As appropriate, we look forward to further engagement and discussion to help advance all possible options to help alleviate this serious national concern.
Sincerely,

A handwritten signature in black ink, appearing to read "J Stowe". The signature is fluid and cursive, with the first letter "J" being particularly large and stylized.

Jay Stowe
Managing Director & CEO
JEA

About JEA

JEA is a not-for-profit, community-owned utility located in Jacksonville, Fla., proudly serving an estimated 505,000 electric, 382,000 water, 302,000 wastewater and 22,000 reclaimed water customers. JEA is not owned by investors. It was created by the City of Jacksonville to serve those who live in Jacksonville and in the surrounding communities. The sole purpose of JEA's business is to ensure the electric, water and wastewater demands of its customers are met, both today and for generations to come, with the goal of providing reliable services at the best value to our customers while ensuring our precious natural resources are protected.