


impact

JEA Annual Report

07



Pictured: Mandarin Water Reclamation Facility (WRF) Customer Reuse Pump Station. In May 2007, the Mandarin WRF was approved by the Florida Department of Environmental Protection to increase from 2.5 to 5.7 million gallons per day of customer reuse water.



As a not-for-profit community-owned utility, JEA is in a unique position. We are obligated to meet the electric, water and sewer demands of our customers. We are also charged to act in an environmentally responsible manner to ensure the integrity of our resources for future generations. To meet these dual commitments, we are working to provide services according to a policy of sustainability and to educate our customers to assist us in this effort. JEA and our customers are partners working together to benefit our community today and in the coming tomorrows.

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Chairman and CEO's Letter

Every day with every decision we make, JEA has an impact on the people we serve. As a community-owned, public utility, we know that our customers are counting on us. We have been entrusted with the responsibility to provide and prepare for the current and future utility needs of our vital, growing community. Today, more than ever before, that includes providing essential services in an environmentally responsible manner. Our Board, management team and employees are working daily toward this common goal.

Last fall, we developed the Circle of Excellence to visually illustrate the balance required to achieve our goals. At its center is our mission statement to improve the quality of life in the communities we serve by being the best electric, water and sewer utility in the nation. Competencies in four key areas were identified as being vital to our mission: financial performance, organizational effectiveness, community responsibility, and customer expectations.



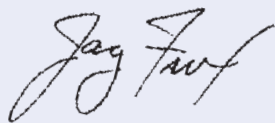
In June, our Board of Directors made the difficult decision to approve our first electric base rate increase in 14 years. Yet it was a decision whose time had come—a decision that ensures our financial performance by maintaining or improving JEA's bond rating. Such financial stability paves the way for infrastructure improvements which will be needed to keep up with environmental regulations and our community's growth.

Over the past year, we examined how workforce readiness impacts our organizational effectiveness and we made it a priority. JEA, like other utilities across the country, realizes the retirement of a large population of experienced and knowledgeable workers is looming on the horizon. To address this challenge, we developed seven new strategies aimed at ensuring the retention of corporate knowledge and the recruitment of new employees.

The community responsibility quadrant of our circle includes our commitment to environmental stewardship and planning for the growth of our utility. We consider environmental impact in every decision we make whether generating electricity, providing safe, clean drinking water or handling the sewer service for our community. Last year, permitting activities were suspended on the Taylor Energy Center (TEC), a supercritical, pulverized coal joint-venture with other Florida utility providers. This move came as state leaders began to discuss and craft an energy plan for the state taking into account concerns regarding greenhouse gas emissions. Though plans for TEC have been set aside, JEA is pursuing other environmentally responsible options for meeting future electric generation demand.

Price, quality and service fall into the customer expectations quadrant. Though we have raised the base rate, our electric rates continue to rank among the lowest in the state of Florida. As a community-owned utility, we believe that providing reliable service to our customers at a good value is an essential requirement.

Financial performance, organizational effectiveness, community responsibility and customer expectations are all areas where JEA measures performance. The Circle of Excellence has helped us refine our focus and continue to move successfully forward in these critical areas. And though we face many challenges, we realize that each one represents an opportunity to make a positive difference in the lives of our customers and in the future of our community including the rich and vibrant natural environment around us. Everyone at JEA remains dedicated to our common goal of providing reliable utility service while improving the quality of life in northeast Florida.



Jay Fant
Chairman



Jim Dickenson
CEO and Managing Director



Jim Dickenson

Jay Fant

JEA Board of Directors



Ashton Hudson
Partner and General Counsel
Rock Creek Capital

Ron Townsend
Communications Consultant

Mike Hightower
Vice President
Blue Cross and Blue Shield of Florida



Jay Fant, Chair
President and CEO
First Guaranty Bank & Trust Company
of Jacksonville

Cathy Whatley, Secretary
Broker-owner
Buck & Buck, Inc., Realtors

J.D. Collins
Owner, President and CEO
The Collins Group, Inc.

Cynthia Austin, Vice Chair
Partner
Austin and Austin Law Firm



Impact

Sustainability

Sustainability has become one of the buzzwords of our culture during this last year. With issues generated by growth, scarcity of resources and environmental concerns, JEA, like other utilities, has put more emphasis on sustainability in its decision-making.

We demonstrate our commitment to environmental sustainability by considering economic, social and environmental factors as they relate to our growth. In doing so, we find appropriate solutions that make the necessary provisions for future utility demands while protecting the environment and our precious natural resources for generations to come.

Top: Change a light and change the world one compact fluorescent light bulb at a time. JEA is a national leader in this program to encourage social change and lower energy consumption.

Bottom: At the System Operations Control Center (SOCC), JEA operators monitor JEA's electric transmission and distribution grid, taking corrective action when necessary.

Left: JEA has become a national leader in the use of alternative vehicle fuels. Biodiesel, ethanol, and electricity are the three alternative vehicle fuels that JEA uses to decrease fossil fuel consumption and reduce air emissions.

Right: Our new green janitorial program uses safe and environmentally-preferred cleaning products and a well-trained workforce of specialists to eliminate or carefully control dangerous cleaning practices.



Live smart, live green, live well. JEA has been sharing the message of efficiency and conservation for more than twenty years. But over the past year, rising rates and greater concern about water and generation resources have accelerated our outreach to customers.

JEA's conservation, energy-efficiency and new demand side management programs are all strategies for meeting our commitment to environmental responsibility by decreasing growth in the demand for electricity and water. By decreasing or leveling off demand, we reduce the need to build new generating capacity, reduce the need to withdraw as much water from the Floridan aquifer and avoid increased emissions by decreasing or stabilizing generation needs. By successfully implementing energy- and water-efficient solutions, our customers become active participants in our sustainability strategy.

One way JEA is reaching out to customers is through consumer messaging. Our market research confirms that customers are interested in money-saving conservation tips. We have responded by concentrating on low- and no-cost actions that help customers reduce utility costs while maintaining their standard of comfort.

Last year, in concert with our consumer education effort, JEA began participation in the EPA's ENERGY STAR "Change a Light, Change the World" campaign—a nationwide effort to build awareness about energy efficiency and educate consumers on ways to save electricity and lower their energy costs by urging them to change one incandescent bulb to an ENERGY STAR-qualified compact fluorescent light bulb (CFL).

The results of the 2007 campaign found JEA ranked fourth out of 51 organizations participating in Florida and eighth out of 120 electric utilities and cooperatives nationally. More than 1,000 JEA customers pledged to switch more than 5,000 bulbs to CFLs which equates to 1,416,768 kilowatt hours in energy savings.

JEA will continue to encourage the switch by offering discounts on CFLs as we roll out our residential lighting and other demand side management (DSM) programs. DSM programs reward participating customers for modifying electric usage patterns. Over the past year, JEA analyzed customer usage information from our advanced metering infrastructure (AMI) system and conducted a screening and selection process to identify a portfolio of demand side management programs best suited to JEA and our customers for initial deployment.

The DSM portfolio is expected to include programs to improve energy efficiency in new home construction, to provide incentives to small business and residential customers participating in appliance load control, to provide incentives to mid to large business and industrial customers participating in peak and emergency load curtailment and to increase the

Left: Recycling efforts include employee education programs and recycling of paper, plastic, cardboard and aluminum products, as well as batteries.

Right: Anheuser-Busch perfects pollution prevention methodology by diverting one billion gallons of pretreated, nutrient-rich wastewater to irrigate two local turf farms rather than sending it to our treatment facility.



efficiency of sub-standard housing thereby lessening the impact of rate increases on low income customers. Additionally, JEA has instituted an electric conservation charge for residential customers, a fee assessed when a customer exceeds 2,750 kilowatts per billing cycle.

Water conservation is a vital component of JEA's sustainability efforts as we strive to reduce draw down on the Floridan aquifer, our sole source of drinking water. Currently, JEA projections show water demand will exceed the sustainable supply from some parts of the aquifer. In 2007, JEA developed a Total Water Management Plan to ensure potable water supply can meet customer demand. Because approximately 50 percent of potable water use is for irrigation, increasing reclaimed water use is vital. Reclaimed water distribution capacity was expanded over the past year as part of the historic River Accord, the broad alliance with the City of Jacksonville, the Florida Department of Environmental Protection, the St. Johns River Water Management District and the Water and Sewer Expansion Authority. By expanding reuse, as well as making improvements to our sewer treatment system, JEA has made good progress toward our River Accord goal by eliminating an additional 111 tons per year of total nitrogen from being discharged into the St. Johns over the past year.

JEA walks our talk by practicing conservation where we work. JEA instituted a green janitorial program, continued internal recycling and began using WaterWise landscaping, which reduces irrigation, as part of our LEED (Leadership in Energy and Environmental Design) certification efforts at several of our most used facilities. LEED certification aims to improve employee well-being, environmental performance and the economic returns

of buildings by using both established and innovative practices, standards and technologies. Green cleaning uses environmentally preferred products. Paper, cardboard, aluminum, plastic and batteries are collected as part of the Recycle JEA program. JEA continually educates our own employees through events such as JEA Earth Day and Pollution Prevention week.

Our alternative fuel program for fleet vehicles is leading the way both locally and nationally reducing emissions and our dependency on fossil fuel through the use of biodiesel, flexible fuel and electric vehicles. Currently, 20 percent of the fuel used by the JEA fleet is alternative, however approximately half of our fleet is now capable of using alternative fuel. As we increase the number of distribution sites, JEA's use of renewable alternative fuels will increase, as well.

JEA is working in partnership with our customers to reach our goal of environmental sustainability.



Impact

Responsibility

Global warming. Climate change. Carbon footprint. These phrases have been associated with greenhouse gas emissions and are hallmarks of the evolving environmental dialogue that has become part of the American mainstream. As awareness and concern for the environment have increased internationally and nationally, so, too, has concern for our own local environment—rich with an abundance of natural resources including the St. Johns River, the Floridan aquifer and the air we breathe.

As our community grows, JEA is working to find solutions that make technological, environmental and economic sense as we continually improve the environmental performance of our facilities and our operations.

Top: JEA's purple reclaimed water pipes carry treated water for irrigation use. Reuse of this highly treated reclaimed water from our sewer treatment facilities reduces JEA's nutrient discharge to the St. Johns River.

Bottom: More than 50 percent of water used is for irrigation. Reclaimed water used for irrigation reduces strain on northeast Florida's potable water source, the Floridan aquifer.

Left: Pump room at Ridenour Water Treatment Plant. Ridenour is International Organization for Standardization—ISO 14001:2004—certified for environmental management.

Right: Work has begun on a \$237 million project at St. Johns River Power Park that will enhance removal of greenhouse gasses from plant emissions meeting Environmental Protection Agency requirements.



This year, a \$237 million construction project began at St. Johns River Power Park (SJRPP) to add selective catalytic reduction units (SCRs) to Units 1 and 2 to meet the requirements of the Environmental Protection Agency Clean Air Interstate Rule. The SCRs are a post-combustion technology in use worldwide wherever high nitric oxide and nitrogen dioxide removal efficiencies are required. These two gasses, known together as NO_x, are a result of the conversion of fuel-bound nitrogen during combustion of fossil fuels at high temperatures. The construction scope of the project will ultimately include 3,800 hours of consulting, 87,000 engineering hours, 914,000 construction hours, 6,000 tons of steel/rebar, 12,000 cubic yards of concrete, 128 miles of power cable and 115 miles of control cable. With the addition of these two SCRs, SJRPP plant flue emissions will be reduced by 80 percent.

Over the past year, JEA replaced 15 sulfur hexachloride (SF₆) gas circuit breakers as part of an aggressive effort to identify and repair leaking units and track SF₆ emissions. Though there are no current environmental regulations that require JEA to undertake this effort, we are proactively working to prevent any unnecessary impact on the environment.

A new 10-year cable replacement program got underway in 2006. The program will remove cable in areas that have experienced the most failures and proactively replace cable in circuits that feed customers who provide essential community services. The new poly cable is rated to handle 50 percent more amperage preparing these circuits for future growth. Approximately 7,000 linear feet of cable was replaced completing one entire circuit that feeds St. Vincent's Hospital. In the coming year, the other two circuits which feed the hospital will also be replaced.

Over the past year, JEA has decommissioned two of our six remaining old technology wastewater treatment facilities. Additionally, improvements were completed on the Mandarin Regional Wastewater Treatment Plant and construction continues on improvements to our Southwest plant. Upgrading these facilities will result in two out of our five regional wastewater treatment plants achieving advanced nutrient removal of 5–6 milligrams per liter total Nitrogen. Our current discharge of nitrogen from all JEA wastewater treatment facilities is now less than 850 tons per year of total nitrogen—about half of the 1999 baseline. This reduction is part of our voluntary pledge to nitrogen removal from the St. Johns River.

This year, JEA has completed several major projects which provide reclaimed water to our residential customers for lawn irrigation. Additionally, we have increased reclaimed flow to commercial users by more than 500,000 gallons per day. By increasing the reuse capacity of our treatment plants by more than seven million gallons per day, we are reducing nutrient discharge to the river and moving closer toward our goal of reducing aquifer withdrawal by up to 40 million gallons per day (annual average daily flow) by 2025.

Left: JEA's EZBase is used as a base for sand roads and as a road base for asphalt roads much like lime rock or sand. EZBase is a positive reuse of by-product from the combustion process at Northside Generating Station.

Right: JEA's Industrial Pretreatment program is recognized as a cost-effective, collaborative approach for regulating industries and commercial businesses that discharge to the sewer system, such as commercial customer Swisher International, Inc.



We are continually working to ensure our system is capable of handling the sewer and wastewater needs of our service area. JEA's system has 124 million gallons per day treatment capacity with 78 million gallons per day average daily flow. To mitigate potential environmental impacts, JEA is proactively identifying high risk areas using GIS, inspecting manholes to identify problems and take corrective action before an incident occurs as part of our "pop top" program. To date, 21,500 manholes have been inspected and more than 2,500 corrective actions have been taken.

In 2006, the pipe integrity testing program began using ultrasound to inspect critical force mains up to 30 inches in diameter. Eighty-nine sites have been tested to date. The information collected as a result of this testing will be used to prioritize capital funding projects thus ensuring the maintenance and integrity of the sewer and wastewater system. JEA will continue to implement process improvements, best maintenance practices and initiatives to reduce the occurrences of sanitary sewer overflows.

JEA's environmental stewardship initiatives also include exploration and use of clean power. Green power comes from renewable sources such as solar photovoltaics, landfill gas and biomass. Clean energy includes green power as well as demand side management and energy-efficiency programs. This year, JEA signed the power purchase agreement for the Trail

Ridge landfill which will lead to a 9.6 megawatt landfill gas to energy facility scheduled to be completed in 2008. It is another step forward toward our voluntary goal to have at least 7.5 percent, or 315 megawatts, of summer peak capacity generated from clean/green sources by 2015.

Environmental responsibility is part of our commitment to our customers—our commitment to meeting, and where possible, exceeding the requirements of environmental laws and regulation. Our goal is perfection, both philosophically and by regulation. JEA is working diligently to reduce any environmental impacts as a result of providing the vital services our customers rely upon every day.



Impact

Stability

As a community-owned utility, JEA has a great obligation to ensure we provide electric, water and sewer services today and in the future. JEA has more than 412,000 electric, 303,000 water and 228,000 sewer customers. Based upon a five-year projection, gains of two percent organic growth on the electric side and a two to three percent increase on the water and sewer sides of our business are expected. In fact, electric demand has been growing by an average of 100 megawatts per year.

Although we are developing new programs based upon industry best practices to encourage conservation and reduce the need for increased generation capacity and water use, it remains our responsibility to develop a sound financial strategy that ensures we are capable of meeting both the anticipated demands of our customers and the anticipated demands of future environmental laws and regulations.

Top: Outreach to high school students through partnerships with local career academies is part of JEA's workforce planning strategy. These partnerships raise awareness among students about possible career paths at JEA.

Bottom: Often JEA engineers work out in the field with our crews. Our college recruitment program seeks out future employees in fields including chemical, civil, electrical, environmental, industrial and mechanical engineering.

Left: Job shadowing, internships and co-op programs offer college students a first-hand opportunity to learn more about the work experience and career potential at JEA.

Right: JEA has been engaged in a continuous recruitment process for line maintainers. Recruitment into our apprenticeship programs has increased nearly 30 percent.



This year, the JEA Board of Directors voted in favor of a four-year phased-in electric base rate adjustment, a variable fuel rate adjustment, a new environmental charge and a conservation charge. This move ushered in the first increase in JEA's base rates since 1994. However, the base rate increase was a necessity. The adjustment offsets the increased debt service costs experienced due to capital improvements made in the past 10 years. Even with the increase, JEA electric rates remain among the lowest in Florida.

The 4 percent variable fuel rate increase reflects rising fuel costs. This rate is calculated annually during the budget cycle and will increase residential monthly bills by approximately 1.7 percent.

The environmental charge is assessed to customers in all rates classes at \$.62 per 1,000 kilowatt-hour (kWh). The charge supports costs associated with increased environmental regulation and compliance. Initially, these funds will be used to build a cash reserve for JEA's accrued environmental liability. Long-term, a portion of the funds is to be used to continue the "more than mandated" philosophy of environmental responsibility as JEA moves toward a model of sustainability.

The residential conservation charge of \$.01 per kilowatt-hour on usage over 2,750 kWh per month will fund JEA's comprehensive conservation and demand reduction portfolio of programs. Through these efforts, JEA anticipates a reduction in consumption and, therefore, a reduction in capital investment leading to long-term savings for the utility and for our customers.

In moving forward with rate increases, JEA carefully balances all factors of concern to our customers, our regulators and our bond investors. Debt management is crucial to our future viability by ensuring a stable, consistent rating which will allow us to borrow money for necessary expansion and improvements for generations to come.

Another factor which will impact future generations is workforce readiness. Right now, one in three of our employees will be eligible to retire in the next five years. To respond to this pressing and complex issue, JEA identified multiple areas of focus to develop and deploy strategies that will ensure we have the right talent at the right time in the right place. These key areas of focus include knowledge retention; training and career development; external marketing of utility careers; flexible hiring; compensation and benefits; policies, procedures and systems; and organizational design.

Knowledge retention priorities at JEA were established over the past year by assessing work activities that are most critical to ensuring safe and reliable services to our customers. JEA's career employees have a wealth of knowledge and experience. Our goal is to capture that invaluable knowledge and pass it down to the next generation of JEA employees. We have already initiated action to accomplish this knowledge transfer using appropriate methods.

Left: JEA electric meter. An electric base rate increase was approved in June, the first such increase in 13 years. It will be phased in over four years.

Right: Financial stability is based upon planning and fiscal responsibility. The electric base rate increase was a necessary step to offset increased debt-service costs and ensure the continuation of our favorable bond ratings.



Training and career development programs are essential to prepare employees for the opportunities that will arise due to attrition. The Employee Development Program (EDP) was launched this year, accepting 60 non-management employees selected for their leadership potential. The EDP will enhance that potential by providing participants with experiences to equip and prepare them for continuing advancement. In the skilled crafts arena, JEA currently has four state-approved apprenticeship programs to support both our water and electric businesses including the new maintenance mechanic-utilities installer apprenticeship. Recruitment into these programs has increased nearly 30 percent, resulting in 109 apprentices.

Several of the strategic areas focused on different aspects of recruitment. Early outreach to high school and college students will help JEA develop new potential employees. In the last year, we have built relationships with seven area high school career academies, as well as colleges and a technical school in our four-county service territory. We also implemented a robust co-op program which attracted 43 college students, 75 percent of which are pursuing engineering degrees. By providing internships, job-shadowing programs and mentoring local students, JEA is proactively seeking out future workers who previously may not have considered a utility career. The team also examined JEA's recruitment process to explore new, more flexible ways of recruiting especially for hard-to-fill positions that may require different recruitment approaches than those currently in use.

Workforce readiness is a multi-pronged initiative. In conjunction with the focus on attraction of new employees and the development of our current employees, we have not overlooked the importance of ensuring our compensation and benefits package remains competitive. JEA evaluated our total compensation and benefits package from philosophy to program

design and identified 26 issues for further study. We identified policies and procedures that hinder attaining and retaining employees and made recommendations for improving the work environment.

Finally, we took a high-level view of our organizational design by comparing JEA staffing levels with peer companies. The team completed a successful benchmarking study against 11 other utilities that are similar to JEA. More than 830 pieces of data were gathered from each utility. The study findings supported previous staffing requests from core business groups. Based upon the data, the team drafted recommendations for the use of temporary employees and overtime and provided critical research necessary for JEA to ask for and successfully be approved for additional appointed employee allocations by the Jacksonville City Council.

Workforce readiness issues will remain at the forefront of our business in the coming years. JEA is prepared to face these issues and broaden our understanding of all factors affecting our ability to hire and retain the next generation of JEA employees using best practices to develop effective solutions.

JEA is committed to corporate stability, environmental sustainability and responsibility. We will remain engaged in researching and resolving these complex and evolving issues as we pursue our goal of operational excellence and our mission of providing reliable service to our customers while doing our part to ensure the quality of life in the communities we serve.

Executive Management Team



Left to right: **Teala Milton**, Chief Public Affairs Officer; **Ted Hobson**, Vice President, Fuels, Purchased Power and Compliance; **Greg Perrine**, Vice President, Facilities and Logistics Services; **Mike Brost**, Vice President, Electric Systems; **Randy Boswell**, Vice President, Corporate Data Integration; **Scott Kelly**, Vice President, Water and Wastewater Systems; **Marlene Murphy-Roach**, Vice President, Customer Relationships; **Jim Dickenson**, Managing Director and CEO; **Paul McElroy**, Chief Financial Officer; **Jon Eckenbach**, Vice President, Engineering and Construction Services; **Susan Hughes**, Chief Human Resources Officer; **Wanyonyi Kendrick**, Chief Information Officer; **Athena Mann**, Vice President, Environmental Services; **James Chansler**, Chief Operating Officer



JEA at a Glance

Electric System

- 412,294 customers
- 900 square miles of service area
- 6,000 miles of distribution
- 730 miles of transmission

Electric Generation

- St. Johns River Power Park (SJRPP)
- Northside Generating Station (NGS)
- Plant Scherer
- Brandy Branch (BB)
- Kennedy (KS)

Generation Technologies

- Three Pulverized Coal (PC) units—SJRPP 1 and 2, Scherer
- Two Circulating Fluidized Bed (CFB) units — NGS 1 and 2
- One Oil/Gas-fired unit—NS3
- Seven Combustion Turbines—NS 4, KS 2, BB
- One combined cycle unit (CC)

Electric Mix

- Gas/Oil—53%
- Solid Fuel—47%

Power Supply Mix

- Gas/Oil—12%
- Solid Fuel—84%
- Other—4%

Water and Sewer System

- 303,322 water customers
- 228,030 sewer customers
- 903 square miles of service area
- 3,600 miles of distribution
- 3,200 miles of collection

Water and Sewer Treatment Plants

- 36 water plants (290 MGD maximum capacity)
- 7 regional/8 non-regional sewer plants (116.14 MGD capacity)
- 1,150 pump stations
- 137 wells

District Energy Systems

- Three chilled water plants (16,560 tons installed capacity)



Pictured: Mandarin Water Reclamation Facility (WRF) ultraviolet disinfection control section. As part of the 3.2 million gallons per day increase at the facility, residential reuse water is now distributed to the Bartram area of southern Duval County and the Aberdeen and Nocatee areas of northern St. Johns County.



Electric System

Senior and Subordinate Bonds
Registrar/Paying Agent
U.S. Bank National Association
Miami, Florida

Commercial Paper Issuing and
Paying Agent
U.S. Bank National Association
New York, New York

Bond Registrar, Paying Agent and
Tender Agent
The Bank of New York
New York, New York
The Bank of New York,
Trust Company of Florida N.A.
Jacksonville, FL

Subordinated Bond Registrar,
Paying Agent and Tender Agent
The Bank of New York,
Trust Company of Florida N.A.
New York, New York

St. Johns River Power Park System

Trustee/Registrar/Paying Agent
U.S. Bank National Association
Miami, Florida

Water and Sewer System

Senior and Subordinate Bonds
Registrar/Paying Agent
Bond Registrar,
Paying Agent and Tender Agent
U.S. Bank National Association
Miami, Florida

Bond Registrar, Paying Agent and
Tender Agent
The Bank of New York,
Trust Company of Florida N.A.
Jacksonville, FL

District Energy System

Bond Registrar, Paying Agent and
Tender Agent
The Bank of New York Trust Company, N.A.
Jacksonville, Florida

Independent Auditors

Ernst & Young LLP
Jacksonville, Florida

Upon request to the office of the
treasurer, quarterly and annual
financial statements will be provided.

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Annual Report: Marcia Francis; Elvia Williams; Laurette Kessler, CPA; Contributors: Gerri Boyce, APR; Joy Gutos; Toni Woods; Design and Art Direction: Suzanne Hendrix; Location and Executive Photography: Kelly LaDuke

Pictured: Construction has begun on the Selective Catalytic Reduction units that will be added to St. Johns River Power Park's two 670 megawatt coal-fired generating units.





Building Community®

21 West Church Street
Jacksonville, Florida 32202-3139

jea.com



impact

JEA Financial Report

07



JEA Financial Report

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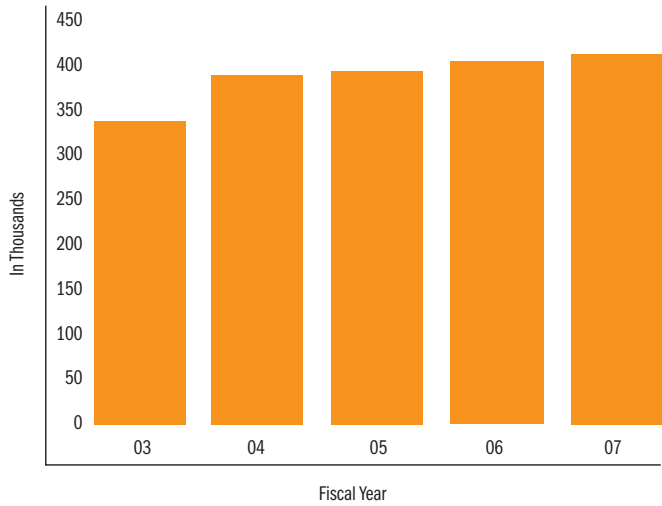
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Financial and Operating Highlights

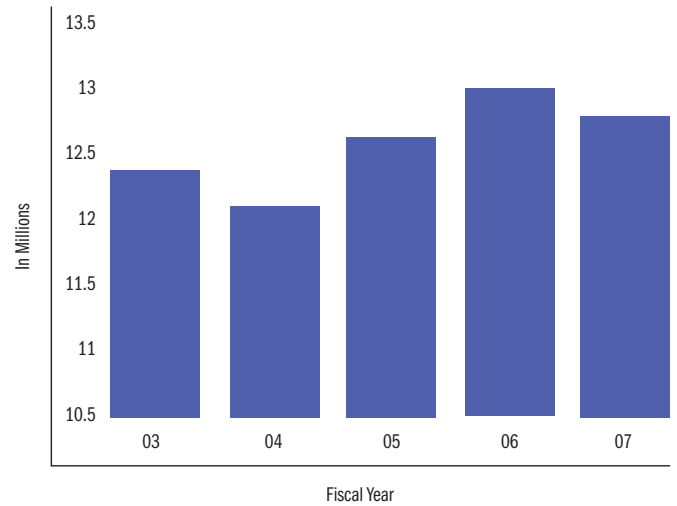
	Years Ended September 30					% Change
	2007	2006	2005	2004	2003	2007 - 2006
ELECTRIC FINANCIAL HIGHLIGHTS						
Operating revenues (thousands)	\$1,211,967	\$1,208,673	\$1,013,433	\$891,471	\$872,312	0.27%
Fuel and purchased power expenses (thousands)	\$600,170	\$599,426	\$494,721	\$409,690	\$371,074	0.12%
Total operating expenses (thousands)	\$1,080,819	\$1,061,962	\$926,207	\$813,103	\$783,238	1.78%
Debt service coverage:						
Senior and subordinated—Electric	2.37x	2.28x	2.13x	2.03x	2.33x	3.95%
Senior—Electric	4.60x	4.57x	5.06x	4.53x	5.23x	0.66%
St. Johns River Power Park	1.26x	1.27x	1.25x	1.25x	1.25x	-0.79%
WATER & SEWER FINANCIAL HIGHLIGHTS						
Operating revenues (thousands)	\$248,997	\$228,453	\$192,240	\$182,827	\$168,514	8.99%
Operating expenses (thousands)	\$208,305	\$183,587	\$169,884	\$165,181	\$144,099	13.46%
Debt service coverage:						
Senior and subordinated	1.89x	2.00x	1.66x	1.80x	1.87x	-5.50%
Senior	2.34x	2.42x	2.03x	2.06x	2.02x	-3.31%
ELECTRIC OPERATING HIGHLIGHTS						
Sales (megawatt hours)	16,939,214	16,684,077	16,238,003	15,952,629	16,116,982	1.53%
Peak demand—megawatts 60 minute net	2,919	2,919	2,860	2,644	3,055	0.00%
Total accounts—average number	412,294	402,142	391,831	383,355	377,377	2.52%
Sales per residential account (kilowatt hours)	15,038	15,819	15,875	15,798	16,191	-4.94%
Average residential revenue per kilowatt hour	\$8.57	\$8.64	\$7.47	\$6.87	\$6.84	-0.81%
Power supply (%):						
Coal	51	41	46	42	44	24.39%
Petroleum coke	24	30	27	24	24	-20.00%
Coal fired purchases	9	10	10	12	12	-10.00%
Oil	2	2	6	9	7	0.00%
Natural gas	10	11	6	5	7	-9.09%
Other purchases	4	6	5	8	6	-33.33%
WATER & SEWER OPERATING HIGHLIGHTS						
WATER						
Total sales (ccf)	58,528,039	55,731,505	49,711,035	50,256,094	45,113,159	5.02%
Total accounts—average number	303,322	293,705	279,622	266,607	249,157	3.27%
Average sales per residential account (ccf)	111.67	111.73	103.93	110.25	102.24	-0.05%
Average residential revenue per ccf	\$2.10	\$1.97	\$1.88	\$1.69	\$1.74	6.60%
SEWER						
Total sales (ccf)	36,877,658	35,762,288	33,345,881	33,038,435	30,381,000	3.12%
Total accounts—average number	228,030	219,810	208,143	198,322	185,221	3.74%
Average sales per residential account (ccf)	104.51	103.93	96.07	102.80	90.52	0.56%
Average residential revenue per ccf	\$3.67	\$3.44	\$3.28	\$3.15	\$3.38	6.69%

1 ccf = 100 cubic feet

Average Number Of Electric Retail Accounts



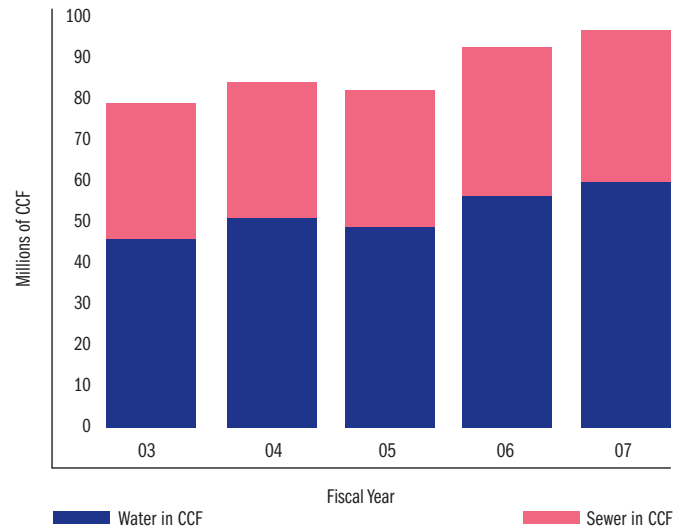
Retail Megawatt Hour Sales



Average Number Of Water & Sewer Accounts



Water & Sewer Sales Volume



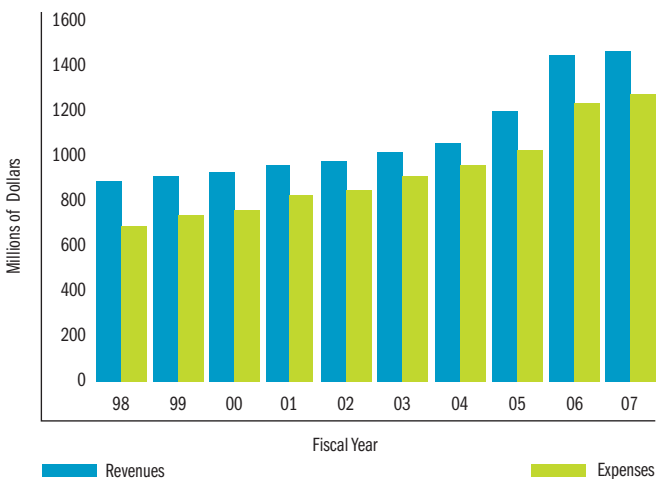
Note: 1 CCF = 100 cubic feet

Financial Summary

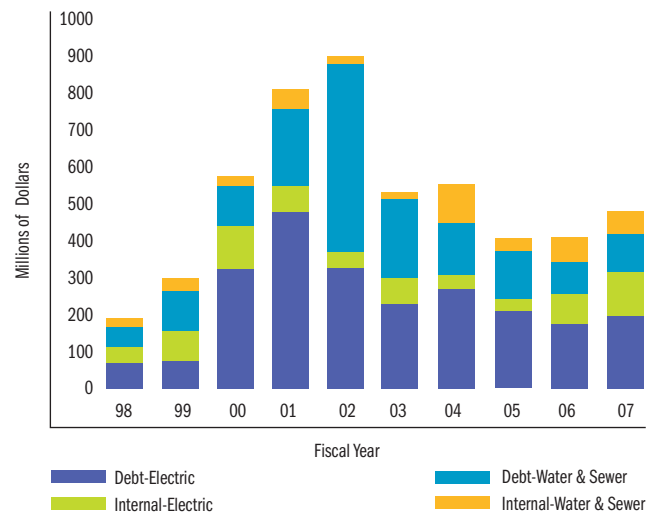
Combined Electric System, Bulk Power Supply System, St Johns River Power Park System, Water and Sewer and District Energy System (in thousands of dollars)

		2007-06	2006-05
Operating revenues:	Electric	\$1,164,747	\$1,160,463
	Water and sewer	238,330	214,906
	District Energy System	5,748	3,054
	Other, net	47,176	50,649
	Total operating revenues	1,456,001	1,429,072
Operating expenses:	Fuel and purchased power	600,170	599,426
	Operations and maintenance	305,962	273,578
	Depreciation	302,374	297,614
	State utility and franchise taxes	26,399	26,807
	Recognition of deferred costs/revenues	45,952	40,428
	Total operating expenses	1,280,857	1,237,853
Nonoperating revenues (expenses):	Operating Income	175,144	191,219
	Earnings from The Energy Authority	20,192	21,910
	Investment income	30,347	23,088
	Interest on debt	(239,022)	(232,370)
	Other interest	(1,877)	(1,600)
	Allowance for funds used during construction	28,425	32,044
	Water & Sewer Expansion Authority	(1,601)	(762)
	Gain (loss) sale of asset	(3,762)	-
	Total nonoperating revenues (expenses)	(167,298)	(157,690)
	Income (loss) before contributions	7,846	33,529
Contributions (to) from:	General fund, City of Jacksonville	(91,437)	(88,688)
	Capital Contributions:		
	Developers and other	119,525	97,775
	City of Jacksonville Better Jacksonville Plan	29,091	14,546
	Water & Sewer Expansion Authority	-	-
	Total other revenues (expenses)	57,179	23,633
Change in net assets before extraordinary items and cumulative effect of an accounting change		65,025	57,162
Extraordinary item-gain (loss) debt extinguishments		-	-
Change in net assets		65,025	57,162
Net assets—beginning of period		1,440,241	1,383,079
Net assets—end of period		\$1,505,266	\$1,440,241

Total Operating Revenues & Expenses

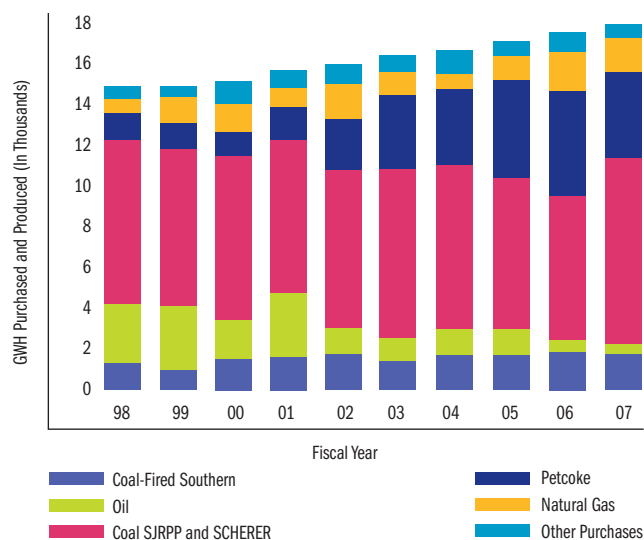


Sources Of Capital Project Funding

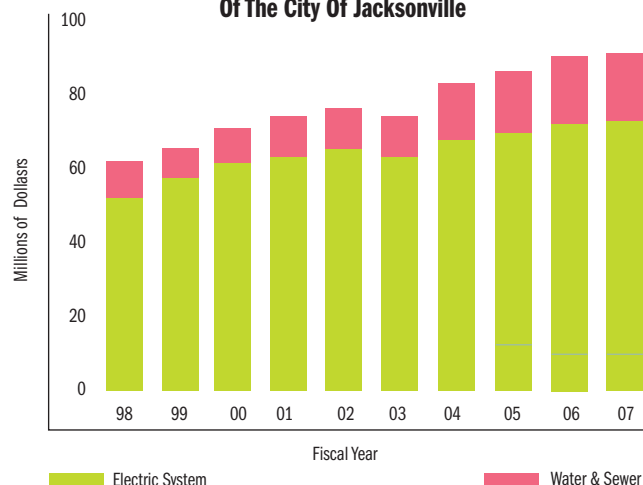


2005-04	2004-03	2003-02	2002-01	2001-00	2000-99	1999-98	1998-97
\$973,326	\$840,210	\$830,519	\$793,685	\$800,445	\$766,482	\$754,478	\$754,799
182,961	173,579	161,053	151,515	132,758	131,112	127,448	115,700
1,297	-	-	-	-	-	-	-
42,388	54,803	44,147	38,485	43,828	30,378	29,543	24,857
1,199,972	1,068,592	1,035,719	983,685	977,031	927,972	911,469	895,356
494,721	409,690	371,074	345,843	404,487	368,171	299,400	302,956
251,099	248,269	249,945	237,046	206,858	210,550	208,830	209,310
278,531	251,493	252,778	188,725	157,715	137,657	126,553	101,378
21,791	18,941	19,323	18,120	17,654	16,671	16,561	16,488
44,141	44,184	29,110	52,417	35,758	28,960	93,085	59,491
1,090,283	972,577	922,230	842,151	822,472	762,009	744,429	689,623
109,689	96,015	113,489	141,534	154,559	165,963	167,040	205,733
17,382	15,924	14,593	9,156	10,008	11,323	19,243	10,732
14,460	13,832	19,466	38,841	52,467	39,322	32,020	55,776
(238,454)	(203,100)	(197,148)	(187,838)	(166,302)	(165,296)	(156,103)	(147,971)
(1,246)	(1,167)	(1,178)	(1,154)	(1,604)	(1,942)	(1,134)	(1,058)
34,637	32,010	42,577	63,211	62,709	29,097	14,443	12,143
(302)	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
(173,523)	(142,501)	(121,690)	(77,784)	(42,722)	(87,496)	(91,531)	(70,378)
(63,834)	(46,486)	(8,201)	63,750	111,837	78,467	75,509	135,355
(85,938)	(83,187)	(74,253)	(76,607)	(73,638)	(71,434)	(66,494)	(61,568)
58,406	56,578	47,381	29,991	19,433	13,262	13,797	18,391
385	9,118	7,548	7,922	-	-	-	-
(254)	-	-	-	-	-	-	-
(27,401)	(17,491)	(19,324)	(38,694)	(54,205)	(58,172)	(52,697)	(43,177)
(91,235)	(63,977)	(27,525)	25,056	57,632	20,295	22,812	92,178
-	-	-	-	-	(33)	(2,124)	(2,353)
(91,235)	(63,977)	(27,525)	25,056	57,632	20,262	20,688	89,825
1,474,314	1,538,291	1,565,816	1,540,760	1,483,128	1,462,866	1,442,178	1,352,353
\$1,383,079	\$1,474,314	\$1,538,291	\$1,565,816	\$1,540,760	\$1,483,128	\$1,462,866	\$1,442,178

Fuel Sources



Contribution To The General Fund Of The City Of Jacksonville



Operating Summary

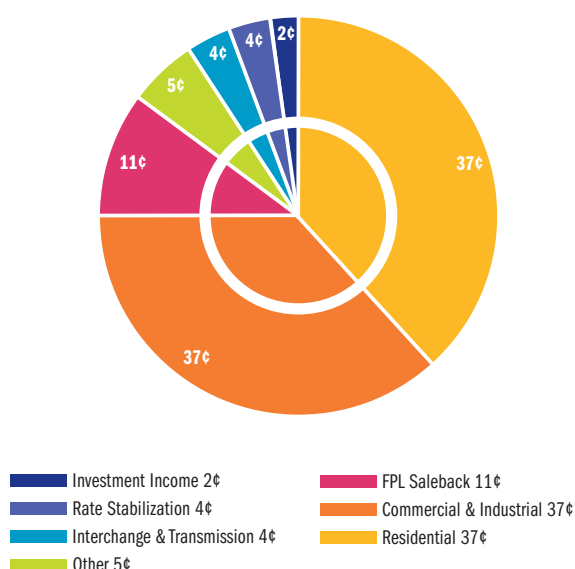
Electric System, Bulk Power and St. Johns River Power Park

		2007-06	2006-05
Electric revenues (000's omitted):	Residential	\$469,735	\$488,358
	Commercial and industrial	463,555	464,685
	Public street lighting	9,851	9,597
	Sales for resale	48,522	43,799
	Florida Power & Light saleback	137,463	117,816
	Total	\$1,129,126	\$1,124,255
Sales (megawatt hours):	Residential	5,478,280	5,650,986
	Commercial and industrial	7,160,361	7,157,602
	Public street lighting	112,760	110,178
	Sales for resale		
	Territorial	479,425	522,134
	Off-system	649,193	593,750
	Florida Power & Light saleback	3,059,195	2,649,427
	Total	16,939,214	16,684,077
Average number of accounts:	Residential	364,284	357,232
	Commercial and industrial	44,440	41,342
	Public street lighting	3,565	3,561
	Sales for resale (1)	5	7
	Total	412,294	402,142
System installed capacity—MW (2)		3,241	3,213
Peak demand - MW (60 minute net)		2,919	2,919
System load factor - %		54%	55%
Residential averages - annual:	Revenue per account - \$	1,289.48	1,367.06
	KWH per account	15,038	15,819
	Revenue per KWH - ¢	8.57	8.64
All other retail - annual:	Revenue per account - \$	9,861.60	10,562.37
	KWH per account	151,508	161,855
	Revenue per KWH - ¢	6.51	6.53
Heating-cooling degree days		3,803	4,053

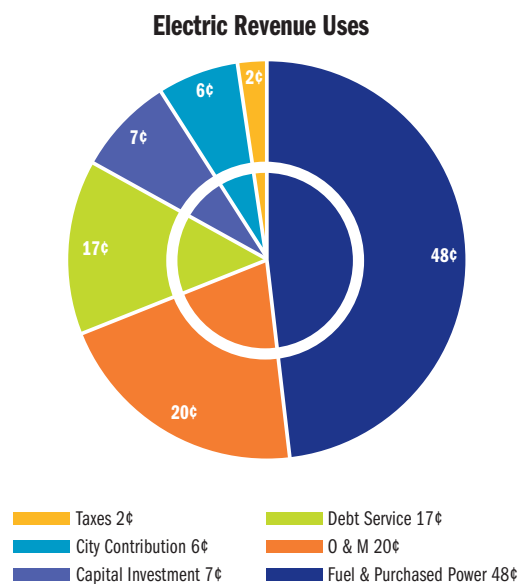
(1) Includes Florida Power and Light, but does not include the average number of off-system non-firm sales customers.

(2) Includes JEA's 50% share of the SJRPP's two coal-fired generating units (638 net megawatts each) and JEA's 23.64% share of Scherer's 846 net megawatt coal-fired generating Unit 4. System installed capacity is reported based on winter capacity.

Electric Revenue Sources



2005-04	2004-03	2003-02	2002-01	2001-00	2000-99	1999-98	1998-97
\$414,166	\$370,323	\$372,247	\$337,656	\$336,495	\$318,854	\$311,071	\$319,499
372,348	319,659	321,196	314,275	308,727	300,982	292,756	285,834
8,364	7,919	7,880	7,650	7,688	7,037	6,227	5,721
40,189	38,358	30,061	25,731	32,235	27,145	34,038	30,279
122,256	112,938	105,483	115,345	118,136	116,724	112,330	115,382
\$957,323	\$849,197	\$836,867	\$800,657	\$803,281	\$770,742	\$756,422	\$756,715
5,542,498	5,389,616	5,438,697	4,896,009	4,895,532	4,621,869	4,513,203	4,631,187
6,948,730	6,696,646	6,840,708	6,558,145	6,416,130	6,258,555	6,113,617	5,779,540
107,757	111,483	114,840	111,053	114,427	109,345	83,944	74,832
492,716	468,324	435,934	433,343	472,855	470,255	459,129	419,121
568,442	630,007	374,728	229,554	316,875	176,094	532,274	398,461
2,577,860	2,656,556	2,912,075	2,983,814	3,006,655	2,939,923	2,818,502	2,996,855
16,238,003	15,952,632	16,116,982	15,211,918	15,222,474	14,576,041	14,520,669	14,299,996
349,139	341,162	335,915	329,589	323,537	316,002	310,358	306,601
39,151	38,610	37,917	37,236	36,335	35,580	34,895	34,246
3,539	3,581	3,543	3,399	3,179	3,989	2,816	2,710
2	2	2	2	2	2	3	3
391,831	383,355	377,377	370,226	363,053	355,573	348,072	343,560
3,049	3,095	3,095	2,545	2,825	2,481	2,342	2,342
2,860	2,644	3,055	2,607	2,666	2,478	2,427	2,338
55%	57%	49%	56%	53%	55%	55%	56%
1,186.25	1,085.48	1,108.16	1,024.48	1,040.05	1,009.03	1,002.30	1,042.07
15,875	15,798	16,191	14,855	15,131	14,626	14,542	15,105
7.47	6.87	6.84	6.90	6.87	6.90	6.89	6.90
8,918.06	7,764.17	7,937.19	7,922.36	8,007.67	7,784.35	7,928.27	7,889.25
165,296	161,364	167,765	164,124	165,272	160,932	164,344	158,415
5.40	4.81	4.73	4.83	4.85	4.84	4.82	4.98
4,035	4,217	4,167	3,888	4,035	3,783	3,722	4,175



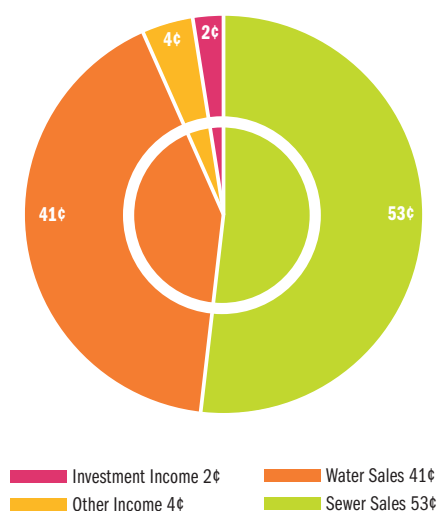
Operating Summary

Water and Sewer System

		2007-06	2006-05
Water revenues (000's omitted):	Residential	\$57,620	\$52,299
	Commercial and Industrial	24,483	22,404
	Irrigation	21,143	18,105
	Reuse Water	739	196
	Total	\$103,985	\$93,004
Water Sales (ccf*):	Residential	27,405,671	26,590,973
	Commercial and Industrial	17,269,352	17,092,460
	Irrigation	12,946,351	11,444,640
	Reuse Water	906,665	603,432
	Total	58,528,039	55,731,505
Average Number of Accounts:	Residential	245,420	237,990
	Commercial and Industrial	23,302	22,577
	Irrigation	34,515	33,122
	Reuse Water	85	16
	Total	303,322	293,705
Residential averages - annual:	Revenue per account - \$	234.78	219.75
	ccf per account	111.67	111.73
	Revenue per ccf - \$	2.10	1.97
Rainfall (inches)		39.35	47.89
Sewer revenues (000's omitted):	Residential	\$80,716	\$72,433
	Commercial and Industrial	54,281	50,183
	Total	\$134,997	\$122,616
Volume (ccf*):	Residential	22,010,983	21,086,520
	Commercial and Industrial	14,866,675	14,675,768
	Total	36,877,658	35,762,288
Average Number of Accounts:	Residential	210,609	202,892
	Commercial and Industrial	17,421	16,918
	Total	228,030	219,810
Residential averages - annual:	Revenue per account - \$	383.25	357.00
	ccf per account	104.51	103.93
	Revenue per ccf - \$	3.67	3.44

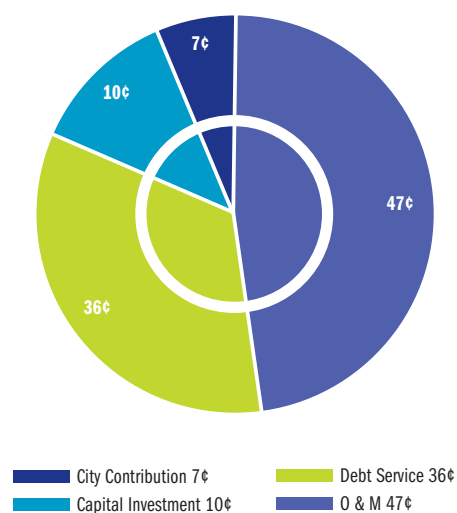
*Note: 1ccf represents 100 cubic feet

Water Revenue Sources



2005-04	2004-03	2003-02	2002-01	2001-00	2000-99	1999-98	1998-97
\$44,337	\$40,661	\$36,552	\$34,891	\$29,227	\$29,692	\$28,689	\$26,606
17,546	17,182	16,545	15,504	14,754	14,777	14,735	14,048
13,782	12,088	10,326	10,188	8,951	7,620	7,219	5,628
33	49	37	28	29	26	-	
\$75,698	\$69,980	\$63,460	\$60,611	\$52,961	\$52,115	\$50,643	\$46,282
23,618,038	24,025,764	20,940,645	20,233,970	16,881,882	17,490,728	17,162,504	15,372,926
16,859,024	16,474,020	16,017,280	14,874,166	14,404,939	14,809,222	15,163,005	14,680,402
9,112,755	9,446,243	7,989,273	8,219,798	6,719,297	6,843,984	6,032,750	4,416,586
121,218	310,067	165,961	112,068	123,613	95,235	-	-
49,711,035	50,256,094	45,113,159	43,440,002	38,129,731	39,239,169	38,358,259	34,469,914
227,253	217,927	204,826	188,559	164,669	159,893	154,020	147,814
21,775	21,322	20,618	19,597	18,023	17,529	16,999	16,496
30,581	27,346	23,702	20,468	17,572	14,817	12,797	11,456
13	12	11	11	12	11	-	-
279,622	266,607	249,157	228,635	200,276	192,250	183,816	175,766
195.10	186.58	178.45	185.04	177.49	185.70	186.27	180.00
103.93	110.25	102.24	107.31	102.52	109.39	111.43	104.00
1.88	1.69	1.74	1.72	1.73	1.70	1.67	1.73
56.22	67.56	50.24	49.50	46.90	41.59	43.23	67.87
\$60,502	\$59,058	\$51,963	\$49,128	\$41,363	\$41,771	\$40,259	\$36,599
47,629	46,153	46,345	43,130	39,095	38,213	36,928	33,942
\$108,131	\$105,211	\$98,308	\$92,258	\$80,458	\$79,984	\$77,187	\$70,541
18,428,267	18,753,476	15,380,541	13,815,914	11,660,445	11,825,883	11,481,884	10,325,943
14,917,614	14,284,959	15,000,459	14,095,774	12,979,274	12,596,060	12,407,438	11,665,103
33,345,881	33,038,435	30,381,000	27,911,688	24,639,719	24,421,943	23,889,322	21,991,046
191,812	182,418	169,921	155,905	135,660	131,281	125,658	119,823
16,331	15,904	15,300	14,222	12,678	12,323	11,929	11,531
208,143	198,322	185,221	170,127	148,338	143,604	137,587	131,354
315.42	323.75	305.81	315.11	304.90	318.18	320.39	305.44
96.07	102.80	90.52	88.62	85.95	90.08	91.37	86.18
3.28	3.15	3.38	3.56	3.55	3.53	3.51	3.54

Water Revenue Uses





FINANCIAL STATEMENTS, SUPPLEMENTARY
INFORMATION, AND BOND COMPLIANCE INFORMATION

JEA

Years Ended September 30, 2007 and 2006

JEA

Financial Statements, Supplementary Information, And Bond Compliance Information

Years Ended September 30, 2007 and 2006

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Report of Independent Certified Public Accountants

The Governing Board of JEA
Jacksonville, Florida

We have audited the accompanying balance sheets of JEA, a component unit of the City of Jacksonville, Florida, as of September 30, 2007 and 2006, and the related statements of revenues, expenses, and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of JEA's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of JEA's internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of JEA's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of JEA as of September 30, 2007 and 2006, and the changes in its financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

In accordance with Government Auditing Standards, we have also issued our report dated November 27, 2007 on our consideration of JEA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, as listed in the table of contents, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary combining financial statements as of and for the years ended September 30, 2007 and 2006 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Ernst & Young LLP

November 27, 2007

Management's Discussion and Analysis

JEA is a municipal utility operating in Jacksonville, Florida (Duval County), and parts of three adjacent counties. The operation is comprised of three enterprise funds - the Electric Enterprise Fund, the Water and Sewer Enterprise Fund and the District Energy System (Chilled Water System). The Electric Enterprise Fund is comprised of the JEA Electric System, Bulk Power Supply System (Scherer), and St. Johns River Power Park System (SJRP). The Electric System, Water and Sewer System and District Energy System are presented on a combined basis in the Balance Sheets, Statements of Revenues, Expenses and Changes in Net Assets, and Statements of Cash Flows.

This section of JEA's annual financial report presents management's discussion and analysis of JEA's financial performance for the years ended September 30, 2007 and 2006. Please read it in conjunction with the audited Financial Statements and Notes to the Financial Statements, which follows this section.

The following tables summarize the financial condition and operations of JEA for the 2007, 2006, and 2005 fiscal years:

Condensed Balance Sheets

	2007	2006	2005
	<i>(In Millions)</i>		
Assets			
Current assets	\$ 456	\$ 470	\$ 373
Other noncurrent assets	873	965	1,065
Capital assets, net	6,275	5,984	5,818
	\$ 7,604	\$ 7,419	\$ 7,256
Liabilities and Net Assets			
Current liabilities	\$ 175	\$ 166	\$ 114
Liabilities payable from restricted assets	360	338	331
Noncurrent liabilities	120	130	132
Long-term debt	5,444	5,345	5,296
Net assets invested in capital assets, net of related debt	862	881	885
Net assets, restricted	390	290	268
Net assets, unrestricted	253	269	230
	\$ 7,604	\$ 7,419	\$ 7,256

Condensed Statements of Revenues, Expenses, and Changes in Net Assets

	2007	2006	2005
	<i>(In Millions)</i>		
Operating revenues	\$ 1,456	\$ 1,429	\$ 1,200
Operating expenses	(1,281)	(1,238)	(1,090)
Operating income	175	191	110
Nonoperating revenue (expenses)	(167)	(158)	(174)
Contributions	57	24	(27)
Increase (decrease) in net assets	\$ 65	\$ 57	\$ (91)

Financial Analysis of JEA for fiscal years 2007 and 2006

Operating Revenues

2007 compared to 2006:

Total Electric Enterprise Fund operating revenues for the fiscal year 2007 increased \$3.2 million compared to fiscal year 2006. Electric Enterprise operating revenues increased \$5.3 million and other operating revenues decreased \$2.1 million. Electric Enterprise operating revenues reflect a \$14.3 million (1.4%) decrease in electric system revenues, which was primarily due to a 1.1% percent decrease in total GWh sales and a decrease of approximately \$0.82 per KWH in the fuel rate effective October 1, 2006. The decrease in total GWh sales was mainly attributable to milder temperatures, which is measured in degree days. The degree days decreased 6.2% as compared to fiscal year 2006. The decrease in electric system revenues was offset by a \$19.6 million increase in revenues relating to sales of electricity to Florida Power and Light from SJRPP. Other operating revenues decreased \$2.1 million, due to the absence of certain "non-recurring" revenue transactions that were recorded in fiscal year 2006.

Total Water and Sewer Fund operating revenues increased \$20.5 million, a 9% increase. Water and Sewer operating revenues increased \$23.4 million and other revenues decreased \$2.9 million. The operating revenue increase was due to an increase in water and sewer rates and increased volumes of water and sewer sales. The Water & Sewer System rate increase became effective in October 2006. The volume of water and sewer sales increased 4.3%. The volume increase was primarily driven by lack of rainfall and customer growth. The number of water and sewer customers increased approximately 3.5%. Other operating revenues decreased \$2.9 million, a 21.3% decrease. The decrease was mainly due to above normal applications for service related to the new line extension capacity fees that occurred in fiscal year 2006.

Total District Energy System (DES) revenues increased \$4.7 million for fiscal year 2007 compared to fiscal year 2006. The increase in revenues was due to an increase in customer growth as a result of the addition of a new plant placed in service and increased loads at other plants.

2006 compared to 2005:

Total Electric Enterprise Fund operating revenues for the fiscal year 2006 increased \$195.0 million, an increase of 19.3%, primarily due to an increase in the fuel rate. JEA's fuel rate increased by 11.5% on April 1, 2005 and 10.3% on October 1, 2005. In addition, an increase in territorial and off-system sales contributed to the increase in revenues. Territorial GWh sales increased by 2.7% to 13,440.9 GWh for the current year from 13,091.7 GWh in fiscal year 2005. The increase in territorial sales was mainly attributable to a 2.6 % increase in the electric system customer base. Off-system sales increased to 593.8 GWh for the fiscal year 2006 from 568.4 GWh for the fiscal year 2005, an increase of 4.5%. Other operating revenues increased \$4.6 million, a 12.8% increase, due primarily to the recognition of revenues from work performed on a maintenance service contract.

Total Water and Sewer System revenues increased \$36.2 million, an 18.8% increase, due primarily to an increase in water and sewer rates and increased volumes of water and sewer sales. The members of JEA Board approved various increases in rates and fees related to water and sewer services and water and sewer capacity fees which became effective October 1, 2005. The volume of water and sewer sales increased 10.2%. The increase was primarily driven by lack of rainfall and customer growth. The number of water and sewer customers increased approximately 5.3%. Other operating revenues increased \$4.4 million, a 48.9% increase. The increase was mainly due to an increase of new line extension capacity fees and increased work performed on a maintenance service contract.

Revenues for District Energy System (DES) totaled \$3.1 million and \$1.3 million for the fiscal years 2006 and 2005. The increase in revenues was due to an increase in growth and the change in the consumption rate for DES approved by the Board in June 2005 and became effective, October 1, 2005.

Operating Expenses

2007 compared to 2006:

Total Electric Enterprise Fund operating expenses for fiscal year 2007, excluding depreciation and recognition of deferred costs, increased \$19.7 million or 2.4% compared to fiscal year 2006. The increase was primarily due to increases in other operating and maintenance expenses. Total other Electric Enterprise Fund operating and maintenance expenses were \$19.4 million higher, a 10% increase in fiscal year 2007 compared to the same period in 2006. Major factors impacting other operating and maintenance expenses were increased debt service requirements for SJRPP; increased salaries and benefits; and decreased SJRPP outage expenses. The scheduled spring SJRPP outage was ten days in 2007 as compared with six weeks in 2006.

Total fuel and purchased power costs increased \$.8 million. Fuel expense increased \$30.9 million and purchased power decreased \$30.1 million. The increases were mainly driven by fluctuating fuel prices and a .28% decrease in megawatts produced and purchased. During fiscal year 2007, JEA's power supply mix for fiscal year 2007 was 51% coal (from JEA units), 24% petroleum coke, 10% natural gas, 9% coal-fired purchases, 4% other power purchases, and 2% oil.

Total operating expenses for the Water and Sewer System increased \$13.8 million, excluding depreciation expense, an increase of 15.8%. The major factors impacting the increase in operating and maintenance expenses were: increased intercompany billings; reduced capitalized overhead; increased industrial service costs associated with the sewer treatment plants; increased odor control chemical costs associated with an increased number of lift stations; and increased salaries and benefits.

The operating expenses for the District Energy System, excluding depreciation increased \$.7 million. The increase was due primarily to the addition of a new plant and increased loads at existing plants.

2006 compared to 2005:

Total Electric Enterprise Fund operating expenses for fiscal year 2006, excluding depreciation and recognition of deferred costs, increased \$127.5 million or 18.4%. Fuel and purchased power accounted for the majority of the increase. Total fuel and purchased power costs increased \$104.7 million. Fuel expense increased \$72.4 million and purchased power increased \$32.3 million. The increases were mainly driven by fluctuating fuel prices, increased consumption of natural gas, and a 2.1% increase in megawatts produced and purchased to meet increased demands from customers. During fiscal year 2006, JEA's power supply mix was 41% coal (from JEA units), 30% petroleum coke, 10% coal-fired purchases, 11% natural gas, 6% other power purchases, and 2% oil.

Total other Electric Enterprise Fund operating and maintenance expenses were \$17.7 million higher, a 9.9% increase, in fiscal year 2006 compared to the same period in 2005. The increased expenses included planned outages for Northside and Plant Scherer of \$12.8 million and increased renewal and replacement expenses of \$2.5 million for SJRPP and \$1.8 million for Plant Scherer.

Utility and franchise taxes increased \$5.0 million for the fiscal year 2006 as compared to fiscal year 2005 due to the increase in the electric revenues as discussed above. Depreciation expense increased \$18.8 million due to more capital assets being placed in service.

Total operating expenses for the Water and Sewer System increased \$13.7 million, an increase of 8.1%. The increase was due to an increase in depreciation expense of \$6.4 million and an increase in intercompany billing of \$5.3 million and a reduction in capitalized overhead of \$1.9 million.

Nonoperating Revenues and Expenses

2007 compared to 2006:

The net change in nonoperating revenues and expenses was \$9.6 million in fiscal year 2007. Investment income increased \$7.3 million in fiscal 2007 due to an increase in the non-cash fair value adjustments in investments of \$4.8 million and a \$2.4 million increase in investment income due to additional availability of funds for investment and increased return on the investments. Interest expense increased \$6.7 million as a result of a non-cash fair market value adjustment relating to the debt management strategy in the amount of \$2.7 million and an increase in interest expense due to the issuance of bonds. Earnings from TEA decreased \$1.7 million due to lower margins on purchases and sales transactions by TEA and decreased KWh purchases by JEA in the current year. Allowance for funds used during construction (AFUDC) decreased \$3.6 million due to lower construction work in process. In July, 2007, The Taylor Energy Center announced plans to suspend permitting activities to build an 800 megawatt power plant in Taylor County. JEA was one of four municipal utilities participating in this project. As a result of suspending permitting activities, JEA recorded a \$4.7 million impairment loss during fiscal year 2007.

2006 compared to 2005:

The net change in nonoperating revenues and expenses was \$15.8 million in fiscal year 2006. Ownership in The Energy Authority (TEA), a municipal power marketing joint venture in which JEA is a member, continues to prove beneficial for JEA and its customers. TEA net revenue increased \$4.5 million for the current year. This was a 26% increase over fiscal year 2005. Investment income increased \$8.6 million in fiscal 2006 due to an increase in the fair value of investments of \$3.8 million and a \$4.8 million increase in investment income due to additional availability of funds for investment and increased return on the investments. Interest expense decreased \$6.1 million as a result of a non-cash fair market value adjustment relating to the debt management strategy in the amount of \$20.1 million offset by an increase in interest expense due to the issuance of bonds and the impact of increasing interest rates on variable rate debt. Allowance for funds used during construction (AFUDC) decreased \$2.6 million due to more capital assets placed in service during the current year.

Capital Assets and Debt Administration for fiscal years 2007 and 2006

Capital Assets

During fiscal year 2007 capital assets (excluding accumulated depreciation) increased \$415.7 million, a 4.8% increase. This included \$150.0 million, a 2.8% increase, in electric plant; \$263.6 million increase in water and sewer plant, an increase of 8.0%; and \$2.1 million investment in District Energy plant, an increase of 4.2%. During fiscal year 2006 capital assets (excluding accumulated depreciation) increased \$416.4 million, a 5.1% increase. This included \$183.6 million, a 3.6% increase, in electric plant; \$230.0 million increase in water and sewer plant, an increase of 7.5%; and \$2.8 million investment in District Energy plant, an increase of 5.9%. More detailed information about JEA's capital asset activity is presented in note 4 to the financial statements.

JEA has ongoing capital improvement programs for the Electric System and the Water and Sewer System. The capital programs consist of: (a) the Electric System capital requirements for additional generating facilities, as well as improvements to existing generating facilities, that are determined to be necessary as a result of JEA's annual resource planning process, (b) the Electric System's remaining capital requirements for transmission and distribution facilities and other capital items, and (c) the Water and Sewer System capital requirements necessary to accommodate system growth. The cost of the capital improvement program will be provided from revenues generated from operations, issuance of revenue bonds, Commercial Paper notes and other short-term obligations as determined by JEA.

JEA's projected total capital expenditures for fiscal year 2008 are as follows:

	<u>In Millions</u>
Electric System – Generation, Transmission, Distribution, and Other	\$ 367
Water and Sewer System	252
District Energy System	9

SJRPP and Plant Scherer are subject to joint ownership agreements. The estimated capital expenditures relating to these plants, including costs to comply with certain environmental regulations are described in note 12, *Commitment and Contingencies – Clean Air Act*.

Debt Administration

Debt outstanding at September 30, 2007, was \$5.7 billion, an increase of \$100 million from the prior fiscal year. The amount was used in conjunction with capital investment programs. More detailed information about JEA's long-term debt is presented in note 7 to the financial statements.

Debt outstanding at September 30, 2006, including Water and Sewer Crossover Bonds, was \$5.6 billion, an increase of \$63 million from the fiscal year 2005. The amount was used in conjunction with capital investment programs. More detailed information about JEA's long-term debt is presented in note 7 to the financial statements. JEA's debt ratings on its long-term debt as of September 2007 and 2006 were as follows:

	<u>2007</u>			<u>2006</u>		
	<u>Electric System</u>	<u>SJRPP</u>	<u>Water and Sewer System</u>	<u>Electric System</u>	<u>SJRPP</u>	<u>Water and Sewer System</u>
Senior Debt:						
Fitch	AA-	AA-	AA	AA-	AA-	AA
Standard & Poor's	AA-	AA-	AA-	AA-	AA-	AA-
Moody's Investors Service	Aa2	Aa2	Aa3	Aa2	Aa2	Aa3
Subordinated Debt:						
Fitch	AA-	-	AA	AA-	-	AA
Standard & Poor's	A+	-	AA-	A+	-	AA-
Moody's Investors Service	Aa3	-	Aa3	Aa3	-	Aa3

Also, at September 30, 2007, the ratings on JEA's District Energy System bonds were AA- from Fitch Ratings and Aa1 from Moody's Investors Service. These ratings reflect the direct pay letter of credit provided by State Street Bank and Trust Company.

Economic Factors and Rates

In May 2007, following a comprehensive cost of service study, JEA staff recommended certain Electric System rate increases to the JEA Board of Directors (the Board), including (1) an increase to the base rate component designed to increase base rate revenues to reflect JEA's costs of providing electric service and (b) an increase to the fuel and purchased power rate component reflecting JEA's increased costs for fuel and purchased power. On June 19, 2007, following a rate hearing as required by the Charter, the Board enacted the recommended increases, which became effective on October 1, 2007. Over a four year period residential and

small commercial rate class revenues will increase approximately 6.25 %, 5.5%, 5.25% and 3.0% for the fiscal years beginning October 1, 2007, 2008, 2009 and 2010. Large commercial and industrial rate classes' revenues will increase 7.3%, 7%, 6.8% and 3% for same fiscal years.

Effective October 1, 2007, the fuel and purchased power rate component was increased by \$1.46 per 1000 KWh, an approximate 1.7% increase in the residential bill.

Since environmental regulations and the cost of environmental compliance are anticipated to increase in the future, the Board enacted the Environmental Charge of \$0.62 per 1,000 KWh, which was applied to all rate classes as of October 1, 2007.

In order to fund JEA's comprehensive conservation and demand reduction programs (which are designed to reduce electric consumption and, at the same time, reduce the need for acquiring or constructing additional generating capacity), the Board enacted a Conservation Charge, which was applied to residential electric accounts as of October 1, 2007, in the amount of \$.01 per KWh for usage above 2,750 KWh in a single month.

Effective October 1, 2005, the JEA Board approved a three year rate increase related to water and sewer services. Revenues will increase 7% on average for fiscal year 2008, which is the last year of the approved rate increase.

The consumption rate for chilled water related to the District Energy System increased from \$8.99 cents per ton hour to \$9.68 cents per ton hour. The consumption rate is variable and will be modified similarly to the electric fuel charge. The rate schedules are effective October 1, 2007.

The Company expects customer and unit sales growth to increase 2% on average in all its segments.

Requests for Information

The financial report is designed to provide a general overview of JEA's finances for all those with an interest in JEA's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Director of Accounting Services, JEA, 21 West Church Street, Jacksonville, Florida, 32202.

Financial Statements

JEA

Statements of Revenues, Expenses, and Changes in Net Assets

	Year Ended September 30	
	2007	2006
	<i>(In Thousands)</i>	
Operating revenues:		
Electric	\$ 1,164,747	\$ 1,160,463
Water and sewer	238,330	214,906
District Energy System	5,748	3,054
Other	47,176	50,649
Total operating revenues	<u>1,456,001</u>	<u>1,429,072</u>
Operating expenses:		
Operations:		
Fuel	487,010	456,123
Purchased power	113,160	143,303
Other	224,862	186,723
Maintenance	81,100	86,855
Depreciation	302,374	297,614
State utility and franchise taxes	26,399	26,807
Recognition of deferred costs and revenues, net	45,952	40,428
Total operating expenses	<u>1,280,857</u>	<u>1,237,853</u>
Operating income	<u>175,144</u>	<u>191,219</u>
Nonoperating revenues (expenses):		
Earnings from The Energy Authority	20,192	21,910
Investment income	30,347	23,088
Interest on debt	(239,022)	(232,370)
Other interest	(1,877)	(1,600)
Allowance for funds used during construction	28,425	32,044
Water and Sewer Expansion Authority	(1,601)	(762)
Loss on asset disposition	(3,762)	-
Total nonoperating revenues (expenses)	<u>(167,298)</u>	<u>(157,690)</u>
Income before contributions	<u>7,846</u>	<u>33,529</u>
Contributions (to) from:		
General fund, City of Jacksonville	(91,437)	(88,688)
Developers and other	119,525	97,775
City of Jacksonville Better Jacksonville Plan	29,091	14,546
Total contributions	<u>57,179</u>	<u>23,633</u>
Change in net assets	65,025	57,162
Net assets, beginning of year	1,440,241	1,383,079
Net assets, end of year	<u>\$ 1,505,266</u>	<u>\$ 1,440,241</u>

See accompanying notes.

JEA

Balance Sheets

	September 30	
	2007	2006
	<i>(In Thousands)</i>	
Assets		
Current assets:		
Cash and cash equivalents	\$ 122,221	\$ 130,719
Accounts and interest receivable, less allowance for doubtful accounts of \$1,897 for 2007 and \$3,337 for 2006	205,121	202,256
Inventories:		
Fuel	54,439	60,962
Materials and supplies	74,486	75,782
Total current assets	456,267	469,719
Noncurrent assets:		
Restricted assets:		
Cash and cash equivalents	403,077	319,536
Investments	187,840	313,741
Accounts and interest receivable	6,320	6,873
Total restricted assets	597,237	640,150
Debt issue costs and other	49,090	48,845
Investment in The Energy Authority	7,423	7,235
Costs to be recovered from future revenues	219,007	268,844
Total noncurrent assets	872,757	965,074
Capital assets:		
Land and easements	85,985	83,908
Plant in service	8,326,753	7,747,282
Less accumulated depreciation	(2,781,773)	(2,656,734)
Plant in service, net	5,630,965	5,174,456
Construction in progress	643,894	809,768
Net capital assets	6,274,859	5,984,224
Total assets	\$ 7,603,883	\$ 7,419,017

See accompanying notes.

JEA

Balance Sheets (continued)

	September 30	
	2007	2006
	<i>(In Thousands)</i>	
Liabilities and net assets		
Current liabilities:		
Accounts and accrued expenses payable	\$ 139,116	\$ 136,656
Customer deposits	35,450	29,615
Total current liabilities	174,566	166,271
Current liabilities payable from restricted assets:		
Debt due within one year	125,295	119,820
Interest payable	87,724	93,863
Construction contracts and accounts payable	56,558	45,730
Renewal and replacement reserve	90,000	78,651
Total current liabilities payable from restricted assets	359,577	338,064
Noncurrent liabilities:		
Deferred credits and other liabilities	40,045	45,771
Revenues to be used for future costs	80,217	84,095
Total noncurrent liabilities	120,262	129,866
Long-term debt:		
Bonds and commercial paper payable, less current portion	5,564,724	5,448,522
Unamortized premium (discount), net	15,758	23,179
Unamortized deferred losses on refundings	(138,276)	(136,590)
Fair value of debt management strategy instruments	2,006	9,464
Total long-term debt	5,444,212	5,344,575
Net assets:		
Invested in capital assets, net of related debt	862,087	881,398
Restricted	390,014	289,675
Unrestricted	253,165	269,168
Total net assets	1,505,266	1,440,241
Total liabilities	6,098,617	5,978,776
Total liabilities and net assets	\$ 7,603,883	\$ 7,419,017

JEA

Statements of Cash Flows

	Year Ended September 30	
	2007	2006
	<i>(In Thousands)</i>	
Operating activities		
Receipts from customers	\$ 1,425,433	\$ 1,385,753
Other receipts	47,447	50,648
Payments to suppliers	(722,614)	(712,024)
Payments to employees	(180,634)	(158,927)
Net cash provided by operating activities	569,632	565,450
Noncapital and related financing activities		
Contribution to General Fund, City of Jacksonville, Florida	(90,979)	(81,068)
Contribution to Water & Sewer Expansion Authority - operating	(1,601)	(762)
Net cash used in noncapital financing activities	(92,580)	(81,830)
Capital and related financing activities		
Acquisition and construction of capital assets	(479,994)	(380,762)
Proceeds from issuance of debt, net	972,923	487,844
Loss on disposal of capital assets	(3,762)	-
Defeasance of debt	(584,587)	(325,113)
Repayment of debt principal	(281,451)	(104,880)
Interest paid on debt	(247,324)	(222,984)
Developer and other contributions	24,966	34,796
City of Jacksonville Better Jacksonville Plan contributions	29,091	14,546
Proceeds from sale of property	10,186	6,169
Net cash used in capital and related financing activities	(559,952)	(490,384)
Investing activities		
Purchases of investments	(284,583)	(299,691)
Proceeds from sales and maturities of investments	413,930	301,252
Distributions from The Energy Authority	1,385	1,102
Investment income	27,211	26,111
Net cash provided by investing activities	157,943	28,774
Net change in cash and cash equivalents	75,043	22,010
Cash and cash equivalents at beginning of year	450,255	428,245
Cash and cash equivalents at end of year	\$ 525,298	\$ 450,255

Continued on next page.

JEA

Statements of Cash Flows (continued)

	Year Ended September 30	
	2007	2006
	<i>(In Thousands)</i>	
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 175,144	\$ 191,219
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	302,928	298,109
Recognition of deferred costs and revenues, net	45,952	40,428
Changes in noncash assets and noncash liabilities:		
Accounts and interest receivable, restricted	271	1,195
Accounts and interest receivable	13,795	8,759
Inventories	7,818	(10,443)
Other	(386)	2,063
Accounts and accrued expenses payable	5,024	41,370
Liabilities payable from restricted assets	24,811	(9,158)
Deferred credits and other liabilities	(5,725)	1,908
Net cash provided by operating activities	\$ 569,632	\$ 565,450
Noncash activity:		
Contribution of capital assets from developers	\$ 94,559	\$ 61,161

See accompanying notes.

JEA

Notes to Financial Statements

September 30, 2007

(Dollars In Thousands)

1. Summary of Significant Accounting Policies and Practices

(a) Reporting Entity

JEA (formerly known as the Jacksonville Electric Authority) is currently organized into three enterprise funds – the Electric Enterprise Fund, the Water Sewer Enterprise Fund and District Energy System. The Electric Enterprise Fund is comprised of the JEA Electric System, the Bulk Power Supply System, which consists of Scherer Unit 4, a coal-fired, 846-megawatt generating unit operated by Georgia Power Company and owned by JEA (23.64% ownership interest) and Florida Power & Light Company (FPL) (76.36% ownership interest); St. Johns River Power Park System (SJRP), which has two coal-fired generating units (638 net megawatts each) jointly owned and operated by JEA (80% ownership interest) and FPL (20% ownership interest); Water and Sewer System and the District Energy System (DES). The District Energy System consists of chilled water activities. These financial statements include JEA's ownership interests in the Bulk Power Supply System and SJRP. Separate accounting records are currently maintained for each system. The following information relates to JEA's ownership of the respective plants as of September 30, 2007 and 2006:

	2007	2006
Bulk Power Supply System:		
Capital assets, net	\$ 80,217	\$ 84,095
Inventory	5,352	5,471
Revenues to be used for future costs	80,217	84,095
SJRP:		
Capital assets, net	687,537	625,473
Current assets	87,466	69,961
Restricted assets	436,151	359,287
Other noncurrent assets	227,506	276,264
Long-term debt	1,162,512	1,095,714
Other liabilities	275,467	232,496

The Electric System, Water and Sewer System and the District Energy System are governed by the Board Members of JEA (Board). The Board is responsible for setting rates based on operating and maintenance expenses and debt service of the respective operations. The operations of the Bulk Power Supply System and SJRP are subject to joint ownership agreements and rates are established on a cost of service basis, including operating and maintenance expenses and debt service. See note 1. (q) for additional information.

JEA

Notes to Financial Statements (continued)

(Dollars In Thousands)

1. Summary of Significant Accounting Policies and Practices (continued)

(b) Basis of Accounting

JEA consists of the Electric System, the Water and Sewer System and the District Energy System. The Electric System includes the operations of the Electric System, the Bulk Power Supply System, and SJRPP. JEA is presenting financial statements combined for the three systems. JEA uses the accrual basis of accounting for its operations and has adopted the uniform system of accounts prescribed by the Federal Energy Regulatory Commission for the Electric System and the National Association of Regulatory Utility Commissioners for the Water and Sewer System. The investments in The Energy Authority (TEA) and Coelectric Partners, Inc. are recorded on the equity method.

The financial statements have been prepared in conformity with the pronouncements of the Governmental Accounting Standards Board (GASB), including GASB Statement No. 14, *The Financial Reporting Entity*, which defines JEA as a component unit of the City of Jacksonville, Florida (the City). Accordingly, the financial statements of JEA are included in the Comprehensive Annual Financial Report of the City. JEA has elected to apply all Financial Accounting Standards Board (FASB) Statements and Interpretations except for those that conflict with GASB pronouncements in accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*. Both SJRPP and the Bulk Power Supply System follow SFAS No. 71, *Accounting For the Effects of Certain Types of Regulation as amended*. This standard allows utilities to capitalize or defer certain costs or revenues based on management's ongoing assessment that it is probable these items will be recovered through the rate making process.

If JEA no longer applied SFAS No. 71 due to competition, regulatory changes, or other reasons, JEA would make certain adjustments that would include the write-off of all or a portion of its regulatory assets and liabilities, the evaluation of utility plant, recognition of losses, if necessary, to reflect market conditions. Management believes that JEA currently meets the criteria for continued application of SFAS No. 71 with respect to SJRPP and the Bulk Power Supply System, but will continue to evaluate significant changes in the regulatory and competitive environment to assess the ability to apply SFAS No. 71.

JEA presents its financial statements in accordance with GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended. GASB Statement No. 34 established standards for external financial reporting for all state and local governmental entities which includes a statement of net assets or balance sheet, a statement of revenues, expenses, and changes in net assets, and a statement of cash flows. It requires the classification of net assets into three components - invested in capital assets, net of related debt, restricted, and unrestricted. These classifications are defined as follows:

- Invested in capital assets, net of related debt - consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any debt that is attributable to those assets and increased/reduced by costs to be recovered from future revenues or revenues to be used for future costs.

JEA

Notes to Financial Statements (continued)

(Dollars In Thousands)

1. Summary of Significant Accounting Policies and Practices (continued)

- Restricted – consists of assets that have constraints placed upon their use through external constraints imposed either by creditors (such as through debt covenants) or through laws, regulations or constraints imposed by law through constitutional provisions or enabling legislation, reduced by any liabilities to be paid from these assets.
- Unrestricted – consists of net assets that do not meet the definition of restricted or invested in capital assets, net of related debt.

JEA's bond resolutions specify the flow of funds from revenues and specify the requirements for the use of certain restricted and unrestricted assets.

(c) Revenues

Operating revenues are defined as revenues generated from the sale of primary products or services through normal business operations. Non-operating revenues include investment income and earnings from investments recorded on the equity method. Operating revenues reported in the statements of revenues, expenses and changes in net assets are shown net of discounts and estimated allowances for bad debts. Discounts and allowances totaled \$31,124 in fiscal year 2007 and \$39,711 in fiscal year 2006. Electric and Water and Sewer revenues are recorded as earned. JEA earned 11.7% of its electric revenue from electricity sold to FPL in fiscal year 2007 and 10.1% in fiscal year 2006. Operating revenues include amounts estimated for unbilled services provided during the reporting period of \$64,154 in 2007 and \$58,019 in 2006.

(d) Capital Assets

Utility plant represents four classes of capital assets – real property, tangible property, tangible personal property equal to or greater than \$1,000 each, and intangible property. All capital assets are recorded at historical cost and must have a useful life greater than one year. The costs of capital asset additions and replacements are capitalized. The costs of capital projects include direct labor and benefits of JEA employees working on capital projects and an allocation of overhead from certain JEA departments. Maintenance and replacements of minor items are charged to operating expenses. The cost of depreciable plant retired is removed from the capital asset accounts, and such cost plus removal expense less salvage value is charged to accumulated depreciation.

SJRPP is required by its bond resolution to deposit certain amounts in a renewal and replacement fund. These amounts are then required to be expended on capital expenditures to maintain and improve the system. The Electric System records the amounts deposited in the fund as a purchased power expense when deposited. The purchase of capital assets funded from the renewal and replacement fund are not capitalized by SJRPP.

JEA

Notes to Financial Statements (continued)

(Dollars In Thousands)

1. Summary of Significant Accounting Policies and Practices (continued)

(e) Allowance for Funds Used During Construction

An allowance for funds used during construction (AFUDC) is included in construction work in progress and as a reduction of interest expense. JEA capitalizes interest on construction projects financed with revenue bonds, commercial paper and renewal and replacement funds in accordance with SFAS No. 34 and SFAS No. 62. The average AFUDC rate for the Electric System fixed and variable rate debt was 3.9% for fiscal year 2007 and 3.6% for fiscal year 2006. The average AFUDC rate for the Water and Sewer System fixed and variable rate debt was 4.2% for fiscal years 2007 and 2006. The average AFUDC rate for the District Energy System variable rate debt was 3.7% for fiscal year 2007 and 3.2% for fiscal year 2006. The amount capitalized is the interest cost of the debt less any interest earned on investment of debt proceeds from the date of the borrowing until the assets are placed in service. Total interest incurred was \$240,899 for fiscal year 2007 and \$233,970 for fiscal year 2006. Interest expense of \$28,425 and investment income on bond proceeds of \$1,607 was capitalized in accordance with SFAS No. 34 and SFAS No. 62 during fiscal year 2007. Interest expense of \$32,044 and investment income on bond proceeds of \$6,559 was capitalized in accordance with SFAS No. 34 and SFAS No. 62 during fiscal year 2006.

(f) Depreciation

Depreciation of capital assets, all of which is charged to operations, is computed on a straight-line basis at rates based upon the estimated service lives of the various property classes. The effective rate of depreciation based upon average depreciable plant in service balance is 3.8% for fiscal year 2007 and 4.0% in fiscal year 2006. The average depreciable life of the depreciable capital assets for the Electric Systems is 23.1 years as of September 30, 2007 and 21.8 years as of September 30, 2006. The average depreciable life of the depreciable capital assets for the Water and Sewer System is 28.5 years as of September 30, 2007 and 27 years as of September 30, 2006. The average depreciable life of the depreciable capital assets for the District Energy System is 25.1 years as of September 30, 2007 and 25 years as of September 30, 2006.

(g) Amortization

Amortization of debt issue costs and bond discounts and premiums is computed on a straight-line basis, which approximates the effective interest method over the remaining term of the outstanding bonds.

(h) Losses on Refundings

Losses on refundings of JEA revenue bonds are deferred and amortized as a component of interest on debt using the straight-line method over the remaining life of the old debt or the new debt, whichever is shorter. Unamortized deferred losses on refundings are reported as a reduction of long-term debt on the balance sheets. Whereas JEA has incurred accounting losses on refundings, calculated as the difference between the net carrying value of the refunded and the refunding bonds, JEA has over time realized economic gains calculated as the present value difference in the future debt service on the refunded and refunding bonds.

JEA

Notes to Financial Statements (continued)

(Dollars In Thousands)

1. Summary of Significant Accounting Policies and Practices (continued)

(i) Investments

Investments in U.S. treasury, government agency, and state and local government securities are recorded at fair value, as determined by quoted market prices. Investments in overnight repurchase agreements and commercial paper are recorded at cost, which approximates fair value.

(j) Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash on hand, bank demand accounts, overnight repurchase agreements, and short-term liquid investments purchased with an original maturity of 90 days or less.

(k) Interest Rate Swap Agreements

JEA's risk management policies allow for the use of interest rate swaps and caps to manage financial exposures, but prohibit the use of these instruments for speculative or trading purposes. JEA utilizes interest rate swaps, caps and related hedging instruments to manage the interest rate risk associated with various assets and liabilities. Interest rate swaps are used in the area of investment management to increase the yield on revolving short-term investments. Interest rate swaps are also used in the area of debt management to take advantage of favorable market interest rates, while caps are used to limit interest rate risk associated with variable rate debt exposure. JEA's current instruments do not qualify for hedge accounting in accordance with SFAS No. 133. Thus, all changes in the fair value of the instruments are recorded in the statements of revenues, expenses and changes in net assets as investment income (asset management) or interest on debt (debt management). Under the interest rate swap programs, JEA pays a variable rate of interest, which is based on various indices, and receives a fixed rate of interest for a specified period of time (unless earlier terminated), or JEA pays a fixed rate of interest and receives a variable rate of interest, which is based on various indices for a specified period of time (unless earlier terminated). These indices are affected by changes in the market. The net amounts received or paid under the swap or cap agreements are recorded either as an adjustment to investment income (asset management) or interest on debt (debt management) in the statements of revenues, expenses and changes in net assets.

(l) Inventory

Inventories are maintained for fuel and materials and supplies. Fuel inventories are maintained at levels sufficient to meet customer demands. Inventories are valued at average cost, net of an estimated allowance for obsolescence for the materials and supplies inventories.

JEA

Notes to Financial Statements (continued)

(Dollars In Thousands)

1. Summary of Significant Accounting Policies and Practices (continued)

(m) Fuel Management Program

In connection with the purchase of oil and natural gas, JEA has developed and implemented a fuel management program intended to manage the risk of changes in the market prices of oil and natural gas. Pursuant to this program, JEA may execute fixed price and options contracts from time to time to help manage fluctuations in the market prices of oil and natural gas. In addition, JEA has executed an Operating Agreement with The Energy Authority (TEA) whereby TEA may be tasked with developing and implementing a Fuel Price Insurance program on behalf of JEA. The fair value of such contracts, executed either by JEA or TEA, on behalf of JEA are recorded in fuel under operating expenses and the fair value is recorded as an asset or liability. Any associated margin deposits are recorded in other noncurrent assets. The net amounts received or paid under the expired or closed fuel contracts are recorded as an adjustment to fuel expense. See note 10 - Fuel Management Program.

(n) Capital Contributions

Capital contributions for the Water and Sewer System represent contributions of cash and capital assets from the City, developers, customers and other third parties. Capital contributions are recorded in the statement of revenues, expenses, and changes in net assets at fair value at the time of receipt. Depreciation is recorded on contributed capital assets on a straight-line basis.

(o) Deferred Credits and Other Liabilities

Deferred credits and other liabilities include long-term compensated absences, accrued environmental liabilities, and the long-term obligation to the City of Jacksonville for its Excise Tax Revenue Bonds. See note 8 - Transactions with City of Jacksonville.

(p) Environmental Costs

JEA expenses, on a current basis, certain known costs incurred in complying with environmental regulations and conducting remediation activities. JEA also accrues liabilities in accordance with SFAS No. 5 for certain potential future costs required for site restoration for which JEA may be liable whenever, by diligent legal and technical investigation, the scope or extent of damage has been determined, remedial measures have been specifically identified as practical and viable, and the cost of remediation and JEA's proportionate share can be reasonably estimated. Generally, the timing of these accruals coincides with completion of a remedial investigation and feasibility study or JEA's commitment to a formal plan of action.

JEA

Notes to Financial Statements (continued)

(Dollars In Thousands)

1. Summary of Significant Accounting Policies and Practices (continued)

(q) *Costs to be Recovered from Future Revenues / Revenues to be Used for Future Costs*

Cost-based regulation – Due to the application of SFAS No. 71, the Bulk Power Supply System and SJRPP record certain assets and liabilities that result from the effects of the ratemaking process that would not be recorded under generally accepted accounting principles for nonregulated entities. Currently, the electric utility industry is predominantly regulated on a basis designed to recover the cost of providing electric power to its customers. If cost-based regulation were to be discontinued in the electric industry for any reason, market prices for electricity could be reduced or increased and utilities might be required to reduce their balance sheet amounts to reflect market conditions. Discontinuance of cost-based regulation could also require affected utilities to write off their associated regulatory assets and liabilities. Management cannot predict the potential impact, if any, of the change in the regulatory environment on JEA's future financial position and results of operations.

The rates for SJRPP and the Bulk Power Supply System are established on a cost of service basis, which is based upon debt service, if any, and operating fund requirements. Straight-line depreciation is not considered in the cost of service calculation used to design rates.

Costs to be Recovered from Future Revenues – The deferred debt related costs of \$219,007 at September 30, 2007 and \$268,844 at September 30, 2006, are the result of differences between expenses in determining rates and those used in financial reporting and are shown under other noncurrent assets on the balance sheet. SJRPP has a contract with the JEA Electric System and FPL to recover these costs from future revenue that will coincide with retirement of long-term debt of SJRPP. The amount recovered each year will be the difference between debt principal maturities (adjusted for the effects of premiums, discounts, and amortization of gains and losses) and straight-line depreciation and results in recognition of deferred costs on the statement of revenues, expenses, and changes in net assets. SJRPP recognized \$49,830 in fiscal year 2007 and \$44,306 in fiscal year 2006, in deferred costs. The costs to be recovered from future revenues will be recovered over a period extending through 2020.

Revenues to be Used for Future Costs – Early debt principal retirements of the Bulk Power Supply System in excess of straight-line depreciation of \$80,217 at September 30, 2007 and \$84,095 at September 30, 2006, are included in noncurrent liabilities on the balance sheets. As no Bulk Power Supply System bonds remain outstanding, recognition of deferred revenues on the statement of revenues, expenses, and changes in net assets in the future will coincide with future costs for straight-line depreciation. The Bulk Power Supply System recognized revenue of \$3,878 for both fiscal years 2007 and 2006. The revenues to be used for future costs will be amortized until the capital assets are fully depreciated in 2028.

	2007	2006
Summary:		
Recognition of deferred costs from SJRPP	\$ 49,830	\$ 44,306
Recognized revenues from Bulk Power Supply System	(3,878)	(3,878)
Recognition of deferred costs and revenues, net	\$ 45,952	\$ 40,428

JEA

Notes to Financial Statements (continued)

(Dollars In Thousands)

1. Summary of Significant Accounting Policies and Practices (continued)

(r) Pervasiveness of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(s) Reclassifications

Certain 2006 amounts have been reclassified to conform to the 2007 presentation.

(t) Recent Accounting Pronouncements

The GASB has recently issued the following statements:

- Statement of Governmental Accounting Standards (GASB) No.49, *Pollution Remediation Obligations*, issued November 30, 2006
- Statement of Governmental Accounting Standards (GASB) No.50, *Pension Disclosure*, issued May 31, 2007
- Statement of Governmental Accounting Standards (GASB) No.51, *Accounting and Financial Reporting for Intangible Assets*, issued July, 2007

The implementation of these statements is not expected to have a material effect on JEA's financial statements.

JEA is currently evaluating for implementation in fiscal year 2008, GASB 45, *Accounting and Financial Reporting by Employers for Post Employment Benefits Other than Pension*. Currently JEA health benefits are provided to both active employees and retirees through the same group at the blended rate. GASB 45 requires the actuarial estimates to be calculated using age adjusted premiums approximating claim cost for retirees separate from active employees. The use of age adjusted premiums results in an implicit rate subsidy. An initial actuarial valuation study completed as of September 30, 2007 indicated that, at the current level of benefits, the accrued actuarial liability for these benefits is approximately \$81 million. The final impact to JEA's financial reporting as a result of implementation of this pronouncement will not be known until various funding decisions and actuarial assumptions are finalized.

JEA

Notes to Financial Statements (continued)

(Dollars In Thousands)

2. Restricted Assets

Restricted assets were held in the following funds at September 30, 2007 and 2006:

	2007	2006
Electric System:		
Sinking Fund	\$ 42,406	\$ 48,858
Construction Fund	10,498	5,896
Renewal and Replacement Fund	7,794	16,926
Adjustment to fair value of investments	(338)	(848)
Total Electric System	60,360	70,832
SJRPP System:		
Sinking Fund	125,910	113,213
Construction Fund	35,449	—
Debt Service Reserve Fund	145,160	146,867
Renewal and Replacement Fund	90,000	81,087
Revenue Fund	41,157	20,065
Adjustment to fair value of investments	(1,525)	(1,945)
Total SJRPP System	436,151	359,287
Water and Sewer System:		
Sinking Fund	50,268	48,169
Debt Service Reserve Fund	23	—
Construction Fund	6,511	22,561
Debt Refunding Escrow	—	134,028
Renewal and Replacement Fund	41,697	7,144
Adjustment to fair value of investments	—	(2,515)
Total Water and Sewer System	98,499	209,387
District Energy System:		
Sinking Fund	148	149
Construction Fund	3	488
Renewal and Replacement Fund	2,076	7
Total District Energy System	2,227	644
Total restricted assets	\$ 597,237	\$ 640,150

JEA

Notes to Financial Statements (continued)

(Dollars In Thousands)

2. Restricted Assets (continued)

The Electric System, SJRPP System, Water and Sewer System and the District Energy System are permitted to invest restricted funds in specified types of investments in accordance with their bond resolutions and the investment policy.

The requirements of the respective bond resolutions for contributions to the respective systems' renewal and replacement funds are as follows:

Electric System:	An amount equal to the greater of 10% of the prior year defined net revenues or 5% of the prior year defined gross revenues.
SJRPP System:	An amount equal to 12.5% of aggregate debt service, as defined.
Water and Sewer System:	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.
District Energy System:	An amount equal to the greater of 10% of the prior year defined annual net revenues or 5% of the prior year defined revenues.

3. Cash and Investments

JEA maintains cash and investment pools that are utilized by all funds except for the bond funds. Included in the JEA cash balances are amounts on deposit with JEA's commercial bank as well as amounts deposited with the Florida State Board of Administration's Local Government Investment Pool. The commercial bank balances are covered by federal depository insurance or collateralized subject to the Florida Security for Public Deposits Act of Chapter 280, Florida Statutes. Amounts subject to Chapter 280, Florida Statutes, are collateralized by securities deposited by JEA's commercial bank under certain pledging formulas with the State Treasurer or other qualified custodians.

JEA follows GASB No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools, which requires the adjustments of the carrying value of investments to fair value to be presented as a component of investment income. Investments are presented at fair value, which is based on available or equivalent market values. The Local Government Surplus Funds Trust Fund Investment Pool, created by Section 218.405, Florida Statutes, is operated by the Florida State Board of Administration and is a "2a-7 like" pool in accordance with GASB No. 31; therefore, it is not presented at fair value but at its actual pooled share price, which approximates fair value. A 2a-7 like pool is not registered with the SEC as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940, which comprises the rules governing money market funds. The Local Government Surplus Funds Trust Fund is administered by the State Board of Administration, under the regulatory oversight of the State of Florida, Chapter 19-7 of the Florida Administrative Code.

JEA

Notes to Financial Statements (continued)

(Dollars In Thousands)

3. Cash and Investments (continued)

At September 30, 2007 and 2006, the fair value of all securities, regardless of balance sheet classification as cash equivalent or investment, was as follows:

	2007	2006
Securities:		
U.S. government agency securities	\$ 127,882	\$ 275,172
State and local government securities	48,860	42,802
Repurchase agreements	—	46,309
Commercial paper	35,545	45,191
Local government investment pool	211,611	146,731
Investment in money market mutual fund	50,187	42,863
	474,085	599,068
Fair value of interest rate swaps	(338)	(848)
Total securities, at fair value	\$ 473,747	\$ 598,220

These securities are held in the following accounts:

	2007	2006
Restricted assets:		
Cash and cash equivalents	\$ 403,077	\$ 319,536
Investments	187,840	313,741
Current assets:		
Cash and cash equivalents	122,221	130,719
Total cash and investments	713,138	763,996
Plus interest due on securities	1,198	4,565
Less cash on deposit	(240,589)	(170,341)
Total securities, at fair value	\$ 473,747	\$ 598,220

JEA

Notes to Financial Statements (continued)

(Dollars In Thousands)

3. Cash and Investments (continued)

JEA is authorized to invest in securities as described in its investment policy and in each bond resolution. As of September 30, 2007, JEA's investments in securities and their maturities are categorized below in accordance with GASB No. 40, Deposit and Investment Risk Disclosures. It is assumed that callable investments will not be called.

Investment Maturity Distribution

Type of Investments	Less than One Year	One to Five Years	Five to Ten Years	Ten to Fifteen Years	Total
U.S. government agency securities	\$ 51,296	\$5,172	\$43,033	\$28,381	\$127,882
State and local government securities			8,408	40,452	48,860
Commercial paper	35,545				35,545
Local government investment pool	211,611				211,611
Investment in money market mutual fund	50,187				50,187
Subtotal	<u>\$348,639</u>	<u>\$5,172</u>	<u>\$51,441</u>	<u>\$68,833</u>	<u>474,085</u>
Fair value of interest rate swaps					(338)
Total securities, at fair value					<u>\$473,747</u>

Interest Rate Risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, JEA's investment policy requires the investment portfolio to be structured in such a manner as to provide sufficient liquidity to pay obligations as they come due. To the extent possible, investment maturities are matched with known cash needs and anticipated cash flow requirements. Additionally, maturity limitations for investments related to the issuance of debt are outlined in the Bond Resolution relating to those bond issues. JEA's investment policy also limits investments in commercial paper to maturities of less than nine months.

Credit Risk. JEA's investment policy is consistent with the requirements for investments of state and local governments contained in the Florida Statutes and its objectives are to seek reasonable income, preserve capital, and avoid speculative investments. Consistent with JEA's investment policy and bond resolutions: (1) all of the U.S. government agency securities held in the portfolio are issued or guaranteed by agencies created pursuant to an Act of Congress as an agency of the United States of America and at the time of their purchase were rated AAA by Standard & Poor's and Aaa by Moody's Investors Services; and (2) the state and local government securities are general obligations of the State of Florida backed by the full faith and credit of the State for the payment of principal and interest. At the time of purchase, the state and local government securities were rated at least AA+ by Standard & Poor's and Aa1 by Moody's Investors Services. The money market mutual fund is rated AAA by Standard & Poor's Investors Services and the Local Government Surplus Funds Trust Fund is unrated. JEA's investment policy limits investments in commercial paper to the highest whole

JEA

Notes to Financial Statements (continued)

(Dollars In Thousands)

3. Cash and Investments (continued)

rating category issued by at least two nationally recognized rating agencies and the issuer must be a Fortune 500 company or Fortune Global 500 company and the ratings outlook must be positive or stable at the time of the investment. As of September 30, 2007, JEA's investments in commercial paper were rated at least A-1 by Standard & Poor's and P-1 by Moody's Investors Services. Also, JEA's investment policy limits the commercial paper investment in any one issuer to \$12,500. Additionally, JEA's investment policy limits investments in commercial paper to 25% of the investment portfolio. As of September 30, 2007, JEA had 7.5% of its investments in commercial paper.

Custodial Credit Risk. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, JEA will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All of JEA's investments are held by JEA or by an agent in JEA's name. Repurchase agreements must be collateralized by U.S. Treasury or U.S. government agency securities, or cash, and the market value of the securities must be at least 103% of the agreement amount in the case of SJRPP and 102% for the Electric System or Water and Sewer System.

Concentration of Credit Risk. As of September 30, 2007, investments in any one issuer representing 5% or more of JEA's total investments were as follows: \$63,361 (13.4%) invested in issues of the Federal National Mortgage Association, \$36,135 (7.6%) invested in issues of the Federal Home Loan Bank, \$28,386 (6.0%) invested in issues of the Federal Home Loan Mortgage Corporation, and \$39,528 (8.3%) invested in general obligation issues of the Florida State Board of Education. JEA's investment policy limits the maximum holding of any one U.S. government agency issuer to 50% of total investments.

For asset management purposes, JEA has entered into various interest rate swap agreements with total notional amounts of \$25,000 for the Electric System that expire over the next year (unless earlier terminated). The notional amounts of the interest rate swaps are not reflected in the financial statements; however, the fair values of the asset management interest rate swaps are included in investments on the balance sheets. Asset management interest rate swap earnings, losses, and related fair market value adjustments are recorded as an adjustment to investment income in the statements of revenues, expenses, and changes in net assets.

There were no asset management interest rate swap agreements outstanding for Water and Sewer System at September 30, 2007 and 2006. The below table includes information related to the Electric System asset management swaps agreements for the years ending September 30, 2007 and 2006:

	2007	2006
LIBOR Index:		
Notional amount outstanding	\$ 25,000	\$ 25,000
Variable rate paid (weighted average)	5.4%	4.8%
Fixed rate received (weighted average)	3.1%	3.1%
Net swap earnings/(loss) ⁽¹⁾	\$ (82)	\$ (326)
Fair value ⁽²⁾	\$ (338)	\$ (848)

(1) Includes related fair market value adjustments.

(2) Fair value amounts were calculated using market rates as of September 30, 2007 and 2006, and standard cash flow present valuing techniques.

JEA

Notes to Financial Statements (continued)

(Dollars In Thousands)

3. Cash and Investments (continued)

The Electric System and the Water and Sewer System are exposed to a potential nonpayment in the event of nonperformance by the counterparty of its interest rate swap agreements. JEA believes that the risk of nonpayment in the event of nonperformance by the counterparty under these agreements is not significant. JEA does not anticipate nonperformance by any counterparty.

4. Capital Assets

Capital asset activity for the year ended September 30, 2007, is as follows:

	Balance September 30, 2006	Additions	Retirements	Transfers / Adjustments	Balance September 30, 2007
Electric System:					
Generation Assets	\$ 2,807,339	\$ 97,860	\$ (98,612)	\$ 23,186	\$ 2,829,773
Transmission Assets	361,912	54,116	(3,390)	(633)	412,005
Distribution Assets	1,190,545	151,815	(8,225)	2	1,334,137
Other Assets	481,332	32,006	(52,625)	—	460,713
Total Capital Assets	4,841,128	335,797	(162,852)	22,555	5,036,628
Less: Accumulated Depreciation and Amortization	(1,916,017)	(201,358)	161,192	10,976	(1,945,207)
Land	58,735	—	(1,256)	(2)	57,477
Construction Work-in-Process	407,876	(10,752)	—	(33,529)	363,595
Net Capital Assets	3,391,722	123,687	(2,916)	—	3,512,493
Water and Sewer System:					
Water and Sewer Pumping Assets	319,364	42,375	(740)	734	361,733
Water and Sewer Treatment Assets	429,007	35,044	(1,206)	(227)	462,618
Water Transmission & Distribution Assets	724,091	118,403	(669)	48	841,873
Sewer Collection Assets	1,027,485	121,192	(1,563)	(924)	1,146,190
Sewer Reclaimed Water Assets	34,464	16,253	(10)	369	51,076
Water and Sewer General and Other Assets	342,041	42,161	(9,263)	—	374,939
Total Capital Assets	2,876,452	375,428	(13,451)	—	3,238,429
Less: Accumulated Depreciation	(738,614)	(108,718)	13,892	—	(833,440)
Land	25,173	3,776	(441)	—	28,508
Construction Work-in-Process	381,488	(101,724)	—	—	279,764
Net Capital Assets	2,544,499	168,762	—	—	2,713,261

JEA

Notes to Financial Statements (continued)

(Dollars In Thousands)

4. Capital Assets (continued)

	Balance September 30, 2006	Additions	Retirements	Transfers / Adjustments	Balance September 30, 2007
District Energy System:					
Chilled Water Plant Assets	\$ 29,702	\$ 21,994	\$ —	\$ —	\$ 51,696
Total Capital Assets	29,702	21,994	—	—	51,696
Less: Accumulated Depreciation	(2,104)	(1,022)	—	—	(3,126)
Net Capital Assets	27,598	20,972	—	—	48,570
Construction Work-in-Process	20,405	(19,870)	—	—	535
Net Capital Assets	48,003	1,102	—	—	49,105
Total Electric System, Water and Sewer System, and District Energy System					
	\$ 5,984,224	\$ 293,551	\$ (2,916)	\$ —	\$ 6,274,859

Capital asset activity for the year ended September 30, 2006, is as follows:

	Balance September 30, 2005	Additions	Retirements	Transfers / Adjustments	Balance September 30, 2006
Electric System:					
Generation Assets	\$ 2,805,584	\$ 18,944	\$ (17,189)	\$ —	\$ 2,807,339
Transmission Assets	329,037	34,460	(1,585)	—	361,912
Distribution Assets	1,122,795	81,807	(14,057)	—	1,190,545
Other Assets	430,773	52,254	(1,695)	—	481,332
Total Capital Assets	4,688,189	187,465	(34,526)	—	4,841,128
Less: Accumulated Depreciation and Amortization	(1,755,633)	(189,404)	29,020	—	(1,916,017)
Land	44,333	14,402	—	—	58,735
Construction Work-in-Process	391,651	16,225	—	—	407,876
Net Capital Assets	3,368,540	28,688	(5,506)	—	3,391,722

JEA

Notes to Financial Statements (continued)

(Dollars In Thousands)

4. Capital Assets (continued)

	Balance September 30, 2005	Additions	Retirements	Transfers / Adjustments	Balance September 30, 2006
Water and Sewer System:					
Water and Sewer Pumping Assets	\$ 302,208	\$ 16,875	\$ (25)	\$ 306	\$ 319,364
Water and Sewer Treatment Assets	397,358	31,642	—	7	429,007
Water Transmission & Distribution Assets	612,122	112,770	(1,435)	634	724,091
Sewer Collection Assets	970,497	63,265	(6,660)	383	1,027,485
Sewer Reclaimed Water Assets	21,085	13,379	—	—	34,464
Water and Sewer General and Other Assets	302,635	40,969	(1,923)	360	342,041
Total Capital Assets	2,605,905	278,900	(10,043)	1,690	2,876,452
Less: Accumulated Depreciation	(650,624)	(96,343)	10,043	(1,690)	(738,614)
Land	24,042	1,131	—	—	25,173
Construction Work-in-Process	423,127	(41,639)	—	—	381,488
Net Capital Assets	2,402,450	142,049	—	—	2,544,499
District Energy System:					
Chilled Water Plant Assets	29,618	84	—	—	29,702
Total Capital Assets	29,618	84	—	—	29,702
Less: Accumulated Depreciation	(523)	(1,581)	—	—	(2,104)
Construction Work-in-Process	17,714	2,691	—	—	20,405
Net Capital Assets	46,809	1,194	—	—	48,003
Total Electric System, Water and Sewer System, and District Energy System	\$ 5,817,799	\$ 171,931	\$ (5,506)	\$ —	\$ 5,984,224

JEA

Notes to Financial Statements (continued)

(Dollars In Thousands)

5. Investment in The Energy Authority

JEA is a member of The Energy Authority (TEA), a municipal power marketing and risk management joint venture, headquartered in Jacksonville, Florida. TEA currently has six members and JEA's ownership in TEA is 21.4%. TEA provides wholesale power marketing and resource management services to members and non-members and allocates transaction savings and operating expenses pursuant to a settlement agreement. TEA also assists JEA with natural gas procurement and related gas hedging activities. JEA's earnings from TEA were \$20,192 in fiscal year 2007 and \$21,910 in fiscal year 2006 for all power marketing activities. The investment in TEA of \$7,423 at September 30, 2007 and \$7,235 at September 30, 2006, is reflected under noncurrent assets on the balance sheets.

The following is a summary of the unaudited financial information of TEA for the nine months ending September 30, 2007.

	Unaudited	
	2007	2006
Condensed balance sheet:		
Current assets	\$ 185,384	\$ 147,225
Noncurrent assets	12,533	7,015
Total assets	<u>\$ 197,917</u>	<u>\$ 154,240</u>
Current liabilities	\$ 163,218	\$ 120,812
Noncurrent liabilities	419	249
Members' capital	34,280	33,179
Total liabilities and members' capital	<u>\$ 197,917</u>	<u>\$ 154,240</u>
Condensed statement of operations:		
Operating revenues	\$ 1,297,713	\$ 1,258,149
Operating expenses	1,196,115	1,155,682
Operating income	<u>\$ 101,598</u>	<u>\$ 102,467</u>
Net income	<u>\$ 103,529</u>	<u>\$ 104,107</u>

As of September 30, 2007, JEA is obligated to guaranty, directly or indirectly, TEA's electric trading activities in an amount up to \$28,929 and TEA's natural gas procurement and trading activities up to \$39,900, in either case, plus attorney's fees which any party claiming and prevailing under the guaranty might incur and be entitled to recover under its contract with TEA.

JEA

Notes to Financial Statements (continued)

(Dollars In Thousands)

5. Investment in The Energy Authority (continued)

JEA has approved up to \$50,000 (plus attorney fees) for TEA's natural gas procurement and trading activities. Generally, JEA's guaranty obligations for electric trading would arise if TEA did not make the contractually required payment for energy, capacity or transmission which was delivered or made available or if TEA failed to deliver or provide energy, capacity, or transmission as required under a contract. Generally, JEA's guaranty obligations for natural gas procurement and trading would arise if TEA did not make the contractually required payment for natural gas or transportation which was delivered or purchased or if TEA failed to deliver natural gas or transportation as required under a contract.

Upon JEA's making any payments under its electric guaranty, it has certain contribution rights with the other members of TEA in order that payments made under the TEA member guaranties would be equalized ratably, based upon each member's equity ownership interest in TEA. Upon JEA's making any payments under its natural gas guaranty, it has certain contribution rights with the other members of TEA in order that payments under the TEA member guaranties would be equalized ratably in proportion to their respective amounts of guaranties, as adjusted by the actual natural gas member volumes and prices for the calendar year. After such contributions have been effected, JEA would only have recourse against TEA to recover amounts paid under the guaranty.

JEA has elected to provide a guaranty for the use by TEA solely for the purpose of facilitating trading (including financial transactions) or transportation activities involving electricity, natural gas, or any other commodity for, and as approved by, JEA. The amount of this guaranty is \$50,000 plus reasonable attorney fees which any party claiming and prevailing under such guaranty might incur. This guaranty is intended to be used by TEA for long-term transactions or hedging transactions, solely for the account of JEA. JEA's guaranty obligations hereunder would generally arise if TEA did not make the contractually required payment or failed to deliver the commodity as required under the contract. JEA has no contribution rights with other members of TEA under this guaranty. JEA only has recourse against TEA to recover amounts paid under this guaranty.

The term of these guaranties is generally indefinite, but JEA has the ability to terminate its guaranty obligations by causing to be provided advance notice to the beneficiaries thereof. Such termination of its guaranty obligations only applies to TEA transactions not yet entered into at the time the termination takes effect.

TEA issues separate audited financial statements on a calendar-year basis.

6. Investment in Colectric Partners, Inc.

JEA, along with five other public power utilities, is a member of Colectric Partners, Inc. (Coletric), a Georgia nonprofit corporation. JEA's ownership interest is 25%. The purpose of Colectric is to secure cost savings through the implementation of standardized practices in the development, engineering, procurement, construction, and start-up of generation facilities. Cost savings are also envisioned by joint measures for training and spare parts. The long-term goal of Colectric is to provide its members with services in other aspects of the energy supply chain. At September 30, 2007 and 2006, \$264 and \$132, are included in other noncurrent assets in the balance sheets.

JEA

Notes to Financial Statements (continued)

(Dollars In Thousands)

6. Investment in Colectric Partners, Inc. (continued)

The following is a summary of the unaudited information of Colectric for the eight months ending August 31, 2007:

	Unaudited	
	2007	2006
Condensed balance sheet:		
Current assets	\$ 2,020	\$ 1,352
Noncurrent assets	31	23
Total assets	\$ 2,051	\$ 1,375
Current liabilities	\$ 997	\$ 849
Members' capital	1,054	526
Total liabilities and members' capital	\$ 2,051	\$ 1,375
Condensed statement of operations:		
Operating revenues	\$ 1,597	\$ 1,536
Operating expenses	1,263	1,595
Operating income	\$ 334	\$ (59)
Net income	\$ 373	\$ (35)

Colectric issues separate audited financial statements on a calendar-year basis.

7. Long-Term Debt

The Electric System, SJRPP System, Water and Sewer System and District Energy System revenue bonds (JEA Revenue Bonds) are each governed by one or more bond resolutions. The Electric System bonds are governed by both a senior and a subordinated bond resolution; the Water and Sewer System bonds are governed by both a senior and a subordinated bond resolution; the SJRPP System bonds are governed by the First and Second Power Park Resolutions; and the District Energy System bonds are governed by a single bond resolution. In accordance with the bond resolutions of each system, principal and interest on the bonds are payable from and secured by a pledge of the Net Revenues of the respective system. In general, the bond resolutions require JEA to make monthly deposits into the separate debt service sinking funds for each System in an amount equal to approximately one-twelfth of the aggregate amount of principal and interest due and payable on the bonds within the bond year. Interest on the fixed rate bonds, other than the SJRPP capital appreciation bonds, is payable semi-annually on April 1 and October 1 and principal is payable on October 1.

JEA

Notes to Financial Statements (continued)

(Dollars In Thousands)

7. Long-Term Debt (continued)

In accordance with the requirements of the SJRPP First Power Park Resolution and the Agreement for Joint Ownership and Construction and Operation of St. Johns River Power Park Coal Units #1 and #2 between JEA and FPL, FPL is responsible for paying its share of the debt service on bonds issued under the First Resolution Power Park Resolution. The various bond resolutions provide for certain other covenants, the most significant of which (1) requires JEA to establish rates for each system such that net revenues with respect to that system is sufficient to exceed (by a certain percentage) the debt service for that system during the fiscal year and any additional amount required to make all reserve or other payments required to be made in such fiscal year by the resolution of that system and (2) restricts JEA from issuing additional parity bonds unless certain conditions are met.

Schedule of Outstanding Indebtedness As of September 30, 2007 and September 30, 2006

Long-term Debt	Interest Rates ⁽¹⁾	Payment Dates	September 30, 2006	September 30, 2007
Electric System Senior Revenue Bonds:				
Series Three, 1998A	4.500 - 5.100 %	2008-2014	\$ 95,750	\$ 10,830
Series Three, 2001C			28,055	—
Series Three, 2002A			2,480	—
Series Three, 2002B	3.250 - 4.700 %	2008-2018	105,395	105,395
Series Three, 2003A	2.500 - 4.625%	2008-2039	94,445	92,345
Series Three, 2003B-1 ⁽⁴⁾	Variable	2007-2033	86,600	84,900
Series Three, 2003B-2 ⁽⁴⁾	Variable	2007-2033	86,600	84,900
Series Three, 2003C-1 ⁽⁴⁾	Variable	2007-2038	49,400	48,800
Series Three, 2003C-2 ⁽⁴⁾	Variable	2007-2038	49,400	48,800
Series Three, 2004A	2.375 - 5.000%	2008-2039	101,890	94,390
Series Three, 2005A	3.450 - 4.750%	2012-2039	90,000	90,000
Series Three, 2005B	3.000 - 5.000%	2007-2033	92,905	92,905
Series Three, 2005C-1 ⁽⁴⁾	Variable	2007-2039	72,950	72,675
Series Three, 2005C-2 ⁽⁴⁾	Variable	2007-2039	72,275	72,000
Series Three, 2005C-3 ⁽⁴⁾	Variable	2007-2035	58,325	58,025
Series Three, 2005C-4 ⁽⁴⁾	Variable	2007-2035	58,100	57,800
Series Three, 2005D	3.000 - 4.500%	2007-2035	36,440	36,440
Series Three, 2006A	3.250 - 5.000%	2007-2041	94,000	94,000
Series Three, 2007A ⁽³⁾	Variable	2008-2036	—	123,480
Series Three, 2007B ⁽³⁾	Variable	2008-2037	—	123,240
Total Electric System Senior Revenue Bonds			1,275,010	1,390,925
Electric System Subordinated Revenue Bonds:				
Series B Commercial Paper Notes	Variable	n/a	8,370	6,950
Series C Commercial Paper Notes	Variable	n/a	109,208	107,882
2000 Series A ⁽³⁾	Variable	2007-2035	81,800	81,000
2000 Series B ⁽³⁾	Variable	2007-2035	81,800	81,000
2000 Series E	4.625 %	2008	3,015	3,015
2000 Series F ⁽³⁾	Variable	2017-2030	125,000	125,000

JEA

Notes to Financial Statements (continued)

(Dollars In Thousands)

7. Long-Term Debt (continued)

Schedule of Outstanding Indebtedness
As of September 30, 2007 and September 30, 2006 (continued)

Long-term Debt	Interest Rates ⁽¹⁾	Payment Dates	September 30, 2006	September 30, 2007
Electric System Subordinated Revenue Bonds (continued):				
2001 Series A	3.800 - 4.500 %	2007-2012	\$ 22,405	\$ 22,405
2001 Series B ⁽³⁾	Variable	2017-2030	66,000	66,000
2001 Series C ⁽³⁾	Variable	2017-2030	66,000	66,000
2001 Series D ⁽⁴⁾	Variable	2010-2031	175,100	175,100
2001 Series E	3.000 - 4.200 %	2007-2013	25,075	22,310
2002 Series A	3.850 - 4.750 %	2008-2015	10,740	10,740
2002 Series B	3.000 - 5.000 %	2008	20,650	4,380
2002 Series C	3.250 - 3.875 %	2008-2011	72,710	72,710
2002 Series D	4.000 - 4.875 %	2014-2035	116,275	116,275
2003 Series A	4.500 - 4.625 %	2023-2033	30,755	30,755
2004 Series A	4.200 - 5.000 %	2014-2024	25,000	25,000
2005 Series A	3.000 - 4.750 %	2008-2029	24,450	24,450
2005 Series B ⁽⁴⁾	Variable	2007-2037	70,775	70,550
2005 Series C	3.000 - 4.375 %	2007-2035	25,040	25,040
2006 Series A	3.750 - 4.300 %	2015-2024	25,000	25,000
Total Electric System Subordinated Revenue Bonds			1,185,168	1,161,562
Electric System Other Subordinated Debt:				
Line of Credit Draws	4.311 %	2007	—	3,300
Total Electric System Other Subordinated Debt			—	3,300
SJRPP System Revenue Bonds:				
Issue 2, Series 7	6.200%	2010-2011	14,994	14,994
Issue 2, Series 10	5.500%	2013	50	50
Issue 2, Series 11			1,570	—
Issue 2, Series 12			27,970	—
Issue 2, Series 13	4.700 - 5.375 %	2007	69,055	1,735
Issue 2, Series 14	4.700 - 5.300 %	2007	38,985	615
Issue 2, Series 15	4.700 - 5.500 %	2007	50,675	23,775
Issue 2, Series 17	4.700 - 5.250 %	2007-2019	459,450	442,880
Issue 2, Series 18	2.625 - 5.000 %	2007-2018	159,625	149,780
Issue 2, Series 19	3.080 - 4.600 %	2007-2017	60,740	60,125
Issue 2, Series 20	3.625 - 4.500 %	2011-2021	96,500	96,500
Issue 2, Series 21	4.000 - 5.000 %	2007-2021	225,180	225,180
Issue 2, Series 22	4.000 - 5.250 %	2007-2019	—	108,350
Issue 3, Series 1 ⁽⁶⁾	3.600 - 5.000 %	2010-2037	—	150,000
Total SJRPP System Revenue Bonds			1,204,794	1,273,984

JEA

Notes to Financial Statements (continued)

(Dollars In Thousands)

7. Long-Term Debt (continued)

**Schedule of Outstanding Indebtedness
As of September 30, 2007 and September 30, 2006 (continued)**

Long-term Debt	Interest Rates ⁽¹⁾	Payment Dates	September 30, 2006	September 30, 2007
Water and Sewer System Senior Revenue Bonds:				
1997 Series B	4.750 - 5.400%	2007-2020	\$ 52,855	\$ 4,615
1999 Series A	4.500 - 5.000%	2010-2014	11,125	9,200
2001 Series B	3.800 - 5.300%	2007-2039	81,990	43,305
2001 Series C	3.500 - 4.375%	2008-2013	33,375	32,475
2002 Series A ⁽²⁾			125,000	—
2002 Series B	3.000 - 5.250%	2007-2017	65,690	63,420
2002 Series C	4.625 - 5.000%	2018-2041	160,000	95,295
2003 Series A	3.125 - 4.750%	2011-2043	50,720	50,720
2003 Series B	4.375 - 4.750%	2021-2037	56,640	56,640
2004 Series A	2.000 - 5.250%	2007-2039	207,640	204,895
2004 Series B	2.500 - 4.500%	2008-2039	124,030	124,030
2004 Series C	2.250 - 5.000%	2008-2039	85,650	29,785
2005 Series A	3.000 - 5.000%	2007-2041	147,575	143,870
2005 Series B ⁽²⁾	3.250 - 5.000%	2008-2041	—	129,955
2005 Series C	3.500 - 5.000%	2014-2037	116,830	116,830
2006 Series A	4.500 - 4.750%	2019-2041	35,000	35,000
2006 Series B	3.400 - 4.500%	2007-2029	—	37,760
2006 Series B ⁽⁵⁾	Variable	2016-2022	—	38,730
2007 Series A	3.750 - 4.500%	2010-2041	—	96,850
2007 Series B ⁽³⁾	Variable	2023-2041	—	85,290
2007 Series C	4.000 - 4.750%	2008-2037	—	41,610
Total Water and Sewer System Senior Revenue Bonds			1,354,120	1,440,275
Water and Sewer System Subordinated Revenue Bonds:				
Second Crossover Series ⁽²⁾	3.250 - 5.000%		129,955	—
Subordinated 2003 Series A -1 ⁽⁴⁾	Variable	2007-2036	63,100	61,950
Subordinated 2003 Series A -2 ⁽⁴⁾	Variable	2007-2036	62,725	61,600
Subordinated 2003 Series B ⁽³⁾	Variable	2007-2036	95,165	94,165
Subordinated 2003 Series C	3.125 - 5.000%	2011-2043	50,400	40,400
Subordinated 2004 Series A	2.000 - 4.375%	2007-2034	39,695	39,695
Subordinated 2004 Series B	4.000 - 4.750%	2015-2025	20,000	20,000
Subordinated 2005 Series A	3.500%	2009-2013	865	865
Subordinated 2006 Series A	4.000 - 4.750%	2008-2036	15,000	15,000
Subordinated 2007 Series A	4.500%	2034-2043	—	10,330
Total Water and Sewer System Subordinated Revenue Bonds			476,905	344,005
Water and Sewer System Other Subordinated Debt:				
State Revolving Fund Loan	2.630%	2009-2029	—	401
Total Water and Sewer System Other Subordinated Revenue Bonds			—	401

JEA

Notes to Financial Statements (continued)

(Dollars In Thousands)

7. Long-Term Debt (continued)

Schedule of Outstanding Indebtedness As of September 30, 2007 and September 30, 2006 (continued)

Long-term Debt	Interest Rates ⁽¹⁾	Payment Dates	September 30, 2006	September 30, 2007
District Energy System:				
2004 Series A	Variable	2010-2034	\$ 47,800	\$ 47,800
Line of Credit Draws	4.250 - 4.420%	2008	4,000	4,985
Total District Energy System			51,800	52,785
Total Debt Principal Outstanding			5,547,797	5,667,237
Plus Accretion of SJRPP Issue 2 Series 7 Capital Appreciation Bonds			20,545	22,782
Sub-total			5,568,342	5,690,019
Less: Debt Due Within One Year			(119,820)	(125,295)
Total Long-term Debt			\$ 5,448,522	\$ 5,564,724

⁽¹⁾ The interest rates on the variable rate debt outstanding at September 30, 2007 ranged from 3.53% to 5.62%. Interest on the variable rate debt is based on various methods including daily mode, auction-mode and commercial paper mode and the interest rates are re-set in time increments ranging from one day to 270 days. For the Series Three 2003B-1, Series Three 2003B-2, Series Three 2005C-1, Series Three 2005C-2, Series Three 2005C-3, Series Three 2005C-4, Series Three 2007A, Series Three 2007B, Subordinated 2005 B 2006 Series B, and 2007B (the "fixed-payer bonds"), JEA executed fixed-payer interest rate swaps to effectively fix a majority of its net payments relative to the fixed-payer bonds. The terms of the interest rate swaps are approximately equal to that of the fixed-payer bonds. See Debt Management Strategy section of this note for more information related to the interest rate swap agreements outstanding at September 30, 2007.

⁽²⁾ On March 24, 2005, JEA issued its Water and Sewer System Subordinated Revenue Bonds Second Crossover Series. Upon the April 1, 2007 crossover date, \$125,000 of Water and Sewer System 2002 Series A Bonds were redeemed and the Second Crossover Series were exchanged for \$129,995 of Water and Sewer System 2005 Series B bonds.

⁽³⁾ Variable rate demand obligations.

⁽⁴⁾ Auction rate bonds.

⁽⁵⁾ Indexed variable rate bonds indexed to the Consumer Price Index.

⁽⁶⁾ SJRPP System Issue 3 bonds were issued under the Second Power Park Resolution whereby JEA is responsible for 100% of the related debt service payments.

For the variable rate demand obligations appearing in the above Schedule of Outstanding Indebtedness (such obligations are either in the daily, weekly or commercial paper mode), liquidity support is provided in connection with tenders for purchase with separate liquidity providers pursuant to standby bond purchase agreements (the "SBPA") relating to that series of obligation. The purchase price of the obligations tendered or deemed tendered for purchase is payable from the proceeds of the remarketing thereof and moneys drawn under the applicable SBPA. The current termination dates of the SBPA ranged from May 21, 2008 to March 8, 2017. Each of the SBPA termination dates may be extended.

JEA

Notes to Financial Statements (continued)

(Dollars In Thousands)

7. Long-Term Debt (continued)

For the commercial paper notes appearing in the above Schedule of Outstanding Indebtedness (to provide liquidity support for each series of commercial paper notes), JEA has entered into two separate revolving credit agreements with a single commercial bank. If moneys are not available to pay the principal of any maturing commercial paper notes during the term of the credit agreements, JEA is entitled to make a borrowing under the applicable credit agreement. Each of the credit agreements termination dates may be extended. The current termination dates of the credit agreements are December 5, 2008, which may be extended.

For the variable rate District Energy System 2004 Series A bonds appearing in the above Schedule of Outstanding Indebtedness, in connection with the issuance thereof, JEA entered into a letter of agreement with a bank to provide credit and liquidity enhancement for the bonds. The letter of credit will permit the bank to draw under the agreement for the payment when due of the principal on the 2004 Series A bonds and will permit the tender agent, to draw under the agreement for the purchase price of the 2004 Series A bonds tendered or deemed tendered for purchase pursuant to the tender provisions of the 2004 Series A bonds. To evidence its obligation to reimburse the bank for amounts advanced under the letter of credit, the District Energy System Revenue Bond 2004 Series Reimbursement Obligation was issued. As long as JEA is obligated to make deposits to the Series 2004 Reimbursement Obligation Sub-account in the Debt Service Reserve Fund, Section 710 (Rates, Fees and Charges) and Section 203(1)(1) (Issuance of Bonds Other than Refunding Bonds and Reimbursement Obligations) of the District Energy System Bond Resolution shall not apply to the 2004 Series A bonds or the 2004 Series Reimbursement Obligation. The current expiration date of the letter of credit is October 7, 2011, which may be extended.

Long-term debt activity for the year ended September 30, 2007 was as follows:

	Bonds Payable September 30, 2006	Par Amount of Bonds Issued	Par Amount of Bonds Refunded or Defeased	Principal Payments	Accretion of SJRPP Issue 2 Series 7 Capital Appreciation Bonds	Bonds Payable September 30, 2007	Current Portion September 30, 2007
Electric System	\$ 2,460,178	\$ 334,020	\$ (132,525)	\$ (105,886)	\$ —	\$ 2,555,787	\$ 21,645
SJRPP System	1,225,339	293,070	(105,600)	(118,280)	2,237	1,296,766	86,415
Water and Sewer System	1,831,025	483,926	(473,450)	(56,820)	—	1,784,681	17,235
District Energy System	51,800	1,450	—	(465)	—	52,785	—
Total	\$ 5,568,342	\$ 1,112,466	\$ (711,575)	\$ (281,451)	\$ 2,237	\$ 5,690,019	\$ 125,295

JEA

Notes to Financial Statements (continued)

(Dollars In Thousands)

7. Long-Term Debt (continued)

Long-term debt activity for the year ended September 30, 2006 was as follows:

	Bonds Payable September 30, 2005	Par Amount of Bonds Issued	Par Amount of Bonds Refunded or Defeased	Principal Payments	Accretion of SJRPP Issue 2 Series 7 Capital Appreciation Bonds	Bonds Payable September 30, 2006	Current Portion September 30, 2006
Electric System	\$ 2,360,991	\$ 119,000	\$ —	\$ (19,813)	\$ —	\$ 2,460,178	\$ 22,440
SJRPP System	1,306,109	321,680	(325,115)	(79,440)	2,105	1,225,339	83,560
Water and Sewer System	1,790,145	50,000	—	(9,120)	—	1,831,025	13,820
District Energy System	47,800	7,000	(3,000)	—	—	51,800	—
Total	\$ 5,505,045	\$ 497,680	\$ (328,115)	\$ (108,373)	\$ 2,105	\$ 5,568,342	\$ 119,820

The debt service to maturity on the outstanding bonds, as of September 30, 2007 is summarized in the table below:

Bond Year Ending October 1,	Electric System		Power Park		Water and Sewer		District Energy		Total Debt Service (2)
	Principal	Interest (1)	Principal	Interest	Principal	Interest	Principal	Interest	
2007	\$ 18,345	\$ 23,610	\$ 86,415	\$ 29,490	\$ 17,235	\$ 33,030	\$ —	\$ 150	\$ 208,275
2008	76,868	100,670	95,500	54,850	22,935	77,380	4,985	2,020	435,208
2009	100,778	98,040	100,205	50,140	28,390	76,600	—	1,800	455,953
2010	107,289	94,510	99,823	59,410	34,271	75,560	1,310	1,800	473,973
2011	116,856	90,590	101,121	58,770	39,116	74,180	1,350	1,750	483,733
2012-2016	352,958	402,620	479,550	128,270	221,354	345,590	7,385	7,970	1,945,697
2017-2021	383,735	331,380	221,625	49,120	268,176	294,820	8,565	6,490	1,563,911
2022-2026	434,499	250,660	20,080	17,480	287,539	232,530	9,920	4,780	1,257,488
2027-2031	449,024	165,220	24,865	13,950	263,405	171,360	11,500	2,790	1,102,114
2032-2036	345,880	81,740	36,490	6,940	298,065	111,710	7,770	590	889,185
2037-2041	169,555	16,520	8,310	370	293,390	42,600	—	—	530,745
2042-2046	—	—	—	—	10,805	770	—	—	11,575
Totals	\$2,555,787	\$1,655,560	\$1,273,984	\$ 468,790	\$1,784,681	\$1,536,130	\$ 52,785	\$ 30,140	\$9,357,857

(1) Includes amortization of commercial paper notes which is based upon JEA's current commercial paper payment plans and excludes payments made during fiscal year 2007.

(2) Interest requirement for the variable rate debt was determined by using the interest rate that was in effect at the financial statement date of September 30, 2007. The table excludes payments made during fiscal year 2007.

JEA

Notes to Financial Statements (continued)

(Dollars In Thousands)

7. Long-Term Debt (continued)

The estimated fair values of JEA's outstanding fixed rate debt were \$3,824,770 at September 30, 2007 and \$4,130,611 at September 30, 2006. The estimated fair values of the fixed rate debt were determined through a nationally recognized third-party financial information service. The estimated fair values of JEA's outstanding variable rate debt and bank loans were \$1,951,922 at September 30, 2007 and \$1,542,633 at September 30, 2006. The estimated fair values of the variable rate debt and bank loans were determined to be the par amount outstanding.

JEA, at its option, may redeem specific outstanding fixed rate JEA Revenue Bonds prior to maturity, as discussed in the official statements covering their issuance. A summary of the redemption provisions is as follows:

	Electric System	SJRPP System	Water and Sewer System
Earliest year for redemption	2007	2008	2007
Redemption price ranges	101% - 100%	100%	101% - 100%

JEA debt issued in fiscal year 2007 is summarized in the following table:

System	Debt Issued	Purpose	Priority of Lien	Month of Issue	Par Amount Issued	Par Amount Refunded	Accounting Gain (Loss)	Economic Gain
Electric	Series Three 2007A	New Money/Refunding	Senior	Jan-07	\$ 123,480	\$ 28,055	\$ (586)	\$ 3,498
Electric	Series Three 2007B	New Money/Refunding	Senior	Jul-07	123,240	92,830	(2,517)	8,883
Electric	Bank Draw	New Money	Subordinated	Various	84,000	-	-	-
Electric	Bank Draw	Refunding	Subordinated	Jul-07	3,300	3,300	-	-
SJRPP	Issue 2 Series 22	Refunding	Senior	Feb-07	108,350	105,600	(2,612)	8,613
SJRPP	Issue 3 Series 1	New Money/Refunding	Senior	Apr-07	150,000	-	-	-
SJRPP	Bank Draw	New Money	Subordinated	Mar-07	34,720	-	-	-
Water and Sewer	2006 Series B	Refunding	Senior	Oct-06	76,490	74,185	(2,225)	6,593
Water and Sewer	2007 Series A	New Money	Senior	Mar-07	96,850	-	-	-
Water and Sewer	2007 Series A	Refunding	Subordinated	Mar-07	10,330	10,000	(18)	525
Water and Sewer	2007 Series B	Refunding	Senior	Mar-07	85,290	83,570	(1,683)	11,360
Water and Sewer	2005 Series B	Refunding	Senior	Apr-07	129,955	125,000	(2,693)	6,968
Water and Sewer	2007 Series C	Refunding	Senior	Jul-07	41,610	40,705	7	-
Water and Sewer	Bank Draw	New Money	Subordinated	Various	43,000	-	-	-
District Energy	Bank Draw	New Money	Subordinated	Various	1,450	-	-	-
					<u>\$ 1,112,065</u>	<u>\$ 563,245</u>	<u>\$ (12,327)</u>	<u>\$ 46,440</u>

JEA

Notes to Financial Statements (continued)

(Dollars In Thousands)

7. Long-Term Debt (continued)

The estimated economic gain was calculated as the difference between the present value of the debt service payments on the refunded bonds and the debt service payment on the refunding bonds.

Short-Term Bank Borrowing

JEA currently has an arrangement with a commercial bank for an unsecured line of credit for \$100,000. The line of credit can be used with respect to the Electric System, the SJRPP System, the Water and Sewer System or the District Energy System and for operating expenditures or for capital expenditures. During the fiscal year, total draws of \$87,300 were made for Electric System capital expenditures and \$84,000 was repaid by permanent financing. At September 30, 2007 the line of credit draw outstanding for the Electric System was \$3,300 and is scheduled to be re-paid in October 2007 by permanent financing. During the fiscal year, the SJRPP System made one draw of \$34,720 for capital expenditures and was repaid by permanent financing. During the fiscal year, total draws of \$1,450 were made for District Energy System capital expenditures and \$465 was repaid. At September 30, 2007 the line of credit draws outstanding for the District Energy System were \$4,985 and are scheduled to mature in August 2008. These draws are being reported with JEA's long-term debt, because the District Energy System may extend the August 2008 maturity date as permitted under the credit agreement. The current expiration date of the line of credit agreement is August 31, 2009.

Debt Management Strategy

JEA has entered into various interest rate swap agreements, caps, or related hedging instruments in connection with its debt management strategy that expire over the next year (unless earlier terminated). In addition, JEA has entered into various integrated interest rate swap agreements executed in conjunction with debt financings for initial terms up to 35 years (unless earlier terminated). JEA utilizes a combination of fixed to floating interest rate swaps and floating to fixed interest rates swaps as part of its debt management strategy. For purposes of this note, the term fixed to floating interest rate swaps refer to swaps in which JEA receives a fixed rate and pays a variable rate. Floating to fixed interest rate swaps refer to swaps in which JEA receives a floating rate and pays a fixed rate.

The fair value of the interest rate swap agreements, caps, and related hedging instruments are included as an addition or reduction to long-term debt on the balance sheets; however, the notional amounts of the interest rate swaps are not reflected in the financial statements. The earnings from the debt management strategy interest rate swap, shown as additions or reductions to interest on debt in the statements of revenues, expenses, and changes in net assets.

JEA

Notes to Financial Statements (continued)

(Dollars In Thousands)

7. Long-Term Debt (continued)

For fiscal years ending September 30, 2007 and 2006, the interest rate cap agreements expiring within one year were as follows:

	2007	2006
BMA Index:		
Electric System notional amount outstanding	\$ 85,000	\$ 145,000
Water and Sewer System notional amount outstanding	\$ 50,000	\$ 110,000
Cap rates	4.7% - 5.0%	4.7% - 5.5%
Variable rate (weighted average)	3.7%	3.3%
Electric System fair value ⁽¹⁾	\$ —	\$ 1
Water and Sewer System fair value ⁽¹⁾	\$ —	\$ —

⁽¹⁾ Fair value amounts were calculated using market rates as of September 30, 2007 and 2006, and standard cash flow present valuing techniques.

During fiscal year 2007, JEA entered into various integrated floating to fixed interest rate swap agreements, one of which was terminated by the Water and Sewer System which received a \$1,440 payment. The integrated floating to fixed rate swap agreements outstanding at September 30, 2007 include the following:

System	Debt Issued	Initial Notional Amount	Notional Amount Outstanding	Fixed Rate of Interest	Month of of Issue	Termination Date	Variable Rate Index
Electric	Series Three 2003B	\$ 174,000	\$ 169,800	3.7%	Sep-03	Sep-33	68% of LIBOR
Electric	Series Three 2005C	27,400	27,350	4.0%	Jan-05	Oct-26	BMA Municipal
Electric	Series Three 2005C	117,825	117,325	4.3%	Jan-05	Oct-39	BMA Municipal
Electric	Series Three 2005C	116,425	115,825	3.6%	Jan-05	Oct-35	68% of LIBOR
Electric	Series Three 2005B	29,900	29,750	3.6%	Jan-05	Oct-16	BMA Municipal
Electric	Series Three 2005B	40,875	40,800	3.7%	Jan-05	Oct-37	68% of LIBOR
Electric	Series Three 2007A	98,375	98,375	3.9%	Jan-07	Oct-31	BMA Municipal
Electric	Series Three 2007B	95,240	95,240	3.9%	Jul-07	Oct-36	BMA Municipal
Water and Sewer	2006 Series B	38,730	38,730	4.0%	Oct-06	Oct 16-22	CPI
Water and Sewer	2007 Series B	85,290	85,290	3.9%	Mar-07	Oct-41	BMA Municipal
		\$ 824,060	\$ 818,485				

JEA

Notes to Financial Statements (continued)

(Dollars In Thousands)

7. Long-Term Debt (continued)

During fiscal year 2007, in anticipation of future bond issues, JEA entered into various forward starting floating to fixed interest rate swap agreements. The forward starting floating to fixed rate swap agreements outstanding at September 30, 2007 include the following:

System	Debt Issued	Initial Notional Amount	Notional Amount Outstanding	Fixed Rate of Interest	Month of Issue	Termination Date	Variable Rate Index
Electric	Future Issue	\$ 100,000	\$ 100,000	3.9%	Jan-08	Oct-36	BMA Municipal
Electric	Future Issue	100,000	100,000	3.9%	Jan-11	Oct-38	BMA Municipal
Water and Sewer	Future Issue	75,000	75,000	4.0%	Feb-08	Oct-36	BMA Municipal
		<u>\$ 275,000</u>	<u>\$ 275,000</u>				

For fiscal years ended September 30, 2007 and 2006, the integrated and forward starting floating to fixed interest rate swap agreements were as follows:

	2007	2006
68 Percent of LIBOR Index:		
Notional amount outstanding	\$ 326,425	\$ 330,500
Variable rate received (weighted average)	3.6%	3.3%
Fixed rate paid (weighted average)	3.7%	3.7%
BMA Index:		
Notional amount outstanding	\$ 453,330	\$ 175,125
Variable rate received (weighted average)	3.7%	3.2%
Fixed rate paid (weighted average)	4.0%	4.0%
CPI Index:		
Notional amount outstanding	\$ 38,730	\$ —
Variable rate received (weighted average)	3.9%	—%
Fixed rate paid (weighted average)	4.0%	—%
Net swap earnings/(loss) ⁽¹⁾	\$ 7,792	\$ 5,245
Fair value ⁽²⁾	\$ (2,006)	\$ (9,464)

⁽¹⁾ Includes related fair market value adjustments.

⁽²⁾ Fair value amounts were calculated using market rates as of September 30, 2007 and 2006, and standard cash flow present valuing techniques.

JEA

Notes to Financial Statements (continued)

(Dollars In Thousands)

7. Long-Term Debt (continued)

The Electric System and the Water and Sewer System are exposed to a potential nonpayment in the event of nonperformance by the counterparty to its interest rate swap agreements and interest rate cap agreements. JEA believes that the risk of nonpayment in the event of nonperformance by the counterparty under the agreements is not significant and furthermore, JEA does not anticipate nonperformance by any counterparty.

8. Transactions with City of Jacksonville

Utility and Administrative Services

JEA is a separately governed authority and is also considered to be a discretely presented component unit of the City of Jacksonville (City). JEA provides electric, water, and sewer service to the City and its agencies and bills for such service using established rate schedules. JEA utilizes various services provided by departments of the City, including insurance, legal, and motor pool. JEA is billed on a proportionate cost basis with other user departments and agencies. The revenues for services provided and expenses for services received by JEA for these related party transactions with the City were as follows:

	Revenues	Expenses
Fiscal year 2007	\$ 25,123	\$ 6,135
Fiscal year 2006	\$ 24,443	\$ 6,878

City Contribution

The calculation of the City contribution is based on approximately 9.8% of the revenues, as defined, of the Electric System and Water and Sewer System. This calculation is subject to a minimum average increase of \$2,750 per year using 2004 as the base year for the combined assessment for the Electric System and Water and Sewer System. There is also a maximum annual assessment for the combined Electric System and Water and Sewer System.

The JEA Electric System is required to contribute annually to the General Fund of the City an amount not to exceed 5.5 mills per kilowatt hour delivered by JEA to retail users in JEA's service area, and to wholesale customers under firm contracts having an original term of more than one year, other than sales of energy to FPL from JEA's St. Johns River Power Park System. The contribution for fiscal years 2007 and 2006 amounted to \$73,100 and \$71,031.

The JEA Water and Sewer System is required to contribute annually to the General Fund of the City an amount not to exceed 2.1 mills per cubic foot of potable water and sewer service provided, excluding reclaimed water service. The contribution for fiscal years 2007 and 2006 amounted to \$18,337 and \$17,657.

JEA

Notes to Financial Statements (continued)

(Dollars In Thousands)

8. Transactions with City of Jacksonville (continued)

Although the calculation for the annual transfer of available revenue from JEA to the City is based upon formulas that are applied specifically to each utility system operated by JEA, JEA may, in its sole discretion, utilize any of its available revenues regardless of source to satisfy its total annual obligation to the City.

In addition to the contributions described above, JEA is also obligated to make semi-annual payments with respect to a portion of the debt service for the City's Excise Tax Revenue Bonds, Series 1999A and 1995A through fiscal year 2009. In fiscal years 2007 and 2006, JEA made principal and interest payments to the City of \$1,992 and \$2,533. The total remaining principal amount due the City as of September 30, 2007 and 2006 was \$2,918 and \$4,677, and is reflected in deferred credits and other liabilities on the balance sheets.

Risk Management

JEA insures its risks related to general liability, automobile liability, and workers' compensation through the City's self insurance program. The City's Director of Administration and Finance manages the self-insurance program, estimates the liabilities through actuarial and other methods, and assesses the user departments and agencies. JEA purchases property insurance separate from the City for its insurable assets. In addition, JEA purchases property, liability and workers' compensation insurance for its St. Johns River Power Park facility including ownership interest of Florida Power and Light Company, as an additional insured.

Better Jacksonville Plan

The City is providing funding for sewer improvements as a part of the Better Jacksonville Plan. The City receives sales tax revenues, a portion of which are used for capital contributions to JEA for sewer improvements. These contributions amounted to \$29,091 and \$15,546 in fiscal years 2007 and 2006.

9. Fuel Purchase and Purchased Power Commitments

JEA has commitments to purchase approximately 100% of the coal and petcoke for the Electric System, SJRPP, and Scherer Unit 4 through December 31, 2008.

JEA also has commitments for the rail transportation of coal purchases for SJRPP expiring in December 2007. SJRPP has reached agreement with the Coal Marketing Company to supply 100% of SJRPP's coal needs in 2008. That agreement also provides approximately 70% of SJRPP's coal needs for 2009 and 2010. Commitments for transportation of coal purchases for Scherer Unit 4 were renegotiated during fiscal year 2003 for the next ten years, subject to related purchase commitments. Contract terms for coal and petcoke specify minimum annual purchase commitments at certain prices subject to adjustments for price level changes according to the contract. In addition, JEA has remarketing rights under these contracts.

JEA

Notes to Financial Statements (continued)

(Dollars In Thousands)

9. Fuel Purchase and Purchased Power Commitments (continued)

JEA has commitments to purchase natural gas delivered to Jacksonville under a long-term contract with BG Energy Merchants, LLC which expires in 2021. Contract terms for the natural gas specify minimum annual purchase commitments at market prices. JEA has the option to remarket any excess natural gas purchases. In addition, JEA has long-term contracts with Florida Gas Transmission Company for firm gas transportation capacity to allow delivery of additional gas volumes.

JEA has a commitment to purchase residual fuel oil from BP Products North America, Inc. (BP) through August 2009. BP owns the residual fuel oil stored at JEA's Northside Generating Station and has committed to maintain a minimum amount for JEA use. JEA pays for actual oil consumed within 45 days after each billing period. The agreement allows for both fixed and floating pricing options with a minimum purchase of 1.5 million barrels of oil over the three-year contract period. BP compensated JEA for terminaling services beginning in April 2007. The agreement allows JEA to access BP oil in emergency conditions.

JEA also has contracts with certain operating subsidiaries of Southern Company (Southern) for the purchase of 207 MW of coal-fired capacity and energy through May 2010. These capacity obligations of Southern are firm, subject to the availability of the units involved (Miller Units 1-4 and Scherer Unit 3).

Under these contracts with Southern, JEA is committed to purchase for the Electric System certain energy output associated with the purchased generating capacity entitlement. The total cost to be incurred by JEA depends upon future costs incurred by Southern in connection with its ownership and operation of coal-fired generating facilities to which the agreements relate and upon the amount of energy actually purchased by JEA. A portion of such future costs is related to the electric generating capacity entitlement and is payable by JEA, subject to certain contingencies, whether or not any energy is actually produced by such units or purchased by JEA.

In the unlikely event that JEA would not be in a position to fulfill its obligations to receive fuel and purchased power under the terms of its existing fuel and purchased power contracts, JEA would nonetheless be obligated to make certain future payments. If the conditions necessitating the future payments occurred, JEA would mitigate the financial impact of those conditions by re-marketing the fuel and purchased power at then-current market prices. The aggregate amount of future payments that JEA does not expect to be able to mitigate, including the projected effects of inflation for coal purchase commitments of SJRPP (at JEA's 80% ownership interest) and the Bulk Power Supply System and future estimated fixed charges for electric generating capacity entitlement and transmission, including the projected effects of inflation for JEA, appear in the table below.

Year Ending Sept. 30	Coal and Pet Coke		Natural Gas		Oil	Electric Generating Capacity/ Energy	Transmission	Total
	Fuel	Transportation	Fuel	Transportation				
2008	\$ (3,433)	\$ 7,277	\$ 16,745	\$ 21,130	\$ -	\$ 23,382	\$ 9,628	\$ 74,729
2009	618	6,177	16,699	21,099	-	25,776	9,936	80,305
2010	618	6,177	16,699	15,478	6,703	12,625	6,462	64,762
2011	630	6,177	16,699	15,478	-	-	4,332	43,316
2012	159	1,544	16,745	15,509	-	-	4,428	38,385
2013-2026	-	-	150,380	143,375	-	-	23,304	317,059

JEA

Notes to Financial Statements (continued)

(Dollars In Thousands)

10. Fuel Management Program

The fuel management program is intended to help manage the risk of changes in the market prices of oil and natural gas. During fiscal years 2007 and 2006, JEA entered into various fuel management contracts. It is possible that the market price before or at the specified time to purchase fuel oil or natural gas may be lower than the price at which JEA is committed to buy. This would reduce the value of the contract. JEA is also exposed to the failure of the counterparty to fulfill the contract. JEA believes the risk of nonperformance by the counterparty under these contracts is not significant. JEA does not anticipate nonperformance by any counterparty.

During fiscal years 2007 and 2006, JEA utilized TEA to execute trades, but managed the risks internally. See note 5 – Investment in The Energy Authority.

Fuel Management of Natural Gas

At September 30, 2007 and 2006, the fuel management program had no open NYMEX natural gas futures contracts. The fuel management program related to NYMEX natural gas futures contracts had margin deposits of \$11 and \$10 at September 30, 2007 and 2006, which is included in other noncurrent assets on the balance sheets.

During fiscal 2006, JEA entered into numerous over-the-counter forward purchase and sale contracts and swaps. These fuel-related transactions were recorded in the balance sheets at fair value. At September 30, 2007 and 2006, a \$335 and \$6,300 liability was included in deferred credits and other liabilities on the balance sheet. The related gains and losses from these transactions are recognized as fuel expenses on the Statement of Revenues, Expenses and Changes in Net Assets. For the year ending September 30, 2007, a \$7,100 realized loss and a \$5,900 unrealized gain (due to the change in the fair market value) was included in fuel expense. For the year ending September 30, 2006, a \$17,600 realized and an \$8,700 unrealized loss (due to the change in the fair market value) was included in fuel expense. Any losses were off-set by decreased prices in the purchase of natural gas.

11. Pension Plans

JEA Plan Description and Contributions

Substantially all of the employees of the Electric System and Water and Sewer System participate in and contribute to the City of Jacksonville General Employees Pension Plan (Plan), as amended. The Plan is a cost-sharing, multiple-employer contributory defined benefit pension plan.

All full-time employees who successfully complete a physical examination and meet the medical requirements for membership are eligible to participate in the Plan. The Plan, based on laws outlined in the City of Jacksonville Ordinance Code and applicable Florida Statutes, provides for retirement, survivor, death and disability benefits. The Plan's latest financial statements and required supplementary information are included in the 2006 Comprehensive Annual Financial Report of the City of Jacksonville, Florida. This report may be obtained by writing to the City of Jacksonville, Florida, Department of Administration and Finance, Room 300, City Hall, 117 West Duval Street, Jacksonville, Florida, 32202-3418 or by calling (904) 630-1298.

JEA

Notes to Financial Statements (continued)

(Dollars In Thousands)

11. Pension Plans (continued)

In fiscal year 2007, plan members were required to contribute 8% of their annual covered salary and JEA's contribution for the plan members was 11.7 % during fiscal year 2007. In fiscal year 2006, plan members were required to contribute 8% of their annual covered salary and JEA's contribution for the plan members was 3.1 % during fiscal year 2006.

St. Johns River Power Park Plan Description

Plan Description — The JEA St. Johns River Power Park System Employees' Retirement Plan (SJRPP Plan) is a single employer contributory defined benefit plan covering employees of SJRPP. The Plan provides for pension, death and disability benefits. Participation in the SJRPP Plan is required as a condition of employment. The SJRPP Plan is subject to provisions of Chapter 112 of the State of Florida Statutes and the oversight of the Florida Division of Retirement. The SJRPP Plan is governed by a seven member pension board (Pension Board). The SJRPP Plan issues a publicly available financial report that includes financial statements and required supplementary information which may be obtained by writing to JEA, Employee Services, Tower 6, and 21 West Church Street, Jacksonville, Florida, 32202-3139 or by calling (904) 665-6198.

Funding Policy — The SJRPP Plan's funding policy provides for at least quarterly employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate assets to pay benefits when due. The SJRPP employer's contribution to the SJRPP Plan for the year ending September 30, 2007, was 22.2% of annual covered payroll.

Annual Pension Cost — The annual pension contributions for the years ended September 30, 2007, 2006 and 2005 were \$5,090, \$4,857, and \$4,607, which was equal to the required employee and employer contributions for each year.

The following information relates to the three most recent actuarial valuations:

Actuarial valuation date	October 1, 2006	October 1, 2005	October 1, 2004
Actuarial value of plan assets	\$ 51,498	\$ 44,234	\$ 36,981
Actuarial accrued liability	86,533	72,196	64,656
Total unfunded actuarial liability	35,035	27,962	27,675
The actuarial value of assets as % of the actuarial accrued liabilities	59.51%	61.27%	57.20%
The annual covered payroll	\$ 20,648	\$ 21,958	\$ 20,416
The ratio of the unfunded actuarial liability to annual covered payroll	169.68%	127.34%	136.56%

JEA

Notes to Financial Statements (continued)

(Dollars In Thousands)

11. Pension Plans (continued)

Assumptions:

SJRPP Plan members are required to contribute currently 4.0% of their current-year annual covered salary since October 1, 2005. The annual required contribution was determined actuarial valuation using the Individual Entry Age Actuarial Cost Method. The actuarial assumptions included (a) life expectancy was calculated using the RP-2000 Mortality Table; (b) 7.75% investment rate of return (net of administrative expenses); and (c) projected salary increases from 4.0% to 6.5%, depending on years of service per year, including an inflation component of 3.75%. The actuarial value of the assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a three-year period. As of October 1, 2006, all remaining gain(loss) bases including increases in the UAAL first recognized as of the valuation date were consolidated into one and amortized over five years starting one year after the valuation date. As of October 1, 2006, all UAAL bases other than experience bases referred to above were consolidated into one and amortized over an 11-year period starting one year after the valuation date. The UAAL bases for future plan provision changes will be amortized over 15-year periods from their inception dates as level dollar amounts (in the form of level percentages of payroll but with a payroll growth of 0% per year), and the UAAL bases for future assumption changes and gains and losses will be amortized over a five-year period from inception.

12. Commitments and Contingent Liabilities

Financing Commitment

The City has issued fixed rate bonds to finance and refinance various marine facilities for the Jacksonville Seaport Authority. JEA, through a financing agreement, has committed to guaranteeing the growth of certain revenue streams dedicated to paying the debt service for these bonds. The principal amount of the bonds outstanding is \$22,635 at September 30, 2007 with a final maturity of October 1, 2009. The coupon rate for the bonds is 5.0%. The City and JEA have agreed that JEA's contribution to the City's General Fund would be adjusted to offset any shortfall in the dedicated revenue streams to pay the actual debt service. Although JEA's management believes it is highly unlikely, the guaranty states that if the revenue streams dedicated to pay the debt service fell to zero through October 1, 2009, the maximum amount of undiscounted payments JEA would make to the City is \$24,417. No amount has been accrued for this guaranty under the financing agreement.

Grants and Contracts

JEA participates in various federal and state assisted grant programs that are subject to review and audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal and state regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a federal or state audit may become a liability of JEA. It is management's opinion that the results of these audits will have no material adverse effect on JEA's financial position or results of operations.

JEA

Notes to Financial Statements (continued)

(Dollars In Thousands)

12. Commitments and Contingent Liabilities (continued)

Clean Power Initiatives

JEA has signed a Power Purchase Agreement with Landfill Energy Systems to purchase energy from a 9.6 MW landfill gas to energy facility at the Trail Ridge Landfill in Jacksonville. Once the facility is completed, it will be one of the largest landfill gas-to-energy facilities in the southeast. The projected date of completion for the facility is July 2008.

Clean Air Act

In May 2005 the EPA published two final rules affecting power plants. The Clean Air Interstate Rule (CAIR) requires annual sulfur dioxide emissions reductions in two phases (beginning in 2010 and 2015), and annual nitrogen oxides emissions reduction in two phases (beginning 2009 and 2015). CAIR affects 28 states, in the eastern United States whose emissions affect attainment and maintenance of ambient air quality standards for ozone and fine particulate matter. The Clean Air Mercury Rule (CAMR) requires annual mercury emissions reductions by coal-fired units in all states in two phases (beginning in 2010 and 2018). The Florida Department of Environmental Regulation has published its state implementation plans (SIP) to implement CAIR and CAMR. The two SIPs include Florida in the EPA national emissions trading programs for NOx allowances in the FDEP CAIR SIP, and several entities have challenged the EPA CAIR and CAMR in Federal court. JEA can not predict how these various suits may eventually affect the rules.

JEA anticipates that over the next five years, its share of the capital improvements at SJRPP will involve total expenditures of approximately \$236,855 consisting of (1) the equipment required to meet new environmental regulations (2) continued improvements to the fuel system, and (3) replacement of obsolete equipment to maintain the plant's historical high performance levels. Of the \$236,855 capital expenditures, approximately \$120,475 is to comply with environmental regulations. JEA has determined that the amounts in the Renewal and Replacement fund established under the SJRPP resolution are not sufficient to fund the capital projects and JEA issued one series of bonds during fiscal year 2007 for \$150,000, see note 7.

In addition, JEA anticipates that over the next five years its share of the capital improvements at Plant Scherer will be approximately \$167,736 of which \$152,475 is to comply with environmental regulations.

Additional improvements will be necessary to meet the phase two limit. Such costs of additional improvements cannot be determined at this time.

JEA

Notes to Financial Statements (continued)

(Dollars In Thousands)

12. Commitments and Contingent Liabilities (continued)

Taylor Energy Center

On July 3, 2007, it was announced that the Taylor Energy Center would suspend all activities related to going forward with permitting and construction. JEA has written off associated costs in the amount of \$4,647 during the year. Alternative plans are being developed to meet the projected energy needs in and around the City.

Northside Generating Station By-Product

JEA Northside Generating Station (NSGS) Units 1 and 2 produce a by-product that consists of fly ash and bed ash. JEA has obtained a permit from the Florida Department of Environmental Protection (FDEP) to beneficially use the processed by-product material in the State of Florida, subject to certain restrictions. These ash products are combined and processed into a road base material presently being marketed as EZBase.

A market currently exists for EZBase as a replacement for limerock. However, the market is proving to be hard to enter without Florida Department of Transportation (FDOT) approval, especially as a base application (directly supporting the asphalt). FDOT approval can take up to six years to obtain. Through extensive testing and FDOT confidence, JEA has been able to reduce the time frame for approval by approximately two years. JEA has received FDOT agreement that EZBase meets the state specification as a sub-grade stabilizer (under the limerock). JEA has also obtained civil engineering approvals for EZBase from the City of Jacksonville and several surrounding counties in North Florida and South Georgia. These approvals allow JEA, through its marketer, to sell its by-product material in local North Florida and South Georgia roadway construction projects. EZBase is being used in these markets as both a sub-grade and base. In addition JEA has sold EZBase in other Southeast U.S. markets.

JEA is facilitating the continued increase in the local use of EZBase. We are working with the University of North Florida Construction Engineering Department, the FDOT and local respected contractors to increase awareness, training and acceptance of EZBase in the road construction industry. In the next two to three years, JEA expects strong utilization of EZBase within the local Northeast Florida and Southeast Georgia markets. In addition, JEA is negotiating contracts, through its contract marketer, for beneficial use of the excess unprocessed bed ash, which currently forms the majority of product stored in the BSA.

The by-product material that has not yet been sold as we work to develop acceptance and use of our byproducts is presently stored in the Byproducts Storage Area (BSA), which is actually a permitted, lined landfill at the NSGS facility. To date, the inventory in the landfill is approximately 85 percent of landfill capacity. JEA is currently reducing the amount of material stored in the BSA by placing the product in offsite landfills and in other various beneficial use projects. The additional space gained by reducing the BSA inventory will become a secondary processing facility for EZBase.

JEA

Notes to Financial Statements (continued)

(Dollars In Thousands)

12. Commitments and Contingent Liabilities (continued)

General Litigation

JEA has ad valorem tax appeals for tax years 2003, 2004, 2005, and 2006 pending in the State of Georgia, in Monroe County against the County Board of Assessors and in Fulton County against the revenue commissioner and State Board of Equalization, relating to JEA's fractional ownership of a unit of Plant Scherer that is located in Monroe County, Georgia. JEA is appealing valuation and equalization issues and has made good faith payments of taxes for each tax year. Currently, no assessment can be made on the likelihood of a particular outcome.

In addition, JEA is party to various other pending or threatened legal actions arising in connection with its normal operations. In the opinion of management, any ultimate liability, which may arise from these actions are not expected to materially impact JEA's financial position or results of operations.

Environmental Matters

JEA is subject to numerous federal, state, and local environmental regulations resulting in environmental liabilities due to compliance costs associated with new regulatory initiatives, enforcement actions, legal actions, and contaminated site assessment and remediation. Based on analysis of the cost of remediation and other identified environmental contingencies, JEA has accrued a liability of \$14,200 as of September 30, 2007 related to various environmental matters. Of the \$14,200 accrued, approximately \$13,200 is associated with the expected cost of remediating the former wood preserving facility at the Kennedy Generating Station; Southside Generating Station; and electric equipment repair facility at Pearl Street. There are other environmental matters that could have an impact on JEA; however, the resolution of these matters is uncertain, and no accurate prediction of range of loss is possible at this time. Although uncertainties associated with these recognized environmental liabilities remain, JEA believes that the current provision for such costs is adequate and additional costs, if any, will not have a material adverse effect upon its financial position, results of operations, or liquidity.

Southside Generating Station

JEA decommissioned the Southside Generating System on October 31, 2001. JEA has spent approximately \$26,400 for demolition, disposal and environmental remediation associated with the site. Bids were solicited to sell the property in early 2005. The bid specifications required a buyer to assume responsibility for the site under the Brownfield Site Rehabilitation Agreement between JEA and the Florida Department of Environmental Protection along with all environmental liability related to the site, except any portion to be retained by JEA. The property had been under contract for sale from May 2005 for a purchase price of \$40,600. The prospective buyers decided not to extend the contract in June 2007. JEA continues to work on positioning the property for a future sale and redevelopment including improving site access, additional environmental review and land use and development rights reviews to better position the property for redevelopment. Area real estate market conditions will affect the timing of any future sale opportunities.

JEA

Notes to Financial Statements (continued)

(Dollars In Thousands)

12. Commitments and Contingent Liabilities (continued)

Total Maximum Daily Load (TMDL)

The Florida Department of Environmental Protection (FDEP) is completing promulgation of a Total Maximum Daily Load regulation defining the mass of nitrogen that can be assimilated by the St. Johns River to which 11 of JEA's 18 wastewater treatment plants discharge. This new state rule will limit the amount of nitrogen that these 11 wastewater treatment facilities are allowed to discharge by permit. JEA, in partnership with other public agencies under an agreement called the River Accord, has undertaken a voluntary initiative to far exceed the regulatory requirements of the TMDL. As it is part of the Accord, JEA has pledged to spend \$200,000 over a 10-year period to decommission 6 of the 11 facilities, and upgrade the remaining facilities to advanced nutrient removal capability, far exceeding the requirements of the proposed rules. This work is being planned and funded as part of JEA's ongoing capital improvements program.

13. Segment Information

The financial statements of JEA contain four segments, as the Electric System and Bulk Power Supply System, the SJRPP System, the Water and Sewer System, and District Energy System represent separate identifiable activities. These systems have debt outstanding with a revenue stream pledged in support of the debt. In addition, the activities are required to be accounted for separately. JEA's Electric System and Bulk Power Supply System segment consists of an electric utility engaged in the generation, purchase, transmission, distribution, and sale of electricity primarily in Northeast Florida. JEA's SJRPP System segment consists of a generation facility which is 80% owned by JEA. JEA's Water and Sewer System segment consists of water collection, distribution, and wastewater treatment in Northeast Florida. The District Energy System consists of chilled water activities.

Intercompany billing is employed between the Electric System and the Water and Sewer System and includes purchases of electricity, water, and sewer services and the rental of inventory and buildings. The utility charges between entities are based on a commercial customer rate. All intercompany billings are eliminated in the monthly and annual financial statements. Electricity charges to the Water and Sewer entity was \$8,841 for fiscal 2007 and \$7,744 for fiscal 2006. Water and Sewer charges to the Electric System were \$32 for fiscal 2007 and \$34 for fiscal 2006.

The Electric System shares certain administrative functions with Water and Sewer System. Generally, these costs are charged to the Electric System and the costs of these functions are allocated to the Water and Sewer System based on the benefits provided. Operating expense allocated to Water and Sewer System were \$44,347 for fiscal year 2007 and \$39,497 for fiscal year 2006.

In September 1999, the Water and Sewer System purchased the inventory owned by the Electric System in the amount of \$32,929. This was initiated to increase the utilization of its assets among the Electric System and the Water and Sewer System. A monthly inventory carrying charge is paid by the Electric System based on the value of the inventory multiplied by one-twelfth of the yield on the one-year U.S. Treasury bill as of September 1 of each year. Inventory carrying charges were \$2,426 for fiscal 2007 and \$1,918 for fiscal 2006.

JEA

Notes to Financial Statements (continued)

(Dollars In Thousands)

13. Segment Information (continued)

In July 1999 and July 2004, the Electric System transferred several buildings to the Water and Sewer System in the amounts of \$22,940 and \$6,278, an amount equal to the net book value of the assets. Monthly the Electric System reimburses the Water and Sewer System for their equitable allocation. Annual rent paid by the Electric System to the Water and Sewer System for use of these buildings was \$1,412 for 2007 and 2006.

To utilize the efficiencies in the Customer Account Information billing system and reduce the administrative efforts in recording deposits, customer deposits are recorded to one Service Agreement (SA) per Account. All deposits are recorded to the Electric System. When the deposits are credited to customer accounts they are allocated between the service agreements.

JEA

Notes to Financial Statements (continued)

(Dollars In Thousands)

13. Segment Information (continued)

Segment information for these activities for the fiscal years ended September 30, 2007 and 2006 was as follows:

	Electric System and Bulk Power Supply System		SJRPP System		Water and Sewer System		DES	
	2007	2006	2007	2006	2007	2006	2007	2006
Condensed Balance Sheet								
Information:								
Total current assets	\$ 288,828	\$ 319,617	\$ 87,466	\$ 69,961	\$ 102,043	\$ 100,382	\$ 893	\$ 812
Total other noncurrent assets	86,126	95,840	663,657	635,551	120,447	232,728	2,527	955
Capital assets, net	<u>2,824,956</u>	<u>2,766,249</u>	<u>687,537</u>	<u>625,473</u>	<u>2,713,261</u>	<u>2,544,499</u>	<u>49,105</u>	<u>48,003</u>
Total assets	<u>\$ 3,199,910</u>	<u>\$ 3,181,706</u>	<u>\$ 1,438,660</u>	<u>\$ 1,330,985</u>	<u>\$ 2,935,751</u>	<u>\$ 2,877,609</u>	<u>\$ 52,525</u>	<u>\$ 49,770</u>
Total current liabilities	\$ 144,037	\$ 153,525	\$ 18,312	\$ 3,575	\$ 12,168	\$ 10,071	\$ 50	\$ 29
Total current liabilities payable from restricted assets	58,956	64,596	254,476	226,285	68,848	67,096	259	211
Total other noncurrent liabilities	111,244	119,246	2,679	2,636	6,339	7,984	—	—
Total long-term debt	<u>2,495,161</u>	<u>2,405,595</u>	<u>1,162,512</u>	<u>1,095,714</u>	<u>1,733,754</u>	<u>1,791,466</u>	<u>52,785</u>	<u>51,800</u>
Total liabilities	<u>\$ 2,809,398</u>	<u>\$ 2,742,962</u>	<u>\$ 1,437,979</u>	<u>\$ 1,328,210</u>	<u>\$ 1,821,109</u>	<u>\$ 1,876,617</u>	<u>\$ 53,094</u>	<u>\$ 52,040</u>
Net assets invested in capital assets, net of related debt	243,945	262,963	(347,009)	(277,537)	968,639	899,033	(3,488)	(3,061)
Restricted net assets	25,001	37,623	281,215	216,562	58,760	15,359	2,076	7
Unrestricted net assets	<u>121,566</u>	<u>138,158</u>	<u>66,475</u>	<u>63,750</u>	<u>87,243</u>	<u>86,600</u>	<u>843</u>	<u>784</u>
Total net assets	<u>390,512</u>	<u>438,744</u>	<u>681</u>	<u>2,775</u>	<u>1,114,642</u>	<u>1,000,992</u>	<u>(569)</u>	<u>(2,270)</u>
Total liabilities and net assets	<u>\$ 3,199,910</u>	<u>\$ 3,181,706</u>	<u>\$ 1,438,660</u>	<u>\$ 1,330,985</u>	<u>\$ 2,935,751</u>	<u>\$ 2,877,609</u>	<u>\$ 52,525</u>	<u>\$ 49,770</u>
Condensed Statement of Revenues, Expenses, and Changes in Net Assets Information:								
Operating revenues	\$ 1,074,504	\$ 1,090,857	\$ 348,080	\$ 314,592	\$ 248,997	\$ 228,453	\$ 7,748	\$ 3,054
Operating expenses	<u>982,449</u>	<u>989,620</u>	<u>308,987</u>	<u>269,118</u>	<u>208,305</u>	<u>183,587</u>	<u>4,444</u>	<u>3,412</u>
Operating income	92,055	101,237	39,093	45,474	40,692	44,866	3,304	(358)
Nonoperating revenues (expenses)	(67,187)	(54,067)	(41,187)	(45,575)	(57,321)	(56,587)	(1,603)	(1,461)
Contributions	<u>(73,100)</u>	<u>(72,031)</u>	<u>—</u>	<u>—</u>	<u>130,279</u>	<u>95,664</u>	<u>—</u>	<u>—</u>
Change in net assets	(48,232)	(24,861)	(2,094)	(101)	113,650	83,943	1,701	(1,819)
Beginning net assets	<u>438,744</u>	<u>463,605</u>	<u>2,775</u>	<u>2,876</u>	<u>1,000,992</u>	<u>917,049</u>	<u>(2,270)</u>	<u>(451)</u>
Ending net assets	<u>\$ 390,512</u>	<u>\$ 438,744</u>	<u>\$ 681</u>	<u>\$ 2,775</u>	<u>\$ 1,114,642</u>	<u>\$ 1,000,992</u>	<u>\$ (569)</u>	<u>\$ (2,270)</u>
Condensed Statement of Cash Flow Information:								
Flow Information:								
Net cash provided by (used in):								
Operating activities	\$ 269,402	\$ 316,388	\$ 147,304	\$ 113,553	\$ 148,209	\$ 134,910	\$ 4,717	\$ 599
Noncapital financing activities	(72,755)	(64,916)	—	—	(19,825)	(16,914)	—	—
Capital and related financing activities	(232,159)	(201,100)	(79,355)	(136,869)	(245,258)	(151,491)	(3,180)	(924)
Investing activities	<u>6,396</u>	<u>4,686</u>	<u>15,296</u>	<u>15,574</u>	<u>136,175</u>	<u>8,435</u>	<u>76</u>	<u>79</u>
Net change in cash and cash equivalents	(29,116)	55,058	83,245	(7,741)	19,301	(25,060)	1,613	(246)
Cash and cash equivalents at beginning of year	<u>161,139</u>	<u>106,081</u>	<u>193,656</u>	<u>201,398</u>	<u>94,398</u>	<u>119,458</u>	<u>1,062</u>	<u>1,308</u>
Cash and cash equivalents at end of year	<u>\$ 132,023</u>	<u>\$ 161,139</u>	<u>\$ 276,901</u>	<u>\$ 193,657</u>	<u>\$ 113,699</u>	<u>\$ 94,398</u>	<u>\$ 2,675</u>	<u>\$ 1,062</u>

JEA

Notes to Financial Statements (continued)

(Dollars In Thousands)

14. Subsequent Events

On October 25, 2007, JEA issued \$26,515 of its Electric System Revenue Bonds, Series Three 2007C and \$82,800 of its Electric System Subordinated Revenue Bonds, 2007 Series A to fund capital expenditures and repay the \$3,300 line of credit balance related to Electric System capital expenditures. In October 2007, JEA made a draw of \$12,000 under the line of credit to fund capital expenditures for the Water and Sewer System. The \$12,000 will be replaced with permanent financing scheduled to take place in February 2008.

JEA

Combining Statement of Revenues, Expenses, and Changes in Net Assets

Year Ended September 30, 2007

(In Thousands)

	Electric System and Bulk Power Supply System	SIRPP System	Elimination of Inter- company Transactions	Total Electric Enterprise Fund	Water and Sewer Enterprise Fund	District Energy System	Elimination	Total JEA
Operating revenues :	\$ 1,036,125	\$ 348,080	\$ (210,617)	\$ 1,173,588	\$ -	\$ -	\$ (8,841)	\$ 1,164,747
Electric	-	-	-	-	238,362	-	(32)	238,330
Water and sewer	-	-	-	-	-	5,748	-	5,748
District Energy	38,379	-	-	38,379	10,635	2,000	(3,838)	47,176
Other, net of allowances	-	-	-	-	-	-	-	-
Total operating revenues	<u>1,074,504</u>	<u>348,080</u>	<u>(210,617)</u>	<u>1,211,967</u>	<u>248,997</u>	<u>7,748</u>	<u>(12,711)</u>	<u>1,456,001</u>
Operating expenses:								
Operations:								
Fuel	311,888	175,122	-	487,010	-	-	-	487,010
Purchased power	323,777	-	(210,617)	113,160	-	-	-	113,160
Other	113,763	40,581	-	154,344	81,042	2,187	(12,711)	228,862
Maintenance	44,318	15,237	-	59,555	20,730	815	-	81,100
Depreciation	166,182	28,217	-	194,399	106,533	1,442	-	302,374
State utility and franchise taxes	26,399	-	-	26,399	-	-	-	26,399
Recognition of deferred costs and revenues, net	(3,878)	49,830	-	45,952	-	-	-	45,952
Total operating expenses	<u>982,449</u>	<u>308,987</u>	<u>(210,617)</u>	<u>1,080,819</u>	<u>208,305</u>	<u>4,444</u>	<u>(12,711)</u>	<u>1,280,857</u>
Operating income	92,055	39,093	-	131,148	40,692	3,304	-	175,144
Nonoperating revenues (expenses):								
Earnings from The Energy Authority	20,192	-	-	20,192	-	-	-	20,192
Investment income	5,524	16,999	-	22,523	7,748	76	-	30,347
Interest on debt	(99,294)	(58,186)	-	(157,480)	(79,416)	(2,126)	-	(239,022)
Other interest, net	(1,877)	-	-	(1,877)	-	-	-	(1,877)
Allowance for funds used during construction	12,437	-	-	12,437	15,541	447	-	28,425
Water and Sewer Expansion Authority - operating	-	-	-	-	(1,601)	-	-	(1,601)
Gain (loss) on sale of asset	(4,169)	-	-	(4,169)	407	-	-	(3,762)
Total nonoperating revenues (expenses)	<u>(67,187)</u>	<u>(41,187)</u>	<u>-</u>	<u>(108,374)</u>	<u>(57,321)</u>	<u>(1,603)</u>	<u>-</u>	<u>(167,298)</u>
Income (loss) before contributions	24,868	(2,094)	-	22,774	(16,629)	1,701	-	7,846
Contributions (to) from:								
General fund, City of Jacksonville	(73,100)	-	-	(73,100)	(18,337)	-	-	(91,437)
Developers and other	-	-	-	-	119,525	-	-	119,525
City of Jacksonville	-	-	-	-	29,091	-	-	29,091
Total contributions	<u>(73,100)</u>	<u>-</u>	<u>-</u>	<u>(73,100)</u>	<u>130,279</u>	<u>-</u>	<u>-</u>	<u>57,179</u>
Change in net assets	(48,232)	(2,094)	-	(50,326)	113,650	1,701	-	65,025
Net assets, beginning of year	438,744	2,775	-	441,519	1,000,992	(2,270)	-	1,440,241
Net assets, end of year	<u>\$ 390,512</u>	<u>\$ 681</u>	<u>\$ -</u>	<u>\$ 391,193</u>	<u>\$ 1,114,642</u>	<u>\$ (569)</u>	<u>\$ -</u>	<u>\$ 1,505,266</u>

JEA

Combining Statement of Revenues, Expenses, and Changes in Net Assets

Year Ended September 30, 2006

(In Thousands)

	Electric System and Bulk Power Supply System	SIRPP System	Elimination of Inter- company Transactions	Total Electric Enterprise Fund	Water and Sewer Enterprise Fund	District Energy System	Elimination	Total JEA
Operating revenues :								
Electric	\$ 1,050,391	\$ 314,592	\$ (196,776)	\$ 1,168,207	\$ -	\$ -	\$ (7,744)	\$ 1,160,463
Water and sewer	-	-	-	-	214,940	-	(34)	214,906
District Energy	-	-	-	-	-	3,054	-	3,054
Other, net of allowances	40,466	-	-	40,466	13,513	-	(3,330)	50,649
Total operating revenues	1,090,857	314,592	(196,776)	1,208,673	228,453	3,054	(11,108)	1,429,072
Operating expenses:								
Operations:								
Fuel	309,781	146,342	-	456,123	-	-	-	456,123
Purchased power	340,079	-	(196,776)	143,303	-	-	-	143,303
Other	97,173	30,033	-	127,206	70,294	1,526	(11,108)	187,918
Maintenance	47,782	19,509	-	67,291	17,633	736	-	85,660
Depreciation	171,876	28,928	-	200,804	95,660	1,150	-	297,614
State utility and franchise taxes	26,807	-	-	26,807	-	-	-	26,807
Recognition of deferred costs and revenues, net	(3,878)	44,306	-	40,428	-	-	-	40,428
Total operating expenses	989,620	269,118	(196,776)	1,061,962	183,587	3,412	(11,108)	1,237,853
Operating income	101,237	45,474	-	146,711	44,866	(358)	-	191,219
Nonoperating revenues (expenses):								
Earnings from The Energy Authority	21,910	-	-	21,910	-	-	-	21,910
Investment income	2,661	13,412	-	16,073	6,936	79	-	23,088
Interest on debt	(90,229)	(58,987)	-	(149,216)	(81,275)	(1,879)	-	(232,370)
Other interest, net	(1,600)	-	-	(1,600)	-	-	-	(1,600)
Allowance for funds used during construction	13,191	-	-	13,191	18,514	339	-	32,044
Water and Sewer Expansion Authority - operating	-	-	-	-	(762)	-	-	(762)
Total nonoperating revenues (expenses)	(54,067)	(45,575)	-	(99,642)	(56,587)	(1,461)	-	(157,690)
Income (loss) before contributions	47,170	(101)	-	47,069	(11,721)	(1,819)	-	33,529
Contributions (to) from:								
General fund, City of Jacksonville	(71,031)	-	-	(71,031)	(17,657)	-	-	(88,688)
Developers and other	-	-	-	-	97,775	-	-	97,775
City of Jacksonville	(1,000)	-	-	(1,000)	15,546	-	-	14,546
Total contributions	(72,031)	-	-	(72,031)	95,664	-	-	23,633
Change in net assets	(24,861)	(101)	-	(24,962)	83,943	(1,819)	-	57,162
Net assets, beginning of year	463,605	2,876	-	466,481	917,049	(451)	-	1,383,079
Net assets, end of year	\$ 438,744	\$ 2,775	\$ -	\$ 441,519	\$ 1,000,992	\$ (2,270)	\$ -	\$ 1,440,241

JEA

Combining Balance Sheet

September 30, 2007

(In Thousands)

	Electric System and Bulk Power Supply System	SJPPP System	Elimination of Inter- company Transactions	Total Electric Enterprise Fund	Water and Sewer Enterprise Fund	District Energy System	Eliminations	Total JEA
Assets								
Current assets:								
Cash and cash equivalents	\$ 71,925	\$ 30,121	\$ -	\$ 102,046	\$ 19,727	\$ 448	\$ -	\$ 122,221
Accounts and interest receivable, less allowance for doubtful accounts of \$1,897	187,498	7,709	(22,963)	172,244	32,432	445	-	205,121
Inventories:								
Fuel	27,631	26,808	-	54,439	-	-	-	54,439
Materials and supplies	1,774	22,828	-	24,602	49,884	-	-	74,486
Total current assets	288,828	87,466	(22,963)	353,331	102,043	893	-	456,267
Noncurrent assets:								
Restricted assets:								
Cash and cash equivalents	60,098	246,780	-	306,878	93,972	2,227	-	403,077
Investments	(338)	188,173	-	187,835	5	-	-	187,840
Accounts and interest receivable	600	1,198	-	1,798	4,522	-	-	6,320
Total restricted assets	60,360	436,151	-	496,511	98,499	2,227	-	597,237
Debt issuance costs and other	18,343	8,499	-	26,842	21,948	300	-	49,090
Investment in The Energy Authority	7,423	-	-	7,423	-	-	-	7,423
Costs to be recovered from future revenues	-	219,007	-	219,007	-	-	-	219,007
Total noncurrent assets	86,126	663,657	-	749,783	120,447	2,527	-	872,757
Capital assets:								
Land and easements	50,817	6,660	-	57,477	28,508	-	-	85,985
Plant in service	3,865,058	1,171,570	-	5,036,628	3,238,429	51,696	-	8,326,753
Less accumulated depreciation	(1,360,197)	(585,010)	-	(1,945,207)	(833,440)	(3,126)	-	(2,781,773)
Plant in service, net	2,555,678	593,220	-	3,148,898	2,433,497	48,570	-	5,630,965
Construction work in progress	269,278	94,317	-	363,595	279,764	535	-	643,894
Net capital assets	2,824,956	687,537	-	3,512,493	2,713,261	49,105	-	6,274,859
Total assets	\$ 3,199,910	\$ 1,438,660	\$ (22,963)	\$ 4,615,607	\$ 2,935,751	\$ 52,525	\$ -	\$ 7,603,883

JEA

Combining Balance Sheet (continued)

September 30, 2007

(In Thousands)

	Electric System and Bulk Power Supply System	SJPPP System	Elimination of Inter- company Transactions	Total Electric Enterprise Fund	Water and Sewer Enterprise Fund	District Energy System	Eliminations	Total JEA
Liabilities and net assets								
Current liabilities:								
Accounts and accrued expenses payable	\$ 108,587	\$ 18,312	\$ (1)	\$ 126,898	\$ 12,168	\$ 50	\$ -	\$ 139,116
Customer deposits	35,450	-	-	35,450	-	-	-	35,450
Total current liabilities	144,037	18,312	(1)	162,348	12,168	50	-	174,566
Current liabilities payable from restricted assets:								
Debt due within one year	21,645	86,415	-	108,060	17,235	-	-	125,295
Interest payable	24,861	29,487	-	54,348	33,228	148	-	87,724
Construction contracts and accounts payable	12,450	48,574	(22,962)	38,062	18,385	111	-	56,558
Renewal and replacement reserve	-	90,000	-	90,000	-	-	-	90,000
Total current liabilities payable from restricted assets	58,956	254,476	(22,962)	290,470	68,848	259	-	359,577
Noncurrent liabilities:								
Deferred credits and other liabilities	31,027	2,679	-	33,706	6,339	-	-	40,045
Revenues to be used for future costs	80,217	-	-	80,217	-	-	-	80,217
Total noncurrent liabilities	111,244	2,679	-	113,923	6,339	-	-	120,262
Long-term debt:								
Bonds payable and commercial paper payable, less current portion	2,534,142	1,210,351	-	3,744,493	1,767,446	52,785	-	5,564,724
Unamortized original issue premium (discount), net	(4,179)	23,930	-	19,751	(3,993)	-	-	15,758
Unamortized deferred losses on refundings	(37,346)	(71,769)	-	(109,115)	(29,161)	-	-	(138,276)
Fair value of debt management strategy instruments	2,544	-	-	2,544	(538)	-	-	2,006
Total long-term debt	2,495,161	1,162,512	-	3,657,673	1,733,754	52,785	-	5,444,212
Net assets:								
Invested in capital assets, net of related debt	243,945	(347,009)	-	(103,064)	968,639	(3,488)	-	862,087
Restricted	25,001	281,215	22,962	329,178	58,760	2,076	-	390,014
Unrestricted	121,566	66,475	(22,962)	165,079	87,243	843	-	253,165
Total net assets	390,512	681	-	391,193	1,114,642	(569)	-	1,505,266
Total liabilities	2,809,398	1,437,979	(22,963)	4,224,414	1,821,109	53,094	-	6,098,617
Total liabilities and net assets	\$ 3,199,910	\$ 1,438,660	\$ (22,963)	\$ 4,615,607	\$ 2,935,751	\$ 52,525	\$ -	\$ 7,603,883

JEA

Combining Balance Sheet

September 30, 2006

(In Thousands)

	Electric System and Bulk Power Supply System	SIRPP System	Elimination of Inter- company Transactions	Total Electric Enterprise Fund	Water and Sewer Enterprise Fund	District Energy System	Eliminations	Total JEA
Assets								
Current assets:								
Cash and cash equivalents	\$ 90,114	\$ 22,006	\$ -	\$ 112,120	\$ 18,181	\$ 418	\$ -	\$ 130,719
Accounts and interest receivable, less allowance for doubtful accounts of \$3,337	188,624	4,928	(21,053)	172,499	29,363	394	-	202,256
Inventories:								
Fuel	39,222	21,740	-	60,962	-	-	-	60,962
Materials and supplies	1,657	21,287	-	22,944	52,838	-	-	75,782
Total current assets	319,617	69,961	(21,053)	368,525	100,382	812	-	469,719
Noncurrent assets:								
Restricted assets:								
Cash and cash equivalents	71,025	171,650	-	242,675	76,217	644	-	319,536
Investments	(848)	186,158	-	185,310	128,431	-	-	313,741
Accounts and interest receivable	655	1,479	-	2,134	4,739	-	-	6,873
Total restricted assets	70,832	359,287	-	430,119	209,387	644	-	640,150
Debt issuance costs and other	17,773	7,420	-	25,193	23,341	311	-	48,845
Investment in The Energy Authority	7,235	-	-	7,235	-	-	-	7,235
Costs to be recovered from future revenues	-	268,844	-	268,844	-	-	-	268,844
Total noncurrent assets	95,840	635,551	-	731,391	232,728	955	-	965,074
Capital assets:								
Land and easements	52,075	6,660	-	58,735	25,173	-	-	83,908
Plant in service	3,695,610	1,145,518	-	4,841,128	2,876,452	29,702	-	7,747,282
Less accumulated depreciation	(1,347,927)	(568,089)	-	(1,916,016)	(738,614)	(2,104)	-	(2,656,734)
Plant in service, net	2,399,758	584,089	-	2,983,847	2,163,011	27,598	-	5,174,456
Construction work in progress	366,491	41,384	-	407,875	381,488	20,405	-	809,768
Net capital assets	2,766,249	625,473	-	3,391,722	2,544,499	48,003	-	5,984,224
Total assets	\$ 3,181,706	\$ 1,330,985	\$ (21,053)	\$ 4,491,638	\$ 2,877,609	\$ 49,770	\$ -	\$ 7,419,017

JEA

Combining Balance Sheet (continued)

September 30, 2006

(In Thousands)

	Electric System and Bulk Power Supply System	SJRRP System	Elimination of Inter- company Transactions	Total Electric Enterprise Fund	Water and Sewer Enterprise Fund	District Energy System	Eliminations	Total JEA
Liabilities and net assets								
Current liabilities:								
Accounts and accrued expenses payable	\$ 123,911	\$ 3,575	\$ (929)	\$ 126,557	\$ 10,070	\$ 29	\$ -	\$ 136,656
Customer deposits	29,614	-	-	29,614	1	-	-	29,615
Total current liabilities	153,525	3,575	(929)	156,171	10,071	29	-	166,271
Current liabilities payable from restricted assets:								
Debt due within one year	22,440	83,560	-	106,000	13,820	-	-	119,820
Interest payable	27,313	28,963	-	56,276	37,438	149	-	93,863
Construction contracts and accounts payable	14,843	35,111	(20,124)	29,830	15,838	62	-	45,730
Renewal and replacement reserve	-	78,651	-	78,651	-	-	-	78,651
Total current liabilities payable from restricted assets	64,596	226,285	(20,124)	270,757	67,096	211	-	338,064
Noncurrent liabilities:								
Deferred credits and other liabilities	35,151	2,636	-	37,787	7,984	-	-	45,771
Revenues to be used for future costs	84,095	-	-	84,095	-	-	-	84,095
Total noncurrent liabilities	119,246	2,636	-	121,882	7,984	-	-	129,866
Long-term debt:								
Bonds payable and commercial paper payable, less current portion	2,437,738	1,141,779	-	3,579,517	1,817,205	51,800	-	5,448,522
Unamortized original issue premium (discount), net	(5,376)	31,047	-	25,671	(2,492)	-	-	23,179
Unamortized deferred losses on refundings	(36,231)	(77,112)	-	(113,343)	(23,247)	-	-	(136,590)
Fair value of debt management strategy instruments	9,464	-	-	9,464	-	-	-	9,464
Total long-term debt	2,405,595	1,095,714	-	3,501,309	1,791,466	51,800	-	5,344,575
Net assets:								
Invested in capital assets, net of related debt	262,963	(277,537)	-	(14,574)	899,033	(3,061)	-	881,398
Restricted	37,623	216,562	20,124	274,309	15,359	7	-	289,675
Unrestricted	138,158	63,750	(20,124)	181,784	86,600	784	-	269,168
Total net assets	438,744	2,775	-	441,519	1,000,992	(2,270)	-	1,440,241
Total liabilities	2,742,962	1,328,210	(21,053)	4,050,119	1,876,617	52,040	-	5,978,776
Total liabilities and net assets	\$ 3,181,706	\$ 1,330,985	\$ (21,053)	\$ 4,491,638	\$ 2,877,609	\$ 49,770	\$ -	\$ 7,419,017

JEA

Combining Statement of Cash Flows

Year Ended September 30, 2007

(In Thousands)

	Electric System and Bulk Power Supply System	SJRPP System	Elimination of Inter- company Transactions	Total Electric Enterprise Fund	Water and Sewer Enterprise Fund	District Energy System	Elimination	Total JEA
Operations								
Receipts from customers	\$ 1,055,872	\$ 348,080	\$ (210,617)	\$ 1,193,335	\$ 235,273	\$ 5,698	\$ (8,873)	\$ 1,425,433
Other receipts	38,434	-	-	38,434	10,851	2,000	(3,838)	47,447
Payments to suppliers	(704,811)	(168,084)	210,617	(662,278)	(70,530)	(2,517)	12,711	(722,614)
Payments to employees	(120,093)	(32,692)	-	(152,785)	(27,385)	(464)	-	(180,634)
Net cash provided by operating activities	269,402	147,304	-	416,706	148,209	4,717	-	569,632
Noncapital and related financing activities								
Contribution to General Fund, City of Jacksonville, Florida	(72,755)	-	-	(72,755)	(18,224)	-	-	(90,979)
Contribution to Water and Sewer Expansion Authority - operating		-	-	-	(1,601)	-	-	(1,601)
Net cash used in noncapital financing activities	(72,755)	-	-	(72,755)	(19,825)	-	-	(92,580)
Capital and related financing activities								
Acquisition and construction of capital assets	(222,349)	(90,268)	-	(312,617)	(165,317)	(2,060)	-	(479,994)
Proceeds from issuance of debt	333,098	289,464	-	622,562	348,911	1,450	-	972,923
Gain (loss) on disposal of fixed assets	(4,169)	-	-	(4,169)	407	-	-	(3,762)
Defeasance of debt	(134,252)	(105,600)	-	(239,852)	(344,735)	-	-	(584,587)
Repayment of debt principal	(105,886)	(118,280)	-	(224,166)	(56,820)	(465)	-	(281,451)
Interest paid on debt	(106,108)	(54,671)	-	(160,779)	(84,429)	(2,116)	-	(247,324)
Developer and other contributions	-	-	-	-	24,966	-	-	24,966
City of Jacksonville contributions	-	-	-	-	29,091	-	-	29,091
Proceeds from sales of property	7,507	-	-	7,507	2,668	11	-	10,186
Net cash used in capital and related financing activities	(232,159)	(79,355)	-	(311,514)	(245,258)	(3,180)	-	(559,952)
Investing activities								
Purchase of investments	-	(284,583)	-	(284,583)	-	-	-	(284,583)
Proceeds from sale and maturities of investments	-	282,988	-	282,988	130,942	-	-	413,930
Distributions from The Energy Authority	1,385	-	-	1,385	-	-	-	1,385
Investment income	5,011	16,891	-	21,902	5,233	76	-	27,211
Net cash provided by (used in) investing activities	6,396	15,296	-	21,692	136,175	76	-	157,943
Net increase (decrease) in cash and cash equivalents	(29,116)	83,245	-	54,129	19,301	1,613	-	75,043
Cash and cash equivalents at October 1, 2006	161,139	193,656	-	354,795	94,398	1,062	-	450,255
Cash and cash equivalents at September 30, 2007	\$ 132,023	\$ 276,901	\$ -	\$ 408,924	\$ 113,699	\$ 2,675	\$ -	\$ 525,298
Reconciliation of operating income to net cash provided by operating activities:								
Operating income	\$ 92,055	\$ 39,093	\$ -	\$ 131,148	\$ 40,692	\$ 3,304	\$ -	\$ 175,144
Adjustments to reconcile operating income to net cash provided by operating activities:								
Depreciation and amortization	166,182	28,217	-	194,399	107,087	1,442	-	302,928
Recognition of deferred costs and revenues, net	(3,878)	49,830	-	45,952	-	-	-	45,952
Changes in noncash assets and noncash liabilities:								
Accounts receivable and interest receivable, restricted	55	-	-	55	216	-	-	271
Accounts receivable and interest receivable	19,747	(2,814)	-	16,933	(3,089)	(49)	-	13,795
Inventories	11,474	(6,609)	-	4,865	2,953	-	-	7,818
Other	(397)	-	-	(397)	11	-	-	(386)
Accounts and expenses payable	(11,712)	14,732	-	3,020	1,984	20	-	5,024
Liabilities payable from restricted assets	-	24,812	-	24,812	(1)	-	-	24,811
Deferred credits and other liabilities	(4,124)	43	-	(4,081)	(1,644)	-	-	(5,725)
Net cash provided by operating activities	\$ 269,402	\$ 147,304	\$ -	\$ 416,706	\$ 148,209	\$ 4,717	\$ -	\$ 569,632
Noncash activity:								
Contribution of capital assets from developers	\$ -	\$ -	\$ -	\$ -	\$ 94,559	\$ -	\$ -	\$ 94,559

JEA

Combining Statement of Cash Flows

Year Ended September 30, 2006

(In Thousands)

	Electric System and Bulk Power Supply System	SJRPP System	Elimination of Inter- company Transactions	Total Electric Enterprise Fund	Water and Sewer Enterprise Fund	District Energy System	Elimination	Total JEA
Operations								
Receipts from customers	\$ 1,060,822	\$ 314,592	\$ (196,776)	\$ 1,178,638	\$ 212,060	\$ 2,833	\$ (7,778)	\$ 1,385,753
Other receipts	40,379	-	-	40,379	14,652	-	(4,383)	50,648
Payments to suppliers	(677,719)	(174,639)	196,776	(655,582)	(66,369)	(2,234)	12,161	(712,024)
Payments to employees	(107,094)	(26,400)	-	(133,494)	(25,433)	-	-	(158,927)
Net cash provided by operating activities	316,388	113,553	-	429,941	134,910	599	-	565,450
Noncapital and related financing activities								
Contribution to General Fund, City of Jacksonville, Florida	(64,916)	-	-	(64,916)	(16,152)	-	-	(81,068)
Contribution to Water and Sewer Expansion Authority - operating	-	-	-	-	(762)	-	-	(762)
Net cash used in noncapital financing activities	(64,916)	-	-	(64,916)	(16,914)	-	-	(81,830)
Capital and related financing activities								
Acquisition and construction of capital assets	(212,047)	-	-	(212,047)	(165,178)	(3,537)	-	(380,762)
Proceeds from issuance of debt	114,401	320,537	-	434,938	48,907	3,999	-	487,844
Gain (loss) on disposal of fixed assets	-	-	-	-	-	-	-	-
Defeasance of debt	-	(325,113)	-	(325,113)	-	-	-	(325,113)
Repayment of debt principal	(16,320)	(79,440)	-	(95,760)	(9,120)	-	-	(104,880)
Interest paid on debt	(91,823)	(52,853)	-	(144,676)	(78,308)	-	-	(222,984)
Developer and other contributions	-	-	-	-	36,613	(1,817)	-	34,796
City of Jacksonville contributions	(1,000)	-	-	(1,000)	15,546	-	-	14,546
Proceeds from sales of property	5,689	-	-	5,689	49	431	-	6,169
Net cash used in capital and related financing activities	(201,100)	(136,869)	-	(337,969)	(151,491)	(924)	-	(490,384)
Investing activities								
Purchase of investments	-	(299,686)	-	(299,686)	(5)	-	-	(299,691)
Proceeds from sale and maturities of investments	3	301,244	-	301,247	5	-	-	301,252
Distributions from The Energy Authority	1,102	-	-	1,102	-	-	-	1,102
Investment income	3,581	14,016	-	17,597	8,435	79	-	26,111
Net cash provided by (used in) investing activities	4,686	15,574	-	20,260	8,435	79	-	28,774
Net increase (decrease) in cash and cash equivalents	55,058	(7,742)	-	47,316	(25,060)	(246)	-	22,010
Cash and cash equivalents at October 1, 2005	106,081	201,398	-	307,479	119,458	1,308	-	428,245
Cash and cash equivalents at September 30, 2006	\$ 161,139	\$ 193,656	\$ -	\$ 354,795	\$ 94,398	\$ 1,062	\$ -	\$ 450,255
Reconciliation of operating income to net cash provided by operating activities:								
Operating income	\$ 101,237	\$ 45,474	\$ -	\$ 146,711	\$ 44,868	\$ (360)	\$ -	\$ 191,219
Adjustments to reconcile operating income to net cash provided by operating activities:								
Depreciation and amortization	171,876	28,928	-	200,804	96,155	1,150	-	298,109
Recognition of deferred costs and revenues, net	(3,878)	44,306	-	40,428	-	-	-	40,428
Changes in noncash assets and noncash liabilities:								
Accounts receivable and interest receivable, restricted	55	-	-	55	1,140	-	-	1,195
Accounts receivable and interest receivable	10,431	1,430	-	11,861	(2,881)	(221)	-	8,759
Inventories	(11,869)	1,819	-	(10,050)	(393)	-	-	(10,443)
Other	2,050	-	-	2,050	13	-	-	2,063
Accounts and expenses payable	40,480	691	-	41,171	169	30	-	41,370
Liabilities payable from restricted assets	-	(9,158)	-	(9,158)	-	-	-	(9,158)
Deferred credits and other liabilities	6,006	63	-	6,069	(4,161)	-	-	1,908
Net cash provided by operating activities	\$ 316,388	\$ 113,553	\$ -	\$ 429,941	\$ 134,910	\$ 599	\$ -	\$ 565,450
Noncash activity:								
Contribution of capital assets from developers	\$ -	\$ -	\$ -	\$ -	\$ 61,161	\$ -	\$ -	\$ 61,161

Bond Compliance Information

Independent Certified Public Accountants' Report on Schedules of Debt Service Coverage

The Governing Board of JEA:

We have audited, in accordance with auditing standards generally accepted in the United States, the financial statements of JEA for the years ended September 30, 2007 and 2006 and have issued our report thereon dated November 27, 2007. We have also audited the accompanying schedules of debt service coverage (as specified in the respective JEA Bond Resolutions) of the JEA Electric System, the JEA St. Johns River Power Park System, and the JEA Water and Sewer System for the years ended September 30, 2007 and 2006, based on the financial statements referred to above. These schedules are the responsibility of JEA's management. Our responsibility is to express an opinion on these schedules based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the schedules of debt service coverage are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the schedules of debt service coverage. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall schedules' presentation. We believe that our audits provide a reasonable basis for our opinion.

The accompanying schedules of debt service coverage were prepared for the purpose of demonstrating compliance with the requirements of certain JEA bond resolutions, which require the maintenance of certain minimum debt service coverage ratios, and are not intended to be a presentation in conformity with generally accepted accounting principles.

In our opinion, the schedules of debt service coverage referred to above present fairly, in all material respects, the debt service coverage of the JEA Electric System, the JEA St. Johns River Power Park System, and the JEA Water and Sewer System for the years ended September 30, 2007 and 2006, respectively, in conformity with the basis specified in the respective JEA Bond Resolutions.

This report is intended solely for the information and use of the Members and management of JEA, and the bond trustees, and is not intended to be and should not be used by anyone other than these specified parties.

Ernst & Young LLP

November 27, 2007

JEA Electric System

Schedules of Debt Service Coverage

Years Ended September 30, 2007 and 2006

(In Thousands)

	2007	2006
Revenues:		
Electric	\$ 1,036,125	\$ 1,050,391
Investment income (1)	4,275	1,894
Earnings from The Energy Authority	20,192	21,910
Other, net	38,379	41,005
Plus: amount paid from the Rate Stabilization Fund into the Revenue Fund	63,057	28,198
Less: amount paid from the Revenue Fund into the Rate Stabilization Fund	(48,616)	(54,631)
Total revenues	1,113,412	1,088,767
Operating expenses (2):		
Fuel	281,346	286,764
Purchased power (3)	366,497	378,011
Other operation and maintenance	146,968	131,022
Utility and franchise taxes	25,336	25,824
Total operating expenses	820,147	821,621
Net revenues	\$ 293,265	\$ 267,146
Debt service	\$ 64,446	\$ 59,084
Less: investment income on sinking fund	(738)	(656)
Debt service requirement	\$ 63,708	\$ 58,428
Senior debt service coverage (4)	4.60x	4.57x
Net revenues (from above)	\$ 293,265	\$ 267,146
Debt service requirement (from above)	\$ 63,708	\$ 58,428
Plus: aggregate subordinated debt service on outstanding subordinated bonds	59,970	58,621
Adjusted debt service requirement	\$ 123,678	\$ 117,049
Senior and subordinated debt service coverage (5)	2.37x	2.28x

(1) Excludes investment income on sinking funds.

(2) Excludes depreciation.

(3) 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 Supply System 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.

(4) Net revenues divided by debt service requirement. Minimum annual coverage is 1.20x.

(5) Net revenues divided by adjusted debt service requirement. Minimum annual coverage is 1.15x

JEA St. Johns River Power Park System

Schedules of Debt Service Coverage

Years Ended September 30, 2007 and 2006

(In Thousands)

	2007	2006
Revenues:		
JEA	\$ 224,170	\$ 207,952
FPL	137,462	124,616
Investment income	16,578	13,815
Total revenues	378,210	346,383
Operating expenses (1):		
Fuel	175,122	146,343
Other operation and maintenance	29,564	32,403
Total operating expenses	204,686	178,746
Net revenues	\$ 173,524	\$ 167,637
Debt service requirement	\$ 137,609	\$ 132,216
Debt service coverage (2)	1.26x	1.27x

(1) Excludes depreciation.

(2) Net revenues divided by debt service requirement. Semiannual minimum coverage is 1.25x.

JEA Water and Sewer System

Schedules of Debt Service Coverage

Years Ended September 30, 2007 and 2006

(In Thousands)

	2007	2006
Revenues:		
Water	\$ 102,997	\$ 92,537
Water capacity fees (1)	9,895	10,201
Sewer	135,365	122,402
Sewer capacity fees (1)	13,316	23,915
Investment Income	4,352	1,865
Other	12,075	13,644
Total revenues	278,000	264,564
Operating expenses (2):		
Operations and maintenance	101,772	87,927
Net revenues	\$ 176,228	\$ 176,637
Debt service requirement	\$ 75,161	\$ 72,851
Senior debt service coverage (3)	2.34x	2.42x
Net revenues (from above)	\$ 176,228	\$ 176,637
Debt service requirement (from above)	\$ 75,161	\$ 72,851
Plus: aggregate subordinated debt service on outstanding subordinated debt	18,011	15,675
Adjusted debt service requirement	\$ 93,172	\$ 88,526
Senior and subordinated debt service coverage (4)	1.89x	2.00x

(1) Effective October 01, 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 September 2007 and 2006, then the debt service coverage would have been 1.64x and 1.61x.

(2) Excludes depreciation.

(3) Net revenues divided by debt service requirement. Annual minimum coverage is 1.25X

(4) Net revenues must be greater than or equal to the sum of 100% of the senior debt service and 120% of the subordinated debt service. The sum of such debt service amounts for the year ending September 2007 is \$96,775 and \$91,661 for the year ending September 2006.

Report on Internal Control Over Financial Reporting

Report of Independent Certified Public Accountants on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of the Financial Statements
Performed in Accordance with *Government Auditing Standards*

The Governing Board of JEA
Jacksonville, Florida

We have audited the financial statements of JEA, a component unit of the City of Jacksonville, as of and for the year ended September 30, 2007, and have issued our report thereon dated November 27, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered JEA's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of JEA's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of JEA's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether JEA's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Governing Board, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Ernst & Young LLP

November 27, 2007







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