2 0 0 8 Annual Report

Challenges & Opportunities –
Finding The Balance

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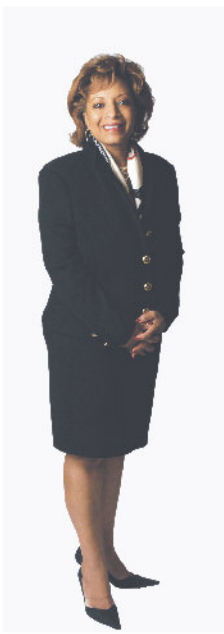
“The dogmas of the quiet past are inadequate to the stormy present. The occasion is piled high with difficulty, and we must rise with the occasion. As our case is new, so we must think anew and act anew.”

Abraham Lincoln

Chair and CEO's Letter

Fiscal year 2008 was a very different year for JEA. An atmosphere of uncertainty about environmental regulation and the stability of economic factors was pervasive. Climate change and its ramifications in terms of Governor Crist's Executive Order, and proposed climate legislation, as well as escalating fuel price impacts to JEA's operating costs, made this a very challenging year. Utilities whose strategy for cost containment has included a heavy reliance on coal and new cleaner coal technologies have been struck a potentially reeling blow by climate change. Furthermore, the skyrocketing costs of most fuels have stunned all but a very few utilities. And JEA felt the effects as well.



Cynthia Austin, *Chair*
Partner
Austin and Austin Law Firm

Jim Dickenson
CEO and Managing Director
JEA

Jay Fant
CEO
First Guaranty Bank

Jim Gilmore
President
Agency Approval and Development

On the water side, within the state, regulators began to be more demonstrative about resource issues. The question of how we address total water resource management came strongly to the forefront. Competing environmental and economic interests became far more vocal in Florida in 2008. Despite these pressures, JEA continued to move forward with progress on its own Total Water Management Plan and proactively engaged nitrogen discharge reduction and other technological improvements to our water and sewer systems.

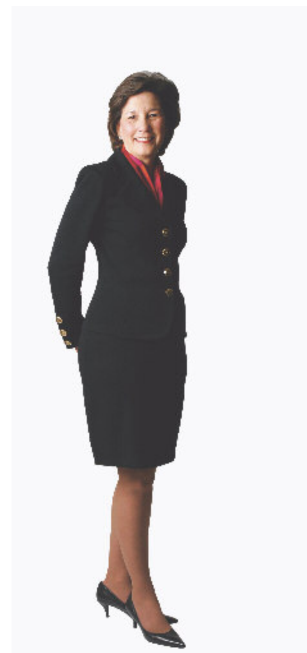
The weather also provided a bit of a challenge during hurricane season when we received a glancing blow from Tropical Storm Fay. Almost one fourth of our customers were without power some time during the event; however, the lessons learned during Bonnie, Frances and Jeanne in 2004 were invaluable in our response to Fay. The JEA team operated with precision and confidence and the community's response was positive and supportive.

Through all the challenges, we still made progress. JEA's strong Board and management team maintained a clear vision and a steady hand in shepherding the utility on its course to fulfill our mission of providing essential utility services for our community. Despite the growing global financial storm, JEA maintained its strong credit rating and was able to continue to keep rates among the lowest in the state. And in FY08, the JEA Board of Directors began a process to formalize and codify its policy governance as a legacy for the organization and as guidance for future Board members.

Mike Hightower
Vice President
Blue Cross and Blue Shield
of Florida

Ashton Hudson, *Secretary*
Vice President
Rock Creek Partners

Ron Townsend
Communications Consultant



Cathy Whatley, *Vice Chair*
Broker-owner
Buck & Buck, Inc., Realtors

Commitment and vision kept us in balance this past year. As we ended the year, it was clear that business as usual had a new meaning. It was also clear that ahead loomed additional challenges that would require an even greater vigilance to keep our strong vision and the right management balance. Nonetheless, we are confident that no matter what lies ahead, we have the ability to turn challenges into opportunities, to adapt, and to succeed in fulfilling our mission in the most ethical and efficient way.

Cynthia Austin
Chair

Jim Dickenson
CEO and Managing Director

Challenges and Opportunities – Finding the Balance

In 2008, JEA encountered an unprecedented increase in fuel costs. Globally the demand for electricity is increasing. Brazil, Russia, India and China have all experienced explosive economic growth in the past 10 years, which is driving an increased global demand for all types of fuels. Steady growth in the state as well as increased use of multiple electronic devices continued to push demand for energy and water. Across the state and the nation, rising fuel costs were compounded by the rising cost to transport fuels to generating facilities – adding to the total cost to produce electricity. Here at home, as a not-for-profit entity, JEA's increases in operating costs had to be passed on to our customers.

Fuel Costs: Balancing the Fuel Fund

JEA made every effort to minimize the effect rising costs had on customers' bills in fiscal year 2008. Historically, JEA has accomplished this by incorporating a diversified portfolio of electric generation technologies in its fleet. In addition, JEA balanced costs by using different types of fuels at plants with flexible fuel options. This capability enabled JEA to switch to lower-cost fuels when financially advantageous to do so.

In the past, this diversified fuel mix strategy tempered the cost volatility for any individual fuel source. However, the cost of all fuels used for electric generation has increaed over the past five years. In fiscal year 2008, those costs skyrocketed.

Solid Fuels – Coal and Petroleum Coke (pet coke)

Coal and petroleum coke have been abundant sources of fuel available at a stable cost in the United States for decades. JEA's Northside Generating Station and St. Johns River Power Park, as well as Unit 4 at Plant Scherer, use coal, or pet coke, or some combination of the two. During fiscal year 2008, approximately 80 percent of JEA's electricity was produced from coal and pet coke. Fifty percent of the nation's electricity is produced from coal. During fiscal year 2008, the prices of coal and pet coke more than doubled.

Natural Gas

The average market commodity cost of natural gas at the Henry Hub was more than four times greater in fiscal year 2008 ($9.04/mmBtu) than in fiscal year 1999 ($2.13/mmBtu). Florida uses natural gas for nearly 40 percent of its electric generation; however, in fiscal year 2008, natural gas accounted for only about 14 percent of JEA's electric fuel mix.

	Increase over past 5 years
Diesel Oil	277%
Residual Oil	216%
Natural Gas	72%
Coal	230%
Petroleum Coke	292%

Other

The remaining 6 percent of JEA's fuel mix was comprised of purchased power and other fuels including residual fuel oil, diesel and renewable energy sources.

In July an upward mid-year correction was needed for our variable fuel rate. In response to dramatically escalating fuel costs and a growing deficit in the fuel fund of more than $61 million, the JEA Board of Directors voted to increase the variable fuel rate by $15 per 1,000 kilowatt hours (kWh) effective July 1. JEA's variable fuel rate was enacted in April 2005. Fuel is a direct pass-through to customers and accounted for 43 percent of JEA's electric operating budget in fiscal year 2008. When the price of buying fuel goes up dramatically as it did in 2008, JEA must adjust rates to pass that cost through to its customers.

Water Rates Driven by Competing Demands

In the fourth quarter, the JEA Board of Directors voted to increase water rates beginning Oct. 1, 2008. Issues taken into consideration for the increase included the costs associated with sewer treatment plant improvements; the cost of increasing the availability of reclaimed water; and the cost of meeting increasing debt service.

Challenges & Opportunities –
Finding The Balance

The cost associated with improvements to sewer treatment plants was driven by JEA's need to meet the total maximum daily load requirement (TMDL) of the Florida Department of Environmental Protection. The TMDL determines the amount of nitrogen that is passed through the wastewater treatment facilities in treated effluent that goes to the St. Johns River.

The use of reclaimed water also reduces the volume of nitrogen going into the river. Reclaimed water use replaces the use of potable water for lawn irrigation. On average, JEA's single-family residential customers use slightly more than 100 gallons of water per person, per day. About half of that water is used for irrigation. Every gallon of reclaimed water that is used for irrigation is a gallon of fresh water that is saved for other uses, including use inside the home.

JEA's Total Water Management Plan was developed to ensure that JEA's customers have a sustainable water supply. The key components of the Total Water Management Plan include: 1) conservation, 2) reclaimed water, and 3) transfer of potable water via a pipeline flowing north to south across the St Johns River. Meeting goals in these three areas will help protect the Floridan aquifer for JEA customers for many years. JEA also continued to evaluate other more costly alternative water supply techniques such as desalination and indirect potable reuse.

Meeting JEA's financial needs for the water side of the business continues to be a balancing act. On the one side, regulators are pushing for customer reductions in overall customer consumption, but JEA still must have the financial resources necessary to pay for infrastructure capital needs, as well as to service its existing debt.

Energy for the Future: Yet Another Balancing Act

JEA and its three municipal utility partners ceased activity to move forward with permitting and construction of a coal-fired power plant in Taylor County, Florida. In light of Governor Charlie Crist's Executive Order to reduce greenhouse gas emissions within Florida, signed in July 2007, and the cancellation of other solid fuel generation permit requests that were ahead of JEA, it became apparent that there would be no more coal plants built in Florida for the foreseeable future.

Challenges & Opportunities – Finding The Balance

JEA then began pursuing new programs and new sources of electricity. To assure that JEA can meet future demand, the utility entered into a 20-year contract with the Municipal Electric Authority of Georgia (MEAG) to purchase 206 megawatts, or 9 percent of JEA's projected energy needs 10 years from now, from a proposed future nuclear power plant in Georgia. JEA took this step in 2008 as yet another example of its efforts to diversify its fuel mix, moving away from fossil fuels. This plant is scheduled to be operational in 2016/2017.

This purchase agreement is important for two reasons. First, it provides access to an abundant fuel source with a cost that is historically less volatile than fossil fuels, and over the life of the purchase, has the opportunity to slow the rise in JEA's power costs. Second, nuclear power has zero carbon emissions and therefore does not contribute to the possible effects of global climate change.

Greater utilization of nuclear power, in combination with conservation, renewable resources, more efficient building construction standards and cleaner fossil fuel sources will be required to provide for the power needs of the United States economy if our nation and our world are to be successful in reducing atmospheric carbon dioxide levels.

Finding the Balance Among Planning, Conservation and Demand Side Management

Part of the potential of demand side management lies in balancing the load on JEA's power plants throughout the day. Such load balancing could reduce JEA's peak demand. Reducing peak demand means delaying the need to invest in new generation. Toward this end, JEA continued to leverage the investment in its advanced metering system by implementing a distribution system loading project in 2008. This project allows engineers and operations personnel to see the loading on distribution feeders, by individual phase, at all nodes along the feeder. It will facilitate better design and operational decision making, and ultimately reduce capital expenditures through better resource utilization. Two technology awards were received in recognition of this project: the TDWI Business Intelligence Best Practice Award and *Energy Biz's* CIO of the Year in the Small Utilities category.

JEA also continued to promote energy efficiency and water conservation to help customers offset the rising costs of utility services. In fiscal year 2008, JEA began the first of its Demand Side Management programs – a lighting program where JEA partnered with local retailers to discount the cost of compact fluorescent lightbulbs (CFLs) to encourage their use by our customers. This program was highly successful as JEA incentives led to the sale of 218,627 CFLs in just nine months.

As customers became more aware of CFLs, there was also a rising interest in the proper disposal of spent bulbs due to the minute amounts of mercury within CFLs. JEA was able to address these concerns by partnering with the City of Jacksonville to implement a CFL collection and recycling program. JEA, through its contractor partner, brought on 30 retail partners to be disposal sites for the collection of spent CFLs. At these designated stores, customers may drop off unbroken CFL bulbs for appropriate safe disposal.

JEA's Neighborhood Energy Efficiency Program was also launched this year. Working through the City of Jacksonville's Department of Housing and Neighborhoods, JEA targeted residents with higher than average energy use compared to a citywide average. JEA began investing in low-cost conservation measures that reduce consumption in some of the city's least energy-efficient housing stock typically located in economically disadvantaged neighborhoods. Between July 14 and Sept. 30, 400 JEA electric and water conservation packages were installed in three neighborhoods.

On the water side, JEA continued to use its LawnSmart program to educate customers about proper irrigation. In fiscal year 2008, JEA worked with a large property management company to create a case study to demonstrate irrigation efficiency on commercial properties. The study involved 22 buildings with projected savings of 67 percent. A collaborative effort was also initiated with local builders and homeowner associations to educate them about better irrigation management practices. The essence of the message was that new turf has different irrigation needs than established turf, providing tremendous savings through consumption reduction for the homeowner over time once the turf is established.

Maintaining Financial Stability While Meeting Environmental Requirements with Excellence

Certainly global issues such as climate change, safe water supplies and diminishing natural resources affect us all. Balancing those often competing demands within a fiscally responsible and ethically responsive framework places a great responsibility on the utility and the community. JEA stands by its environmental record and efforts to incorporate sustainability considerations into our decision-making process.

JEA was awarded the 2007 Excellence in Manufacturing Environmental Protection Award by the First Coast Manufacturing Association. The award was given to JEA with the following recognition: "More conservation and greater reuse are the operating strategies at JEA. Improved air and water quality receive equal emphasis. JEA recycles more than 66 percent of the byproducts of power generation. Most are processed by local manufacturers. The company is accelerating the move to alternative energy sources. In 2007, JEA received national recognition for its dramatic improvement in wastewater processing, which includes a nearly 50 percent reduction in nitrogen discharge to the St. Johns River."

Environmental Milestones: Energy

Construction began on the Trail Ridge Landfill Gas Project, which is on schedule to be completed in 2008. Upon completion of the project, JEA will purchase energy from Landfill Energy Systems who will construct, own and operate a renewable energy electric generating facility fueled with landfill gas from the City of Jacksonville Trail Ridge Landfill located in Baldwin, Florida with a nameplate capacity of 9.6 megawatts.

JEA initiated the permitting for the Greenland Energy Center, which once completed will be home to two simple cycle combustion turbines, each at 175 megawatts. Increased reliability and meeting future electrical demand in JEA's service area are just two of the many benefits of this project when the units become operational in mid-2011.

Construction continues on the selective catalytic reduction (SCR) for Units 1 & 2 at St. Johns River Power Park. Following a very aggressive schedule to meet the Clean Air Interstate Rule (CAIR), the project is expected to be in operation in 2011.

In 2008 JEA began utilizing E10 in all of its vehicles that utilize unleaded fuel and subsequently received *Automotive Fleet* magazine's Top 50 Commercial Green Fleet Award in May. JEA's alternative fuel program for fleet vehicles is leading the way both locally and nationally in reducing emissions and dependency on fossil fuel. In late 2007, our fleet was ranked as one of the Top 100 alternative fuel vehicle fleets in the United States. Currently, 20 percent of the fuel used by JEA's fleet is alternative. In addition, approximately half of our fleet is capable of using alternative fuel and as we increase the number of distribution sites, JEA's use of renewable alternative fuels will increase, as well.

Environmental Milestones: Water

JEA continued to reduce the amount of nitrogen discharged from its wastewater treatment facilities. Approximately 790 tons were discharged in FY08, resulting in a 48 percent reduction from the 1999 baseline. JEA completed construction of a $14 million improvement project at the Southwest Wastewater Treatment Plant and has begun construction on a $26 million improvement project at Arlington East Regional Wastewater Treatment Plant to further improve the nutrient removal capability of our wastewater treatment system.

JEA continued its strategy to increase the use of reclaimed water. The average daily flow increased from 7 million gallons per day (MGD) to 10 MGD in FY08 for an increase of 43 percent over last year. Seven million dollars in additional infrastructure was added to increase the reclaimed water capacity.

JEA won the Environmental Protection Agency's (EPA) Clean Water Act Recognition Award as the best large Industrial Pretreatment program in the nation. One of EPA's national awards program goals is to recognize programs that protect the water quality of the nation's receiving waters (e.g. the St. Johns River). JEA's Industrial Pretreatment program was recognized as a cost-effective collaborative approach for regulating industries and commercial businesses that discharge to the sewer system.

The JEA approach is customer friendly and beneficial to industries and has resulted in demonstrated environmental improvements. This is the second time JEA has received an EPA Clean Water Act Award. In 2003, JEA's Buckman Water Reclamation Facility won the first place award for large secondary treatment facilities for its outstanding work in controlling pollution.

Fiscal year 2008 was a year that ultimately may be defined by a historic and unforeseen rise in fuel costs and the unprecedented financial crisis striking at the heart of U.S. credit markets. These two events led to increases in costs to the business and the difficult but necessary decision to increase rates for our customers. As with other challenges JEA has faced in the past, JEA will rise to the occasion, face the possible implications and do what is needed to ensure a sound financial foundation for the company while providing our community with the electric, water and sewer services it has come to expect.

It is indeed a delicate balancing act which requires equal consideration of our financial obligations, our environmental responsibilities and our mandate to provide reliable electric, water and sewer service. As JEA takes on the challenges of maintaining balance across often competing fronts today and in the future, we are confident that our Board, leadership team and employees are up to the task.

JEA Financial Report

Challenges & Opportunities –

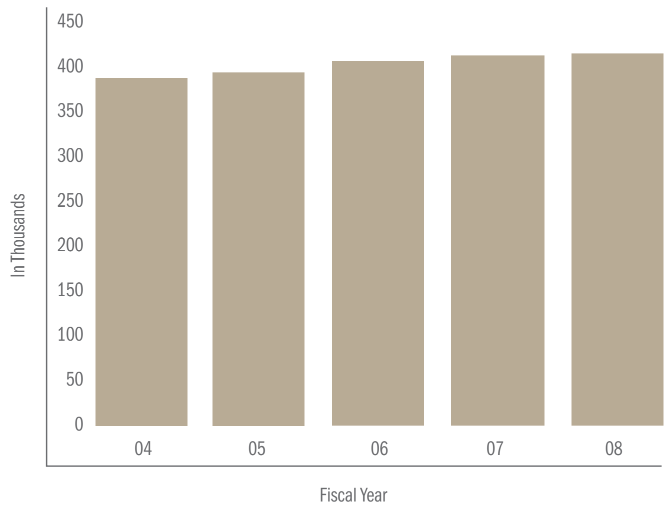
Finding The Balance

Financial and Operating Highlights

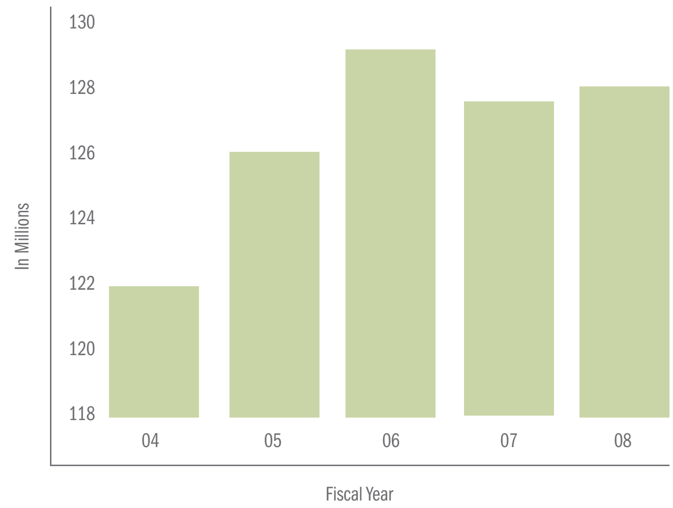
	Years Ended September 30					% Change
	2008	2007	2006	2005	2004	2008 - 2007
ELECTRIC FINANCIAL HIGHLIGHTS						
Operating revenues (thousands)	$1,385,234	$1,211,967	$1,208,673	$1,013,433	$891,471	14.30%
Fuel and purchased power expenses (thousands)	$694,007	$600,170	$599,426	$494,721	$409,690	15.64%
Total operating expenses (thousands)	$1,194,462	$1,080,819	$1,061,962	$926,207	$813,103	10.51%
Debt service coverage:						
Senior and subordinated - Electric	2.40x	2.37x	2.28x	2.13x	2.03x	1.27%
Senior - Electric	4.42x	4.60x	4.57x	5.06x	4.53x	-3.91%
St. Johns River Power Park	1.25x	1.26x	1.27x	1.25x	1.25x	-0.79%
WATER & SEWER FINANCIAL HIGHLIGHTS						
Operating revenues (thousands)	$257,657	$248,997	$228,453	$192,240	$182,827	3.48%
Operating expenses (thousands)	$239,061	$208,305	$183,587	$169,884	$165,181	14.76%
Debt service coverage:						
Senior and subordinated	1.60x	1.89x	2.00x	1.66x	1.80x	-15.34%
Senior	1.96x	2.34x	2.42x	2.03x	2.06x	-16.24%
ELECTRIC OPERATING HIGHLIGHTS						
Sales (megawatt hours)	16,325,894	16,939,214	16,684,077	16,238,003	15,952,629	-3.62%
Peak demand - megawatts 60 minute net	2,914	2,919	2,919	2,860	2,644	-0.17%
Total accounts - average number	414,418	412,295	402,142	391,831	383,355	0.51%
Sales per residential account (kilowatt hours)	14,670	15,038	15,819	15,875	15,798	-2.45%
Average residential revenue per kilowatt hour	$10.04	$8.57	$8.64	$7.47	$6.87	17.15%
Power supply (%):						
Coal	51	51	41	46	42	0.00%
Petroleum coke	19	24	30	27	24	-20.83%
Coal-fired purchases	10	9	10	10	12	11.11%
Oil	1	2	2	6	9	-50.00%
Natural gas	14	10	11	6	5	40.00%
Other purchases	5	4	6	5	8	25.00%
WATER & SEWER OPERATING HIGHLIGHTS						
WATER						
Total sales (ccf)	52,954,948	57,621,374	55,128,073	49,589,817	50,256,094	-8.10%
Total accounts – average number	304,321	303,237	293,689	279,609	266,607	0.36%
Average sales per residential account (ccf)	102.57	111.67	111.73	103.93	110.25	-8.15%
Average residential revenue per ccf	$2.35	$2.10	$1.97	$1.88	$1.69	11.90%
SEWER						
Total sales (ccf)	36,014,290	37,784,323	36,365,720	33,467,099	33,068,435	-4.68%
Total accounts - average number	229,625	228,115	219,826	208,156	198,322	0.66%
Average sales per residential account (ccf)	96.62	104.51	103.93	96.07	102.80	-7.55%
Average residential revenue per ccf	$4.11	$3.67	$3.44	$3.28	$3.15	11.99%

ccf = 100 cubic feet

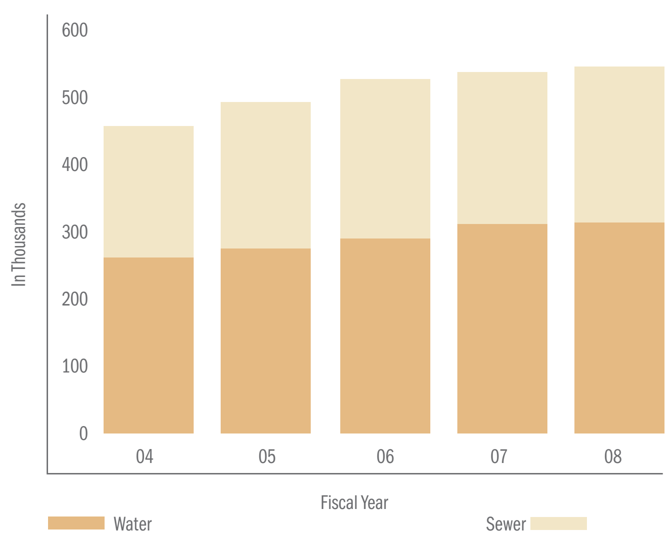
Average Number Of Electric Retail Accounts



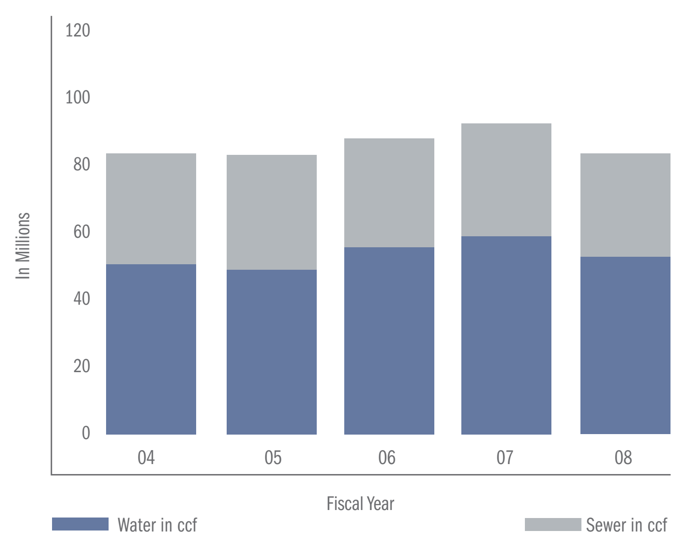
Retail Megawatt Hour Sales



Average Number Of Water & Sewer Accounts



Water & Sewer Sales Volume



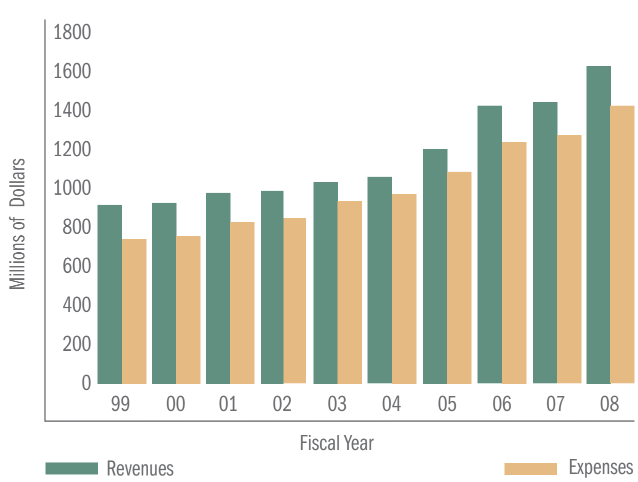
Note: 1 ccf = 100 cubic feet

Financial Summary

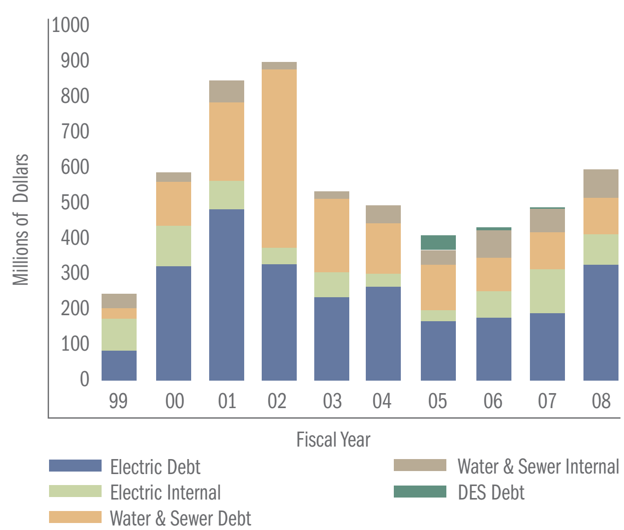
Combined Electric System, Bulk Power Supply System, St Johns River Power Park System, Water and Sewer and District Energy System (in thousands of dollars)

		2008-07	2007-06
Operating revenues:	Electric	$1,330,280	$1,164,747
	Water and sewer	248,115	238,256
	District Energy System	6,162	5,748
	Other, net	48,863	47,176
	Total operating revenues	1,633,420	1,455,927
Operating expenses:	Fuel and purchased power	694,007	600,170
	Operations and maintenance	311,071	305,888
	Depreciation	326,301	302,374
	State utility and franchise taxes	48,551	26,399
	Recognition of deferred costs/revenues	43,345	45,952
	Total operating expenses	1,423,275	1,280,783
	Operating Income	210,145	175,144
Nonoperating revenues (expenses):	Earnings from The Energy Authority	22,374	20,192
	Investment income	17,307	38,112
	Interest on debt	(249,622)	(246,787)
	Other interest	(451)	(1,877)
	Allowance for funds used during construction	19,448	28,425
	Water & Sewer Expansion Authority	(1,216)	(1,601)
	Gain (loss) sale of asset	740	(3,762)
	Total nonoperating revenues (expenses)	(191,420)	(167,298)
	Income (loss) before contributions	18,725	7,846
Contributions (to) from:			
	General fund, City of Jacksonville	(94,188)	(91,437)
	Capital Contributions:		
	Developers and other	47,471	119,525
	City of Jacksonville Better Jacksonville Plan	2,857	29,091
	Water & Sewer Expansion Authority	-	-
	Total other revenues (expenses)	(43,860)	57,179
Change in net assets before extraordinary items		(25,135)	65,025
Extraordinary item-gain (loss) debt extinguishments		-	-
Change in net assets		(25,135)	65,025
Net assets—beginning of period		1,507,670	1,440,241
Effect of change in accounting		-	2,404
Net assets—beginning of period as restated		1,507,670	1,442,645
Net assets—end of period		$1,482,535	$1,507,670

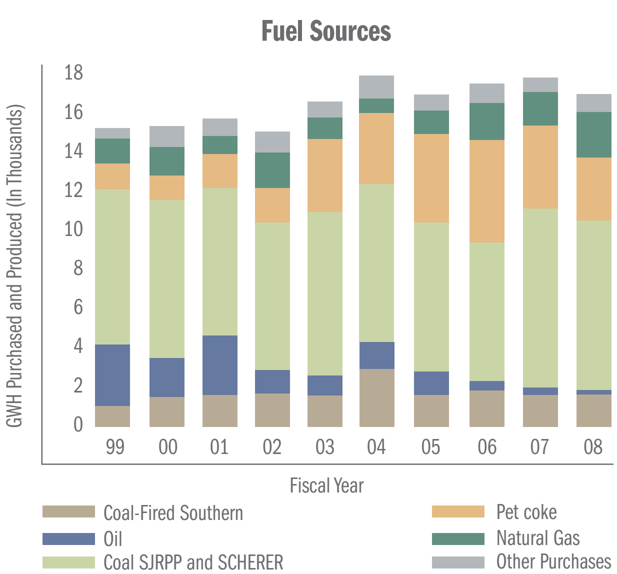
Total Operating Revenues & Expenses

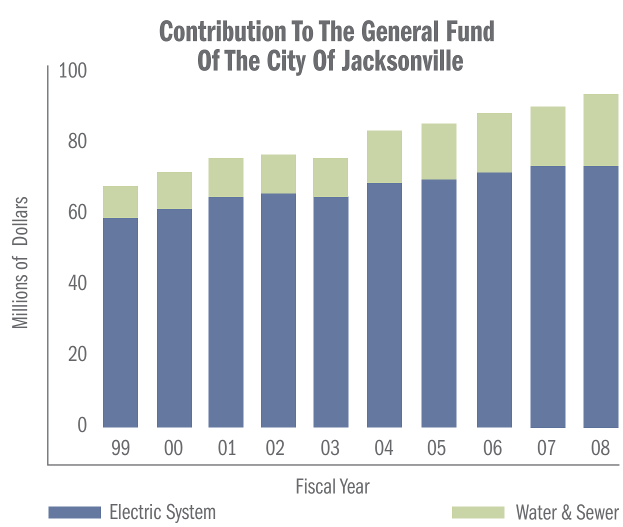


Sources Of Capital Project Funding



2006-05	2005-04	2004-03	2003-02	2002-01	2001-00	2000-99	1999-98
$1,160,463	$973,326	$840,210	$830,519	$793,685	$800,445	$766,482	$754,478
214,906	182,961	173,579	161,053	151,515	132,758	131,112	127,448
3,054	1,297	-	-	-	-	-	-
50,649	42,388	54,803	44,147	38,485	43,828	30,378	29,543
1,429,072	1,199,972	1,068,592	1,035,719	983,685	977,031	927,972	911,469
599,426	494,721	409,690	371,074	345,843	404,487	368,171	299,400
273,578	251,099	248,269	249,945	237,046	206,858	210,550	208,830
297,614	278,531	251,493	252,778	188,725	157,715	137,657	126,553
26,807	21,791	18,941	19,323	18,120	17,654	16,671	16,561
40,428	44,141	44,184	29,110	52,417	35,758	28,960	93,085
1,237,853	1,090,283	972,577	922,230	842,151	822,472	762,009	744,429
191,219	109,689	96,015	113,489	141,534	154,559	165,963	167,040
21,910	17,382	15,924	14,593	9,156	10,008	11,323	19,243
23,088	14,460	13,832	19,466	38,841	52,467	39,322	32,020
(232,370)	(238,454)	(203,100)	(197,148)	(187,838)	(166,302)	(165,296)	(156,103)
(1,600)	(1,246)	(1,167)	(1,178)	(1,154)	(1,604)	(1,942)	(1,134)
32,044	34,637	32,010	42,577	63,211	62,709	29,097	14,443
(762)	(302)	-	-	-	-	-	-
-	-	-	-	-	-	-	-
(157,690)	(173,523)	(142,501)	(121,690)	(77,784)	(42,722)	(87,496)	(91,531)
33,529	(63,834)	(46,486)	(8,201)	63,750	111,837	78,467	75,509
(88,688)	(85,938)	(83,187)	(74,253)	(76,607)	(73,638)	(71,434)	(66,494)
97,775	58,406	56,578	47,381	29,991	19,433	13,262	13,797
14,546	385	9,118	7,548	7,922	-	-	-
-	(254)	-	-	-	-	-	-
23,633	(27,401)	(17,491)	(19,324)	(38,694)	(54,205)	(58,172)	(52,697)
57,162	(91,235)	(63,977)	(27,525)	25,056	57,632	20,295	22,812
-	-	-	-	-	-	(33)	(2,124)
57,162	(91,235)	(63,977)	(27,525)	25,056	57,632	20,262	20,688
1,383,079	1,474,314	1,538,291	1,565,816	1,540,760	1,483,128	1,462,866	1,442,178
-	-	-	-	-	-	-	-
1,383,079	1,474,314	1,538,291	1,565,816	1,540,760	1,483,128	1,462,866	1,442,178
$1,440,241	$1,383,079	$1,474,314	$1,538,291	$1,565,816	$1,540,760	$1,483,128	$1,462,866





Operating Summary

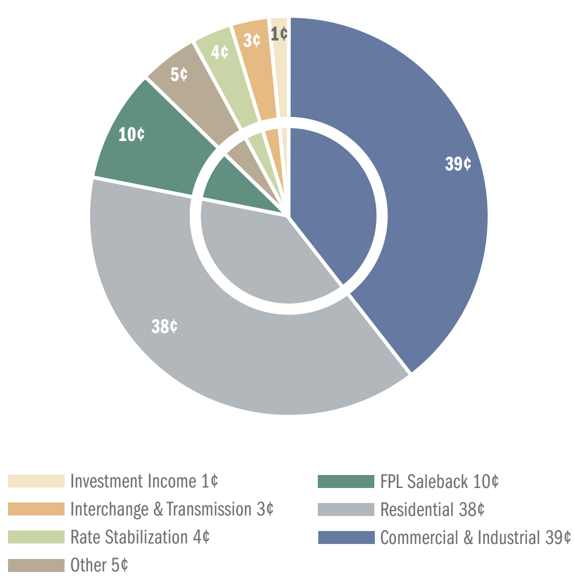
Electric System, Bulk Power System and St Johns River Power Park

		2008-07	2007-06
Electric revenues (000s omitted):	Residential	$538,280	$469,735
	Commercial and industrial	561,171	463,555
	Public street lighting	11,665	9,851
	Sales for resale	48,380	48,522
	Florida Power & Light saleback	137,910	137,463
	Total	$1,297,406	$1,129,126
Sales (megawatt hours):	Residential	5,363,697	5,478,280
	Commercial and industrial	7,314,128	7,160,361
	Public street lighting	116,966	112,760
	Sales for resale		
	Territorial	437,870	479,425
	Off-system	457,421	649,193
	Florida Power & Light saleback	2,635,812	3,059,195
	Total	16,325,894	16,939,214
Average number of accounts:	Residential	365,632	364,284
	Commercial and industrial	45,207	44,440
	Public street lighting	3,576	3,565
	Sales for resale (1)	3	6
	Total	414,418	412,295
System installed capacity - MW (2)		3,241	3,241
Peak demand - MW (60 minute net)		2,914	2,919
System load factor– %		54%	54%
Residential averages—annual:	Revenue per account - $	1,472.19	1,289.48
	KWH per account	14,670	15,038
	Revenue per KWH - ¢	10.04	8.57
All other retail—annual:	Revenue per account - $	11,742.53	9,861.60
	KWH per account	152,330	151,508
	Revenue per KWH - ¢	7.71	6.51
Heating-cooling degree days		3,785	3,803

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

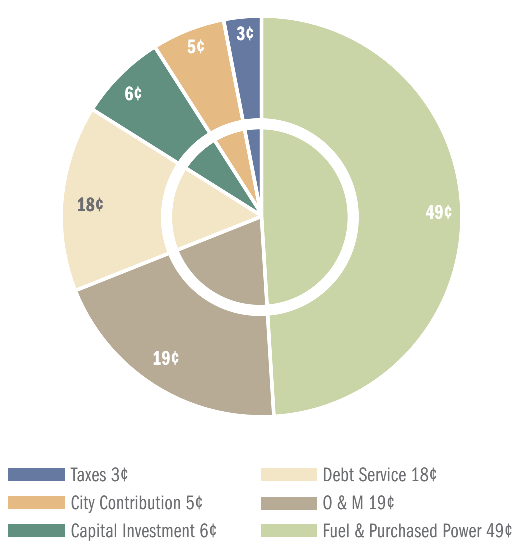
(2) Includes JEA's 50% share of the SJRPP's two coal-fired generating units (638 net megawatts each) and JEA's 23.64% share of Scherer's 846 net megawatt coal-fired generating Unit 4. System installed capacity is reported based on winter capacity.

Electric Revenue Sources



2006-05	2005-04	2004-03	2003-02	2002-01	2001-00	2000-99	1999-98
$488,358	$414,166	$370,323	$372,247	$337,656	$336,495	$318,854	$311,071
464,685	372,348	319,659	321,196	314,275	308,727	300,982	292,756
9,597	8,364	7,919	7,880	7,650	7,688	7,037	6,227
43,799	40,189	38,358	30,061	25,731	32,235	27,145	34,038
117,816	122,256	112,938	105,483	115,345	118,136	116,724	112,330
$1,124,255	$957,323	$849,197	$836,867	$800,657	$803,281	$770,742	$756,422
5,650,986	5,542,498	5,389,616	5,438,697	4,896,009	4,895,532	4,621,869	4,513,203
7,157,602	6,948,730	6,696,646	6,840,708	6,558,145	6,416,130	6,258,555	6,113,617
110,178	107,757	111,483	114,840	111,053	114,427	109,345	83,944
522,134	492,716	468,324	435,934	433,343	472,855	470,255	459,129
593,750	568,442	630,007	374,728	229,554	316,875	176,094	532,274
2,649,427	2,577,860	2,656,556	2,912,075	2,983,814	3,006,655	2,939,923	2,818,502
16,684,077	16,238,003	15,952,632	16,116,982	15,211,918	15,222,474	14,576,041	14,520,669
357,232	349,139	341,162	335,915	329,589	323,537	[illegible]	[illegible]
41,342	39,151	38,610	37,917	37,236	36,335	35,580	34,895
3,561	3,539	3,581	3,543	3,399	3,179	3,989	2,816
7	2	2	2	2	2	2	3
402,142	391,831	383,355	377,377	370,226	363,053	355,573	348,072
3,213	3,049	3,095	3,095	2,545	2,825	2,481	2,342
2,919	2,860	2,644	3,055	2,607	2,666	2,478	2,427
55%	55%	57%	49%	56%	53%	55%	55%
1,367.06	1,186.25	1,085.48	1,108.16	1,024.48	1,040.05	1,009.03	1,002.30
15,819	15,875	15,798	16,191	14,855	15,131	14,626	14,542
8.64	7.47	6.87	6.84	6.90	6.87	6.90	6.89
10,562.37	8,918.06	7,764.17	7,937.19	7,922.36	8,007.67	7,784.35	7,928.27
161,855	165,296	161,364	167,765	164,124	165,272	160,932	164,344
6.53	5.40	4.81	4.73	4.83	4.85	4.84	4.82
4,053	4,035	4,217	4,167	3,888	4,035	[illegible]	[illegible]

Electric Revenue Uses



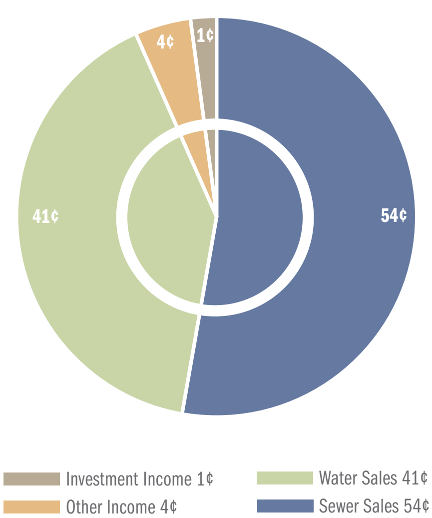
Operating Summary

Water and Sewer System

		2008-07	2007-06
Water revenues (000's omitted):	Residential	$59,397	$57,620
	Commercial and Industrial	26,692	24,483
	Irrigation	19,679	21,143
	Total	$105,768	$103,246
Water Sales (ccf*):	Residential	25,198,415	27,405,671
	Commercial and Industrial	17,162,922	17,269,352
	Irrigation	10,593,611	12,946,351
	Total	52,954,948	57,621,374
Average Number of Accounts:	Residential	245,659	245,420
	Commercial and Industrial	23,555	23,302
	Irrigation	35,107	34,515
	Total	304,321	303,237
Residential averages – annual:	Revenue per account - $	241.38	234.78
	ccf per account	102.57	111.67
	Revenue per ccf - $	2.35	2.10
Rainfall (inches)		65.72	39.35
Sewer revenues (000's omitted):	Residential	$84,102	$80,716
	Commercial and Industrial	58,640	54,281
	Reuse Water	1,079	739
	Total	$143,821	$135,736
Volume (ccf):	Residential	20,445,371	22,010,983
	Commercial and Industrial	14,836,462	14,866,675
	Reuse Water	732,457	906,665
	Total	36,014,290	37,784,323
Average Number of Accounts:	Residential	211,607	210,609
	Commercial and Industrial	17,598	17,421
	Reuse Water	420	85
	Total	229,625	228,115
Residential averages – annual:	Revenue per account - $	397.44	383.25
	ccf per account	96.62	104.51
	Revenue per ccf - $	4.11	3.67

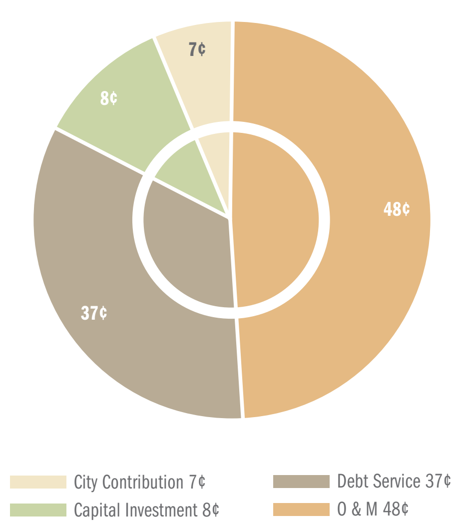
* ccf represents 100 cubic feet

Water Revenue Sources



2006-05	2005-04	2004-03	2003-02	2002-01	2001-00	2000-99	1999-98
$52,299	$44,337	$40,661	$36,552	$34,891	$29,227	$29,692	$28,689
22,404	17,546	17,182	16,545	15,504	14,754	14,777	14,735
18,105	13,782	12,088	10,326	10,188	8,951	7,620	7,219
$92,808	$75,665	$69,931	$63,423	$60,583	$52,932	$52,089	$50,643
26,590,973	23,618,038	24,025,764	20,940,645	20,233,970	16,881,882	17,490,728	17,162,504
17,092,460	16,859,024	16,474,020	16,017,280	14,874,166	14,404,939	14,809,222	15,163,005
11,444,640	9,112,755	9,446,243	7,989,273	8,219,798	6,719,297	6,843,984	6,032,750
55,128,073	49,589,817	49,946,027	44,947,198	43,327,934	38,006,118	39,143,934	38,358,259
237,990	227,253	217,927	204,826	188,559	164,669	159,893	154,020
22,577	21,775	21,322	20,618	19,597	18,023	17,529	16,999
33,122	30,581	27,346	23,702	20,468	17,572	14,817	12,797
293,689	279,609	266,595	249,146	228,624	200,264	192,239	183,816
219.75	195.10	186.58	178.45	185.04	177.49	185.70	186.27
111.73	103.93	110.25	102.24	107.31	102.52	109.39	111.43
1.97	1.88	1.69	1.74	1.72	1.73	1.70	1.67
47.89	56.22	67.56	50.24	49.50	46.90	41.59	43.23
$72,433	$60,502	$59,058	$51,963	$49,128	$41,363	$41,771	$40,259
50,183	47,629	46,153	46,345	43,130	39,095	38,213	36,928
196	33	49	37	28	29	26	-
$122,812	$108,164	$105,260	$98,345	$92,286	$80,487	$80,010	$77,187
21,086,520	18,428,267	18,753,476	15,380,541	13,815,914	11,660,445	11,825,883	11,481,884
14,675,768	14,917,614	14,284,959	15,000,459	14,095,774	12,979,274	12,596,060	12,407,438
603,432	121,218	310,067	165,961	112,068	123,613	95,235	-
36,365,720	33,467,099	33,348,502	30,546,961	28,023,756	24,763,332	24,517,178	23,889,322
202,892	191,812	182,418	169,921	155,905	135,660	131,281	125,658
16,918	16,331	15,904	15,300	14,222	12,678	12,323	11,929
16	13	12	11	11	12	11	-
219,826	208,156	198,334	185,232	170,138	148,350	143,615	137,587
357.00	315.42	323.75	305.81	315.11	304.90	318.18	320.39
103.93	96.07	102.80	90.52	88.62	85.95	90.08	91.37
3.44	3.28	3.15	3.38	3.56	3.55	3.53	3.51

Water Revenue Uses



Challenges & Opportunities –

Finding The Balance

Financial Statements, Supplementary Information, and Bond Compliance Information

JEA
Years Ended September 30, 2008 and 2007
With Report of Independent Certified Public Accountants

JEA

Financial Statements, Supplementary Information,
and Bond Compliance Information

Years Ended September 30, 2008 and 2007

Contents

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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, 2008 and 2007, 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, 2008 and 2007, 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 24, 2008 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 and the Schedule of Funding Progress, as listed in the table of contents, are not a required part of the basic financial statements but are 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.

As discussed in note 1(r) to the financial statements, JEA has adopted Governmental Accounting Standards Board (GASB) Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, and has applied the statement retroactively for all years presented in the financial statements. As discussed in note 12 to the financial statements, JEA has implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*.

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, 2008 and 2007 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 24, 2008

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 Fund and the District Energy System (DES). The Electric Enterprise Fund is comprised of the JEA Electric System, Bulk Power Supply System (Scherer), and St. Johns River Power Park System (SJRPP). The Electric Enterprise Fund, Water and Sewer Fund and DES 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, 2008 and 2007. 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 2008, 2007, and 2006 fiscal years:

Condensed Balance Sheets

	2008	Restated 2007	2006
		(In Millions)	
Assets			
Current assets	**$ 540**	$ 465	$ 470
Other noncurrent assets	**996**	867	965
Capital assets, net	**6,601**	6,275	5,984
	$ 8,137	$ 7,607	$ 7,419
Liabilities and net assets			
Current liabilities	**$ 183**	$ 183	$ 166
Liabilities payable from restricted assets	**439**	351	338
Noncurrent liabilities	**123**	121	130
Long-term debt	**5,910**	5,444	5,345
Net assets invested in capital assets, net of related debt	**727**	868	881
Net assets, restricted	**427**	381	290
Net assets, unrestricted	**328**	259	269
	$ 8,137	$ 7,607	$ 7,419

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

	2008	Restated 2007	2006
		(In Millions)	
Operating revenues	**$ 1,633**	$ 1,456	$ 1,429
Operating expenses	**(1,423)**	(1,281)	(1,238)
Operating income	**210**	175	191
Nonoperating expenses	**(191)**	(167)	(158)
Contributions	**(44)**	57	24
Decrease (increase) in net assets	**$ (25)**	$ 65	$ 57

Financial Analysis of JEA for fiscal years 2008 and 2007

Operating Revenues

2008 compared to 2007:

Total Electric Enterprise Fund operating revenues for the fiscal year 2008 increased $173.2 million (14.3%) compared to fiscal year 2007. Electric Enterprise Fund operating revenues increased $169.5 million (14.4%) and other operating revenues increased $3.7 million. The increase was mainly attributable to rate increases; however, it was partially offset by a decrease in consumption. Electric Enterprise Fund operating revenues include an approximate 10% base and fuel rate increase that went into effect on October 1, 2007, and a $15.00 per 1,000 KWh fuel rate increase that became effective July 1, 2008. In addition, the City Council of Jacksonville enacted a 3% franchise fee to the City of Jacksonville, Florida, from designated revenues of the JEA Electric and Water and Sewer Systems, commencing April 1, 2008. The ordinance authorizes JEA to pass through these fees to its electric and water and sewer utility customers. Total consumption decreased 3.6% as compared to the prior year. Territorial sales decreased from 16,290 GWh to 15,868 GWh, a decrease of 2.6% and off-system sales decreased from 649 GWh to 457 GWh, a decrease of 29.5%. The decrease was due to reduced territorial sales and a reduction in revenue relating to the sales of electricity to Florida Power and Light (FPL) from SJRPP. There was a slight increase in customer growth of 0.5%. Other operating revenues increased $3.7 million, mainly due to increased transmission revenues.

Total Water and Sewer Fund operating revenues increased $8.6 million, a 3.5% increase. Water and Sewer Fund operating revenues increased $9.8 million and other revenues decreased $1.2 million. The operating revenue increase was due to an increase in water and sewer rates and the City's enactment of the franchise fee. The increase was offset by decreased consumption. The volume of water and sewer sales decreased 6.6%. There was a 26.4% increase in rainfall as compared to the prior year, which was a contributing factor in the decrease in consumption. Customer growth increased slightly by 0.4%. Other operating revenues decreased due to reduced carrying charges for inventory from the Electric System.

Total DES revenues decreased $1.6 million for fiscal year 2008 compared to fiscal year 2007. The decrease in revenues was primarily due to a settlement received in fiscal year 2007.

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 Fund operating revenues increased $5.3 million and other operating revenues decreased $2.1 million. Electric Enterprise Fund operating revenues reflect a $14.3 million (1.4%) decrease, 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 Enterprise Fund revenues was offset by a $19.6 million increase in revenues relating to sales of electricity to FPL from SJRPP. Other operating revenues decreased $2.1 million, due to the absence of certain nonrecurring 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 Fund 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 and Sewer Fund 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 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.

Operating Expenses

2008 compared to 2007:

Total Electric Enterprise Fund operating expenses for fiscal year 2008, excluding depreciation and recognition of deferred costs, increased $108.6 million or 12.9% compared to fiscal year 2007. The increase was mainly due to an increase in fuel and purchased power expense of $93.8 million, as discussed below; the 3% franchise fees of $15.0 million and $3.8 million of increased utility taxes based on the rate increases discussed above. Total other Electric Enterprise Fund operating and maintenance expenses were $4.1 million lower, a 1.9% decrease in fiscal year 2008 compared to the same period in 2007. Major factors impacting other operating and maintenance expenses were decreased debt service requirements for SJRPP and increased salaries and related benefits, including other post employment retirement benefits.

Fuel expense increased $49.8 million and purchased power increased $44.0 million. The increase in fuel and purchased power expense for the year was primarily driven by the product mix and increased commodity costs. There was a 1.6% decrease in megawatts produced and purchased. During fiscal year 2008, JEA's power supply mix for fiscal year 2008 was 51% coal (from JEA units), 19% petroleum coke, 14% natural gas, 10% coal-fired purchases, 5% other power purchases, and 1% oil.

Total operating expenses for the Water and Sewer Fund increased $15.1 million, excluding depreciation expense, an increase of 14.9%. The major factors impacting the increase in operating and maintenance expenses were: increased intercompany billings; increased salaries and benefits, including other post employment retirement benefits; and increased professional and industrial services expenses.

The operating expenses for DES, excluding depreciation increased $0.3 million. The increase was due primarily to increased electric rates from the Electric System.

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 10 days in 2007 as compared with 6 weeks in 2006.

Total fuel and purchased power costs increased $0.8 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 0.28% 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 Fund 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 capital overhead; increased industrial services associated with the sewer treatment plants; increased odor control chemical costs associated with a increased number of lift stations; and increased salaries and benefits.

The operating expenses for DES, excluding depreciation increased $0.7 million. The increase was due primarily to the addition of a new plant and increased loads at existing plants.

Nonoperating Revenues and Expenses

2008 compared to 2007:

The net change in nonoperating revenues and expenses was $24.1 million in fiscal year 2008. The Energy Authority (TEA) earnings, a municipal power marketing joint venture in which JEA is a member increased $2.1 million due to increased purchases by JEA. Investment income decreased $20.1 million in fiscal 2008 due to unfavorable noncash fair market value adjustments and decreased rates on investment returns. The average rate during fiscal 2008 was 2.9% as compared with 5.2% in fiscal 2007. Interest expense increased $2.8 million as a result of $12.2 million increase in debt management expenses and $9.8 million reduction in interest expenses. See note 7 for further discussion on debt management strategy.

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 noncash fair value adjustments in investments, additional availability of funds for investment and increased return on the investments. Interest expense increased $6.7 million as a result of 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.

Capital Assets and Debt Administration for Fiscal Years 2008 and 2007

Capital Assets

During fiscal year 2008, capital assets (excluding accumulated depreciation) increased $639 million, a 7.1% increase. This included $431.4 million, a 7.9% increase, in electric plant; $207.9 million increase in water and sewer plant, an increase of 5.9%; and $0.2 million investment in DES plant, an increase of 0.4%. 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 DES plant, an increase of 4.2%. 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 Enterprise Fund and the Water and Sewer Fund. The capital programs consist of: (a) the Electric Enterprise Fund 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 Enterprise Fund's remaining capital requirements for transmission and distribution facilities and other capital items; and (c) the Water and Sewer Fund capital requirements that are determined to be necessary as a result of the annual resource planning process. 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.

The projected total capital expenditures for fiscal year 2009 are as follows:

	In Millions
Electric Enterprise Fund – Generation, Transmission, Distribution, and Other	$ 310
Water and Sewer Fund	115
DES	.320

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 13 to the financial statements.

Debt Administration

Debt outstanding at September 30, 2008, was $6.2 billion, an increase of $500 million from the prior fiscal year. The amount was used in conjunction with capital investment programs.

Debt outstanding at September 30, 2007, was $5.7 billion, an increase of $100 million from the fiscal year 2006. 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 2008 and 2007 were as follows:

	2008			2007		
	Electric System	SJRPP	Water and Sewer System	Electric System	SJRPP	Water and Sewer System
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, 2008 and 2007, the ratings on JEA's DES 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

Due to the current uncertainty in the financial markets, JEA has experienced higher interest costs on certain of its variable rate debt. In response to the situation, JEA is in the process of reassessing the timing of its future capital programs in light of interest rates, access to the capital markets, and overall local economic activity. Specifically, JEA has reduced its capital budget from $700 million to $425 million for fiscal year 2009.

On June 19, 2007, following a rate hearing as required by the Charter, the Board of Directors (Board) approved rate increases, which became effective October 1, 2007, and for the next three-year period that increased electric retail base rate revenues for residential and small commercial customers approximately 5.50%, 5.25%, and 3.00% for the fiscal years beginning October 1, 2008, 2009, and 2010, respectively. Electric retail base rates for large commercial and industrial rate classes were designed to increase base rate revenues 7.0%, 6.8% and 3.0% for the same respective fiscal years.

Effective July 1, 2008, with the approval of the Board, the fuel rate increased by $15 per 1,000 KWh.

Since environmental regulations and the cost of environmental compliance are anticipated to increase in the future, the Board enacted an 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 (that 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 $0.01 per KWh for usage above 2,750 KWh in a single month.

Effective October 1, 2008, the JEA Board approved an increase of 4.1% for both the service availability and consumption rates related to water and sewer services.

The consumption rate for chilled water related to the DES increased from 9.68 cents per ton hour to 11.68 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, 2008.

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

(In Thousands)

	Year Ended September 30	
	2008	**2007**
		(Restated)
Operating revenues:		
Electric	**$ 1,330,280**	$ 1,164,747
Water and sewer	**248,115**	238,256
District Energy System	**6,162**	5,748
Other	**48,863**	47,176
Total operating revenues	**1,633,420**	1,455,927
Operating expenses:		
Operations:		
Fuel	**536,813**	487,010
Purchased power	**157,194**	113,160
Other	**213,251**	224,788
Maintenance	**97,820**	81,100
Depreciation	**326,301**	302,374
State utility and franchise taxes	**48,551**	26,399
Recognition of deferred costs and revenues, net	**43,345**	45,952
Total operating expenses	**1,423,275**	1,280,783
Operating income	**210,145**	175,144
Nonoperating revenues (expenses):		
Earnings from The Energy Authority	**22,374**	20,192
Investment income	**17,307**	38,112
Interest on debt	**(249,622)**	(246,787)
Other interest	**(451)**	(1,877)
Allowance for funds used during construction	**19,448**	28,425
Water and Sewer Expansion Authority	**(1,216)**	(1,601)
Gain (loss) on asset disposition	**740**	(3,762)
Total nonoperating revenues (expenses)	**(191,420)**	(167,298)
Income before contributions	**18,725**	7,846
Contributions (to) from:		
General fund, City of Jacksonville	**(94,188)**	(91,437)
Developers and other	**47,471**	119,525
City of Jacksonville Better Jacksonville Plan	**2,857**	29,091
Total contributions	**(43,860)**	57,179
Change in net assets	**(25,135)**	65,025
Net assets, beginning of year	**1,507,670**	1,440,241
Effect of change in accounting	**-**	2,404
Net assets, beginning of year, as restated	**1,507,670**	1,442,645
Net assets, end of year	**$ 1,482,535**	$ 1,507,670

See accompanying notes.

JEA

Balance Sheets

(In Thousands)

	September 30 2008	2007
		(Restated)
Assets		
Current assets:		
Cash and cash equivalents	**$ 167,289**	$ 131,118
Investments	**93**	–
Accounts and interest receivable, less allowance for doubtful accounts of $2,553 for 2008 and $1,897 for 2007	**237,989**	205,121
Inventories:		
Fuel	**61,402**	54,439
Materials and supplies	**73,615**	74,486
Total current assets	**540,388**	465,164
Noncurrent assets:		
Restricted assets:		
Cash and cash equivalents	**533,155**	394,158
Investments	**191,649**	187,840
Accounts and interest receivable	**4,067**	6,320
Total restricted assets	**728,871**	588,318
Deferred costs	**87,687**	52,039
Investment in The Energy Authority	**7,610**	7,423
Costs to be recovered from future revenues	**171,784**	219,007
Total noncurrent assets	**995,952**	866,787
Capital assets:		
Land and easements	**96,080**	86,225
Plant in service	**8,931,386**	8,326,513
Less accumulated depreciation	**(3,094,811)**	(2,781,773)
Plant in service, net	**5,932,655**	5,630,965
Construction in progress	**668,686**	643,894
Net capital assets	**6,601,341**	6,274,859
Total assets	**$ 8,137,681**	$ 7,606,810

See accompanying notes.

JEA

Balance Sheets (continued)

(In Thousands)

	September 30	
	2008	**2007**
		(Restated)
Liabilities and net assets		
Current liabilities:		
Accounts and accrued expenses payable	**$ 144,389**	$ 147,146
Customer deposits	**38,560**	35,450
Total current liabilities	**182,949**	182,596
Current liabilities payable from restricted assets:		
Debt due within one year	**200,780**	125,295
Interest payable	**94,967**	87,724
Construction contracts and accounts payable	**53,645**	48,528
Renewal and replacement reserve	**90,000**	90,000
Total current liabilities payable from restricted assets	**439,392**	351,547
Noncurrent liabilities:		
Deferred credits and other liabilities	**46,814**	40,568
Revenues to be used for future costs	**76,339**	80,217
Total noncurrent liabilities	**123,153**	120,785
Long-term debt:		
Bonds and commercial paper payable, less current portion	**6,003,100**	5,564,724
Unamortized premium (discount), net	**12,179**	15,758
Unamortized deferred losses on refundings	**(141,745)**	(138,276)
Fair value of debt management strategy instruments	**36,118**	2,006
Total long-term debt	**5,909,652**	5,444,212
Net assets:		
Invested in capital assets, net of related debt	**727,495**	868,048
Restricted	**427,510**	381,095
Unrestricted	**327,530**	258,527
Total net assets	**1,482,535**	1,507,670
Total liabilities	**6,655,146**	6,099,140
Total liabilities and net assets	**$ 8,137,681**	$ 7,606,810

JEA

Statements of Cash Flows

(In Thousands)

	Year Ended September 30	
	2008	**2007**
		(Restated)
Operating activities		
Receipts from customers	**$ 1,549,947**	$ 1,406,741
Other receipts	**51,876**	47,447
Payments to suppliers	**(855,942)**	(726,418)
Payments to employees	**(199,463)**	(176,779)
Net cash provided by operating activities	**546,418**	550,991
Noncapital and related financing activities		
Contribution to General Fund, City of Jacksonville, Florida	**(101,578)**	(90,979)
Contribution to Water & Sewer Expansion Authority - operating	**(1,216)**	(1,601)
Net cash used in noncapital financing activities	**(102,794)**	(92,580)
Capital and related financing activities		
Acquisition and construction of capital assets	**(587,020)**	(479,994)
Proceeds from issuance of debt, net	**2,088,264**	972,001
Gain (Loss) on disposal of capital assets	**740**	(3,762)
Defeasance of debt	**(1,457,236)**	(742,085)
Repayment of debt principal	**(129,193)**	(123,031)
Interest paid on debt	**(243,483)**	(247,324)
Developer and other contributions	**20,246**	24,966
City of Jacksonville Better Jacksonville Plan contributions	**2,857**	29,091
Proceeds from sale of property	**982**	10,186
Net cash used in capital and related financing activities	**(303,843)**	(559,952)
Investing activities		
Purchases of investments	**(3,036,491)**	(284,583)
Proceeds from sales and maturities of investments	**3,030,106**	413,930
Distributions from The Energy Authority	**22,187**	20,004
Investment income	**19,585**	27,211
Net cash provided by investing activities	**35,387**	176,562
Net change in cash and cash equivalents	**175,168**	75,021
Cash and cash equivalents at beginning of year	**525,276**	450,255
Cash and cash equivalents at end of year	**$ 700,444**	$ 525,276

Continued on next page.

JEA

Statements of Cash Flows (continued)

(In Thousands)

	Year Ended September 30	
	2008	**2007**
		(Restated)
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	**$ 210,145**	$ 175,144
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	**326,909**	302,928
Recognition of deferred costs and revenues, net	**43,345**	45,952
Changes in noncash assets and noncash liabilities:		
Accounts and interest receivable, restricted	**3,013**	222
Accounts and interest receivable	**(32,145)**	(4,775)
Inventories	**(6,089)**	7,818
Other	**(1,241)**	(408)
Accounts and accrued expenses payable	**8,806**	14,731
Liabilities payable from restricted assets	**(8,874)**	15,104
Deferred credits and other liabilities	**2,549**	(5,725)
Net cash provided by operating activities	**$ 546,418**	$ 550,991
Noncash activity:		
Contribution of capital assets from developers	**$ 27,225**	$ 94,559

See accompanying notes.

(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 and Sewer Fund, and the District Energy System (DES). The Electric Enterprise Fund is comprised of the 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 (SJRPP), 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). The Water and Sewer Fund consists of Water and Sewer System activities. The DES consists of chilled water activities. These financial statements include JEA's ownership interests in the Bulk Power Supply System and SJRPP. 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, 2008 and 2007:

	2008	2007
Bulk Power Supply System:		
Capital assets, net	**$ 87,502**	$ 80,217
Inventory	**7,668**	5,352
Revenues to be used for future costs	**76,339**	80,217
SJRPP:		
Capital assets, net	**792,817**	687,537
Current assets	**124,135**	96,385
Restricted assets	**388,616**	427,232
Other noncurrent assets	**180,402**	227,506
Long-term debt	**1,195,206**	1,162,512
Other liabilities	**273,521**	275,467

The Electric Enterprise Fund, Water and Sewer Fund and the DES 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 SJRPP 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).

(Dollars In Thousands)

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

(b) Basis of Accounting

JEA consists of the Electric Enterprise Fund, the Water and Sewer Fund, and the District Energy System. The Electric Enterprise Fund includes the operations of the Electric System, the Bulk Power Supply System, and SJRPP. JEA is presenting financial statements combined for the three funds. 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 Enterprise Fund and the National Association of Regulatory Utility Commissioners for the Water and Sewer Fund. The investments in The Energy Authority (TEA) and Colectric Partners, Inc. (Colectric) 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 Statement of Financial Accounting Standards (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.

(Dollars In Thousands)

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

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 that 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.

- 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. Nonoperating 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 $38,243 in fiscal year 2008 and $31,124 in fiscal year 2007. Electric Enterprise and Water and Sewer Fund revenues are recorded as earned. JEA earned 10.3% of its electric revenue from electricity sold to FPL in fiscal year 2008 and 11.7% in fiscal year 2007. Operating revenues include amounts estimated for unbilled services provided during the reporting period of $79,524 in 2008 and $64,154 in 2007.

(Dollars In Thousands)

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

(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 Enterprise Fund 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.

(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 Enterprise Fund fixed and variable rate debt was 3.8% for fiscal year 2008 and 3.9% for fiscal year 2007. The average AFUDC rate for the Water and Sewer Fund fixed and variable rate debt was 4.0% for fiscal year 2008 and 4.2% for fiscal year 2007. The average AFUDC rate for the DES variable rate debt was 3.2% for fiscal year 2008 and 3.7% for fiscal year 2007. 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 $250,073 for fiscal year 2008 and $248,664 for fiscal year 2007. Interest expense of $19,448 and investment income on bond proceeds of $4,005 was capitalized in accordance with SFAS No. 34 and SFAS No. 62 during fiscal year 2008. 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.

(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 years 2008 and 2007. The average depreciable life of the depreciable capital assets for the Electric System is 23.4 years as of September 30, 2008, and 23.1 years as of September 30, 2007. The average depreciable life of the depreciable capital assets for the Water and Sewer Fund is 28 years as of September 30, 2008, and 28.5 years as of September 30, 2007. The average depreciable life of the depreciable capital assets for the DES is 25.4 years as of September 30, 2008, and 25.1 years as of September 30, 2007.

(Dollars In Thousands)

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

(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.

(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 to manage financial exposures, but prohibit the use of these instruments for speculative or trading purposes. JEA utilizes interest rate swaps 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.

(Dollars In Thousands)

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

JEA has early adopted GASB No. 53, *Accounting and Financial Reporting for Derivative Instruments* (note 1 (r)) and applies hedge accounting where applicable for effective hedging instruments. For effective hedging instruments, the changes in fair value are recorded as deferred outflows and inflows and are included on the balance sheet in noncurrent assets and liabilities. For ineffective hedging instruments or investment derivatives, the changes in fair value are recorded on the income statement as an adjustment to investment income.

Under JEA's interest rate swap programs, JEA either 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 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. No money is initially exchanged when JEA enters into a new interest rate swap transaction. See note 3 for more information on JEA's asset management interest rate swap program and note 7 for more information on JEA's debt management interest rate swap program.

(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.

(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 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 at fair value on the balance sheet as they have been determined to qualify for hedge accounting under GASB No. 53 (See note 1 (r)). Such amounts are included in noncurrent assets and liabilities. Any associated margin deposits are recorded in 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.

(Dollars In Thousands)

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

(n) Capital Contributions

Capital contributions for the Water and Sewer Fund 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, and other post employment benefit liabilities, deferred inflows from hedging activities as required by GASB No. 53, and the long-term obligation to the City for its Excise Tax Revenue Bonds. See note 12, note 1(r), and note 8.

(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.

(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 rate-making 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.

(Dollars In Thousands)

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

Costs to be Recovered From Future Revenues – The deferred debt-related costs of $171,784 at September 30, 2008, and $219,007 at September 30, 2007, 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 $47,223 in fiscal year 2008 and $49,830 in fiscal year 2007, 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 $76,339 at September 30, 2008, and $80,217 at September 30, 2007, 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 2008 and 2007. The revenues to be used for future costs will be amortized until the capital assets are fully depreciated in 2028.

	2008	2007
Summary:		
Recognition of deferred costs from SJRPP	**$ 47,223**	$ 49,830
Recognized revenues from Bulk Power Supply System	**(3,878)**	(3,878)
Recognition of deferred costs and revenues, net	**$ 43,345**	$ 45,952

(r) Change in Accounting

JEA has elected early implementation of GASB No. 53, *Accounting and Financial Reporting for Derivative Instruments.* The annual changes in the fair value of effective hedging derivative instruments are required to be deferred – reported as deferred inflows and deferred outflows and included in noncurrent assets and liabilities on the balance sheet. Deferral of changes in fair value generally last until the transaction involving the hedged item ends. JEA currently has two types of hedges, both have been associated with an item that is eligible to be hedged and determined to be effective. As such, JEA has restated its 2007 financial statements to reflect the adoption. The effect of the early adoption was to increase 2007 beginning net assets by $2,404. At September 30, 2008, a deferred cost of $40,672 has been recorded. See note 7 and note 10 for further information.

(Dollars In Thousands)

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

(s) 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.

(t) Reclassifications

Certain 2007 amounts have been reclassified to conform to the 2008 presentation.

(u) Recent Accounting Pronouncements

The GASB has issued the following statements that will be implemented; management is currently assessing the impact of these statements, however they are not expected to have a material effect on JEA's financial statements:

- Statement of Governmental Accounting Standards No. 49, *Pollution Remediation Obligations,* issued November 30, 2006
- Statement of Governmental Accounting Standards No. 50, *Pension Disclosure,* issued May 31, 2007
- Statement of Governmental Accounting Standards No. 51, *Accounting and Financial Reporting for Intangible Assets,* issued July 10, 2007

(Dollars In Thousands)

2. Restricted Assets

Restricted assets were held in the following funds at September 30, 2008 and 2007:

	2008	2007
Electric System:		
Sinking Fund	**$ 70,655**	$ 42,406
Debt Service Reserve Fund	**33,727**	–
Construction Fund	**69,455**	10,498
Renewal and Replacement Fund	**17,448**	7,794
Adjustment to fair value of investments	**(632)**	(338)
Total Electric System	**190,653**	60,360
SJRPP System:		
Sinking Fund	**125,819**	125,910
Debt Service Reserve Fund	**142,463**	145,160
Construction Fund	**20,150**	35,449
Renewal and Replacement Fund	**90,000**	90,000
Revenue Fund	**13,149**	32,238
Adjustment to fair value of investments	**(2,965)**	(1,525)
Total SJRPP System	**388,616**	427,232
Water and Sewer System:		
Sinking Fund	**57,826**	50,268
Debt Service Reserve Fund	**20,879**	23
Construction Fund	**47,671**	6,511
Renewal and Replacement Fund	**21,457**	41,697
Adjustment to fair value of investments	**(730)**	–
Total Water and Sewer System	**147,103**	98,499
DES:		
Sinking Fund	**143**	148
Construction Fund	**244**	3
Renewal and Replacement Fund	**2,112**	2,076
Total DES	**2,499**	2,227
Total restricted assets	**$ 728,871**	$ 588,318

(Dollars In Thousands)

2. Restricted Assets (continued)

The Electric System, SJRPP System, Water and Sewer System and the DES 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.
DES:	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 held in various money market funds as authorized in the JEA Investment Policy. 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. On October 3, 2008, it was announced that JEA's commercial bank, Wachovia Bank, N.A., will merge with Wells Fargo Bank, N.A. As a result of the merger, Wells Fargo Bank N.A. will become a qualified public depositor under Chapter 280, *Florida Statutes*, assuming all collateral requirements and contingent liabilities of Wachovia Bank, N.A are met as required by the State of Florida.

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 (the 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. The money market mutual funds are 2a-7 funds registered with the SEC.

(Dollars In Thousands)

3. Cash and Investments (continued)

During November 2007 it became apparent that the Pool was encountering difficulty in meeting increased cash withdrawals from various investors due to a portion of its investments being held in downgraded securities. On December 4, 2007, based on recommendations from an outside financial advisor, the State Board of Administration restructured the Pool into two separate pools. Pool A consisted of all money market appropriate assets, which was approximately 86% of Pool assets. Pool B consisted of assets that had actual or perceived credit or liquidity risk, which was approximately 14% of Pool assets. At the time of the restructuring, all pool participants had their existing balances proportionately allocated into Pool A and Pool B. As of September 30, 2008, JEA had $0 in Pool A and $3,512 invested in Pool B. Currently, Pool B participants are prohibited from withdrawing any amount from Pool B. As payments are received from the assets in Pool B, cash is transferred periodically to Pool A and participants may withdraw such distributions. Therefore, as Pool B is no longer operating as a 2a-7 like pool, JEA has classified the $3,512 as an investment for balance sheet purposes at fair market value.

At September 30, 2008 and 2007, the fair value of all securities, regardless of balance sheet classification as cash equivalent or investment, was as follows:

	2008	2007
Securities:		
U.S. Treasury and government agency securities	**$ 137,084**	$ 127,882
State and local government securities	**117,476**	48,860
Commercial paper	**122,983**	35,545
Local government investment pool	**3,512**	211,611
Investment in money market mutual funds	**448,343**	50,187
	829,398	474,085
Fair value of interest rate swaps	**–**	(338)
Total securities, at fair value	**$ 829,398**	$ 473,747

(Dollars In Thousands)

3. Cash and Investments (continued)

These securities are held in the following accounts:

	2008	2007
Restricted assets:		
Cash and cash equivalents	**$ 533,155**	$ 394,158
Investments	**191,649**	187,840
Current assets:		
Cash and cash equivalents	**167,289**	131,118
Investments	**93**	–
Total cash and investments	**892,186**	713,116
Plus interest due on securities	**2,385**	1,198
Less cash on deposit	**(65,173)**	(240,567)
Total securities, at fair value	**$ 829,398**	$ 473,747

JEA is authorized to invest in securities as described in its investment policy and in each bond resolution. As of September 30, 2008, 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. Putable securities are presented as investments with a maturity of less than one year.

Investment Maturity Distribution

Type of Investments	Less than One Year	One to Five Years	Five to Ten Years	Ten to Twenty-five Years	Total
U.S. Treasury and government agency securities	$68,986	$5,594	$25,884	$36,620	$137,084
State and local government securities	45,442	–	16,781	55,253	117,476
Commercial paper	122,983	–	–	–	122,983
Local government investment pool	–	3,512	–	–	3,512
Investment in money market mutual funds	448,343	–	–	–	448,343
Total securities, at fair value	$685,754	$9,106	$42,665	$91,873	829,398

(Dollars In Thousands)

3. Cash and Investments (continued)

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 were rated at least AA- by Standard & Poor's and Aa3 by Moody's Investors Services at the time of their purchase; and (3) the money market mutual funds are rated AAA by Standard & Poor's Investors Services or Aaa by Moody's Investors Services. Pool B of the Local Government Surplus Funds Trust Fund is unrated. JEA's investment policy limits investments in commercial paper to the highest whole 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, 2008, 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 20% of the total investment portfolio regardless of balance sheet classification as cash equivalent or investment. As of September 30, 2008, JEA had 14.8% 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 the First SJRPP Bond Resolution and 102% for the Electric System, Water and Sewer System, or the Second SJRPP Bond Resolution.

Concentration of Credit Risk. As of September 30, 2008, investments in any one issuer representing 5% or more of JEA's investments included $64,391 (7.8%) invested in issues of the Federal Home Loan Bank. JEA's investment policy limits the maximum holding of any one U.S. government agency issuer to 35% of total investments regardless of balance sheet classification as cash equivalent or investment. Other than investments in U.S. Treasury securities or U.S. Treasury money market funds, JEA's investment policy limits the percentage of the total investment portfolio (regardless of balance sheet classification as cash equivalent or investment) that may be held in various security types. As of September 30, 2008, investments in all security types were within the allowable policy limits.

(Dollars In Thousands)

3. Cash and Investments (continued)

Asset Management Interest Rate Swaps

For asset management purposes, JEA had entered into an interest rate swap agreement with a total notional amount of $25,000 for the Electric System that expired during fiscal year 2008. The notional amount of the interest rate swap is not reflected in the financial statements; however, the fair value of the asset management interest rate swaps was included in investments on the balance sheets. JEA has adopted GASB No.53 (See note 1(r)) which classifies JEA's asset management interest rate swaps as investments derivative instruments for financial reporting purposes where the related swap earnings, losses, and related fair market value adjustments are recorded to investment income in the statements of revenues, expenses, and changes in net assets.

The below table includes information related to the Electric System asset management swap agreement for the years ending September 30, 2008 and 2007:

	2008	**2007**
LIBOR Index:		
Notional amount outstanding	**$ –**	$ 25,000
Variable rate paid (weighted average)	**4.2%**	5.4%
Fixed rate received (weighted average)	**3.1%**	3.1%
Net swap earnings/(loss)[1]	**$ 108**	$ (82)
Fair value[2]	**$ –**	$ (338)
Change in Fair Value	**$ 338**	$ 511

(1) Includes related fair market value adjustments.
(2) Fair value amounts were calculated using market rates as of September 30, 2008 and 2007, and standard cash flow present valuing techniques.

There were no asset management interest rate swap agreements outstanding for Water and Sewer System at September 30, 2008 and 2007.

(Dollars In Thousands)

4. Capital Assets

Capital asset activity for the year ended September 30, 2008, is as follows:

	Balance September 30, 2007	Additions	Retirements	Transfers/ Adjustments	Balance September 30, 2008
Electric Enterprise Fund:					
Generation assets	$ 2,829,773	**$ 55,731**	**$ 44,239**	**$ (3,977)**	**$ 2,925,766**
Transmission assets	412,005	**18,729**	**(2,414)**	**–**	**428,320**
Distribution assets	1,334,137	**175,009**	**(32,687)**	**(64)**	**1,476,395**
Other assets	460,713	**53,187**	**(11,196)**	**–**	**502,704**
Total capital assets	5,036,628	**302,656**	**(2,058)**	**(4,041)**	**5,333,185**
Less: accumulated depreciation and amortization	(1,945,207)	**(202,726)**	**10,623**	**(969)**	**(2,138,279)**
Land	57,477	**2,639**	**–**	**–**	**60,116**
Construction work-in-process	363,595	**132,199**	**–**	**–**	**495,794**
Net capital assets	3,512,493	**234,768**	**8,565**	**(5,010)**	**3,750,816**
Water and Sewer Fund:					
Pumping assets	361,733	**6,227**	**(900)**	**–**	**367,060**
Treatment assets	462,618	**38,602**	**(252)**	**–**	**500,968**
Transmission and distribution assets	841,873	**116,523**	**(1,444)**	**–**	**956,952**
Collection assets	1,146,190	**116,428**	**(1,065)**	**–**	**1,261,553**
Reclaimed water assets	51,076	**17,388**	**–**	**–**	**68,464**
General and other assets	374,939	**16,658**	**(283)**	**–**	**391,314**
Total capital assets	3,238,429	**311,826**	**(3,944)**	**–**	**3,546,311**
Less: accumulated depreciation	(833,440)	**(121,867)**	**3,944**	**–**	**(951,363)**
Land	28,508	**7,216**	**–**	**–**	**35,724**
Construction work-in-process	279,764	**(107,166)**	**–**	**–**	**172,598**
Net capital assets	2,713,261	**90,009**	**–**	**–**	**2,803,270**

(Dollars In Thousands)

4. Capital Assets (continued)

	Balance September 30, 2007	Additions	Retirements	Transfers/ Adjustments	Balance September 30, 2008
DES:					
Chilled water plant assets	$ 51,456	**$ 434**	**$ –**	**$ –**	**$ 51,890**
Total capital assets	51,456	**434**	**–**	**–**	**51,890**
Less: accumulated depreciation	(3,126)	**(2,043)**	**–**	**–**	**(5,169)**
Land	240	**–**	**–**	**–**	**240**
Construction work-in-process	535	**(241)**	**–**	**–**	**294**
Net capital assets	49,105	**(1,850)**	**–**	**–**	**47,255**
Total Electric Enterprise Fund, Water and Sewer Fund, and DES	$ 6,274,859	**$ 322,927**	**$ 8,565**	**$ (5,010)**	**$ 6,601,341**

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 Enterprise Fund:					
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

(Dollars In Thousands)

4. Capital Assets (continued)

	Balance September 30, 2006	Additions	Retirements	Transfers/ Adjustments	Balance September 30, 2007
Water and Sewer Fund:					
Pumping assets	$ 319,364	$ 42,375	$ (740)	$ 734	$ 361,733
Treatment assets	429,007	35,044	(1,206)	(227)	462,618
Water transmission and distribution assets	724,091	118,403	(669)	48	841,873
Collection assets	1,027,485	121,192	(1,563)	(924)	1,146,190
Reclaimed water assets	34,464	16,253	(10)	369	51,076
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
DES:					
Chilled water plant assets	29,702	21,754	–	–	51,456
Total capital assets	29,702	21,754	–	–	51,456
Less: accumulated depreciation	(2,104)	(1,022)	–	–	(3,126)
Land	–	240	–	–	240
Construction work-in-process	20,405	(19,870)	–	–	535
Net capital assets	48,003	1,102	–	–	49,105
Total Electric Enterprise Fund, Water and Sewer Fund, and DES	$ 5,984,224	$ 293,551	$ (2,916)	$ –	$ 6,274,859

(Dollars In Thousands)

5. Investment in The Energy Authority

JEA is a member of 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 nonmembers 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 $22,374 in fiscal year 2008 and $20,192 in fiscal year 2007 for all power marketing activities. The investment in TEA of $7,610 at September 30, 2008, and $7,423 at September 30, 2007, is included in 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, 2008.

	Unaudited	
	2008	**2007**
Condensed balance sheet:		
Current assets	**$ 169,877**	$ 185,384
Noncurrent assets	**12,907**	12,533
Total assets	**$ 182,784**	$ 197,917
Current liabilities	**$ 144,639**	$ 163,218
Noncurrent liabilities	**2,447**	419
Members' capital	**35,698**	34,280
Total liabilities and members' capital	**$ 182,784**	$ 197,917
Condensed statement of operations:		
Operating revenues	**$ 1,339,982**	$ 1,297,713
Operating expenses	**1,210,304**	1,196,115
Operating income	**$ 129,678**	$ 101,598
Net income	**$ 129,661**	$ 103,529

As of September 30, 2008, 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 $40,600; in either case, plus attorney's fees that any party claiming and prevailing under the guaranty might incur and be entitled to recover under its contract with TEA.

(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 that 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 that 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 that 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.

(Dollars In Thousands)

6. Investment in Colectric Partners, Inc.

JEA, along with six other public power utilities, is a member of Colectric, 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, 2008 and 2007, $237 and $264, are included in noncurrent assets in the balance sheets.

The following is a summary of the unaudited information of Colectric for the nine months ending September 30, 2008:

	Unaudited	
	2008	**2007**
Condensed balance sheet:		
Current assets	**$ 1,714**	$ 1,837
Noncurrent assets	**35**	31
Total assets	**$ 1,749**	$ 1,868
Current liabilities	**$ 784**	$ 755
Members' capital	**965**	1,113
Total liabilities and members' capital	**$ 1,749**	$ 1,868
Condensed statement of operations:		
Operating revenues	**$ 1,775**	$ 1,780
Operating expenses	**1,416**	1,392
Operating income	**$ 359**	$ 388
Net income	**$ 369**	$ 432

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

(Dollars In Thousands)

7. Long-Term Debt

The Electric System, Bulk Power Supply System, SJRPP System, Water and Sewer System and DES 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 Bulk Power Supply System bonds are governed by a single 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 DES 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 semiannually on April 1 and October 1 and principal is payable on October 1.

In accordance with the requirements of the SJRPP First Power Park Resolution and the Agreement for Joint Ownership and Construction and Operation of SJRPP 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 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 are 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

Long-term Debt	**Interest Rates (1)**	**Payment Dates**	**September 30 2008**	**September 30 2007**
Electric System Senior Revenue Bonds:				
Series Three, 1998A	5.00%	2008–2009	**$ 4,825**	$ 10,830
Series Three, 2002B	3.250–4.600%	2008–2017	**77,855**	105,395
Series Three, 2003A	2.500–4.625%	2008–2039	**92,345**	92,345
Series Three, 2003B-1 (6)	Variable	n/a	**–**	84,900
Series Three, 2003B-2 (6)	Variable	n/a	**–**	84,900
Series Three, 2003C-1 (6)	Variable	n/a	**–**	48,800
Series Three, 2003C-2 (6)	Variable	n/a	**–**	48,800
Series Three, 2004A	3.125–5.000%	2009–2039	**86,890**	94,390
Series Three, 2005A	3.450–4.750%	2012–2039	**90,000**	90,000
Series Three, 2005B	3.000–5.000%	2008–2033	**92,005**	92,905
Series Three, 2005C-1 (6)	Variable	n/a	**–**	72,675
Series Three, 2005C-2 (6)	Variable	n/a	**–**	72,000

(continued on next page)

(Dollars In Thousands)

7. Long-term Debt (continued)

Schedule of Outstanding Indebtedness

Long-term Debt	Interest Rates (1)	Payment Dates	September 30 2008	2007
Series Three, 2005C-3 (6)	Variable	n/a	**–**	58,025
Series Three, 2005C-4 (6)	Variable	n/a	**–**	57,800
Series Three, 2005D	3.000–4.500%	2008-2035	**35,225**	36,440
Series Three, 2006A	3.300–5.000%	2008-2041	**92,000**	94,000
Series Three, 2007A (5)	Variable	n/a	**–**	123,480
Series Three, 2007B (5)	Variable	n/a	**–**	123,240
Series Three, 2007C	4.000–5.250%	2009–2042	**26,515**	–
Series Three, 2008A(2)	Variable	2009–2036	**100,000**	–
Series Three, 2008B-1(2)	Variable	2008–2040	**73,070**	–
Series Three, 2008B-2(2)	Variable	2008–2040	**72,435**	–
Series Three, 2008B-3(2)	Variable	2008–2036	**58,275**	–
Series Three, 2008B-4(2)	Variable	2008–2036	**57,710**	–
Series Three, 2008C-1(2)	Variable	2008–2034	**85,245**	–
Series Three, 2008C-2(2)	Variable	2008–2034	**85,000**	–
Series Three, 2008C-3(2)	Variable	2008–2038	**53,615**	–
Series Three, 2008C-4(2)	Variable	2008–2038	**49,745**	–
Series Three, 2008D-1(2)	Variable	2008–2036	**130,000**	–
Series Three, 2008D-2(2)	Variable	2008–2037	**130,000**	–
Series Three, 2008E	3.000 – 5.000%	2009–2028	**54,050**	–
Total System Fund Senior Revenue Bonds			**1,546,805**	1,390,925
Electric System Subordinated Revenue Bonds:				
Series B Commercial Paper Notes	Variable	n/a	**6,045**	6,950
Series C Commercial Paper Notes	Variable	n/a	**102,289**	107,882
2000 Series A (2)	Variable	2008–2035	**79,700**	81,000
2000 Series B (2)	Variable	2008–2035	**79,700**	81,000
2000 Series E	4.625%	2008	**3,015**	3,015
2000 Series F (2)	Variable	2017–2030	**125,000**	125,000
2001 Series A	3.900–4.500%	2008–2012	**19,905**	22,405
2001 Series B (2)	Variable	2017–2030	**66,000**	66,000
2001 Series C (2)	Variable	2017–2030	**66,000**	66,000
2001 Series D (6)	Variable	n/a	**–**	175,100
2001 Series E	3.500–4.200%	2008–2013	**19,460**	22,310
2002 Series A	3.850–4.400%	2008–2011	**2,950**	10,740
2002 Series B	3.250%	2008	**4,380**	4,380

(continued on next page)

(Dollars In Thousands)

7. Long-term Debt (continued)

Schedule of Outstanding Indebtedness

Long-term Debt	Interest Rates (1)	Payment Dates	September 30 2008	2007
2002 Series C	3.500–3.875%	2009–2011	**54,530**	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 (6)	Variable	n/a	**–**	70,550
2005 Series C	3.000–4.375%	2008–2035	**24,235**	25,040
2006 Series A	3.750–4.300%	2015–2024	**25,000**	25,000
2007 Series A	4.000–5.250%	2009–2037	**82,800**	–
2008 Series A	3.625–5.125%	2011–2037	**56,410**	–
2008 Series B (2)	Variable	2011–2031	**104,955**	–
2008 Series C	3.600–5.000%	2010–2020	**79,255**	–
2008 Series D (2)	Variable	2008–2038	**70,605**	–
2008 Series E	3.000–4.750%	2009–2028	**18,645**	–
Total Electric System Subordinated Revenue Bonds			**1,287,359**	1,161,562
Electric System Other Subordinated Debt:				
Line of Credit Draws	3.440%	2008	**25,680**	3,300
Total Electric System Other Subordinated Debt			**25,680**	3,300
Bulk Power Supply System Other Subordinated Debt:				
Line of Credit Draws	2.390–2.610%	2008	**15,000**	–
Total Bulk Power Supply System Other Subordinated Debt			**15,000**	–
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 13		n/a	**–**	1,735
Issue 2, Series 14		n/a	**–**	615
Issue 2, Series 15		n/a	**–**	23,775
Issue 2, Series 17	4.700–5.250%	2008–2019	**408,985**	442,880
Issue 2, Series 18	3.500–5.000%	2008–2018	**147,070**	149,780
Issue 2, Series 19	3.300–4.600%	2008–2017	**52,995**	60,125
Issue 2, Series 20	3.625–4.500%	2011–2021	**96,500**	96,500

(continued on next page)

(Dollars In Thousands)

7. Long-term Debt (continued)

Schedule of Outstanding Indebtedness

Long-term Debt	Interest Rates (1)	Payment Dates	September 30 2008	2007
Issue 2, Series 21	4.000–5.000%	2008–2021	**211,640**	225,180
Issue 2, Series 22	3.750–4.000%	2008–2019	**105,335**	108,350
Issue 3, Series 1(4)	3.600–5.000%	2010–2037	**150,000**	150,000
Issue 3, Series 2(4)	3.500–5.000%	2013–2037	**125,000**	–
Total SJRPP System Revenue Bonds:			**1,312,569**	1,273,984
Water and Sewer System Senior Revenue Bonds:				
1997 Series B	4.800%	2008	**425**	4,615
1999 Series A	4.700–5.000%	2010–2014	**9,200**	9,200
2001 Series B	4.000–5.250%	2008–2039	**43,175**	43,305
2001 Series C	3.500–4.375%	2008–2013	**32,475**	32,475
2002 Series B	3.000–5.250%	2008–2017	**59,960**	63,420
2002 Series C	4.625–4.875%	2018–2041	**95,295**	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%	2008–2039	**201,155**	204,895
2004 Series B	2.500–4.500%	2008–2039	**124,030**	124,030
2004 Series C	2.800–5.000%	2009–2039	**29,785**	29,785
2005 Series A	3.250–5.000%	2008–2041	**142,770**	143,870
2005 Series B	3.250–5.000%	2008–2041	**129,955**	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	3.500–4.500%	2008–2029	**37,405**	37,760
2006 Series B (3)	Variable	2016–2022	**38,730**	38,730
2007 Series A	3.750–4.500%	2010–2041	**96,850**	96,850
2007 Series B (5)	Variable	n/a	**–**	85,290
2007 Series C	4.000–4.750%	2008–2037	**41,610**	41,610
2008 Series A-1 (2)	Variable	2009–2036	**75,000**	–
2008 Series A-2 (2)	Variable	2010–2042	**75,000**	–
2008 Series B (2)	Variable	2023–2041	**85,290**	–
Total Water and Sewer System Senior Revenue Bonds:			**1,577,300**	1,440,275
Water and Sewer System Subordinated Revenue Bonds:				
Subordinated 2003 Series A -1 (6)	Variable	n/a	**–**	61,950
Subordinated 2003 Series A -2 (6)	Variable	n/a	**–**	61,600

(continued on next page)

(Dollars In Thousands)

7. Long-term Debt (continued)

Schedule of Outstanding Indebtedness

Long-term Debt	Interest Rates (1)	Payment Dates	September 30 2008	2007
Subordinated 2003 Series B (5)	Variable	n/a	**–**	94,165
Subordinated 2003 Series C	3.125–4.750%	2011–2043	**40,400**	40,400
Subordinated 2004 Series A	2.000–4.375%	2008–2034	**38,810**	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**	10,330
Subordinated 2008 Series A-1 (2)	Variable	2008–2038	**66,875**	–
Subordinated 2008 Series A-2 (2)	Variable	2008–2038	**66,525**	–
Subordinated 2008 Series B-1 (2)	Variable	2008–2036	**101,365**	–
Total Water and Sewer System Subordinated Revenue Bonds			**360,170**	344,005
Water and Sewer System Other Subordinated Debt:				
State Revolving Fund Loan	2.630%	2009–2029	**1,751**	401
Total Water and Sewer System Other Subordinated Revenue Bonds			**1,751**	401
DES:				
2004 Series A	Variable	2010-2034	**47,800**	47,800
Line of Credit Draws	2.850%	2009	**4,285**	4,985
Total DES			**52,085**	52,785
Total Debt Principal Outstanding			**6,178,719**	5,667,237
Plus Accretion of SJRPP Issue 2 Series 7 Capital Appreciation Bonds			**25,161**	22,782
Sub-total			**6,203,880**	5,690,019
Less: Debt Due Within One Year (7)			**(200,780)**	(125,295)
Total Long-term Debt			**$ 6,003,100**	$ 5,564,724

(1) The interest rates on the variable rate debt outstanding at September 30, 2008, ranged from 1.55% to 7.95%.
At September 30, 2008, interest on the outstanding variable rate debt is based on various methods including daily mode, weekly mode and commercial paper mode which resets in time increments ranging from one day to 270 days. In addition, JEA has executed fixed-payer weekly mode, interest rate swaps to effectively fix a portion of its net payments relative to certain variable rate bonds. The terms of the interest rate swaps are approximately equal to that of the fixed-payer bonds. See the Debt Management Strategy section of this note for more information related to the interest rate swap agreements outstanding at September 30, 2008.

(Dollars In Thousands)

7. Long-Term Debt (continued)

(2) Variable rate demand obligations.
(3) Indexed variable rate bonds indexed to the Consumer Price Index.
(4) 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.
(5) Insured variable rate demand obligations that were refunded during fiscal year 2008 with uninsured variable rate demand obligations. See debt issued table in this note for further information.
(6) Auction rate bonds that were refunded during fiscal year 2008 with uninsured variable rate demand obligations and fixed rate debt. See debt issued table in this note for further information.
(7) September 30, 2008, debt due within one year includes $25,680 of Electric System line of credit draws scheduled to be repaid in October 2008 and $15,000 of Bulk Power System line of credit draws schedule to be repaid with permanent financing in November 2008 – see note 15 for more information.

For the variable rate demand obligations (VRDO) 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 stated termination dates of the SBPA range from January 29, 2009 to December 31, 2015. Each of the SBPA termination dates may be extended. Due to certain VRDO's being tendered and unable to be remarketed, the Electric System had outstanding draws under the SBPA's of $99,490 at September 30, 2008. Such draws are included in the amount of outstanding debt in the schedule of outstanding indebtedness above and have interest rates ranging from prime of 5.0% to a maximum rate of 12.0%. See note 15 for more information related to the outstanding draws. In the event of the expiration or termination of the SBPA that results in a mandatory tender of the VRDO's and the purchase of the obligations by the bank, then beginning on April 1st or October 1st, whichever date is at least 6 months subsequent to the purchase of the obligations, JEA shall begin to make equal semi-annual installments over the ensuing five year period.

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 conversion dates may be extended. The current conversion dates of the credit agreements are December 5, 2008, which may be extended. Due to certain commercial paper notes being tendered and unable to be remarketed, the Electric Enterprise Fund had outstanding draws on the revolving credit agreement of $6,045 at September 30, 2008. Such draws are included in the amount of outstanding debt in the schedule of outstanding indebtedness and have interest rates ranging from 4.5% to 5.0%. See note 15 for more information related to the outstanding draws. In the event of the expiration or termination of the conversion date and such expiration or termination results in a draw in an amount up to the amount of the outstanding commitment, then upon 6 months thereafter, JEA shall begin to make equal semi-annual installments over the ensuing six year period in the amount of such draw.

(Dollars In Thousands)

7. Long-Term Debt (continued)

For the variable rate DES 2004 Series A bonds appearing in the 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 permits the bank to draw under the agreement for the payments when due of the principal or interest 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 DES 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 DES 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, 2008, was as follows:

System	Bonds Payable September 30, 2007	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, 2008	Current Portion September 30, 2008
Electric	**$ 2,555,787**	**$ 1,414,010**	**$(1,085,110)**	**$ (24,843)**	**$ –**	**$ 2,859,844**	**$ 67,080[(1)]**
Bulk Power Supply	**–**	**15,000**	**–**	**–**	**–**	**15,000**	**15,000[(2)]**
SJRPP	**1,296,766**	**165,000**	**(40,000)**	**(86,415)**	**2,379**	**1,337,730**	**95,500**
Water and Sewer	**1,784,681**	**501,435**	**(329,660)**	**(17,235)**	**–**	**1,939,221**	**23,200**
DES	**52,785**	**–**	**–**	**(700)**	**–**	**52,085**	**–**
Total	**$ 5,690,019**	**$ 2,095,445**	**$(1,454,770)**	**$ (129,193)**	**$ 2,379**	**$ 6,203,880**	**$ 200,780**

(1) Includes $25,680 line of credit draw due on October 20, 2008 – see Short-Term Bank Borrowing in this note and note 15 for more information.
(2) Includes $15,000 line of credit draws due on November 25, 2008, and expected to be paid – see Short-Term Bank Borrowing section of this note and note 15 for more information.

(Dollars In Thousands)

7. Long-Term Debt (continued)

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

System	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	$ 2,460,178	$ 334,020	$ (213,225)	$ (25,186)	$ –	$ 2,555,787	$ 21,645
SJRPP	1,225,339	293,070	(140,320)	(83,560)	2,237	1,296,766	86,415
Water and Sewer	1,831,025	483,926	(516,450)	(13,820)	–	1,784,681	17,235
District Energy	51,800	1,450	–	(465)	–	52,785	–
Total	$ 5,568,342	$ 1,112,466	$ (869,995)	$ (123,031)	$ 2,237	$ 5,690,019	$ 125,295

The debt service to maturity on the outstanding bonds, as of September 30, 2008, is summarized in the two tables below:

Bond Year Ending October 1,	Electric System Principal	Electric System Interest (1)	Bulk Power Principal	Bulk Power Interest	SJRPP Principal	SJRPP Interest
2008	$ 41,400	$ 29,890	$ -	$ 20	$ 95,500	$ 29,860
2009	130,338	104,650	15,000	80	100,205	55,910
2010	110,634	100,930	-	-	99,823	65,190
2011	133,556	97,020	-	-	101,121	64,550
2012	82,318	91,690	-	-	122,995	42,650
2013–2017	406,976	412,220	-	-	419,095	133,780
2018–2022	450,894	334,490	-	-	189,855	63,910
2023–2027	487,093	249,130	-	-	49,450	38,400
2028–2032	485,870	163,150	-	-	60,360	26,100
2033–2037	417,235	75,590	-	-	74,165	10,830
2038–2042	113,530	9,920	-	-	-	-
2043–2047	-	-	-	-	-	-
Totals	$ 2,859,844	$ 1,668,680	$ 15,000	$ 100	$ 1,312,569	$ 531,180

(Dollars In Thousands)

7. Long-Term Debt (continued)

Bond Year Ending October 1	Water and Sewer Principal	Water and Sewer Interest	DES Principal	DES Interest	Total Debt Service (2)
2008	$ 23,200	$ 34,630	$ –	$ 140	$ 254,640
2009	27,498	82,430	4,285	1,850	522,246
2010	37,244	81,450	1,310	1,730	498,311
2011	41,071	79,960	1,350	1,680	520,308
2012	43,748	78,340	1,390	1,640	464,771
2013-2017	244,595	363,840	7,610	7,390	1,995,506
2018-2022	299,220	307,520	8,820	5,930	1,660,639
2023-2027	304,573	240,840	10,215	4,230	1,383,931
2028-2032	296,647	175,790	11,850	2,270	1,222,037
2033-2037	341,130	108,960	5,255	290	1,033,455
2038-2042	274,760	32,450	–	–	430,660
2043-2047	5,535	260	–	–	5,795
Totals	$ 1,939,221	$ 1,586,470	$ 52,085	$ 27,150	$ 9,992,299

(1) Includes amortization of commercial paper notes that is based upon JEA's current commercial paper payment plans and excludes payments made during fiscal year 2008.

(2) Interest requirement for the variable rate debt was determined by using the interest rates that were in effect at the financial statement date of September 30, 2008. The table excludes payments made during fiscal year 2008.

The estimated fair values of JEA's outstanding fixed-rate debt were $3,963,677 at September 30, 2008, and $3,824,770 at September 30, 2007. 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 $2,196,939 at September 30, 2008, and $1,951,922 at September 30, 2007. 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	2008	2008	2008
Redemption price ranges	101%–100%	101%–100%	101%–100%

(Dollars In Thousands)

7. Long-Term Debt (continued)

JEA debt issued in fiscal year 2008 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 2007C	New Money	Senior	Oct-07	$ 26,515	$ –	$ –	$ –
Electric	2007 Series A	New Money	Subordinated	Oct-07	82,800	–	–	–
Electric	Series Three 2008A	New Money	Senior	Jan-08	100,000	–	–	–
Electric	Series Three 2008B	Refunding	Senior	Mar-08	261,490	259,250	(3,748)	n/a(1)
Electric	2008 Series B	Refunding	Subordinated	Mar-08	104,955	100,000	(182)	n/a(1)
Electric	Series Three 2008C	Refunding	Senior	Mar-08	273,605	263,400	(3,759)	n/a(1)
Electric	2008 Series C	Refunding	Subordinated	Mar-08	79,255	75,100	(196)	n/a(1)
Electric	2008 Series D	Refunding	Subordinated	Mar-08	70,605	70,325	(846)	n/a(1)
Electric	2008 Series A	New Money	Subordinated	Apr-08	56,410	–	–	–
Electric	Series Three 2008D	Refunding	Senior	May-08	260,000	246,720	(1,790)	n/a(2)
Electric	Series Three 2008E	Refunding	Senior	Sep-08	54,050	48,835	(491)	2,013
Electric	2008 Series E	Refunding	Subordinated	Sep-08	18,645	18,180	(60)	–
Electric	Bank Draw	New Money	Subordinated	Sep-08	25,680	–	–	–
Bulk Power Supply	Bank Draw	New Money	Subordinated	Various	15,000	–	–	–
SJRPP	Issue 3 Series 2	New Money/ Refunding	Senior	Apr-08	125,000	–	–	–
SJRPP	Bank Draw	New Money	Subordinated	Various	40,000	–	–	–
Water and Sewer	2008 Series A	New Money	Senior	Feb-08	150,000	–	–	–
Water and Sewer	2008 Series A	Refunding/New Money	Subordinated	Feb-08	133,400	121,175	(2,115)	n/a(1)
Water and Sewer	2008 Series B	Refunding/New Money	Subordinated	Mar-08	104,395	93,165	(739)	n/a(2)
Water and Sewer	2008 Series B	Refunding	Senior	Apr-08	85,290	85,290	(628)	n/a(2)
Water and Sewer	Bank Draw	New Money	Subordinated	Various	27,000	–	–	–
					$ 2,094,095	$ 1,381,440	$ (14,554)	$ 2,013

(1) Auction rate bonds were refunded during fiscal year 2008 with uninsured variable rate demand obligations and fixed rate debt.
(2) Insured variable rate demand obligations were refunded during fiscal year 2008 with uninsured variable rate demand obligations.

During fiscal year 2008 municipal variable rate market disruptions occurred related to auction rate securities and insured variable rate demand obligations where weekly yields for such variable debt were resetting at 300 to 500 basis points above the weekly SIFMA index due to illiquidity in the auction rate market and a concern about potential and actual downgrades in the monoline insurance industry. Such yield imbalances caused JEA to refund all outstanding variable rate auction rate bonds and insured variable rate demand obligations with uninsured variable rate demand obligations and fixed rate debt to effectively eliminate the liquidity issue on the auction rate bonds and remove the monoline insurance from the insured variable rate demand obligations. Although these refundings created accounting losses, JEA benefited as interest costs on the uninsured variable rate demand obligations declined to the historical relationship to the weekly SIFMA index. These variable rate debt refundings are noted with n/a (not applicable) in the economic gain column in the table on the previous page and do not include an economic gain calculation. Any refundings of fixed rate bonds with lower fixed rate bonds include an economic gain calculation. 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.

(Dollars In Thousands)

7. Long-Term Debt (continued)

The Electric System Series Three 2008E and Subordinated 2008 Series E bond issues were used to refund refundable maturities in the amount of $25,680 with the remaining portion of the refunding used to economic refund $41,335 of prior issued bonds. The economic refunding portion has new debt service of $50,271 compared to the prior debt service of $52,787.

Debt Service Reserve Funds

During fiscal year 2008 various AAA debt service surety providers were downgraded below AAA status, which triggered funding requirements to the debt service reserve funds for both the Electric System and the Water and Sewer System. Funding required will be according to each system's bond resolution. As of September 30, 2008, the Electric System and the Water and Sewer System have debt service reserve fund funding requirements as follows:

	Electric System Initial Subaccount in the Debt Service Reserve	Water and Sewer System Initial Subaccount in the Debt Service Reserve	Water and Sewer System Initial Subordinated Debt Service Reserve
Debt service requirement	$ 98,079	$ 102,160	$ 8,345
Less: cash and investments	33,727	18,545	2,334
Less: AAA surety policies	29,137	52,171	1,076
Funding required for downgraded surety policies	35,215	31,444	4,935
Less: Funds available in Construction Reserve Account	11,473	14,865	–
Net funding needs from future bond issues	$ 23,742	$ 16,579	$ 4,935

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 Bulk Power Supply System, the SJRPP System, the Water and Sewer System or the DES and for operating expenditures or for capital expenditures. During fiscal year 2008, the Electric System repaid a prior year draw of $3,300 with permanent financing. At September 30, 2008, the line of credit draws outstanding for Electric System were $25,680 and are expected to be repaid during October 2008. At September 30, 2008, the line of credit draws outstanding for the Bulk Power Supply System were $15,000 and are expected to be repaid in November 2008 by permanent financing. During fiscal year 2008 the SJRPP System made draws of $40,000 for capital expenditures and were repaid with permanent financing. During fiscal year 2008 the Water and Sewer System made draws of $27,000 and was repaid with permanent financing. During fiscal year 2008 the DES repaid $700 of prior year line of credit draws. At September 30, 2008, the line of credit draw outstanding for the DES was $4,285 and is scheduled to mature in August 2009. This draw is being reported with JEA's long-term debt, because the DES may extend the August 2009 maturity date as permitted under the credit agreement. The current expiration date of the line of credit agreement is August 31, 2009. See note 15 for more information.

(Dollars In Thousands)

7. Long-Term Debt (continued)

Debt Management Strategy

JEA has entered into various interest rate swap agreements in connection with its debt management strategy. 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 floating to fixed interest rates swaps as part of its debt management strategy. For purposes of this note, the term 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 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. JEA has adopted GASB No.53 (See note 1(r)); therefore, for effective hedging instruments, hedge accounting is applied where fair market value changes are recorded on the balance sheet as either a deferred outflow or a deferred inflow. The earnings from the debt management strategy interest rate swaps are recorded to interest on debt in the statements of revenues, expenses, and changes in net assets.

During fiscal year 2008, JEA entered into additional integrated floating to fixed interest rate swap agreements. The terms of the integrated floating to fixed rate swap agreements outstanding at September 30, 2008 are as follows:

System	Related Bonds	Initial Notional Amount	Notional Amount Outstanding	Fixed Rate of Interest	Month of Swap Issue	Termination Date	Variable Rate Index
Electric	Series Three 2008C	$ 174,000	$ 167,000	3.7%	Sep-03	Sep-33	68% of 1 month LIBOR
Electric	Series Three 2008B	27,400	27,275	4.0%	Jan-05	Oct-26	SIFMA (formerly BMA)
Electric	Series Three 2008B	117,825	116,800	4.3%	Jan-05	Oct-39	SIFMA (formerly BMA)
Electric	Series Three 2008B	116,425	115,175	3.6%	Jan-05	Oct-35	68% of 1 month LIBOR
Electric	2008 Series D	29,900	29,600	3.6%	Jan-05	Oct-16	SIFMA (formerly BMA)
Electric	2008 Series D	40,875	40,725	3.7%	Jan-05	Oct-37	68% of 1 month LIBOR
Electric	Series Three 2008D-1	98,375	98,375	3.9%	Jan-07	Oct-31	SIFMA (formerly BMA)
Electric	Series Three 2008D-2	95,240	95,240	3.9%	Jul-07	Oct-36	SIFMA (formerly BMA)
Electric	Series Three 2008A	100,000	100,000	3.8%	Jan-08	Oct-36	SIFMA (formerly BMA)
Water and Sewer	2006 Series B	38,730	38,730	3.9-4.1%	Oct-06	Oct 16-22	CPI
Water and Sewer	2008 Series A	75,000	75,000	3.9%	Feb-08	Oct-41	SIFMA (formerly BMA)
Water and Sewer	2008 Series B	85,290	85,290	3.9%	Mar-07	Oct-41	SIFMA (formerly BMA)
		$ 999,060	$ 989,210				

(Dollars In Thousands)

7. Long-Term Debt (continued)

In anticipation of future bond issues, JEA enters into forward starting floating to fixed interest rate swap agreements. The terms of the forward starting floating to fixed rate swap agreements outstanding at September 30, 2008, are as follows:

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-11	Oct-38	SIFMA (formerly BMA)
		$ 100,000	$ 100,000				

The following table includes fiscal year 2008 summary information for JEA's effective cashflow hedges related to both integrated and forward starting floating to fixed interest rate swap agreements.

	Changes in Fair Value		Fair Value at September 30, 2008		
System	**Classification**	**Amount**	**Classification**	**Amount [1]**	**Notional**
Electric	Deferred costs	**$ 31,483**	Fair value of debt management strategy instruments	**$ (34,027)**	**$ 890,190**
Water and Sewer	Deferred costs	**2,629**	Fair value of debt management strategy instruments	**(2,091)**	**199,020**
Total		**$ 34,112**		**$ (36,118)**	**$ 1,089,210**

(1) Fair value amounts were calculated using market rates as of September 30, 2008, and standard cash flow present valuing techniques.

The following table includes fiscal year 2007 summary information for JEA's effective cashflow hedges related to both integrated and forward starting floating to fixed interest rate swap agreements.

	Changes in Fair Value		Fair Value at September 30, 2007		
System	**Classification**	**Amount**	**Classification**	**Amount [1]**	**Notional**
Electric	Deferred costs	$ (6,920)	Fair value of debt management strategy instruments	$ (2,544)	$ 894,465
Water and Sewer	Deferred credits and other liabilities	(538)	Fair value of debt management strategy instruments	538	199,020
Total		$ (7,458)		$ (2,006)	$ 1,093,485

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

(Dollars In Thousands)

7. Long-Term Debt (continued)

For fiscal years ended September 30, 2008 and 2007, the weighted average rates of interest for each index type of integrated floating to fixed interest rate swap agreement and the total net swap earnings were as follows:

	2008	2007
68% of LIBOR Index:		
Notional amount outstanding	**$ 322,900**	$ 326,425
Variable rate received (weighted average)	**2.4%**	3.6%
Fixed rate paid (weighted average)	**3.7%**	3.7%
SIFMA Index (formerly BMA Index):		
Notional amount outstanding	**$ 627,580**	$ 453,330
Variable rate received (weighted average)	**2.6%**	3.7%
Fixed rate paid (weighted average)	**4.0%**	4.0%
CPI Index:		
Notional amount outstanding	**$ 38,730**	$ 38,730
Variable rate received (weighted average)	**4.3%**	3.9%
Fixed rate paid (weighted average)	**4.0%**	4.0%
Net debt management swap (loss) earnings [1]	**$ (12,227)**	$ 27

[1] Excludes fair market value adjustments.

(Dollars In Thousands)

7. Long-Term Debt (continued)

The following tables summarize the anticipated net cash flows of JEA's outstanding hedged variable rate debt and related integrated floating to fixed interest rate swap agreements at September 30, 2008:

Electric System

Bond Year Ending October 1	Principal	Interest	Net Swap Interest	Total
2008	$ 6,850	$ 2,350	$ 650	$ 9,850
2009	14,600	12,070	620	27,290
2010	14,760	11,810	620	27,190
2011	15,485	11,550	620	27,655
2012	16,695	11,150	590	28,435
2013–2017	109,485	50,480	2,610	162,575
2018–2022	116,675	43,990	2,510	163,175
2023–2027	148,110	33,340	2,130	183,580
2028–2032	211,100	19,190	1,290	231,580
2033–2037	118,180	7,430	940	126,550
2038–2042	18,250	1,080	150	19,480
Total	$ 790,190	$ 204,440	$ 12,730	$ 1,007,360

(1) Interest requirement for the variable rate debt and the variable portion of the interest rate swap was determined by using the interest rates that were in effect at the financial statement date of September 30, 2008. The fixed portion of the interest rate swaps was determined based on the actual fixed rates of the outstanding interest rate swaps at September 30, 2008.

Water and Sewer System

Bond Year Ending October 1	Principal	Interest	Net Swap Interest	Total
2008	$ –	$ 1,490	$ (220)	$ 1,270
2009	1,410	7,880	260	9,550
2010	1,460	7,830	260	9,550
2011	1,510	7,770	260	9,540
2012	1,570	7,710	260	9,540
2013–2017	17,120	37,400	1,250	55,770
2018–2022	40,860	31,560	990	73,410
2023–2027	30,155	24,080	680	54,915
2028–2032	21,570	19,180	560	41,310
2033–2037	41,640	13,330	410	55,380
2038–2042	41,725	4,220	140	46,085
Total	$ 199,020	$ 162,450	$ 4,850	$ 366,320

(1) Interest requirement for the variable rate debt and the variable portion of the interest rate swap was determined by using the interest rates that were in effect at the financial statement date of September 30, 2008. The fixed portion of the interest rate swaps was determined based on the actual fixed rates of the outstanding interest rate swaps at September 30, 2008.

(Dollars In Thousands)

7. Long-Term Debt (continued)

Credit Risk. JEA is exposed to credit risk on hedging derivative instruments that are in asset positions. To minimize its exposure to loss related to credit risk, the Board has established limits on the notional amount of JEA's interest rate swap transactions and standards for the qualification of financial institutions with whom JEA may enter into interest rate swap transactions. The counterparties with whom JEA may deal must be rated (i) "AAA" by one or more nationally recognized rating agencies at the time of execution, (ii) "AA-/Aa3" or better by at least two of such credit rating agencies at the time of execution, or (iii) if such counterparty is not rated "AA-/Aa3" or better at the time of execution, provide for a guarantee by an affiliate of such counterparty rated at least "A/A2" or better at the time of execution where such affiliate agrees to unconditionally guarantee the payment obligations of such counterparty under the swap agreement. In addition, each swap agreement will require the counterparty to enter into a collateral agreement to provide collateral when the ratings of such counterparty (or its guarantor) fall below "AA-/Aa3" and a payment is owed to JEA. All outstanding interest rate swaps at September 30, 2008, were in a liability position. Therefore, if counterparties failed to perform as contracted, JEA would not be subject to any credit risk exposure at September 30, 2008.

JEA's floating to fixed interest rate swap counterparty credit ratings at September 30, 2008, are as follows:

Counterparty	Counterparty Credit Ratings S&P/Moody's/Fitch	Outstanding Notional Amount
Bear Stearns Financial Products Inc.	AAA per S&P	$ 145,325
Citigroup Financial Products Inc.	AA-/Aa3/AA-	95,240
Goldman Sachs Mitsui Marine Derivative Products L.P.	AAA per S&P	294,275
JPMorgan Chase Bank, N.A.	AA/Aaa/AA-	115,175
Merrill Lynch Derivative Products AG	AAA per S&P	185,290
Morgan Stanley Capital Service Inc	A+/A1/AA-	253,905
Total		$ 1,089,210

Interest Rate Risk. JEA is exposed to interest rate risk on its interest rate swaps. On JEA's pay-fixed, receive-variable interest rate swap, as LIBOR or the SIFMA swap index decreases, JEA's net payment on the swap increases.

Basis Risk. JEA is exposed to basis risk on its pay-fixed interest rate swap hedging derivative instruments because the variable-rate payments received by JEA on these hedging derivative instruments are based on a rate or index other than interest rates JEA pays on its hedged variable-rate debt, which is remarketed every seven days. As of September 30, 2008, the weighted-average interest rate on JEA's hedged variable-rate debt is 7.7%, while the SIFMA swap index rate is 8.0% and 68.0% of LIBOR is 1.7%.

Termination Risk. JEA or its counterparties may terminate a derivative instrument if the other party fails to perform under the terms of the contract. If at the time of termination, a hedging derivative instrument is in a liability position, JEA would be liable to the counterparty for a payment equal to the liability, subject to netting arrangements.

(Dollars In Thousands)

7. Long-Term Debt (continued)

Market Access Risk. JEA is exposed to market access risk due to recent market disruptions in the municipal bond market that could inhibit the issuing of bonds and related hedging instruments.

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. 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 2008	**$ 28,756**	**$ 8,527**
Fiscal year 2007	$ 25,123	$ 6,135

City Contribution

The calculation of the City contribution is based on approximately 9.8% of the revenues, as defined, of the Electric Enterprise Fund and Water and Sewer Fund. 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 Enterprise Fund and Water and Sewer Fund. There is also a maximum annual assessment for the combined Electric Enterprise Fund and Water and Sewer Fund.

The JEA Electric Enterprise Fund 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 SJRPP System. The contribution for fiscal years 2008 and 2007 amounted to $73,847 and $73,100.

The JEA Water and Sewer Fund 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 2008 and 2007 amounted to $20,341 and $18,337.

(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 semiannual 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 2008 and 2007, JEA made principal and interest payments to the City of $1,996 and $1,992. The total remaining principal amount due the City as of September 30, 2008 and 2007, was $1,070 and $2,918, and is reflected in deferred credits and other liabilities on the balance sheets.

Franchise Fees

Effective April 1, 2008, the City enacted a 3% franchise fee from designated revenues of the Electric and Water and Sewer Utility systems. The ordinance authorizes JEA to pass through these fees to its electric and water and sewer funds. For the year ended September 30, 2008, JEA accrued $14,979 and $3,361 in its electric and water and sewer funds, which are included in operating revenues and expenses.

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 SJRPP facility including ownership interest of FPL, 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 $2,857 and $29,091 in fiscal years 2008 and 2007, respectively.

(Dollars In Thousands)

9. Fuel Purchase and Purchased Power Commitments

JEA has commitments to purchase approximately 100% of the coal and pet coke for the Electric Enterprise Fund and Scherer Unit 4 through December 31, 2008. Commitments are finalized through calendar year 2009 for some JEA pet coke and Scherer. SJRPP has reached agreement with the Coal Marketing Company and other domestic suppliers to supply 100% of SJRPP's coal needs in 2008 and 2009. Those agreements provide approximately 77% of SJRPP's coal needs for 2010. Commitments for transportation of coal purchases for Scherer Unit 4 were renegotiated during fiscal year 2003 for the next 10 years, subject to related purchase commitments. To provide for transportation of coal for Scherer Unit 4, Georgia Power negotiated two agreements with rail carriers during fiscal years 2002 and 2003. The term of the agreement with Burlington Northern and Santa Fe Railway Company extends through calendar year 2013. The contract provides JEA and the other Scherer co-owners with a unilateral right to extend the agreement an additional five years. The agreement with Norfolk Southern Railway Company is an annual agreement with automatic 12-month extensions. Contract terms for coal and pet coke 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 has commitments to purchase natural gas delivered to Jacksonville under a long-term contract with BG Energy Merchants, LLC (BG) that 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 to the gas delivered by BG, JEA currently has long-term contracts with Florida Gas Transmission Company (FGT) for firm gas transportation capacity to allow delivery of gas through the FGT system. To support additional future gas requirements, JEA has contracted with Peoples Gas System for a release of firm gas transportation capacity on Southern Natural Gas Company and FGT beginning in June 2010.

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 Enterprise Fund 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.

(Dollars In Thousands)

9. Fuel Purchase and Purchased Power Commitments (continued)

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 remarketing 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 Fuel	Coal and Pet Coke Transportation	Natural Gas Fuel	Natural Gas Transportation	Oil	Electric Generating Capacity/ Energy	Transmission	Total
2009	4,881	14,846	16,699	21,099	–	25,974	10,167	93,666
2010	2,039	12,105	16,699	17,586	3,556	12,420	6,880	71,285
2011	618	10,229	16,699	17,586	–	–	4,704	49,836
2012	154	2,557	16,745	17,634	–	–	4,980	42,070
2013	–	–	16,699	17,586	–	–	5,148	39,433
2014-2027	–	–	133,682	142,685	–	–	27,132	303,499

Purchase Power Contract

The JEA Board has authorized staff to undertake efforts to acquire 10% of JEA's annual energy requirement from nuclear sources by 2018. As a result of those efforts, JEA has entered into a power purchase agreement with Municipal Electric Agency of Georgia (MEAG) for 206 MW of capacity and related energy from MEAG's interest in two additional nuclear generating units proposed to be constructed at the Alvin W. Vogtle Nuclear Plant in Burke County, Georgia. The 206 MW is projected to represent approximately 8.8 % of JEA's total energy requirements in the year 2017.

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 2008 and 2007, 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.

(Dollars In Thousands)

10. Fuel Management Program (continued)

Fuel Management of Natural Gas

At September 30, 2008, the fuel management program had several open NYMEX natural gas futures contracts and none in 2007. The fuel management program had margin deposits of $11 at September 30, 2008 and 2007, which is included in other noncurrent assets on the balance sheets.

During fiscal 2008 and 2007, JEA utilized TEA to execute trades of numerous over-the-counter forward purchase and sale contracts and swaps. JEA adopted GASB No. 53, see note 1 (r). For effective derivative transactions, hedge accounting is applied and fair market value changes are recorded on the balance sheet as either a deferred charge or a deferred credit until such time that the transactions ends. At September 30, 2008 and 2007, deferred charges of $4,554 and $335 were included in other noncurrent assets on the balance sheet. The related settled gains and losses from these transactions are recognized as fuel expenses on the statement of revenues, expenses and changes in net assets. For the years ending September 30, 2008 and 2007, a $998 and $7,100 realized loss was included in fuel expense. Any losses were off-set by decreased prices in the purchase of natural gas.

The following is a summary of derivative transactions for the years ending September 30, 2008 and 2007.

Electric Enterprise Fund	**Changes in Fair Value**		**Fair Value at September 30, 2008**		
Cash Flow Hedges	**Classification**	**Amount**	**Classification**	**Amount**	**Notional**
Natural Gas	Deferred costs	**$ 4,219**	Deferred credits and other liabilities	**$ (4,554)**	**14,628 MMBTUS**

Electric Enterprise Fund	**Changes in Fair Value**		**Fair Value at September 30, 2007**		
Cash Flow Hedges	**Classification**	**Amount**	**Classification**	**Amount**	**Notional**
Natural Gas	Deferred costs	$ 335	Deferred credits and other liabilities	$ (335)	1,285 MMBTUS

(Dollars In Thousands)

11. Pension Plans

JEA Plan Description and Contributions

Substantially all of the employees of the Electric Enterprise Fund and Water and Sewer Fund 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 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 2007 Comprehensive Annual Financial Report of the City. 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.

In fiscal year 2008, plan members were required to contribute 8.0% of their annual covered salary and JEA's contribution for the plan members was 11.0 % during fiscal year 2008. In fiscal year 2007, plan members were required to contribute 8.0% of their annual covered salary and JEA's contribution for the plan members was 11.7 % during fiscal year 2007.

SJRPP 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 SJRPP 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 *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 that 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, 2008, was 49.2% of annual covered payroll and 22.2 % for the year ending September 30, 2007.

Annual Pension Cost – The annual pension contributions for the years ended September 30, 2008, 2007, and 2006 were $10,902, $5,090, and $4,857, which was equal to the required employee and employer contributions for each year.

(Dollars In Thousands)

11. Pension Plans (continued)

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

Actuarial valuation date	October 1, 2007	October 1, 2006	October 1, 2005
Actuarial value of plan assets	$ 61,029	$ 51,498	$ 44,234
Actuarial accrued liability	95,985	86,533	72,196
Total unfunded actuarial liability	34,956	35,035	27,962
The actuarial value of assets as % of the actuarial accrued liabilities	63.58%	59.51%	61.27%
The annual covered payroll	$ 24,027	$ 20,648	$ 21,958
The ratio of the unfunded actuarial liability to annual covered payroll	145.49%	169.68%	127.34%

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 unfunded actual accrued liability (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.

(Dollars In Thousands)

12. Other Post Employment Benefits

Plan Description

The JEA has maintains a medical benefits plan that it makes available to its retirees. The medical plan is a single-employer, experience rated insurance contract plan that provides medical benefits to employees and eligible retirees and their beneficiaries. The post-retirement benefit portion of the benefits plan (referred to as OPEB Plan) refers to the benefits applicable to current and future retirees and their beneficiaries.

As of the valuation date, the OPEB Plan had approximately 1,990 active participants and 605 retirees receiving benefits. The JEA currently determines the eligibility, benefit provisions and changes to those provisions applicable to eligible retirees.

Funding Policy

JEA has followed a pay-as-you go funding policy, contributing only those amounts necessary to provide the portion of current year benefit costs and expenses plus any addition to the reserve for accrued costs incurred but not reported, as determined as part of the insurance contract with the insurance carrier. The contribution requirements of plan members are established by the JEA. The JEA pays any remaining required amounts after contributions of plan members and taken into account. Currently, retired members pay the full premium associated with the coverage elected; no direct JEA subsidiary is currently applicable; however there is an implicit cost. Spouses and other dependents are also eligible for coverage and the member is responsible for payment of the applicable premiums.

State of Florida law prohibits the JEA from separately rating retirees and active employees. Therefore, JEA assigns to both groups, blended-rate premiums. GAAP requires the actuarial liabilities to be calculated using age-adjusted premiums approximating claim costs for retirees separate form active members. The use of age-adjusted premiums results in the full expected retiree obligation recognized in this disclosure.

Annual OPEB Costs and Net OPEB Obligation

Fiscal Year Ending	Annual Retiree Cost	JEA Contributions*`	Percentage of Retiree Cost Contributed	Net Obligation
9/30/2008	$5,351	$3,280	61%	$2,071

* Implicit additional premiums paid by JEA

(Dollars In Thousands)

12. Other Post Employment Benefits (continued)

The following table shows the components of JEA's annual OPEB costs for the year, the amount contributed to the OPEB plan, and the changes in the net OPEB obligation to JEA:

	September 30, 2008
Annual Required Contribution (ARC)	$5,561
Interest on OPEB Plan Obligation	-
Adjustment to ARC	-
Annual OPEB Plan Retiree Cost*	$3,280
Change in OEPB Plan Obligation	$2,281
OPEB Plan Obligation at Beginning of Year	-
OPEB Plan Obligation at End of Year	$2,281

* Implicit additional premiums paid by JEA

Funded Status

As of September 30, 2008, the most recent valuation date, the OPEB plan was 1.07% funded. The actuarial accrued liability for benefits was $70,286 and the actuarial value of assets was $754, resulting in an unfunded actuarial accrued liability (UAAL) of $69,532. The covered payroll (annual payroll of active employees covered by the OPEB plan) was $79,280 and the ratio of the UAAL the covered payroll was 87.70%.

Actuarial Cost Method and Assumptions

Annual requirements are determined in accordance with the actuarial assumptions and the Individual Entry Age Actuarial Cost Method. Under this method, the cost of each member's projected retiree medical benefit is funded through a series of annual payments, determined as a level percentage of each year's earnings, from age at hire to assumed exit age. The actuarial assumptions include an 8% discount rate, compounded annually, and it is based on the JEA's expected rate of return on trust fund assets, based on the assumption that the OPEB plan will be funded through a separately invested trust fund. The annual health care cost trend rate was assumed to decline gradually over the next several years from 10% at October 1, 2007, to an ultimate rate of 5% on and after 2012. The economic rates are based on an assumed inflation rate of 3.5% per annum. It is intended that the UAAL be recognized over a 30-year period from October 1, 2007, through amortizations expressed as a level percentage of payroll. Amortizations were assumed to begin on October 1, 2007, and to continue monthly for the 30 remaining years. Changes in the UAAL resulting from actuarial gains or losses, or changes in actuarial assumptions, will be amortized over the remaining portion of the 30-year period, but not less than 15 years.

(Dollars In Thousands)

12. Other Post Employment Benefits (continued)

Actuarial valuations of the on-going plan involve estimates and assumptions about the probability of occurrence of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes of the financial statements, presents information about whether the actuarial value of the OPEB plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan understood by the employer and plan members) and include the types of benefits provided at the time of the valuation and the historical pattern of sharing the benefit costs between the employer and OPEB plan members at that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

13. 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 are $24,417. No amount has been accrued for this guaranty under the financing agreement.

In fiscal year 2008, there was an agreement between JEA and the City that the financial agreement that obligated JEA to make those payments came to an end.

Grants

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.

(Dollars In Thousands)

13. 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 in late calendar year 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. The U.S. Court of Appeals for the District of Columbia Circuit vacated the entire CAIR, holding that the CAIR has "more than several fatal flaws. The decision has a number of potential implications for existing federal and state air regulatory programs and the power sector. The same Court had vacated the CAMR earlier in 2008. There are several possible actions being considered by the EPA, the Bush Administration and Congress. JEA cannot predict what actions the Court or Congress may eventually take on CAIR or CAMR. Meanwhile JEA is continuing preparations to meet the reductions required by the vacated rules.

JEA anticipates that over the next five years, its share of the capital improvements at SJRPP will involve total expenditures of approximately $142,443 consisting of the equipment required to meet new environmental regulations and replacement of obsolete equipment to maintain the plant's historical high performance levels. Of the $142,443 capital expenditures, approximately $36,659 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 therefore JEA issued bonds during fiscal year 2008 for $125,000 and 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 $143,369 of which $125,341 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.

(Dollars In Thousands)

13. Commitments and Contingent Liabilities (continued)

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.

The By-Products Storage Area (BSA), which is a permitted, lined landfill at the NSGS facility, is now at 80% capacity. No removal of by-products to landfills has occurred since January 2008, and the BSA is at a level that allows JEA to store by-products. The additional space gained by reducing the BSA inventory will enable it to function as designed, which is a storage area for by-products as markets fluctuate and to become a secondary processing facility for EZBase.

Southside Generating Station

JEA decommissioned the Southside Generating System on October 31, 2001. JEA has spent approximately $26,700 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 FDEP along with all environmental liability related to the site, except any portion to be retained by JEA. 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.

Total Maximum Daily Load (TMDL)

The 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 15 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 5 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.

(Dollars In Thousands)

13. Commitments and Contingent Liabilities (continued)

Sanitary Sewer Overflow Litigation

In September 2007 two environmental groups – the St John's Riverkeeper, Inc. and the Public Trust Environmental Law Institute of Florida, Inc. filed in the U.S. District Court for the Middle District of Florida alleging violations of the Federal Clean Water Act. They alleged multiple unpermitted sanitary sewer overflows from the Buckman and Arlington East wastewater treatment plants. JEA is vigorously defending against this claim, and has filed a Motion for Summary Judgment with the Court. Discovery is ongoing. The outcome of the litigation and the economic consequences to JEA cannot currently be predicted, but its exposure is potentially substantial.

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 had accrued a liability of $14,200 as of September 30, 2008 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.

General Litigation

JEA is party to various 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.

(Dollars In Thousands)

14. 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 DES 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 DES 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 $12,827 for fiscal year 2008 and $8,840 for fiscal year 2007. Water and Sewer charges to the Electric System were $131 for fiscal 2008 and $106 for fiscal year 2007.

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 the Water and Sewer System were $48,103 for fiscal year 2008 and $44,347 for fiscal year 2007.

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 $1,263 for fiscal 2008 and $2,426 for fiscal 2007.

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 2008 and 2007.

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.

(Dollars In Thousands)

14. Segment Information (continued)

Segment information for these activities for the fiscal years ended September 30, 2008 and 2007, was as follows:

	Electric System and Bulk Power Supply System		SJRPP System		Water and Sewer System		DES	
	2008	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**
Condensed Balance Sheet Information:		*(Restated)*		*(Restated)*		*(Restated)*		*(Restated)*
Total current assets	**$ 337,707**	$ 288,806	**$ 124,135**	$ 96,385	**$ 99,804**	$ 102,043	**$ 1,387**	$ 893
Total other noncurrent assets	**253,410**	89,075	**569,018**	654,738	**170,736**	120,447	**2,788**	2,527
Capital assets, net	**2,957,999**	2,824,956	**792,817**	687,537	**2,803,270**	2,713,261	**47,255**	49,105
Total assets	**$ 3,549,116**	$ 3,202,837	**$ 1,485,970**	$ 1,438,660	**$ 3,073,810**	$ 2,935,751	**$ 51,430**	$ 52,525
Total current liabilities	**$ 150,231**	$ 144,037	**$ 23,650**	$ 26,342	**$ 10,013**	$ 12,168	**$ 574**	$ 50
Total current liabilities payable from restricted assets	**128,914**	58,956	**247,032**	246,446	**84,415**	68,848	**157**	259
Total other noncurrent liabilities	**113,768**	111,244	**2,839**	2,679	**6,546**	6,862	**–**	–
Total long-term debt	**2,780,690**	2,495,161	**1,195,206**	1,162,512	**1,881,671**	1,733,754	**52,085**	52,785
Total liabilities	**3,173,603**	2,809,398	**1,468,727**	1,437,979	**1,982,645**	1,821,632	**52,816**	53,094
Net assets invested in capital assets, net of related debt	**121,002**	241,353	**(329,005)**	(338,979)	**939,809**	969,162	**(4,311)**	(3,488)
Restricted net assets	**90,645**	25,001	**248,602**	272,296	**65,025**	58,760	**2,112**	2,076
Unrestricted net assets	**163,866**	127,085	**97,646**	67,364	**86,331**	86,197	**813**	843
Total net assets	**375,513**	393,439	**17,243**	681	**1,091,165**	1,114,119	**(1,386)**	(569)
Total liabilities and net assets	**$ 3,549,116**	$ 3,202,837	**$ 1,485,970**	$ 1,438,660	**$ 3,073,810**	$ 2,935,751	**$ 51,430**	$ 52,525
Condensed Statement of Revenues, Expenses, and Changes in Net Assets Information:								
Operating revenues	**$ 1,247,324**	$ 1,074,504	**$ 345,695**	$ 348,080	**$ 257,657**	$ 248,997	**$ 6,162**	$ 7,748
Operating expenses	**1,114,703**	982,449	**287,544**	308,987	**239,061**	208,305	**5,385**	4,444
Operating income	**132,621**	92,055	**58,151**	39,093	**18,596**	40,692	**777**	3,304
Nonoperating revenues (expenses)	**(76,700)**	(67,187)	**(41,589)**	(41,187)	**(71,537)**	(57,321)	**(1,594)**	(1,603)
Contributions	**(73,847)**	(73,100)	**–**	–	**29,987**	130,279	**–**	–
Change in net assets	**(17,926)**	(48,232)	**16,562**	(2,094)	**(22,954)**	113,650	**(817)**	1,701
Beginning net assets	**393,439**	438,744	**681**	2,775	**1,114,119**	1,000,992	**(569)**	(2,270)
Effect of change in accounting	**–**	2,927	**–**	–	**–**	(523)	**–**	–
Net assets, beginning of year, as restated	**393,439**	441,671	**681**	2,775	**1,114,119**	1,000,469	**(569)**	(2,270)
Ending net assets	**$ 375,513**	$ 393,439	**$ 17,243**	$ 681	**$ 1,091,165**	$ 1,114,119	**$ (1,386)**	$ (569)
Condensed Statement of Cash Flow Information:								
Net cash provided by (used in):								
Operating activities	**$ 280,047**	$ 250,761	**$ 116,808**	$ 147,304	**$ 146,276**	$ 148,209	**$ 3,287**	$ 4,717
Noncapital financing activities	**(79,876)**	(72,755)	**–**	–	**(22,918)**	(19,825)	**–**	–
Capital and related financing activities	**(81,291)**	(232,159)	**(146,236)**	(79,355)	**(73,657)**	(245,258)	**(2,659)**	(3,180)
Investing activities	**(15,524)**	25,015	**85,920**	15,296	**(34,998)**	136,175	**(11)**	76
Net change in cash and cash equivalents	**103,356**	(29,138)	**56,492**	83,245	**14,703**	19,301	**617**	1,613
Cash and cash equivalents at beginning of year	**132,001**	161,139	**276,901**	193,656	**113,699**	94,398	**2,675**	1,062
Cash and cash equivalents at end of year	**$ 235,357**	$ 132,001	**$ 333,393**	$ 276,901	**$ 128,402**	$ 113,699	**$ 3,292**	$ 2,675

(Dollars In Thousands)

15. Subsequent Events

The $25,680 Electric System line of credit draw outstanding at September 30, 2008, was repaid on October 20, 2008.

At October 31, 2008, the outstanding draws under the revolving credit agreement for the Electric System commercial paper notes were remarketed and are no longer outstanding.

In October 2008, JEA made a draw of $3,000 under the line of credit to fund capital expenditures for the Bulk Power Supply System. The $3,000 will be replaced with permanent financing scheduled to take place in November 2008.

At November 18, 2008, the outstanding draws under the SBPA for the Electric System variable rate demand obligations were $56,500.

On November 21, 2008, an additional AAA debt service surety provider was downgraded below AAA which triggered additional funding requirements for the Electric System and the Water and Sewer System. Additional funding needs from future bond issues may be increased by $29,137 for the Electric System Initial Subaccount in the Debt Service Reserve, $19,171 for the Water and Sewer System Initial Subaccount in the Debt Service Reserve, and $1,076 for the Water and Sewer System Subordinated Debt Service Reserve.

On November 25, 2008, JEA issued $77,945 of its Bulk Power Supply System Revenue Bonds, Scherer 4 Project Issue, 2008 Series A to fund capital expenditures and repay the $15,000 prior year line of credit balance and the $3,000 October 2008 line of credit draw related to Bulk Power Supply System capital expenditures.

Required Supplementary Information

JEA

Schedule of Funding Progress

September 30, 2008

(Dollars In Thousands)

The following table presents the funded status of the OPEB Plan as of September 30, 2008:

Valuation Date	AAL*	Actuarial Value of Assets	UAAL	Percentage Funded	Annual Covered Payroll**	UAAL as Percentage of Payroll
9/30/2008	$70,286	$754	$69,532	1.07%	$79,280	87.70%

* Based on Entry Age Actuarial Cost Method, 8% interest discount, RP-2000 Healthy White Collar Mortality Table for Males and Females, as projected from 2001 using Projection Scale AA and other assumed decrements.

** Payroll estimated using average employee earnings of $40,000.

See note 12 to the accompanying statements for more information on the OPEB Plan.

Supplementary Information

JEA

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

Year Ended September 30, 2008

(In Thousands)

	Electric System and Bulk Power Supply System	SJRPP System	Elimination of Inter-company Transactions	Total Electric Enterprise Fund	Water and Sewer Fund	District Energy System	Elimination	Total JEA
Operating revenues :								
Electric	$ 1,205,197	$ 345,695	$ (207,785)	$ 1,343,107	$ –	$ –	$ (12,827)	$ 1,330,280
Water and sewer	–	–	–	–	248,246	–	(131)	248,115
District Energy	–	–	–	–	–	6,162	–	6,162
Other, net of allowances	42,127	–	–	42,127	9,411	–	(2,675)	48,863
Total operating revenues	1,247,324	345,695	(207,785)	1,385,234	257,657	6,162	(15,633)	1,633,420
Operating expenses:								
Operations:								
Fuel	362,853	173,960	–	536,813	–	–	–	536,813
Purchased power	364,979	–	(207,785)	157,194	–	–	–	157,194
Other	121,825	14,302	–	136,127	90,134	2,623	(15,633)	213,251
Maintenance	50,589	23,117	–	73,706	23,395	719	–	97,820
Depreciation	173,145	28,942	–	202,087	122,171	2,043	–	326,301
State utility and franchise taxes	45,190	–	–	45,190	3,361	–	–	48,551
Recognition of deferred costs and revenues, net	(3,878)	47,223	–	43,345	–	–	–	43,345
Total operating expenses	1,114,703	287,544	(207,785)	1,194,462	239,061	5,385	(15,633)	1,423,275
Operating income	132,621	58,151	–	190,772	18,596	777	–	210,145
Nonoperating revenues (expenses):								
Earnings from The Energy Authority	22,374	–	–	22,374	–	–	–	22,374
Investment income	3,586	11,754	–	15,340	1,885	82	–	17,307
Interest on debt	(113,344)	(53,343)	–	(166,687)	(81,316)	(1,619)	–	(249,622)
Other interest, net	(451)	–	–	(451)	–	–	–	(451)
Allowance for funds used during construction	11,618	–	–	11,618	7,747	83	–	19,448
Water and Sewer Expansion Authority – operating	–	–	–	–	(1,216)	–	–	(1,216)
Gain (loss) on sale of asset	(483)	–	–	(483)	1,363	(140)	–	740
Total nonoperating revenues (expenses)	(76,700)	(41,589)	–	(118,289)	(71,537)	(1,594)	–	(191,420)
Income (loss) before contributions	55,921	16,562	–	72,483	(52,941)	(817)	–	18,725
Contributions (to) from:								
General fund, City of Jacksonville	(73,847)	–	–	(73,847)	(20,341)	–	–	(94,188)
Developers and other	–	–	–	–	47,471	–	–	47,471
City of Jacksonville	–	–	–	–	2,857	–	–	2,857
Total contributions	(73,847)	–	–	(73,847)	29,987	–	–	(43,860)
Change in net assets	(17,926)	16,562	–	(1,364)	(22,954)	(817)	–	(25,135)
Net assets, beginning of year	393,439	681	–	394,120	1,114,119	(569)	–	1,507,670
Net assets, end of year	$ 375,513	$ 17,243	$ –	$ 392,756	$ 1,091,165	$ (1,386)	$ –	$ 1,482,535

JEA

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

Year Ended September 30, 2007

(In Thousands)
Restated

	Electric System and Bulk Power Supply System	SJRPP System	Elimination of Inter-company Transactions	Total Electric Enterprise Fund	Water and Sewer Fund	District Energy System	Elimination	Total JEA
Operating revenues :								
Electric	$ 1,036,125	$ 348,080	$ (210,617)	$ 1,173,588	$ –	$ –	$ (8,841)	$ 1,164,747
Water and sewer	–	–	–	–	238,362	–	(106)	238,256
District Energy	–	–	–	–	–	5,748	–	5,748
Other, net of allowances	38,379	–	–	38,379	10,635	2,000	(3,838)	47,176
Total operating revenues	1,074,504	348,080	(210,617)	1,211,967	248,997	7,748	(12,785)	1,455,927
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	(12,785)	224,788
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	982,449	308,987	(210,617)	1,080,819	208,305	4,444	(12,785)	1,280,783
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	12,643	16,999	–	29,642	8,394	76	–	38,112
Interest on debt	(106,413)	(58,186)	–	(164,599)	(80,062)	(2,126)	–	(246,787)
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)	(67,187)	(41,187)	–	(108,374)	(57,321)	(1,603)	–	(167,298)
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	(73,100)	–	–	(73,100)	130,279	–	–	57,179
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
Effect of change in accounting	2,927	–	–	2,927	(523)	–	–	2,404
Net assets, beginning of year, as restated	441,671	2,775	–	444,446	1,000,469	(2,270)	–	1,442,645
Net assets, end of year	$ 393,439	$ 681	$ –	$ 394,120	$ 1,114,119	$ (569)	$ –	$ 1,507,670

JEA

Combining Balance Sheet

September 30, 2008

(In Thousands)

	Electric System and Bulk Power Supply System	SJRPP System	Elimination of Inter-company Transactions	Total Electric Enterprise Fund	Water and Sewer Fund	District Energy System	Eliminations	Total JEA
Assets								
Current assets:								
Cash and cash equivalents	$ 86,071	$ 60,673	$ –	$ 146,744	$ 19,752	$ 793	$ –	$ 167,289
Investments	–	–	–	–	–	93	–	93
Accounts and interest receivable, less allowance for doubtful accounts of $2,553	223,297	5,259	(22,645)	205,911	31,577	501	–	237,989
Inventories:								
Fuel	26,448	34,954	–	61,402	–	–	–	61,402
Materials and supplies	1,891	23,249	–	25,140	48,475	–	–	73,615
Total current assets	337,707	124,135	(22,645)	439,197	99,804	1,387	–	540,388
Noncurrent assets:								
Restricted assets:								
Cash and cash equivalents	149,286	272,720	–	422,006	108,650	2,499	–	533,155
Investments	40,823	113,993	–	154,816	36,833	–	–	191,649
Accounts and interest receivable	544	1,903	–	2,447	1,620	–	–	4,067
Total restricted assets	190,653	388,616	–	579,269	147,103	2,499	–	728,871
Deferred costs	55,147	8,618	–	63,765	23,633	289	–	87,687
Investment in The Energy Authority	7,610	–	–	7,610	–	–	–	7,610
Costs to be recovered from future revenues	–	171,784	–	171,784	–	–	–	171,784
Total noncurrent assets	253,410	569,018	–	822,428	170,736	2,788	–	995,952
Capital assets:								
Land and easements	53,456	6,660	–	60,116	35,724	240	–	96,080
Plant in service	4,138,466	1,194,719	–	5,333,185	3,546,311	51,890	–	8,931,386
Less accumulated depreciation	(1,533,032)	(605,247)	–	(2,138,279)	(951,363)	(5,169)	–	(3,094,811)
Plant in service, net	2,658,890	596,132	–	3,255,022	2,630,672	46,961	–	5,932,655
Construction work-in-progress	299,109	196,685	–	495,794	172,598	294	–	668,686
Net capital assets	2,957,999	792,817	–	3,750,816	2,803,270	47,255	–	6,601,341
Total assets	$ 3,549,116	$ 1,485,970	$ (22,645)	$ 5,012,441	$ 3,073,810	$ 51,430	$ –	$ 8,137,681

JEA

Combining Balance Sheet (continued)

September 30, 2008

(In Thousands)

	Electric System and Bulk Power Supply System	SJRPP System	Elimination of Inter-company Transactions	Total Electric Enterprise Fund	Water and Sewer Fund	District Energy System	Eliminations	Total JEA
Liabilities and net assets								
Current liabilities:								
Accounts and accrued expenses payable	$ 111,671	$ 23,650	$ (1,519)	$ 133,802	$ 10,013	$ 574	$ –	$ 144,389
Customer deposits	38,560	–	–	38,560	–	–	–	38,560
Total current liabilities	150,231	23,650	(1,519)	172,362	10,013	574	–	182,949
Current liabilities payable from restricted assets:								
Debt due within one year	82,080	95,500	–	177,580	23,200	–	–	200,780
Interest payable	30,553	29,864	–	60,417	34,407	143	–	94,967
Construction contracts and accounts payable	16,281	31,668	(21,126)	26,823	26,808	14	–	53,645
Renewal and replacement reserve	–	90,000	–	90,000	–	–	–	90,000
Total current liabilities payable from restricted assets	128,914	247,032	(21,126)	354,820	84,415	157	–	439,392
Noncurrent liabilities:								
Deferred credits and other liabilities	37,429	2,839	–	40,268	6,546	–	–	46,814
Revenues to be used for future costs	76,339	–	–	76,339	–	–	–	76,339
Total noncurrent liabilities	113,768	2,839	–	116,607	6,546	–	–	123,153
Long-term debt:								
Bonds payable and commercial paper payable, less current portion	2,792,764	1,242,230	–	4,034,994	1,916,021	52,085	–	6,003,100
Unamortized original issue premium (discount), net	44	17,117	–	17,161	(4,982)	–	–	12,179
Unamortized deferred losses on refundings	(46,145)	(64,141)	–	(110,286)	(31,459)	–	–	(141,745)
Fair value of debt management strategy instruments	34,027	–	–	34,027	2,091	–	–	36,118
Total long-term debt	2,780,690	1,195,206	–	3,975,896	1,881,671	52,085	–	5,909,652
Net assets:								
Invested in capital assets, net of related debt	121,002	(329,005)	–	(208,003)	939,809	(4,311)	–	727,495
Restricted	90,645	248,602	21,126	360,373	65,025	2,112	–	427,510
Unrestricted	163,866	97,646	(21,126)	240,386	86,331	813	–	327,530
Total net assets	375,513	17,243	–	392,756	1,091,165	(1,386)	–	1,482,535
Total liabilities	3,173,603	1,468,727	(22,645)	4,619,685	1,982,645	52,816	–	6,655,146
Total liabilities and net assets	$ 3,549,116	$ 1,485,970	$ (22,645)	$ 5,012,441	$ 3,073,810	$ 51,430	$ –	$ 8,137,681

JEA

Combining Balance Sheet

September 30, 2007

(In Thousands)
Restated

	Electric System and Bulk Power Supply System	SJRPP System	Elimination of Inter-company Transactions	Total Electric Enterprise Fund	Water and Sewer Fund	District Energy System	Eliminations	Total JEA
Assets								
Current assets:								
Cash and cash equivalents	$ 71,903	$ 39,040	$ –	$ 110,943	$ 19,727	$ 448	$ –	$ 131,118
Investments	–			–				–
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
Investments	–	–	–	–	–	–	–	–
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	288,806	96,385	(22,963)	362,228	102,043	893	–	465,164
Noncurrent assets:								
Restricted assets:								
Cash and cash equivalents	60,098	237,861	–	297,959	93,972	2,227	–	394,158
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	427,232	–	487,592	98,499	2,227	–	588,318
Deferred costs	21,292	8,499	–	29,791	21,948	300	–	52,039
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	89,075	654,738	–	743,813	120,447	2,527	–	866,787
Capital assets:								
Land and easements	50,817	6,660	–	57,477	28,508	240	–	86,225
Plant in service	3,865,058	1,171,570	–	5,036,628	3,238,429	51,456	–	8,326,513
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	$ 3,202,837	$ 1,438,660	$ (22,963)	$ 4,618,534	$ 2,935,751	$ 52,525	$ –	$ 7,606,810

JEA

Combining Balance Sheet (continued)

September 30, 2007

(In Thousands)
Restated

	Electric System and Bulk Power Supply System	SJRPP System	Elimination of Inter-company Transactions	Total Electric Enterprise Fund	Water and Sewer Fund	District Energy System	Eliminations	Total JEA
Liabilities and net assets								
Current liabilities:								
Accounts and accrued expenses payable	$ 108,587	$ 26,342	$ (1)	$ 134,928	$ 12,168	$ 50	$ –	$ 147,146
Customer deposits	35,450	–	–	35,450	–	–	–	35,450
Total current liabilities	144,037	26,342	(1)	170,378	12,168	50	–	182,596
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	40,544	(22,962)	30,032	18,385	111	–	48,528
Renewal and replacement reserve	–	90,000	–	90,000	–	–	–	90,000
Total current liabilities payable from restricted assets	58,956	246,446	(22,962)	282,440	68,848	259	–	351,547
Noncurrent liabilities:								
Deferred credits and other liabilities	31,027	2,679	–	33,706	6,862	–	–	40,568
Revenues to be used for future costs	80,217	–	–	80,217	–	–	–	80,217
Total noncurrent liabilities	111,244	2,679	–	113,923	6,862	–	–	120,785
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	241,353	(338,979)	–	(97,626)	969,162	(3,488)	–	868,048
Restricted	25,001	272,296	22,962	320,259	58,760	2,076	–	381,095
Unrestricted	127,085	67,364	(22,962)	171,487	86,197	843	–	258,527
Total net assets	393,439	681	–	394,120	1,114,119	(569)	–	1,507,670
Total liabilities	2,809,398	1,437,979	(22,963)	4,224,414	1,821,632	53,094	–	6,099,140
Total liabilities and net assets	$ 3,202,837	$ 1,438,660	$ (22,963)	$ 4,618,534	$ 2,935,751	$ 52,525	$ –	$ 7,606,810

JEA

Combining Statement of Cash Flows

Year Ended September 30, 2008

(In Thousands)

	Electric System and Bulk Power Supply System	SJRPP System	Elimination of Inter-company Transactions	Total Electric Enterprise Fund	Water and Sewer Fund	District Energy System	Elimination	Total JEA
Operations								
Receipts from customers	$ 1,169,535	$ 345,695	$ (207,784)	$ 1,307,446	$ 249,354	$ 6,105	$ (12,958)	$ 1,549,947
Other receipts	42,182	–	–	42,182	12,369	–	(2,675)	51,876
Payments to suppliers	(797,550)	(196,460)	207,784	(786,226)	(82,965)	(2,384)	15,633	(855,942)
Payments to employees	(134,120)	(32,427)	–	(166,547)	(32,482)	(434)	–	(199,463)
Net cash provided by operating activities	280,047	116,808	–	396,855	146,276	3,287	–	546,418
Noncapital and related financing activities								
Contribution to General Fund, City of Jacksonville, Florida	(79,876)	–	–	(79,876)	(21,702)	–	–	(101,578)
Contribution to Water and Sewer Expansion Authority - operating	–	–	–	–	(1,216)	–	–	(1,216)
Net cash used in noncapital financing activities	(79,876)	–	–	(79,876)	(22,918)	–	–	(102,794)
Capital and related financing activities								
Acquisition and construction of capital assets	(292,013)	(126,308)	–	(418,321)	(168,481)	(218)	–	(587,020)
Proceeds from issuance of debt	1,427,115	163,688	–	1,590,803	497,461	–	–	2,088,264
(Loss) gain on disposal of fixed assets	(483)	–	–	(483)	1,363	(140)	–	740
Defeasance of debt	(1,087,230)	(40,000)	–	(1,127,230)	(330,006)	–	–	(1,457,236)
Repayment of debt principal	(24,843)	(86,415)	–	(111,258)	(17,235)	(700)	–	(129,193)
Interest paid on debt	(105,111)	(57,201)	–	(162,312)	(79,558)	(1,613)	–	(243,483)
Developer and other contributions	–	–	–	–	20,246	–	–	20,246
City of Jacksonville contributions	–	–	–	–	2,857	–	–	2,857
Proceeds from sales of property	1,274	–	–	1,274	(304)	12	–	982
Net cash used in capital and related financing activities	(81,291)	(146,236)	–	(227,527)	(73,657)	(2,659)	–	(303,843)
Investing activities								
Purchase of investments	(1,131,406)	(1,122,748)	–	(2,254,154)	(781,977)	(360)	–	(3,036,491)
Proceeds from sale and maturities of investments	1,089,951	1,195,488	–	2,285,439	744,420	247	–	3,030,106
Distributions from The Energy Authority	22,187	–	–	22,187	–	–	–	22,187
Investment income	3,744	13,180	–	16,924	2,559	102	–	19,585
Net cash (used in) provided by investing activities	(15,524)	85,920	–	70,396	(34,998)	(11)	–	35,387
Net increase in cash and cash equivalents	103,356	56,492	–	159,848	14,703	617	–	175,168
Cash and cash equivalents at October 1, 2007	132,001	276,901	–	408,902	113,699	2,675	–	525,276
Cash and cash equivalents at September 30, 2008	$ 235,357	$ 333,393	$ –	$ 568,750	$ 128,402	$ 3,292	$ –	$ 700,444
Reconciliation of operating income to net cash provided by operating activities:								
Operating income	$ 132,621	$ 58,151	$ –	$ 190,772	$ 18,596	$ 777	$ –	$ 210,145
Adjustments to reconcile operating income to net cash provided by operating activities:								
Depreciation and amortization	173,145	28,942	–	202,087	122,779	2,043	–	326,909
Recognition of deferred costs and revenues, net	(3,878)	47,223	–	43,345	–	–	–	43,345
Changes in noncash assets and noncash liabilities:								
Accounts receivable and interest receivable, restricted	55	–	–	55	2,958	–	–	3,013
Accounts receivable and interest receivable	(35,662)	2,466	–	(33,196)	1,108	(57)	–	(32,145)
Inventories	1,066	(8,565)	–	(7,499)	1,410	–	–	(6,089)
Other	(1,254)	–	–	(1,254)	13	–	–	(1,241)
Accounts and expenses payable	11,771	(2,695)	–	9,076	(794)	524	–	8,806
Liabilities payable from restricted assets	–	(8,874)	–	(8,874)	–	–	–	(8,874)
Deferred credits and other liabilities	2,183	160	–	2,343	206	–	–	2,549
Net cash provided by operating activities	$ 280,047	$ 116,808	$ –	$ 396,855	$ 146,276	$ 3,287	$ –	$ 546,418
Noncash activity:								
Contribution of capital assets from developers	$ –	$ –	$ –	$ –	$ 27,225	$ –	$ –	$ 27,225

JEA

Combining Statement of Cash Flows

Year Ended September 30, 2007

(In Thousands)
Restated

	Electric System and Bulk Power Supply System	SJRPP System	Elimination of Inter-company Transactions	Total Electric Enterprise Fund	Water and Sewer Fund	District Energy System	Elimination	Total JEA
Operations								
Receipts from customers	$ 1,037,253	$ 348,080	$ (210,617)	$ 1,174,716	$ 235,273	$ 5,698	$ (8,946)	$ 1,406,741
Other receipts	38,434	–	–	38,434	10,851	2,000	(3,838)	47,447
Payments to suppliers	(704,833)	(173,645)	210,617	(667,861)	(68,813)	(2,528)	12,784	(726,418)
Payments to employees	(120,093)	(27,131)	–	(147,224)	(29,102)	(453)	–	(176,779)
Net cash provided by operating activities	250,761	147,304	–	398,065	148,209	4,717	–	550,991
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	332,176	289,464	–	621,640	348,911	1,450	–	972,001
(Loss) gain on disposal of fixed assets	(4,169)	–	–	(4,169)	407	–	–	(3,762)
Defeasance of debt	(214,030)	(140,320)	–	(354,350)	(387,735)	–	–	(742,085)
Repayment of debt principal	(25,186)	(83,560)	–	(108,746)	(13,820)	(465)	–	(123,031)
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	20,004	–	–	20,004	–	–	–	20,004
Investment income	5,011	16,891	–	21,902	5,233	76	–	27,211
Net cash provided by investing activities	25,015	15,296	–	40,311	136,175	76	–	176,562
Net (decrease) increase in cash and cash equivalents	(29,138)	83,245	–	54,107	19,301	1,613	–	75,021
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	$ 132,001	$ 276,901	$ –	$ 408,902	$ 113,699	$ 2,675	$ –	$ 525,276
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	(49)	–	222
Accounts receivable and interest receivable	1,128	(2,814)	–	(1,686)	(3,089)	–	–	(4,775)
Inventories	11,474	(6,609)	–	4,865	2,953	–	–	7,818
Other	(419)	–	–	(419)	11	–	–	(408)
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	$ 250,761	$ 147,304	$ –	$ 398,065	$ 148,209	$ 4,717	$ –	$ 550,991
Noncash activity:								
Contribution of capital assets from developers	$ –	$ –	$ –	$ –	$ 94,559	$ –	$ –	$ 94,559

Bond Compliance Information

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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, 2008 and 2007 and have issued our report thereon dated November 24, 2008. 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, 2008 and 2007, 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, 2008 and 2007, 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 24, 2008

JEA Electric System

Schedules of Debt Service Coverage

Years Ended September 30, 2008 and 2007

(In Thousands)

	2008	2007
Revenues:		
Electric	**$ 1,205,197**	$ 1,036,125
Investment income (1)	**3,207**	4,275
Earnings from The Energy Authority	**22,374**	20,192
Other, net	**41,034**	38,379
Plus: amount paid from the Rate Stabilization Fund into the Revenue Fund	**62,174**	63,057
Less: amount paid from the Revenue Fund into the Rate Stabilization Fund	**(50,182)**	(48,616)
Total revenues	**1,283,804**	1,113,412
Operating expenses (2):		
Fuel	**331,670**	281,346
Purchased power (3)	**409,142**	366,497
Other operation and maintenance	**160,272**	146,968
Utility and franchise taxes	**44,353**	25,336
Total operating expenses	**945,437**	820,147
Net revenues	**$ 338,367**	$ 293,265
Debt service	**$ 77,152**	$ 64,446
Less: investment income on sinking fund	**(673)**	(738)
Debt service requirement	**$ 76,479**	$ 63,708
Senior debt service coverage (4)	**4.42x**	4.60x
Net revenues (from above)	**$ 338,367**	$ 293,265
Debt service requirement (from above)	**$ 76,479**	$ 63,708
Plus: aggregate subordinated debt service on outstanding subordinated bonds	**64,274**	59,970
Adjusted debt service requirement	**$ 140,753**	$ 123,678
Senior and subordinated debt service coverage (5)	**2.40x**	2.37x

(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, 2008 and 2007

(In Thousands)

	2008	2007
Revenues:		
JEA	$ **240,174**	$ 224,170
FPL	**137,906**	137,462
Investment income	**13,193**	16,578
Total revenues	**391,273**	378,210
Operating expenses (1):		
Fuel	**173,960**	175,122
Other operation and maintenance	**37,419**	29,564
Total operating expenses	**211,379**	204,686
Net revenues	$ **179,894**	$ 173,524
Debt service requirement	$ **143,952**	$ 137,609
Debt service coverage (2)	**1.25x**	1.26x

(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, 2008 and 2007

(In Thousands)

		2008		2007
Revenues:				
Water	**$**	**105,171**	$	102,997
Water capacity fees (1)		**7,133**		9,895
Sewer		**143,075**		135,365
Sewer capacity fees (1)		**10,297**		13,316
Investment Income		**2,615**		4,352
Other		**9,411**		12,075
Total revenues		**277,702**		278,000
Operating expenses (2):				
Operations and maintenance		**116,890**		101,772
Net revenues	**$**	**160,812**	$	176,228
Debt service requirement	**$**	**82,247**	$	75,161
Senior debt service coverage (3)		**1.96x**		2.34x
Net revenues (from above)	**$**	**160,812**	$	176,228
Debt service requirement (from above)	**$**	**82,247**	$	75,161
Plus: aggregate subordinated debt service on outstanding subordinated debt		**18,252**		18,011
Adjusted debt service requirement	**$**	**100,499**	$	93,172
Senior and subordinated debt service coverage (4)		**1.60x**		1.89x

(1) Effective October 1, 2001, the Water and Sewer Bond Resolution was amended to include capacity fees in total revenues. Had such capacity fees not been included in the calculation for the year-to-date periods ending September 2008 and 2007, then the debt service coverage would have been 1.43x and 1.64x.

(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 2008 is $104,149 and $96,775 for the year ending September 2007.

Executive Management Team

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

Challenges & Opportunities – Finding The Balance

JEA at a Glance

Electric System
- 414,418 customers
- 900 square miles of service area
- 6,446 miles of distribution
- 728 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 4
- Two Circulating Fluidized Bed (CFB) units–NGS 1 and 2
- One Oil/Gas-fired unit–NS3
- Seven Combustion Turbines–4 at NGS, 2 at KS, 1 at BB
- One Combined Cycle unit (CC)–BB

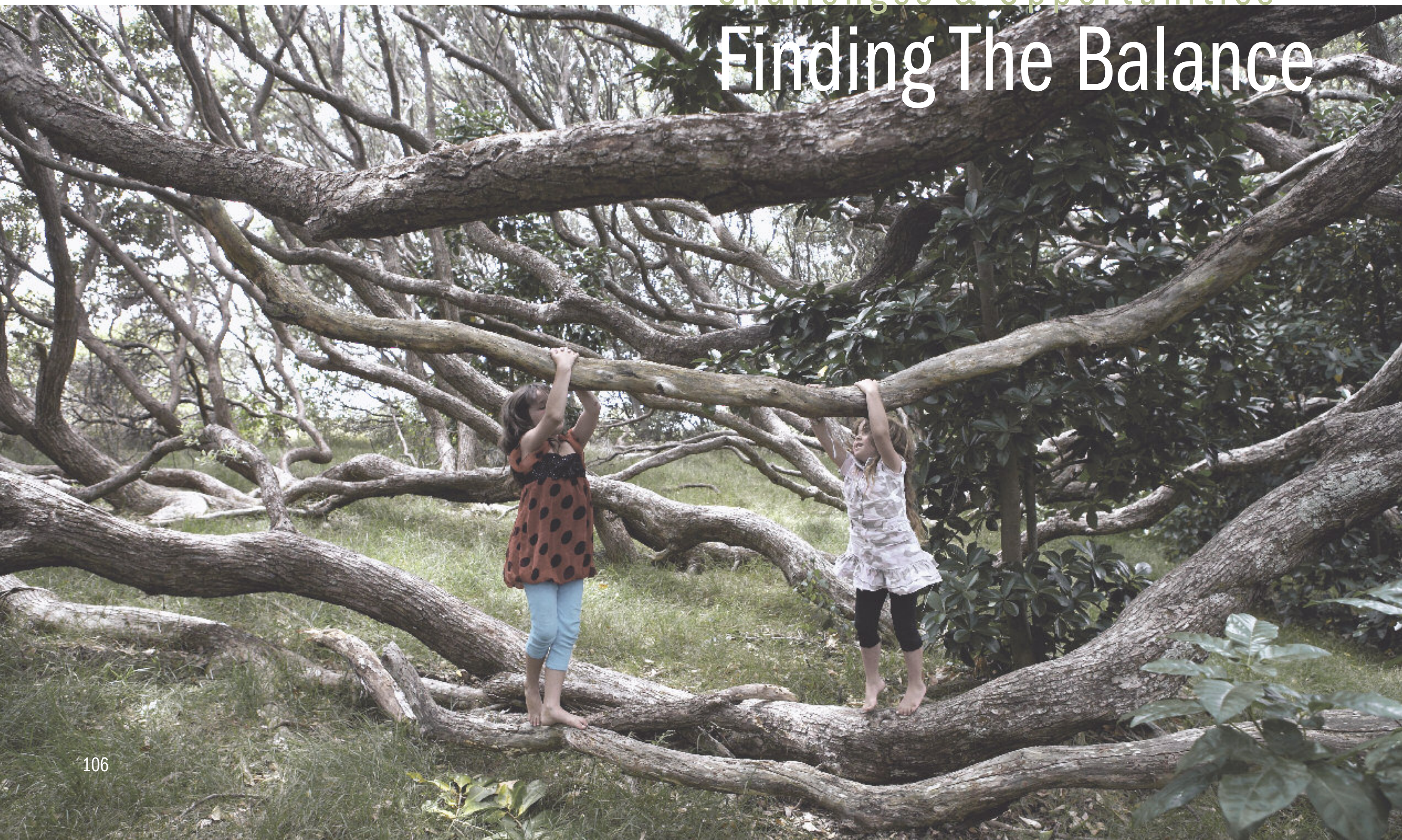
Electric Mix (kW capacity)
- Gas/Oil – 53%
- Solid Fuel – 47%

Power Supply Mix (kWh)
- Gas – 14%
- Solid Fuel – 80%
- Other – 6%

Water and Sewer System
- 304,741 water customers
- 229,205 sewer customers
- 913 square miles of service area
- 3,944 miles of distribution
- 3,366 miles of collection

Water and Sewer Treatment Plants
- 35 water plants (292 MGD maximum day capacity)
- 7 regional/8 non-regional sewer plants (118.39 MGD average daily capacity)
- 1,288 pump stations
- 138 wells
- 2 potable water system storage reservoirs
- 2 reclaimed water storage facilities
- 20 reclaimed water delivery stations

District Energy Systems
- 4 chilled water plants (16,360 tons baseline capacity)
- 3 chillers in reserve (5,925 tons capacity)



Electric System and Water and Sewer System Fixed Rate Senior Bonds:
Registrar/Paying Agent
U.S. Bank National Association
Miami, Florida

Electric System and Water and Sewer System Fixed Rate Subordinated Bonds:
Registrar/Paying Agent
U.S. Bank National Association
Miami, Florida

Electric System and Water and Sewer System Variable Rate Senior Bonds:
Bond Registrar, Paying Agent and Tender Agent
The Bank of New York
Trust Company, N.A.
Jacksonville, Florida

Electric System and Water and Sewer System Variable Rate Subordinated Bonds:
Subordinated Bond Registrar, Paying Agent and Tender Agent
The Bank of New York
Trust Company, N.A
Jacksonville, Florida

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

St. Johns River Power Park System
Trustee/Registrar/Paying Agent
U.S. Bank National Association
Miami, Florida

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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