Building Community®

2009 Annual Report

simple values

Table of Contents

“The future depends on what we do in the present.”

Mahatma Gandhi

The events leading up to October 2008, the first month of JEA’s fiscal year 2009, turned our focus back to our core business – and back to simple values. With a global financial crisis unfolding, simple values such as caring for customers, respecting employees, working hard as a team and reducing costs became even more meaningful.

Chair and CEO's Letter

Almost from the first news story reporting the financial crisis in the fall of 2008, newscasters and economists seized the catch phrase—"this is not business as usual." As time went on, it became—"business as usual no longer exists." And in some ways, I guess we would agree. But utilities are different from other types of businesses. We provide an essential service. Our customers depend on us to provide our services no matter the climate—weather, economic or otherwise.

In order to be there for our customers, we rely on simple values such as teamwork, frugality, fairness, and safety. In 2009, we were challenged as never before and yet we came to the end of the year stronger and more confident. The thing that was different for JEA in 2009 was how deep we had to reach within ourselves and within our organization to hold steadfast to those simple values.

After preemptively reducing our operation and maintenance budget as well as our capital budget and laying off contract and temporary employees (8% of our workforce) within the first month of the fiscal year, we hunkered down and continued to tweak the organization to ride out the financial storm. Once the initial shock was over, JEA employees settled down to the work at hand and began fine-tuning application of some of the simplest values.

Areas throughout the company became even more collaborative. We shared resources, found new ways to do things, and took more personal responsibility to reduce waste and improve productivity. And staff found new low-cost/no-cost ways to reach out to educate customers about how to use energy and water more efficiently.

This year the organization met operational goals for reliability and efficiency that resulted from financial investments made over the previous few years and continuous improvements that were applied with ferocity over the last year. At the same time, our employees had one of our safest years ever.

Customer charges were re-evaluated and altered so that cost and service were more directly aligned for customer care channels and utility water and sewer services. And we were still able to move forward with many of our environmental initiatives including taking a major step forward on renewables.

Cynthia Austin
Chair
Partner
Austin and Austin Law Firm

Jim Dickenson
CEO and Managing Director
JEA

Jay Fant
Chairman and CEO
First Guaranty Bank

Jim Gilmore
Founding Partner,
Infinity Global
Solutions, LLC

Mike Hightower
Assistant Secretary
Vice President
Blue Cross and Blue
Shield of Florida

Ashton Hudson
Secretary
Partner and
General Counsel
Rock Creek Partners

Ron Townsend
Communications
Consultant

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

On the personal side, while many JEA friends or family members lost their jobs at other companies, JEA employees' generosity never wavered and they contributed more than $500,000 to United Way to assist needy families in our community.

No question, there was a level of tension this year never felt before at JEA. As we came to the close of the year, there was fatigue, but there was also pride. It was a tough year, but we stuck to our simple values. That's what gets us through—day in, day out. We ended the year stronger and better prepared for the days ahead—whatever they bring.

Cynthia Austin
Chair

Jim Dickenson
CEO and Managing Director

CEO Jim Dickenson quoted Mahatma Gandhi in a message to employees on October 6: "The future depends on what we do in the present." Although JEA's operations were otherwise financially sound, the severe tightening of the credit markets put an increasing strain on our business operations. In addition, the credit markets at that time had a chilling effect on JEA even though we had some of the highest credit ratings for municipal entities in the country. The short-term variable credit interest that we paid jumped to four times what it was a few weeks earlier. With $2 billion in short-term debt, it quickly took a dramatic toll on our operations and maintenance budget. Our budget at the start of fiscal year 2009 (FY09) was simply not able to absorb this increase and the loss of revenues certain to come from a drop in customer consumption. We were forced to consider some dramatic actions.

In those first weeks of October 2008, JEA's Board and management team made the difficult decision to lay off more than 200 temporary and contract employees, unprecedented in company history. Permanent staff was reduced through attrition by a selective hiring freeze. We reduced operations and maintenance budgets to cover mission-critical functions only.

The swift and decisive measures may have seemed too quick to some. But as the crisis played out over the course of the year, JEA time and again stayed ahead of the financial tsunami. By the end of the fiscal year, the prudence of earlier actions was apparent as JEA's key financial metrics were stronger than at the start, better positioning JEA for future uncertainties. Additionally, we improved our risk management, monitoring business risks and taking action to mitigate potential problems. On the electric side of our business, the debt-to-assets ratio decreased for the first time.

So how did JEA remain above the fray? We stuck to simple values:

- Focused on the operations of our core business of electric, water and sewer service.
- Reduced capital spending by almost 50 percent.
- Reduced the O&M budget by $14.4 million
- Reduced staff by eight percent.
- Reduced overtime costs by 18 percent.

JEA teams up with the LawnSmart experts to provide free irrigation audits to all customers. The LawnSmart team visits homes to determine an irrigation schedule tailor-made for the homeowner's landscape, shows them how to program the irrigation controller, checks the system for leaks or damage, and ensures the rain or moisture sensor functions properly. The LawnSmart program is an important aspect of JEA's overall water conservation program to work with the community on our long-term water needs.

teamwork

Managers moved quickly to determine what resources they could lend to other departments to make up for the loss of temporary or contract employees. They reviewed the skill sets of remaining employees and redeployed several to other areas with critical functions. Engineers inspected construction projects, replacing laid-off contract inspectors. Meter services trainees read meters. Public affairs personnel answered customer calls. Human resources staff filled gaps as receptionists. By July, some employees returned to their original positions, while others became permanent employees in their new areas.

Every area revised its budget. Any program not deemed mission critical was scrutinized. Capital projects spending was cut by almost 50 percent. The operations and maintenance budget decreased by $14.4 million. It was understood that this decrease was not sustainable, as the systems must be maintained and upgraded. But the cuts would help us get through the current financial crisis.

Among the tougher actions instituted were reduced overtime hours in many areas, the suspension of safety incentive payout programs, restriction on travel, elimination of food purchases and frozen salaries for appointed employees. Encouraged by management, employees submitted 148 cost-saving suggestions. Thus began a shift in mindset throughout the company to look for the least expensive – and least wasteful – option. For example, instead of contracting welders during a planned outage at the Brandy Branch facility, welders from Northside Generating Station stepped in. Managers throughout the company began looking for inexpensive alternatives to get the job done.

Technical Services saved more than half a million recurring operations and maintenance dollars by consolidating printers, copiers and wireless devices; creating applications for records management; consolidating infrastructure for less system redundancy; and printing bills in black and white.

JEA learned to do more with less. Using the national ratio for employees to customers, Qualserve ranked JEA as the most productive water operation and the second most productive sewer operation in the nation. JEA also was recognized by the Florida Water Environment Association as the top municipal water and wastewater utility in the state for operational excellence.

To help our customers be as frugal with their energy and water budget as they are with their grocery dollars, JEA's Neighborhood Energy Efficiency program provides and installs conservation products in qualifying homes. It's our way to help customers with utility costs and provide education so they can make other energy- and water-saving changes that save them money in the short term and help the community in the long term.

frugality

Especially helpful to customers in this economic climate was the Demand Side Management (DSM) program to install energy-efficient products that reduce consumption in homes with higher than average energy use compared to a citywide average. The Neighborhood Energy Efficiency (NEE) program, which began in July 2008, experienced significant progress in FY09. NEE worked with the City of Jacksonville's (COJ) Department of Housing and Neighborhoods to install compact fluorescent light bulbs (CFLs), faucet aerators, LED night lights, weather stripping, pipe wrap, low-flow shower heads and other energy-efficiency products free to residents in 192 homes in the COJ program, and in a door-to-door neighborhoods campaign installed the products in 849 homes in FY09. Education was a key piece of the program. Contractors spent approximately 20 minutes with each resident sharing energy-saving information and tips. A third phase of the NEE program, along with Housing Partnership, provided training for energy education classes for first-time homebuyers in COJ's home loan assistance programs. More than 800 participants attended the 35 classes held in FY09.

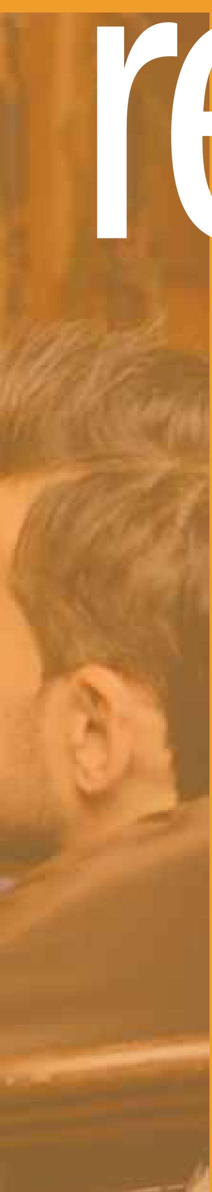
DSM's Energy Star product rebate program had a productive year. In April, JEA received the Jacksonville Environmental Protection Board Award for the outstanding efforts by the utility in providing the CFL incentive program and Green Partners CFL recycling program. By the end of July, CFL sales for FY09 topped the 300,000 mark, and surpassed the half million mark for the program since its inception. FY09 saw the introduction of two additional rebate products: Energy Star lighting fixtures and room air conditioning units.

Past investments in new facilities and initiatives such as more frequent tree trimming, installing line reclosers and adding animal guards paid dividends in 2009 regarding improvements to the JEA power grid. Grid reliability metrics were up approximately 27 percent year-over-year. After a challenging year in 2008 at several of the power plants, reliability metrics for Northside Units 1 and 2 and at St. Johns River Power Park (JEA's base load units) were on par with best-ever performance levels (Equivalent Forced Outage rates of 7 percent and 2 percent, respectively).

Further, 2009 brought record-setting performance for the two Northside Circulating Fluidized Bed (CFB) units, regarding continuous run-time and a 90 percent Equivalent Availability Factor. Northside Unit 1 set a continuous run-time record of 204 days before going offline for scheduled major maintenance, beating its previous best run by 74 days. Northside Unit 2 also set its continuous run record in 2009, at 100 days. The Engineering, Operations and Maintenance groups at Northside Generating Station, with support from JEA Black Belts, continued to learn much about the CFB technology and have brought about significant improvements to the point that the operation is now approaching the reliability expectations of more traditional solid fuel units.

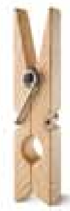
Our customers can rely on us to light their evening family time. In 2009, reliability metrics at JEA's base load units were on par with best-ever performance levels.

reliability



In addition, the CFB units steadily increased the percentage of pet coke they can reliably burn. When the CFB vendor who built the units turned them over to JEA in 2002, 70 percent was the maximum pet coke that could successfully be burned. Today the CFBs burn 90 percent routinely and actually completed two, three-week runs with 100 percent pet coke in the summer of 2009. As pet coke is less expensive than coal, this reduces the cost of the electricity produced by the CFB units.

Despite the challenges we faced throughout FY09, JEA experienced another strong year of safety performance with a Recordable Incident Rate of 1.63 based upon 36 injuries to employees, which is significantly better than the 2007 national industry average of 4.0. In addition, FY09 was the first year in SJRPP's history that no Lost-Time Incidents were recorded and the plant had only two recordable injuries, the lowest in plant history, to complete the fiscal year with a Recordable Incident Rate of .60. With greater than 90 percent of JEA/SJRPP employees participating in the companywide safety incentive program during FY09, it is clear that safety and health is firmly entrenched in the culture at JEA.



In May, the Board approved a new rate structure for water and sewer rates effective October 1, 2009. The new structure encourages conservation by restructuring consumption tiers. There is no increase in the consumption charge for two-thirds of residential customers, who use 6,000 gallons of water or less each month. The increase comes for those who surpass the average consumption. An environmental charge on water and sewer accounts also was approved to be used by JEA for current and future environmental programs to reduce negative impacts to our environment through our systems.

With the suspension of paid advertising, JEA looked for alternative ways to continue communicating with its customers. In addition to continued use of jea.com, bill inserts, bill messages, envelope-back messaging and stories pitched to local media, we added new, low-cost avenues as well. One of these was Community Update meetings, where the public was invited to talk one-on-one with subject matter experts in several areas of the company and listen to presentations. The meetings were an effort to explain our complex business and its issues to our customers, as well as answer any of their questions.

We replace the sod in a customer's yard following a repair because it's the fair thing to do. Likewise, we restructured our water and sewer rates in 2009 to limit the increase on the two-thirds of customers who use an average amount of water, while encouraging those who use more to conserve or pay a higher rate.

fairness

Meetings were held in three different quadrants of the city, in addition to two smaller meetings requested at local churches.

Another outreach effort begun near the end of FY09 was an invitation to all customers to join an e-mail group called Your Two Cents Worth Matters to JEA. In the first month, more than 1,800 customers signed up to receive e-mails from us explaining what we are doing to operate as efficiently as possible, and to let us know what they think about our service, how we spend the money they pay us and how we communicate with them. We look forward to the dialog with our customers and learning how to tailor our message to help them manage their utility bill.

One project's delay can mean the expedition of another with good results for all. This was the case in Customer Relations and Technology Services. They were in the middle of telephony infrastructure projects when the financial situation deteriorated at the start of the fiscal year. This caused the delay of projects but expedited one that would improve the capacity of the telephone system in the call center, thus avoiding the hiring of 30 customer care consultants to handle call volume. The project increased capacity through expanded self-service channels, such as automated payments and payment extensions, automated account information, and the availability of payment by credit card and bank accounts online and on the phone with immediate posting of payments.

These self-service channels were a phenomenal success, allowing us to exceed our service-level goals. Eighty-one percent of calls are answered within 30 seconds using fewer agents, up from 64 percent in 32 seconds. This has helped to reduce the cost per customer contact.

Serving our customers is always top of mind. In 2009, we actually increased service levels with fewer employees by letting customers make immediate payments online and over the phone. We strive to be there every step of the way for our customers.

service

With the cost of conducting business at a JEA branch up to seven times more expensive than alternatives, we considered closing the branches.

In the end, we chose to encourage customers to do business with us in less expensive, more convenient ways—over the phone, through the mail, online or at one of 90 payment-only locations—and contain our costs by reducing branch hours and approving a $2 Branch Transaction Fee that went into effect October 1, 2009 for customers who choose to use our branches instead.

JEA received national attention as one of nine utilities worldwide selected to pilot Google's PowerMeter, a program that offered users daily access to their personal electricity information on their home computers to help them make smarter energy choices. Testers saw an hour-by-hour breakdown of electricity usage in their homes and how their usage compared to others. The PowerMeter used data downloaded from JEA's smart meters. The purpose of the pilot was to explore options for putting our customers' energy consumption information at their fingertips.

Our commitment to reducing nitrogen discharge into the St. Johns River continued in 2009. With nitrogen discharge down 50 percent from 2000, it was stable in FY09 while upgrades to facilities continued. We moved from design to construction on a $26 million improvement project at Arlington East wastewater treatment plant, and design began on an upgrade to Buckman wastewater treatment plant. Once these two projects are completed, a reduction of almost 150 tons per year of nitrogen is expected. Design was completed and construction begun to phase out a third plant that utilized older technology.

JEA installed approximately 18 miles of reclaimed water lines in FY09. Included in this construction was a critical segment that connected the Arlington East and Mandarin reclaimed water grids. This interconnection allows these two facilities to satisfy the growing reuse needs of developments in southern Duval and northern St. Johns counties.

JEA made further commitments to renewable power sources. Through a purchase power agreement with Landfill Energy Systems, the Trail Ridge landfill gas-to-energy project commenced operation in FY09, adding 9.1 megawatts of renewable energy to the grid. The 9.1 MWs from this project is enough renewable energy to supply electricity to approximately 4,500 homes from the methane that otherwise would be flared into the atmosphere. In addition, JEA signed a 30-year purchase power agreement with Jacksonville Solar LLC to receive energy from a photovoltaic (PV) solar farm consisting of 200,000 PV panels on a 100-acre site adjacent to JEA's Brandy Branch generating facility. When completed, the solar farm is expected to generate 12.6 megawatts. After considering the capacity factor, that's enough electricity to power about 1,450 homes and offset approximately 22,430 tons of greenhouse gas emissions annually.

To comply with the EPA's Clean Air Interstate Rule to tighten up the standards for both sulfur dioxide and nitrogen oxide, a $282 million project to add selective catalytic reduction environmental controls at SJRPP went into operation. They primarily focus on the capture and removal of nitrogen oxide from the boiler exhaust stream.

We are guided by our commitment to environmental stewardship. JEA has reduced the amount of nitrogen discharge into the St. Johns River by 50 percent since 2000, and in 2009 we installed 18 miles of reclaimed water lines. We continue to upgrade our facilities to preserve the environment for our children's future.

stewardship

In a commitment to control mercury emissions, we installed the best commercially available mercury monitoring equipment at both Northside Generating Station and SJRPP, and added significant environmental control equipment at our Plant Scherer facility.

The final result of the North American Electric Reliability Corporation (NERC) reliability standards audit, received in January 2009, found no compliance violations. To meet new NERC electric compliance regulations, we began full implementation and documentation of the new critical infrastructure protection (CIP) standards including a comprehensive review of related procedures and practices. One staff person was added to the Electric Compliance group, and we worked to more fully integrate compliance activities into the JEA culture with online computer-based training courses required of all employees, as well as additional training for select managers.

simple values

Remarkably, JEA's employees, amid the uncertainty of their jobs, salaries and those of their families, contributed more than half a million dollars to United Way and nearly another $100,000 to benefit health agencies, buy school supplies for children and provide food for families in need in our community. Their unselfishness during this difficult year was the purest value of all. Working together to get things done in new ways despite difficult circumstances, JEA proved its stability and commitment to the community in 2009. Those are simple values to live and work by.

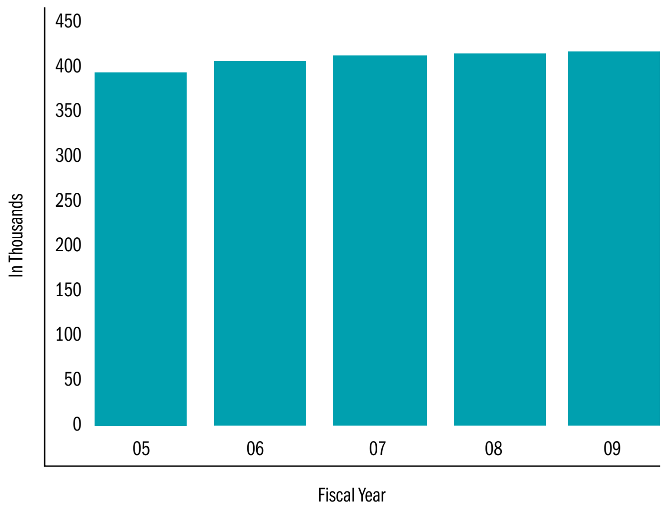
JEA financial report

Financial and Operating Highlights

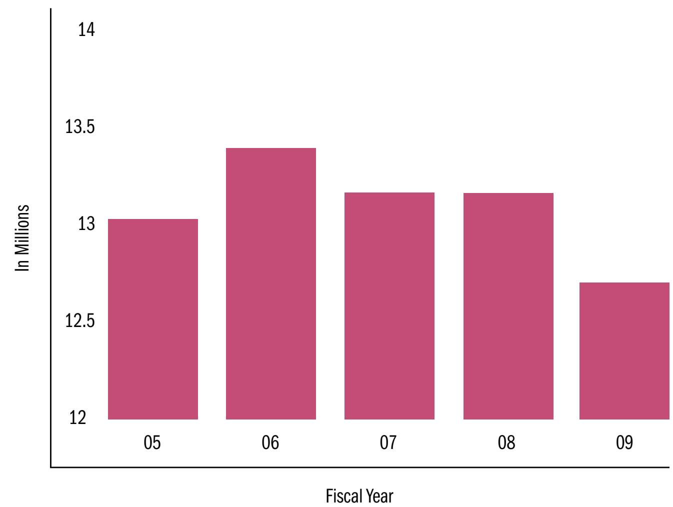
	Years Ended September 30					% Change
	2009	2008	2007	2006	2005	2009 - 2008
ELECTRIC FINANCIAL HIGHLIGHTS						
Total operating revenues (thousands)	$1,584,572	$1,385,234	$1,211,967	$1,208,673	$1,013,433	14.39%
Fuel and purchased power expenses (thousands)	$719,296	$694,007	$600,170	$599,426	$494,721	3.64%
Total operating expenses (thousands)	$1,234,540	$1,194,462	$1,080,819	$1,061,962	$926,207	3.36%
Debt service coverage:						
Senior and subordinated - Electric	2.99x	2.40x	2.37x	2.28x	2.13x	24.58%
Senior - Electric	4.82x	4.42x	4.60x	4.57x	5.06x	9.05%
St. Johns River Power Park	1.25x	1.25x	1.26x	1.27x	1.25x	0.00%
WATER & SEWER FINANCIAL HIGHLIGHTS						
Total operating revenues (thousands)	$259,275	$257,657	$248,997	$228,453	$192,240	0.63%
Operating expenses (thousands)	$243,030	$239,061	$208,305	$183,587	$169,884	1.66%
Debt service coverage:						
Senior and subordinated	1.65x	1.60x	1.89x	2.00x	1.66x	3.12%
Senior	1.85x	1.96x	2.34x	2.42x	2.03x	-5.61%
ELECTRIC OPERATING HIGHLIGHTS						
Sales (megawatt hours)	15,915,031	16,325,894	16,939,214	16,684,077	16,238,003	-2.52%
Peak demand - megawatts 60 minute net	3,064	2,914	2,919	2,919	2,860	5.15%
Total accounts - average number	417,226	414,417	412,295	402,142	391,831	0.68%
Sales per residential account (kilowatt hours)	14,408	14,670	15,038	15,819	15,875	-1.79%
Average residential revenue per kilowatt hour	$12.18	$10.42	$8.96	$9.05	$7.69	16.89%
Power supply (%):						
Coal	52	51	51	41	46	1.96%
Petroleum coke	23	19	24	30	27	21.05%
Coal fired purchases	10	10	9	10	10	0.00%
Oil	0	1	2	2	6	-100.00%
Natural gas	12	14	10	11	6	-14.29%
Other purchases	3	5	4	6	5	-40.00%
WATER & SEWER OPERATING HIGHLIGHTS						
WATER						
Total sales (ccf)	49,259,284	52,954,948	57,621,374	55,128,073	49,589,817	-6.98%
Total accounts - average number	305,076	304,239	303,237	293,689	279,609	0.28%
Average sales per residential account (ccf)	95.39	102.57	111.67	111.73	103.93	-7.00%
Average residential revenue per ccf	$2.53	$2.35	$2.10	$1.97	$1.88	7.66%
REUSE						
Total sales (ccf)	1,077,440	732,457	906,665	603,432	121,218	47.10%
Total accounts - average number	837	502	85	16	13	66.73%
SEWER						
Total sales (ccf)	33,111,854	35,281,833	36,877,658	35,762,288	33,345,881	-6.15%
Total accounts - average number	230,358	229,205	228,030	219,810	208,143	0.50%
Average sales per residential account (ccf)	90.20	96.62	104.51	103.93	96.07	-6.64%
Average residential revenue per ccf	$4.43	$4.11	$3.67	$3.44	$3.28	7.79%

ccf = 100 cubic feet

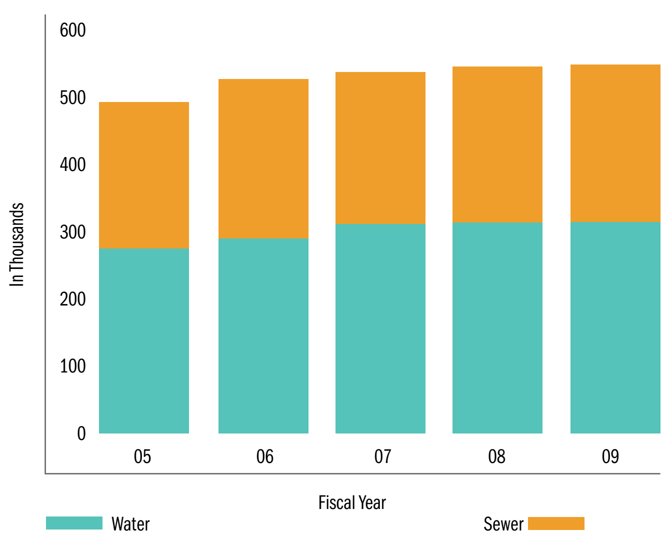
Average Number Of Electric Retail Accounts



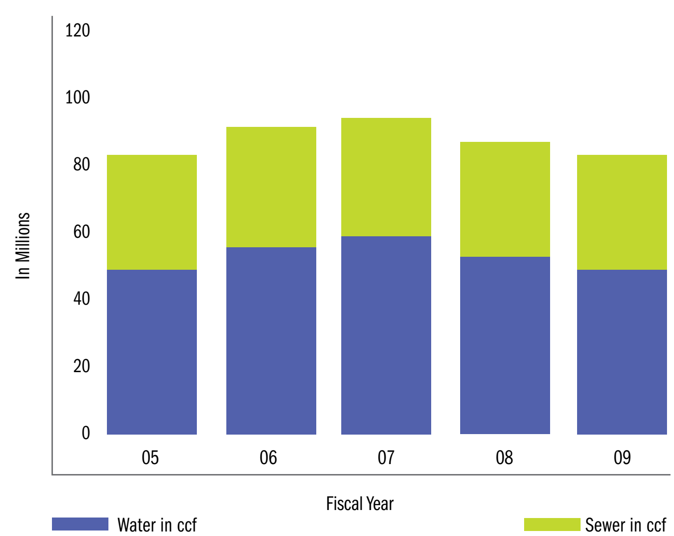
Retail Megawatt Hour Sales



Average Number Of Water & Sewer Accounts



Water & Sewer Sales Volume

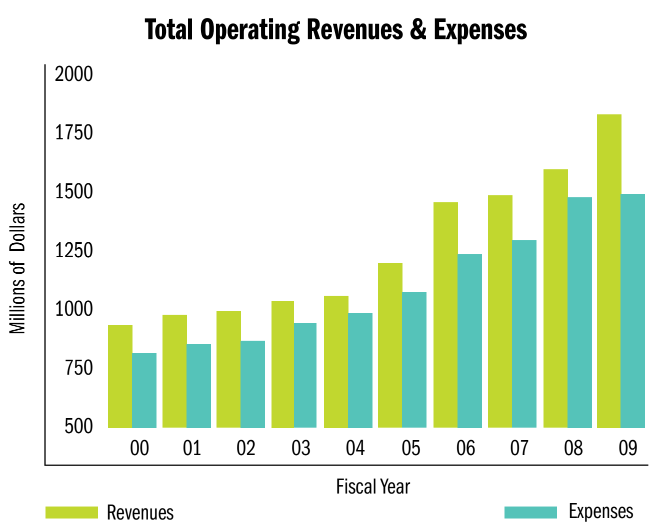


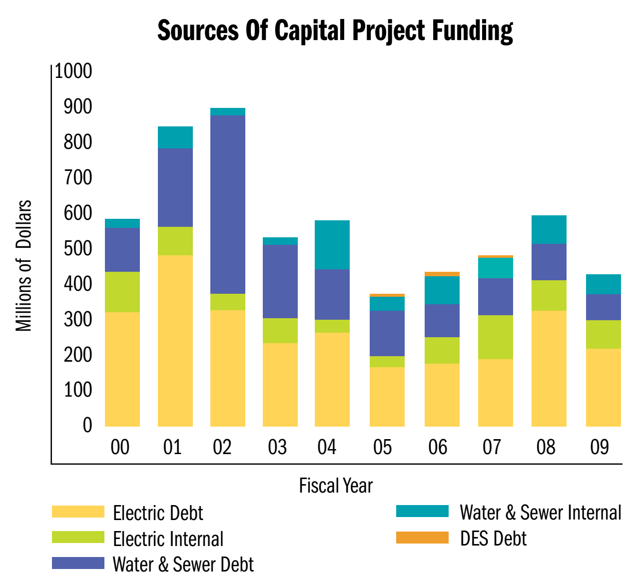
Note: 1 ccf = 100 cubic feet

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)

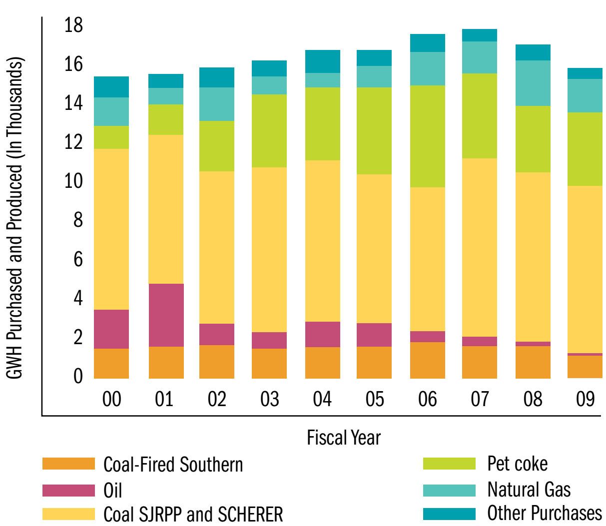
		2009-08	2008-07
Operating revenues:	Electric	$1,525,966	$1,330,280
	Water and sewer	249,813	248,115
	District Energy System	6,914	6,162
	Other, net	48,687	48,863
	Total operating revenues	1,831,380	1,633,420
Operating expenses:	Fuel and purchased power	719,296	694,007
	Operations and maintenance	295,480	311,071
	Depreciation	344,158	326,301
	State utility and franchise taxes	72,127	48,551
	Recognition of deferred costs/revenues	33,108	43,345
	Total operating expenses	1,464,169	1,423,275
	Operating Income	367,211	210,145
Nonoperating revenues (expenses):	Earnings from The Energy Authority	4,088	22,374
	Investment income	23,463	17,307
	Interest on debt	(264,701)	(249,622)
	Other interest	(72)	(451)
	Allowance for funds used during construction	12,708	19,448
	Water & Sewer Expansion Authority	(864)	(1,216)
	Gain (loss) sale of asset	(986)	740
	Total nonoperating revenues (expenses)	(226,364)	(191,420)
	Income (loss) before contributions	140,847	18,725
Contributions (to) from:			
	General fund, City of Jacksonville	(96,687)	(94,188)
	Capital Contributions:		
	Developers and other	38,071	47,471
	City of Jacksonville Better Jacksonville Plan	1,516	2,857
	Water & Sewer Expansion Authority	-	-
	Total other revenues (expenses)	(57,100)	(43,860)
Change in net assets before extraordinary items		83,747	(25,135)
Extraordinary item-gain (loss) debt extinguishments		-	-
Change in net assets		83,747	(25,135)
Net assets - beginning of period		1,482,535	1,507,670
Effect of change in accounting		-	-
Net assets - beginning of period as restated		1,482,535	1,507,670
Net assets - end of period		$1,566,282	$1,482,535



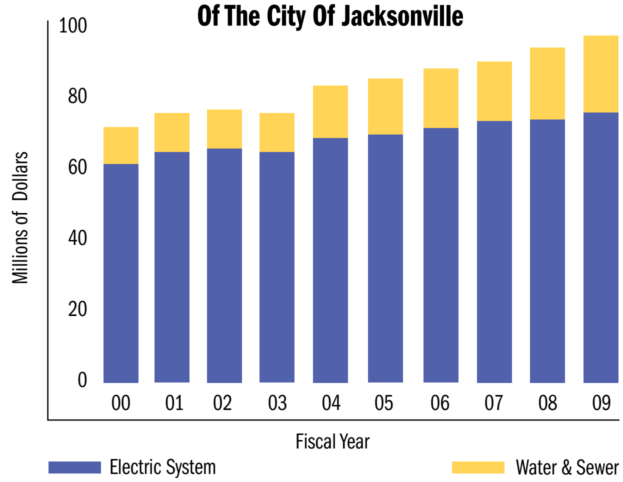


2007-06	2006-05	2005-04	2004-03	2003-02	2002-01 2001-00		
$1,164,747	$1,160,463	$973,326	$840,210	$830,519	$793,685	$800,445	$766,482
238,256	214,906	182,961	173,579	161,053	151,515	132,758	131,112
5,748	3,054	1,297	-	-	-	-	-
47,176	50,649	42,388	54,803	44,147	38,485	[illegible]	
1,455,927	1,429,072	1,199,972	1,068,592	1,035,719	983,685	977,031	927,972
600,170	599,426	494,721	409,690	371,074	345,843	404,487	368,171
305,888	273,578	251,099	248,269	249,945	237,046	206,858	210,550
302,374	297,614	278,531	251,493	252,778	188,725	157,715	137,657
26,399	26,807	21,791	18,941	19,323	18,120	17,654	16,671
45,952	40,428	44,141	44,184	29,110	52,417	35,758	28,960
1,280,783	1,237,853	1,090,283	972,577	922,230	842,151	822,472	762,009
175,144	191,219	109,689	96,015	113,489	141,534	154,559	165,963
20,192	21,910	17,382	15,924	14,593	9,156	10,008	11,323
38,112	23,088	14,460	13,832	19,466	38,841	52,467	39,322
(246,787)	(232,370)	(238,454)	(203,100)	(197,148)	(187,838)	(166,302)	(165,296)
(1,877)	(1,600)	(1,246)	(1,167)	(1,178)	(1,154)	(1,604)	(1,942)
28,425	32,044	34,637	32,010	42,577	63,211	62,709	29,097
(1,601)	(762)	(302)	-	-	-	-	-
(3,762)	-	-	-	-	-	-	-
(167,298)	(157,690)	(173,523)	(142,501)	(121,690)	(77,784)	(42,722)	(87,496)
7,846	33,529	(63,834)	(46,486)	(8,201)	63,750	111,837	78,467
(91,437)	(88,688)	(85,938)	(83,187)	(74,253)	(76,607)	(73,638)	(71,434)
119,525	97,775	58,406	56,578	47,381	29,991	19,433	13,262
29,091	14,546	385	9,118	7,548	7,922	-	-
-	-	(254)	-	-	-	-	-
57,179	23,633	(27,401)	(17,491)	(19,324)	(38,694)	(54,205)	(58,172)
65,025	57,162	(91,235)	(63,977)	(27,525)	25,056	57,632	20,295
-	-	-	-	-	(33)		
65,025	57,162	(91,235)	(63,977)	(27,525)	25,056	57,632	20,262
1,440,241	1,383,079	1,474,314	1,538,291	1,565,816	1,540,760	1,483,128	1,462,866
2,404	-	-	-	-	-	-	-
1,442,645	1,383,079	1,474,314	1,538,291	1,565,816	1,540,760	1,483,128	1,462,866
$1,507,670	$1,440,241	$1,383,079	$1,474,314	$1,538,291	$1,565,816	$1,540,760	$1,483,128

Fuel Sources



Contribution To The General Fund Of The City Of Jacksonville



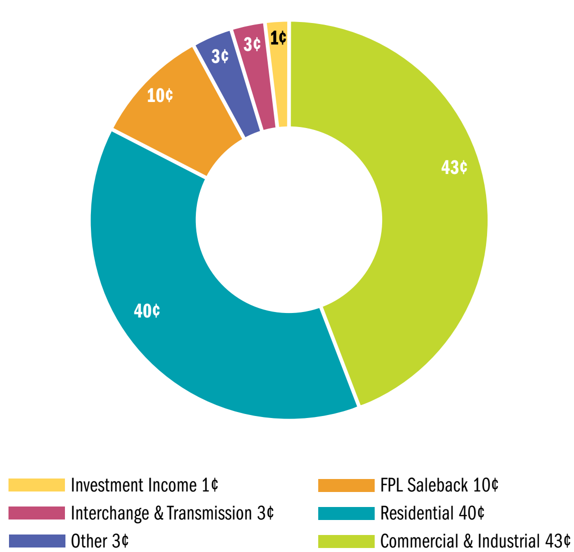
Operating Summary

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

		2009-08	2008-07
Electric revenues (000's omitted):	Residential	$645,725	$559,042
	Commercial and industrial	678,218	588,910
	Public street lighting	14,440	12,066
	Sales for resale	52,941	49,660
	Florida Power & Light saleback	157,898	137,910
	Total	$1,549,222	$1,347,588
Sales (megawatt hours):	Residential	5,300,203	5,363,697
	Commercial and industrial	6,849,291	7,314,128
	Public street lighting	120,191	116,966
	Sales for resale		
	Territorial	406,051	437,870
	Off-system	579,730	457,421
	Florida Power & Light saleback	2,659,565	2,635,812
	Total	15,915,031	16,325,894
Average number of accounts:	Residential	367,864	365,632
	Commercial and industrial	45,810	45,207
	Public street lighting	3,550	3,576
	Sales for resale (1)	2	2
	Total	417,226	414,417
System installed capacity – MW (2)		3,376	3,241
Peak demand – MW (60 minute net)		3,064	2,914
System load factor – %		49%	54%
Residential averages – annual:	Revenue per account - $	1,755.34	1,528.97
	kWh per account	14,408	14,670
	Revenue per kWh - ¢	12.18	10.42
All other retail – annual:	Revenue per account - $	14,032.78	12,319.37
	kWh per account	141,197	152,330
	Revenue per kWh - ¢	9.94	8.09
Heating-cooling degree days		4,094	3,785

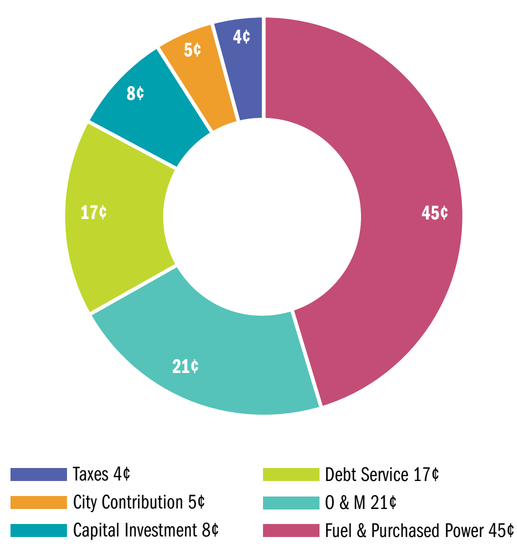
(1) Includes Florida Power and Light, but does not include the average number of off-system non-firm sales customers.
(2) Includes JEA's 50% share of the SJRPP's two coal-fired generating units (638 net megawatts each) and JEA's 23.64% share of Scherer's 846 net megawatt coal-fired generating Unit 4. System installed capacity is reported based on winter capacity.

Electric System Revenue Sources



2007-06	2006-05	2005-04	2004-03	2003-02	2002-01 2001-00		
$490,935	$511,389	$426,316	$370,323	$372,247	$337,656	$336,495	$318,854
490,089	488,304	384,808	319,659	321,196	314,275	308,727	300,982
10,242	10,086	8,622	7,919	7,880	7,650	7,688	7,037
48,522	45,961	41,330	38,358	30,061	25,731	32,235	27,145
137,463	117,816	122,256	112,938	105,483	115,345	118,136	116,724
$1,177,251	$1,173,556	$983,332	$849,197	$836,867	$800,657	$803,281	$770,742
5,478,280	5,650,986	5,542,498	5,389,616	5,438,697	4,896,009	4,895,532	4,621,869
7,160,361	7,157,602	6,948,730	6,696,646	6,840,708	6,558,145	6,416,130	6,258,555
112,760	110,178	107,757	111,483	114,840	111,053	114,427	109,345
479,425	522,134	492,716	468,324	435,934	433,343	472,855	470,255
649,193	593,750	568,442	630,007	374,728	229,554	316,875	176,094
3,059,195	2,649,427	2,577,860	2,656,556	2,912,075	2,983,814	3,006,655	2,939,923
16,939,214	16,684,077	16,238,003	15,952,632	16,116,982	15,211,918	15,222,474	14,576,041
364,284	357,232	349,139	341,162	335,915	329,589	323,537	316,002
44,440	41,342	39,151	38,610	37,917	37,236	36,335	35,580
3,565	3,561	3,539	3,581	3,543	3,399	3,179	3,989
6	7	2	2	2	2	2	2
412,295	402,142	391,831	383,355	377,377	370,226	363,053	355,573
3,241	3,213	3,049	3,095	3,095	2,545	2,825	2,481
2,919	2,919	2,860	2,644	3,055	2,607	2,666	2,478
54%	55%	55%	57%	49%	56%	53%	55%
1,347.67	1,431.53	1,221.05	1,085.48	1,108.16	1,024.48	1,040.05	1,009.03
15,038	15,819	15,875	15,798	16,191	14,855	15,131	14,626
8.96	9.05	7.69	6.87	6.84	6.90	6.87	6.90
10,422.48	11,099.26	9,215.98	7,764.17	7,937.19	7,922.36	8,007.67	7,784.35
151,508	161,855	165,296	161,364	167,765	164,124	165,272	160,932
6.88	6.86	5.58	4.81	4.73	4.83	4.85	4.84
3,803	4,053	4,035	4,217	4,167	3,888	4,035	3,783

Electric System Revenue Uses



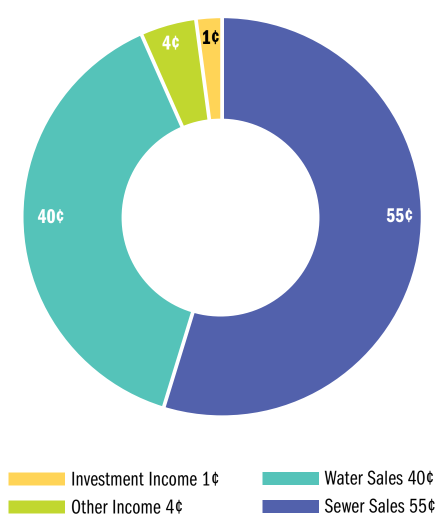
Operating Summary

Water and Sewer System

		2009-08	2008-07
Water revenues (000's omitted):	Residential	$59,441	$59,297
	Commercial and Industrial	27,591	26,692
	Irrigation	19,080	19,679
	Total	$106,112	$105,668
Water Sales (ccf*):	Residential	23,492,021	25,198,415
	Commercial and Industrial	16,289,414	17,162,922
	Irrigation	9,477,849	10,593,611
	Total	49,259,284	52,954,948
Average Number of Accounts:	Residential	246,276	245,659
	Commercial and Industrial	23,460	23,473
	Irrigation	35,340	35,107
	Total	305,076	304,239
Residential averages – annual:	Revenue per account - $	241.36	241.38
	ccf per account	95.39	102.57
	Revenue per ccf - $	2.53	2.35
Rainfall (inches)		53.67	65.72
Reuse revenues (000's omitted):		$1,156	$1,079
Reuse Sales (ccf*):		1,077,440	732,457
Average Number of Accounts:		837	502
Sewer revenues (000's omitted):	Residential	$84,961	$84,102
	Commercial and Industrial	59,017	58,640
	Total	$143,978	$142,742
Volume (ccf):	Residential	19,189,542	20,445,371
	Commercial and Industrial	13,922,312	14,836,462
	Total	33,111,854	35,281,833
Average Number of Accounts:	Residential	212,741	211,607
	Commercial and Industrial	17,617	17,598
	Total	230,358	229,205
Residential averages – annual:	Revenue per account - $	399.36	397.44
	ccf per account	90.20	96.62
	Revenue per ccf - $	4.43	4.11

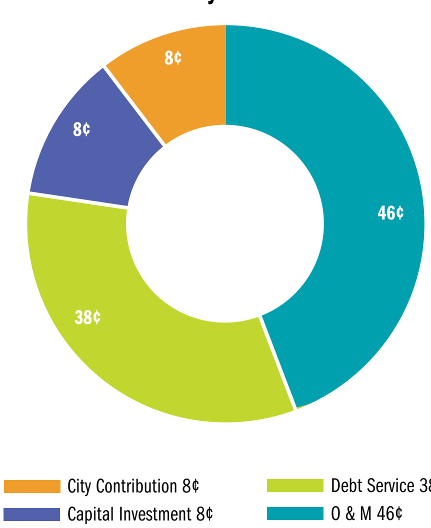
* ccf represents 100 cubic feet

Water & Sewer System Revenue Sources



2007-06	2006-05	2005-04	2004-03	2003-02	2002-02001-00		
$57,620	$52,299	$44,337	$40,661	$36,552	$34,891	$29,227	$29,692
24,483	22,404	17,546	17,182	16,545	15,504	14,754	14,777
21,143	18,105	13,782	12,088	10,326	10,188	8,951	7,620
$103,246	$92,808	$75,665	$69,931	$63,423	$60,583	$52,932	$52,089
27,405,671	26,590,973	23,618,038	24,025,764	20,940,645	20,233,970	16,881,882	17,490,728
17,269,352	17,092,460	16,859,024	16,474,020	16,017,280	14,874,166	14,404,939	14,809,222
12,946,351	11,444,640	9,112,755	9,446,243	7,989,273	8,219,798	6,719,297	6,843,984
57,621,374	55,128,073	49,589,817	49,946,027	44,947,198	43,327,934	38,006,118	39,143,934
245,420	237,990	227,253	217,927	204,826	188,559	164,669	159,893
23,302	22,577	21,775	21,322	20,618	19,597	18,023	17,529
34,515	33,122	30,581	27,346	23,702	20,468	17,572	14,817
303,237	293,689	279,609	266,595	249,146	228,624	200,264	192,239
234.78	219.75	195.10	186.58	178.45	185.04	177.49	185.70
111.67	111.73	103.93	110.25	102.24	107.31	102.52	109.39
2.10	1.97	1.88	1.69	1.74	1.72	1.73	1.70
39.35	47.89	56.22	67.56	50.24	49.50	46.90	41.59
$739	$196	$33	$49	$37	$28	$29	$26
906,665	603,432	121,218	310,067	165,961	112,068	123,613	95,235
85	16	13	12	11	11	12	11
$80,717	$72,433	$60,502	$59,058	$51,963	$49,128	$41,363	$41,771
54,281	50,183	47,629	46,153	46,345	43,130	39,095	38,213
$134,998	$122,616	$108,131	$105,211	$98,308	$92,258	$80,458	$79,984
22,010,983	21,086,520	18,428,267	18,753,476	15,380,541	13,815,914	11,660,445	11,825,883
14,866,675	14,675,768	14,917,614	14,284,959	15,000,459	14,095,774	12,979,274	12,596,060
36,877,658	35,762,288	33,345,881	33,038,435	30,381,000	27,911,688	24,639,719	24,421,943
210,609	202,892	191,812	182,418	169,921	155,905	135,660	131,281
17,421	16,918	16,331	15,904	15,300	14,222	12,678	12,323
228,030	219,810	208,143	198,322	185,221	170,127	148,338	143,604
383.25	357.00	315.42	323.75	305.81	315.11	304.90	318.18
104.51	103.93	96.07	102.80	90.52	88.62	85.95	90.08
3.67	3.44	3.28	3.15	3.38	3.56	3.55	3.53

Water & Sewer System Revenue Uses



simple values

Financial Statements, Supplementary Information, and Bond Compliance Information

JEA
Years Ended September 30, 2009 and 2008
With Report of Independent Certified Public Accountants

JEA

Financial Statements, Supplementary Information,
and Bond Compliance Information

Years Ended September 30, 2009 and 2008

Contents

0909-1077997

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Orlando, FL 32801

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Report of Independent Certified Public Accountants

The Governing Board
JEA

We have audited the accompanying balance sheets of JEA, a component unit of the City of Jacksonville, Florida, as of September 30, 2009 and 2008, 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, 2009 and 2008, 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 December 7, 2009 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.

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, 2009 and 2008 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

December 7, 2009

Management's Discussion and Analysis

Introduction

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.

Overview of the Combined Financial Statements

This discussion and analysis serves as an introduction to JEA's basic financial statements. The information presented here should be read in conjunction with the financial statements and accompanying notes.

The basic financials are presented on a comparative basis for the fiscal year ending September 30, 2009 and 2008. The Balance Sheets presents JEA's assets and liabilities with the difference between the two reported as net assets. Revenues and expenses information are presented in the Statement of Revenues, Expenses, and Changes in Net Assets. The Statement of Cash Flows presents JEA's sources and uses of cash and cash equivalents. The Statement of Cash Flows is presented using the direct method. This method provides broad categories of cash receipts and cash disbursements pertaining to cash provided by or used in operations, investing, and financing activities.

The Notes to the Financial Statements are an integral part of JEA's basic consolidated financial statements and contain information on accounting principles and additional information on certain components of these statements.

The following tables summarize the financial condition and operations of JEA for the 2009, 2008, and 2007 fiscal years:

Condensed Balance Sheets

	2009	2008	Restated 2007
		(In Millions)	
Assets			
Current assets	**$ 655**	$ 540	$ 465
Other noncurrent assets	**1,133**	996	867
Capital assets, net	**6,678**	6,601	6,275
	$ 8,466	$ 8,137	$ 7,607
Liabilities and net assets			
Current liabilities	**$ 208**	$ 183	$ 183
Liabilities payable from restricted assets	**438**	439	351
Noncurrent liabilities	**122**	123	121
Long-term debt	**6,132**	5,910	5,444
Net assets invested in capital assets, net of related debt	**605**	727	868
Net assets, restricted	**550**	427	381
Net assets, unrestricted	**411**	328	259
	$ 8,466	$ 8,137	$ 7,607

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

	2009	2008	Restated 2007
		(In Millions)	
Operating revenues	**$ 1,831**	$ 1,633	$ 1,456
Operating expenses	**(1,464)**	(1,423)	(1,281)
Operating income	**367**	210	175
Nonoperating expenses	**(226)**	(191)	(167)
Contributions	**(57)**	(44)	57
(Increase) decrease in net assets	**$ 84**	$ (25)	$ 65

Financial Analysis of JEA for fiscal years 2009 and 2008

Operating Revenues

2009 compared to 2008:

Total Electric Enterprise Fund operating revenues for the fiscal year 2009 increased $199.3 million (14.4%) compared to fiscal year 2008. Electric Enterprise Fund operating revenues (operating revenues) increased $ 198.0 million (14.7%) and other operating revenues increased $1.3 million. The increase in operating revenues was attributable to rate increases. Operating revenues include a base rate increase that became effective on October 1, 2008, which increased revenues 6.2 % and a $15.00 per 1,000 kWh fuel rate increase which became effective July 1, 2008. Additionally, a component of the increase was due to the inclusion of a 3% franchise fee to the City of Jacksonville, Florida, from designated revenues of the JEA Electric System, commencing April 1, 2008. The ordinance authorizes JEA to pass through this fee to its electric customers. Total consumption decreased 2.6% as compared to the prior year. Territorial sales decreased from 15,869 GWh to 15,335 GWh, a decrease of 3.4%; however, off-system sales increased from 457 GWh to 580 GWh, an increase of 26.7%. There was a slight increase in customer growth of 0.7%. Other operating revenues increased $1.3 million due primarily to increased service fees.

Total Water and Sewer Fund operating revenues increased $1.6 million, a 0.6% increase. Water and Sewer Fund operating revenues (operating revenues) increased $1.7 million and other revenues decreased $0.1 million. The operating revenue increase was due to a 4.1% rate increase in water and sewer rates that went into effect, October 1, 2008, and the inclusion of the 3.0% franchise fee payable to the City from designated revenues of the Water and Sewer System which went into effect April 1, 2008. The increase was offset by decreased consumption. The volume of water and sewer sales decreased 6.2%. Customer growth increased slightly by 0.4%.

Total DES revenues increased $0.7 million for fiscal year 2009 compared to fiscal year 2008. The increase in revenues was due to the increase in rates for the chilled water services, effective October 1, 2008.

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 increases 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. 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 6.7%. 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.

Operating Expenses

2009 compared to 2008:

Total Electric Enterprise Fund operating expenses for fiscal year 2009 increased $40.0 million or 3.4% compared to fiscal year 2008. The increase was mainly due to an increase in fuel and purchased power expense of $25.3 million, as discussed below; the 3% franchise fee of $16.3 million and $4.5 million increase in utility taxes due to the rate increases discussed above. However, total other Electric Enterprise Fund operating and maintenance expenses decreased $5.8 million, an 8.9% decrease in fiscal year 2009 compared to the same period in 2008. The decrease was mainly due to a decrease in salaries and related benefits, a decrease in supplemental workforce, and decreases in maintenance outage expenses at generating stations. Offsetting the decrease was a $10.9 increase in expense in the Electric System due to adjustment in the intercompany allocation between the entities.

Total fuel and purchased power expense increased $25.3 million compared to the prior year. Fuel expense increased $80.7 million and purchased power decreased $55.4 million. Included in fuel expense is $21.0 million expense related to byproducts processing and management. As the price of gas, oil, solid fuels, and purchased power have fluctuated from year to year, the components of fuel and purchased power expenses have shifted to take advantage of the most economical source of power. Energy produced from JEA's generating stations increased 1.9%, energy purchased decreased 7.0% and total energy produced and purchased decreased 3.3% from the prior fiscal year. JEA's power supply mix for fiscal year 2009 was 52% coal (from JEA units), 23% petroleum coke, 12% natural gas, 10% coal-fired purchases, and 3% other power purchases. During fiscal year 2008, JEA's power supply 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 $3.9 million, an increase of 1.7%. The major factors impacting the increase in operating and maintenance expenses were increases in depreciation; franchise fees; salary and benefits, maintenance expenses; and utility expense. The increase was offset by a $10.9 million decrease due to the allocation of expenses between entities.

The operating expenses for DES increased $0.6 million. The increase was due to increased electric rates from the Electric System.

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.

Nonoperating Revenues and Expenses

2009 compared to 2008:

The net change in nonoperating revenues and expenses was $34.9 million in fiscal year 2009. The Energy Authority (TEA) earnings, a municipal power marketing joint venture in which JEA is a member, decreased $18.3 million due to decreased purchases by JEA and lower margins that were offset by lower fuel expenses. Investment income increased $6.1 million in fiscal 2009 due to favorable noncash fair market value adjustments offset by decreased rates on investment returns. Interest expense increased $17.0 million as a result of $16.9 million increase in debt management expenses and $0.1 million increase in interest expenses. See note 7 for further discussion on debt management strategy. Allowance for funds used for construction (AFUDC) decreased $6.7 million due to reduced capital spending during 2009.

2008 compared to 2007:

The net change in nonoperating revenues and expenses was $24.1 million in fiscal year 2008. 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.

Capital Assets and Debt Administration for Fiscal Years 2009 and 2008

Capital Assets

During fiscal year 2009, capital assets (excluding accumulated depreciation) increased $306.3 million, a 3.2% increase. This included $210.3 million, a 3.6% increase, in electric plant; $95.8 million increase in water and sewer plant, an increase of 2.6%; and $0.2 million increase in DES plant, an increase of 0.3%. 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%. 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 2010 are as follows:

	In Millions
Electric Enterprise Fund (Electric System, SJRPP and Scherer)	$ 322
Water and Sewer Fund	101
DES	1

SJRPP and Plant Scherer are subject to joint ownership agreements. The estimated capital expenditures relating to these plants are included in the amounts above.

Debt Administration

Debt outstanding at September 30, 2009, was $6.3 billion, an increase of $100 million from the prior fiscal year. The amount was used in conjunction with capital investment programs.

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.

JEA's debt ratings on its long-term debt as of September 2009 and 2008 were as follows:

	2009				2008		
	Electric System	SJRPP	Scherer	Water and Sewer System	Electric System	SJRPP	Water and Sewer System
Senior debt:							
Fitch	AA-	AA-	AA-	AA	AA-	AA-	AA
Standard & Poor's	AA-	AA-	AA-	AA-	AA-	AA-	AA-
Moody's Investors Service	Aa2	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, 2009 and 2008, the ratings on JEA's DES bonds were A+ from Fitch Ratings and Aa2 from Moody's Investors Service. These ratings reflect the direct pay letter of credit provided by State Street Bank and Trust Company.

Setting of Rates

The Board of Directors (Board) approved Electric System rate increases, which became effective October 1, 2007, and for the next three-year fiscal year period. Electric retail base rate increases, for residential and small commercial customers was designed to increase revenues approximately 5.3% and 3.0%, for the fiscal years beginning October 1, 2009 and 2010. Electric retail base rates for large commercial and industrial rate classes were designed to increase base rate revenues 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 $15.00 per 1,000 kWh. Effective October 1, 2009, with the approval of the Board, the fuel rate decreased $10.01 to $44.16 per 1,000 kWh, which represents a 19.9% decrease from the current total fuel charge.

In May, 2009, the Board approved water and sewer rate structure changes and rate adjustments for four fiscal years 2010 through 2013 that will result in an overall rate increase of approximately 11.5% annually; the addition of an environmental charge for water, sewer and nonbulk reclaimed volume; and new service charges and adjustments to a limited number of existing service charges.

The consumption rate for chilled water related to the DES decreased from 11.68 cents per ton hour to 11.24 cents per ton hour, effective October 1, 2009. The consumption rate is variable and is modified similarly to the electric fuel charge.

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	
	2009	**2008**
Operating revenues:		
Electric	**$ 1,525,966**	$ 1,330,280
Water and sewer	**249,813**	248,115
District Energy System	**6,914**	6,162
Other	**48,687**	48,863
Total operating revenues	**1,831,380**	1,633,420
Operating expenses:		
Operations:		
Fuel	**617,485**	536,813
Purchased power	**101,811**	157,194
Other	**202,193**	213,251
Maintenance	**93,287**	97,820
Depreciation	**344,158**	326,301
State utility and franchise taxes	**72,127**	48,551
Recognition of deferred costs and revenues, net	**33,108**	43,345
Total operating expenses	**1,464,169**	1,423,275
Operating income	**367,211**	210,145
Nonoperating revenues (expenses):		
Earnings from The Energy Authority	**4,088**	22,374
Investment income	**23,463**	17,307
Interest on debt	**(264,701)**	(249,622)
Other interest	**(72)**	(451)
Allowance for funds used during construction	**12,708**	19,448
Water and Sewer Expansion Authority	**(864)**	(1,216)
Gain (loss) on asset disposition	**(986)**	740
Total nonoperating revenues (expenses)	**(226,364)**	(191,420)
Income before contributions	**140,847**	18,725
Contributions (to) from:		
General fund, City of Jacksonville	**(96,687)**	(94,188)
Developers and other	**38,071**	47,471
City of Jacksonville Better Jacksonville Plan	**1,516**	2,857
Total contributions	**(57,100)**	(43,860)
Change in net assets	**83,747**	(25,135)
Net assets, beginning of year	**1,482,535**	1,507,670
Net assets, end of year	**$ 1,566,282**	$ 1,482,535

See accompanying notes.

JEA

Balance Sheets

(In Thousands)

	September 30	
	2009	**2008**
Assets		
Current assets:		
Cash and cash equivalents	**$ 255,757**	$ 167,289
Investments	**10,548**	93
Accounts and interest receivable, less allowance for doubtful accounts of $4,386 for 2009 and $2,553 for 2008	**230,771**	237,989
Inventories:		
Fuel	**85,954**	61,402
Materials and supplies	**71,519**	73,615
Total current assets	**654,549**	540,388
Noncurrent assets:		
Restricted assets:		
Cash and cash equivalents	**503,177**	533,155
Investments	**308,849**	191,649
Accounts and interest receivable	**8,542**	4,067
Total restricted assets	**820,568**	728,871
Deferred costs	**169,418**	87,687
Investment in The Energy Authority	**8,078**	7,610
Costs to be recovered from future revenues	**134,798**	171,784
Total noncurrent assets	**1,132,862**	995,952
Capital assets:		
Land and easements	**109,862**	96,080
Plant in service	**9,564,569**	8,931,386
Less accumulated depreciation	**(3,324,088)**	(3,094,811)
Plant in service, net	**6,350,343**	5,932,655
Construction-in-progress	**327,980**	668,686
Net capital assets	**6,678,323**	6,601,341
Total assets	**$ 8,465,734**	$ 8,137,681

See accompanying notes.

JEA

Balance Sheets (continued)

(In Thousands)

	September 30	
	2009	**2008**
Liabilities and net assets		
Current liabilities:		
Accounts and accrued expenses payable	**$ 163,747**	$ 144,389
Customer deposits	**44,297**	38,560
Total current liabilities	**208,044**	182,949
Current liabilities payable from restricted assets:		
Debt due within one year	**224,402**	200,780
Interest payable	**102,655**	94,967
Construction contracts and accounts payable	**20,909**	53,645
Renewal and replacement reserve	**90,000**	90,000
Total current liabilities payable from restricted assets	**437,966**	439,392
Noncurrent liabilities:		
Deferred credits and other liabilities	**49,087**	46,814
Revenues to be used for future costs	**72,461**	76,339
Total noncurrent liabilities	**121,548**	123,153
Long-term debt:		
Bonds and commercial paper payable, less current portion	**6,120,701**	6,003,100
Unamortized premium (discount), net	**25,975**	12,179
Unamortized deferred losses on refundings	**(133,837)**	(141,745)
Fair value of debt management strategy instruments	**119,055**	36,118
Total long-term debt	**6,131,894**	5,909,652
Net assets:		
Invested in capital assets, net of related debt	**605,128**	727,495
Restricted	**550,129**	427,510
Unrestricted	**411,025**	327,530
Total net assets	**1,566,282**	1,482,535
Total liabilities	**6,899,452**	6,655,146
Total liabilities and net assets	**$ 8,465,734**	$ 8,137,681

JEA

Statements of Cash Flows

(In Thousands)

	Year Ended September 30	
	2009	**2008**
Operating activities		
Receipts from customers	**$ 1,787,028**	$ 1,549,947
Other receipts	**44,278**	51,876
Payments to suppliers	**(887,434)**	(855,942)
Payments to employees	**(196,164)**	(199,463)
Net cash provided by operating activities	**747,708**	546,418
Noncapital and related financing activities		
Contribution to General Fund, City of Jacksonville, Florida	**(96,479)**	(101,578)
Contribution to Water & Sewer Expansion Authority – operating	**(864)**	(1,216)
Net cash used in noncapital financing activities	**(97,343)**	(102,794)
Capital and related financing activities		
Acquisition and construction of capital assets	**(424,345)**	(587,020)
Proceeds from issuance of debt, net	**939,688**	2,088,264
Gain (loss) on disposal of capital assets	**(986)**	740
Defeasance of debt	**(624,059)**	(1,457,236)
Repayment of debt principal	**(161,740)**	(129,193)
Interest paid on debt	**(241,761)**	(243,483)
Developer and other contributions	**20,867**	20,246
City of Jacksonville Better Jacksonville Plan contributions	**1,516**	2,857
Proceeds from sale of property	**298**	982
Net cash used in capital and related financing activities	**(490,522)**	(303,843)
Investing activities		
Purchases of investments	**(1,585,457)**	(3,036,491)
Proceeds from sales and maturities of investments	**1,469,638**	3,030,106
Investment income	**10,846**	19,585
Distributions from The Energy Authority	**3,620**	22,187
Net cash provided by investing activities	**(101,353)**	35,387
Net change in cash and cash equivalents	**58,490**	175,168
Cash and cash equivalents at beginning of year	**700,444**	525,276
Cash and cash equivalents at end of year	**$ 758,934**	$ 700,444

Continued on next page.

JEA

Statements of Cash Flows (continued)

(In Thousands)

	Year Ended September 30	
	2009	**2008**
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	**$ 367,211**	$ 210,145
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	**344,820**	326,909
Recognition of deferred costs and revenues, net	**33,108**	43,345
Changes in noncash assets and noncash liabilities:		
Accounts and interest receivable	**6,083**	(32,145)
Accounts and interest receivable, restricted	**(4,409)**	3,013
Inventories	**(22,459)**	(6,089)
Other	**829**	(1,241)
Accounts and accrued expenses payable	**23,298**	8,806
Liabilities payable from restricted assets	**(5,320)**	(8,874)
Deferred credits and other liabilities	**4,547**	2,549
Net cash provided by operating activities	**$ 747,708**	$ 546,418
Noncash activity:		
Contribution of capital assets from developers	**$ 17,204**	$ 27,225

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, 2009 and 2008:

	2009	2008
Bulk Power Supply System:		
Capital assets, net	**$ 125,787**	$ 87,502
Inventory	**5,364**	7,668
Revenues to be used for future costs	**72,461**	76,339
SJRPP:		
Capital assets, net	**798,705**	792,817
Current assets	**147,277**	124,135
Restricted assets	**389,706**	388,616
Other noncurrent assets	**143,268**	180,402
Long-term debt	**1,163,733**	1,195,206
Other liabilities	**275,920**	273,521

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 Governmental Accounting Standards Board (GASB) codification 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 Accounting Standards Codifications (ASC) except for those that conflict with GASB pronouncements in accordance with GASB Cod. Sec. P80 *Proprietary Fund Accounting & Financial Reporting*. Both SJRPP and the Bulk Power Supply System follow ASC Section 980-10 Regulated Operations. This section 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 ASC Section 980-10 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 ASC Section 980-10 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 ASC Section 980-10.

(Dollars In Thousands)

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

JEA presents its financial statements in accordance with the GASB codification which 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 $46,727 in fiscal year 2009 and $38,243 in fiscal year 2008. 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 years 2009 and 2008. Operating revenues include amounts estimated for unbilled services provided during the reporting period of $76,089 in 2009 and $79,524 in 2008.

(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 ASC *Topic 835-20 Capitalization of Interest*. The average AFUDC rate for the Electric Enterprise Fund fixed and variable rate debt was 3.4% for fiscal year 2009 and 3.8% for fiscal year 2008. The average AFUDC rate for the Water and Sewer Fund fixed and variable rate debt was 3.9% for fiscal year 2009 and 4.0% for fiscal year 2008. The average AFUDC rate for the DES variable rate debt was 2.5% for fiscal year 2009 and 3.2% for fiscal year 2008. 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 $264,773 for fiscal year 2009 and $250,073 for fiscal year 2008. Interest expense of $12,708 and investment income on bond proceeds of $223 was capitalized in accordance with ASC Topic 835-20 during fiscal year 2009. Interest expense of $19,448 and investment income on bond proceeds of $4,005 was capitalized in accordance with ASC Topic 835-20 during fiscal year 2008.

(Dollars In Thousands)

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

(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 was 3.7% for fiscal year 2009 and 3.8% for fiscal year 2008. The average depreciable life of the depreciable capital assets for the Electric System is 24.3 years as of September 30, 2009, and 23.4 years as of September 30, 2008. The average depreciable life of the depreciable capital assets for the Water and Sewer Fund is 28.2 years as of September 30, 2009, and 28.0 years as of September 30, 2008. The average depreciable life of the depreciable capital assets for the DES is 26.2 years as of September 30, 2009, and 25.4 years as of September 30, 2008.

(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 local government investment pools, money market mutual funds, 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, local government investment pools, money market mutual funds, and short-term liquid investments purchased with an original maturity of 90 days or less.

(Dollars In Thousands)

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

(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.

In 2008, JEA early implemented GASB Cod. Sec. D40 *Derivative Instruments*, 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.

(Dollars In Thousands)

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

(m) Fuel Management Program

In connection with the purchase of oil and natural gas, JEA has developed and implemented a fuel management program intended to manage the risk of changes in the market prices of oil and natural gas. Pursuant to this program, JEA may execute fixed price and options contracts from time to time to help manage fluctuations in the market prices of oil and natural gas. In addition, JEA has executed an Operating Agreement with 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 Cod. Sec. D40. 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.

(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 pollution remediation obligations, and other post-employment benefit liabilities. See note 13 and note 14.

(p) Pollution Remediation Obligations

In 2009, JEA implemented GASB Cod. Sec. P40 *Pollution Remediation Obligations*. The section provides clarification as to what is included in the liability, how it is recognized and the measurement of such liabilities. The effect of this implementation is included on the statements of revenues, expenses, and changes in net assets in operating expenses and on the balance sheet in noncurrent liabilities. See note 14 for further discussion.

(Dollars In Thousands)

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

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

Cost-based Regulation – Due to the application of ASC 980-10, 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.

Costs to be Recovered From Future Revenues – The deferred debt-related costs of $134,798 at September 30, 2009, and $171,784 at September 30, 2008, 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 $36,986 in fiscal year 2009 and $47,223 in fiscal year 2008, in deferred costs. The costs to be recovered from future revenues will be recovered over a period extending through 2039.

Revenues to be Used for Future Costs – Early debt principal retirements of the Bulk Power Supply System in excess of straight-line depreciation of $72,461 at September 30, 2009, and $76,339 at September 30, 2008, are included in noncurrent liabilities on the balance sheets. The Bulk Power Supply System recognized revenue of $3,878 for both fiscal years 2009 and 2008. The revenues to be used for future costs will be amortized until the capital assets are fully depreciated in 2028.

	2009	**2008**
Summary:		
Recognition of deferred costs from SJRPP	**$ 36,986**	$ 47,223
Recognized revenues from Bulk Power Supply System	**(3,878)**	(3,878)
Recognition of deferred costs and revenues, net	**$ 33,108**	$ 43,345

(Dollars In Thousands)

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

(r) Pervasiveness of Estimates

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

(s) Reclassifications

Certain 2008 amounts have been reclassified to conform to the 2009 presentation.

(t) Recent Accounting Pronouncements

The GASB has issued Statement No. 51 *Accounting and Financial Reporting for Intangible Assets* for periods beginning after June 15, 2009 and *Fund Balance Reporting and Governmental Type Definitions* No. 54 for periods beginning after June 2010. These statements will be codified in Cod. Sec. 1400 and Cod. Sec. 1300 and 1800, respectively. Management is currently assessing the impact of these statements; however, they are not expected to have a material effect on JEA's financial statements.

(Dollars In Thousands)

2. Restricted Assets

Restricted assets were held in the following funds at September 30, 2009 and 2008:

	2009	2008
Electric System:		
Sinking Fund	**$ 82,738**	$ 70,655
Construction Fund	**60,443**	69,455
Debt Service Reserve Fund	**59,662**	33,727
Renewal and Replacement Fund	**67,697**	17,448
Adjustment to fair value of investments	**581**	(632)
Total Electric System	**271,121**	190,653
SJRPP System:		
Sinking Fund	**129,630**	125,819
Construction Fund	**12,741**	20,150
Debt Service Reserve Fund	**145,972**	142,463
Renewal and Replacement Fund	**90,000**	90,000
Revenue Fund	**5,885**	13,149
Adjustment to fair value of investments	**5,478**	(2,965)
Total SJRPP System	**389,706**	388,616
Water and Sewer System:		
Sinking Fund	**60,696**	57,826
Debt Service Reserve Fund	**54,356**	20,879
Construction Fund	**28,308**	47,671
Renewal and Replacement Fund	**11,130**	20,225
Revenue Fund	**1,207**	1,232
Adjustment to fair value of investments	**1,473**	(730)
Total Water and Sewer System	**157,170**	147,103
DES:		
Sinking Fund	**15**	143
Construction Fund	**–**	244
Renewal and Replacement Fund	**2,556**	2,112
Total DES	**2,571**	2,499
Total restricted assets	**$ 820,568**	$ 728,871

(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.
Bulk Power Supply System:	An amount equal to 12.5% of aggregate debt service, as defined.

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. Wachovia Bank, N.A. remains a qualified public depositor until the merger is completed; upon finally completing 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 Cod. Sec. I50 *Investments*, 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 money market mutual funds are 2a-7 funds registered with the SEC, and therefore are presented at actual pooled share price, which approximates fair value.

(Dollars In Thousands)

3. Cash and Investments (continued)

The Local Government Surplus Funds Trust Fund Investment Pool (the Pool), created by Section 218.405, *Florida Statutes,* 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. In November 2007, the Pool encountered 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, which consisted of all money market appropriate assets (and was approximately 86% of Pool assets); and Pool B, which consisted of assets that had actual or perceived credit or liquidity risk (and 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.

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. A 2a-7 like pool, in accordance with GASB Cod. Sec. I50, is presented at its actual pooled share price. 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 does not operate a 2a-7 like pool. JEA has classified the balance of Pool B at September 30, 2009 and 2008, as an investment for balance sheet purposes at fair value. As of September 30, 2009 and 2008, JEA had $0 invested in Pool A.

At September 30, 2009 and 2008, the fair value of all securities, regardless of balance sheet classification as cash equivalent or investment, was as follows:

	2009	2008
Securities:		
U.S. Treasury and government agency securities	**$ 158,032**	$ 137,084
State and local government securities	**190,410**	117,476
Commercial paper	**114,595**	122,983
Local government investment pool	**1,880**	3,512
Investment in money market mutual funds	**334,595**	448,343
Total securities, at fair value	**$ 799,512**	$ 829,398

(Dollars In Thousands)

3. Cash and Investments (continued)

These securities are held in the following accounts:

	2009	2008
Restricted assets:		
Cash and cash equivalents	**$ 503,177**	$ 533,155
Investments	**308,849**	191,649
Current assets:		
Cash and cash equivalents	**255,757**	167,289
Investments	**10,548**	93
Total cash and investments	**1,078,331**	892,186
Plus interest due on securities	**2,370**	2,385
Less cash on deposit	**(281,189)**	(65,173)
Total securities, at fair value	**$ 799,512**	$ 829,398

JEA is authorized to invest in securities as described in its investment policy and in each bond resolution. As of September 30, 2009, JEA's investments in securities and their maturities are categorized below in accordance with GASB Cod. Sec. C20 *Cash Deposits with Financial Institutions* and GASB Cod. Sec. I50 *Investments*. 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	$ 80,728	$ 11,601	$ 15,638	$ 50,065	$ 158,032
State and local government securities	70,028	7,571	26,876	85,935	190,410
Commercial paper	114,595	–	–	–	114,595
Local government investment pool	–	1,880	–	–	1,880
Investment in money market mutual funds	334,595	–	–	–	334,595
Total securities, at fair value	$ 599,946	$ 21,052	$ 42,514	$ 136,000	$ 799,512

(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, 2009, 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, 2009, JEA had 14.3% 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, 2009, investments in any one issuer representing 5% or more of JEA's investments included $74,778 (9.4%) invested in issues of the Federal Home Loan Bank, $53,957 (6.7%) invested in issues of the Florida State Board of Education, and $44,800 (5.6%) invested in issues of the Federal Farm Credit 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, 2009, investments in all security types were within the allowable policy limits.

(Dollars In Thousands)

3. Cash and Investments (continued)

Asset Management Interest Rate Swaps

There were no asset management interest rate swap agreements outstanding for Water and Sewer System at September 30, 2009 and 2008.

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. In accordance with GASB Cod. Sec. D40 (See note 7), 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:

	2008
LIBOR Index:	
Notional amount outstanding	$ –
Variable rate paid (weighted average)	4.2%
Fixed rate received (weighted average)	3.1%
Net swap earnings(1)	$ 108
Fair value	$ –
Change in fair value	$ 338

(1) Includes related fair market value adjustments.

(Dollars In Thousands)

4. Capital Assets

Capital asset activity for the year ended September 30, 2009, is as follows:

	Balance September 30, 2008	Additions	Retirements	Transfers/ Adjustments	Balance September 30, 2009
Electric Enterprise Fund:					
Generation assets	$ 2,914,711	**$ 342,061**	**$ (8,844)**	**$ 66**	**$ 3,247,994**
Transmission assets	428,320	**48,712**	**(3,830)**	**–**	**473,202**
Distribution assets	1,476,395	**66,992**	**(7,535)**	**–**	**1,535,852**
Other assets	502,704	**100,687**	**(42,413)**	**(66)**	**560,912**
Total capital assets	5,322,130	**558,452**	**(62,622)**	**–**	**5,817,960**
Less: accumulated depreciation and amortization	(2,138,279)	**(212,283)**	**73,586**	**47**	**(2,276,929)**
Land	60,116	**3,725**	**–**	**–**	**63,841**
Construction work-in-process	506,849	**71,907**	**(361,183)**	**–**	**217,573**
Net capital assets	3,750,816	**421,801**	**(350,219)**	**47**	**3,822,445**
Water and Sewer Fund:					
Pumping assets	367,060	**30,286**	**(3,665)**	**(1,138)**	**392,543**
Treatment assets	500,968	**(11,839)**	**(7,172)**	**(1,527)**	**480,430**
Transmission and distribution assets	956,952	**25,917**	**(5,771)**	**18**	**977,116**
Collection assets	1,261,553	**64,786**	**(3,003)**	**8**	**1,323,344**
Reclaimed water assets	68,464	**38,430**	**(7)**	**(604)**	**106,283**
General and other assets	391,314	**43,819**	**(20,908)**	**3,243**	**417,468**
Total capital assets	3,546,311	**191,399**	**(40,526)**	**–**	**3,697,184**
Less: accumulated depreciation	(951,363)	**(129,063)**	**40,526**	**(47)**	**(1,039,947)**
Land	35,724	**7,246**	**–**	**–**	**42,970**
Construction work-in-process	172,598	**119,135**	**(181,441)**	**–**	**110,292**
Net capital assets	2,803,270	**188,717**	**(181,441)**	**(47)**	**2,810,499**
DES:					
Chilled water plant assets	51,890	**(2,465)**	**–**	**–**	**$49,425**
Total capital assets	51,890	**(2,465)**	**–**	**–**	**49,425**
Less: accumulated depreciation	(5,169)	**(2,043)**	**–**	**–**	**(7,212)**
Land	240	**2,811**	**–**	**–**	**3,051**
Construction work-in-process	294	**(179)**	**–**	**–**	**115**
Net capital assets	47,255	**(1,876)**	**–**	**–**	**45,379**
Total Electric Enterprise Fund, Water and Sewer Fund, and DES	$ 6,601,341	**$ 608,642**	**$ (531,660)**	**$ –**	**$ 6,678,323**

(Dollars In Thousands)

4. Capital Assets (continued)

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	$ 44,676	$ 44,239	$ (3,977)	$ 2,914,711
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	291,601	(2,058)	(4,041)	5,322,130
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	143,254	–	–	506,849
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
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

(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 $4,088 in fiscal year 2009 and $22,374 in fiscal year 2008 for all power marketing activities. The investment in TEA of $8,078 at September 30, 2009, and $7,610 at September 30, 2008, 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, 2009 and September 30, 2008. TEA issues separate audited financial statements on a calendar-year basis.

	Unaudited	
	2009	**2008**
Condensed balance sheet:		
Current assets	**$ 121,407**	$ 169,877
Noncurrent assets	**16,473**	12,907
Total assets	**$ 137,880**	$ 182,784
Current liabilities	**$ 101,775**	$ 144,639
Noncurrent liabilities	**-**	2,447
Members' capital	**36,105**	35,698
Total liabilities and members' capital	**$ 137,880**	$ 182,784
Condensed statement of operations:		
Operating revenues	**$ 728,697**	$1,339,982
Operating expenses	**693,027**	1,210,304
Operating income	**$ 35,670**	$ 129,678
Net income	**$ 36,648**	$ 129,661

As of September 30, 2009, 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 $54,000; 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.

(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, 2009 and 2008, $296 and $237, 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, 2009 and 2008. Colectric issues separate audited financial statements on a calendar-year basis.

	Unaudited	
	2009	**2008**
Condensed balance sheet:		
Current assets	**$ 2,039**	$ 1,714
Noncurrent assets	**23**	35
Total assets	**$ 2,062**	$ 1,749
Current liabilities	**$ 844**	$ 784
Members' capital	**1,218**	965
Total liabilities and members' capital	**$ 2,062**	$ 1,749
Condensed statement of operations:		
Operating revenues	**$ 1,932**	$ 1,775
Operating expenses	**1,387**	1,416
Operating income	**$ 545**	$ 359
Net income	**$ 545**	$ 369

(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 2009	September 30 2008
Electric System Senior Revenue Bonds:				
Series Three, 1998A	5.000%	2009	$ 2,485	$ 4,825
Series Three, 2002B	3.500%	2009	10,165	77,855
Series Three, 2003A	3.000 - 4.625%	2011-2039	90,245	92,345
Series Three, 2004A	3.375 - 5.000%	2010-2039	80,785	86,890
Series Three, 2005A	3.450 - 4.750%	2012-2039	90,000	90,000
Series Three, 2005B	3.125 - 5.000%	2010-2033	63,795	92,005
Series Three, 2005D	3.000 - 4.500%	2009-2035	33,925	35,225
Series Three, 2006A	3.300 - 5.000%	2009-2041	90,000	92,000
Series Three, 2007C	4.000 - 5.250%	2009-2042	26,515	26,515
Series Three, 2008A(2)	Variable	2009-2036	100,000	100,000
Series Three, 2008B-1(2)	Variable	2009-2040	72,745	73,070
Series Three, 2008B-2(2)	Variable	2009-2040	72,160	72,435
Series Three, 2008B-3(2)	Variable	2009-2036	57,950	58,275
Series Three, 2008B-4(2)	Variable	2009-2036	57,385	57,710

(Dollars In Thousands)

7. Long-Term Debt (continued)

Schedule of Outstanding Indebtedness

Long-term Debt	Interest Rates (1)	Payment Dates	September 30 2009	September 30 2008
Series Three, 2008C-1(2)	Variable	2009-2034	$ 83,545	$ 85,245
Series Three, 2008C-2(2)	Variable	2009-2034	83,300	85,000
Series Three, 2008C-3(2)	Variable	2009-2038	52,915	53,615
Series Three, 2008C-4(2)	Variable	n/a	–	49,745
Series Three, 2008D-1(2)	Variable	2009-2036	128,260	130,000
Series Three, 2008D-2A(2)	Variable	2009-2037	64,880	65,115
Series Three, 2008D-2B(2)	Variable	2009-2037	64,885	64,885
Series Three, 2008E	3.000 - 5.000%	2009-2028	54,050	54,050
Series Three, 2009A	3.000 - 5.250%	2009-2029	96,685	–
Series Three, 2009B	2.000 - 5.375%	2010-2034	33,970	–
Series Three, 2009C	5.000%	2016-2017	15,730	–
Total Electric System Senior Revenue Bonds			1,526,375	1,546,805
Electric System Subordinated Revenue Bonds:				
Series B Commercial Paper Notes	Variable	n/a	–	6,045
Series C Commercial Paper Notes	Variable	n/a	97,666	102,289
2000 Series A (2)	Variable	2009-2035	77,900	79,700
2000 Series B (2)	Variable	2009-2035	77,900	79,700
2000 Series E	4.625%	n/a	–	3,015
2000 Series F (2)	Variable	2017-2030	125,000	125,000
2001 Series A	4.125 - 4.300%	2009-2010	4,530	19,905
2001 Series B (2)	Variable	n/a	–	66,000
2001 Series C (2)	Variable	2017-2030	66,000	66,000
2001 Series E	3.700%	2009	3,050	19,460
2002 Series A	4.400%	n/a	–	2,950
2002 Series B	3.250%	n/a	–	4,380
2002 Series C	3.625 - 3.875%	2010-2011	36,350	54,530
2002 Series D	4.125 - 4.875%	2015-2035	85,530	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%	2009-2029	23,880	24,450
2005 Series C	3.000 - 4.375%	2009-2035	23,370	24,235
2006 Series A	3.750 - 4.300%	2015-2024	25,000	25,000
2007 Series A	4.000 - 5.250%	2009-2037	82,800	82,800
2008 Series A	3.625 - 5.125%	2011-2037	56,410	56,410
2008 Series B (2)	Variable	n/a	–	104,955
2008 Series C	3.600 - 5.000%	2010-2020	79,255	79,255

(Dollars In Thousands)

7. Long-Term Debt (continued)

Schedule of Outstanding Indebtedness

Long-term Debt	Interest Rates (1)	Payment Dates	September 30 2009	2008
2008 Series D [2]	Variable	2009-2038	$ 70,380	$ 70,605
2008 Series E	3.000 - 4.750%	2009-2028	18,645	18,645
2009 Series A	3.000 - 5.625%	2010-2039	122,585	–
2009 Series B	3.000 - 5.000%	2009-2019	117,075	–
2009 Series C	4.000 - 5.000%	2014-2020	65,515	–
2009 Series D	5.000%	2011-2018	50,135	–
2009 Series E	4.000 - 5.000%	2014-2018	12,420	–
Total Electric System Subordinated Revenue Bonds			1,377,151	1,287,359
Electric System Other Subordinated Debt:				
Line of Credit Draws	-	n/a	–	25,680
Total Electric System Other Subordinated Debt			–	25,680
Bulk Power Supply System Revenue Bonds:				
Series 2008A	3.750% - 6.000%	2012-2038	77,945	–
Total Bulk Power System Revenue Bonds			77,945	-
Bulk Power Supply System Other Subordinated Debt:				
Line of Credit Draws	-	n/a	–	15,000
Total Electric 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 17	4.700 - 5.250%	2009-2019	395,955	408,985
Issue 2, Series 18	3.500 - 5.000%	2009-2018	95,245	147,070
Issue 2, Series 19	3.300 - 4.600%	2009-2017	45,590	52,995
Issue 2, Series 20	3.625 - 4.500%	2011-2021	96,500	96,500
Issue 2, Series 21	4.000 - 5.000%	2009-2021	190,620	211,640
Issue 2, Series 22	3.750 - 4.000%	2009-2019	103,115	105,335
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	125,000
Issue 3, Series 3[4]	3.000 - 5.500%	2013-2039	64,305	–
Total SJRPP System Revenue Bonds:			1,281,374	1,312,569

(Dollars In Thousands)

7. Long-Term Debt (continued)

Schedule of Outstanding Indebtedness

Long-term Debt	Interest Rates (1)	Payment Dates	September 30 2009	2008
Water and Sewer System Senior Revenue Bonds:				
1997 Series B	4.800%	n/a	$ –	$ 425
1999 Series A	4.700 - 5.000%	n/a	–	9,200
2001 Series B	4.100 - 5.250%	2009-2039	42,740	43,175
2001 Series C	3.750%	2009	6,825	32,475
2002 Series B	3.250 - 5.250%	2009-2012	24,405	59,960
2002 Series C	4.625 - 4.875%	2020-2041	76,635	95,295
2003 Series A	3.125 - 4.750%	2011-2043	44,445	50,720
2003 Series B	4.375 - 4.750%	2021-2037	56,640	56,640
2004 Series A	2.125 - 5.250%	2009-2039	195,950	201,155
2004 Series B	2.500 - 4.500%	2009-2039	121,245	124,030
2004 Series C	2.800 - 5.000%	2009-2039	29,785	29,785
2005 Series A	3.250 - 5.000%	2009-2041	141,595	142,770
2005 Series B	3.250 - 5.000%	2009-2041	129,795	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%	2009-2029	36,995	37,405
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 C	4.000 - 4.750%	2009-2037	40,985	41,610
2008 Series A-1 (2)	Variable	2009-2036	75,000	75,000
2008 Series A-2 (2)	Variable	2010-2042	75,000	75,000
2008 Series B (2)	Variable	2023-2041	85,290	85,290
2009 Series A	2.500 - 5.375%	2011-2039	45,405	–
2009 Series B	3.000 - 5.000%	2010-2019	83,240	–
Total Water and Sewer System Senior Revenue Bonds:			1,599,385	1,577,300
Water and Sewer System Subordinated Revenue Bonds:				
Subordinated 2003 Series C	3.125 - 4.750%	2011-2043	40,400	40,400
Subordinated 2004 Series A	2.125 - 4.375%	2009-2034	37,905	38,810
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%	2009-2036	14,900	15,000
Subordinated 2007 Series A	4.500%	2034-2043	10,330	10,330
Subordinated 2008 Series A-1 (2)	Variable	2009-2038	65,625	66,875
Subordinated 2008 Series A-2 (2)	Variable	2009-2038	65,275	66,525
Subordinated 2008 Series B-1 (2)	Variable	2010-2036	98,810	101,365
Total Water and Sewer System Subordinated Revenue Bonds			354,110	360,170

(Dollars In Thousands)

7. Long-Term Debt (continued)

Schedule of Outstanding Indebtedness

Long-term Debt	Interest Rates (1)	Payment Dates	September 30 2009	September 30 2008
Water and Sewer System Other Subordinated Debt:				
Line of Credit Draws	1.629 - 1.746%	2010	$ 45,715	$ -
State Revolving Fund Loans	2.630 - 2.750%	2009 - 2030	3,274	1,751
Total Water and Sewer System Other Subordinated Revenue Bonds			48,989	1,751
District Energy System:				
2004 Series A	Variable	2010-2034	47,800	47,800
Line of Credit Draws	Variable	2009	4,285	4,285
Total District Energy System			52,085	52,085
Total debt principal outstanding			6,317,414	6,178,719
Plus accretion of SJRPP Issue 2 Series 7 Capital appreciation bonds			27,689	25,161
Sub-total			$ 6,345,103	$ 6,203,880
Less: debt due within one year (5)			(224,402)	(200,780)
Total long-term debt			$ 6,120,701	$ 6,003,100

(1) The interest rates on the variable rate debt outstanding (excluding CPI bonds) at September 30, 2009, ranged from 0.24% to 0.55%. At September 30, 2009, 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, 2009.

(2) Variable rate demand obligations.

(3) Variable rate bonds indexed to the Consumer Price Index (CPI bonds). At September 30, 2009, interest rates on the CPI bonds ranged from 0.89% to 1.03%.

(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. Whereas the SJRPP System Issue Two Bonds issued under the First Power Park Resolution, JEA is responsible for approximately 62.5% of the related debt service payments and FPL the remainder.

(5) At September 30, 2009, debt due within one year includes $45,715 of Water and Sewer System line of credit draws and $4,285 of DES line of credit draws. See the Short-Term Bank Borrowings section of this note for more information.

(Dollars In Thousands)

7. Long-Term Debt (continued)

For the Electric System and the Water and Sewer System variable rate demand obligations (VRDO) appearing in the above schedule of outstanding indebtedness liquidity support is provided in connection with tenders for purchase with various liquidity providers pursuant to standby bond purchase agreements (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's range from March 18, 2010 to December 31, 2015. Each of the SBPA termination dates may be extended. At September 30, 2009, there were no outstanding draws under the SBPA's. 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 1 or October 1, whichever date is at least six 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 Electric System's Series Three 2008B-1 and 2008B-4 VRDOs, payment of the principal and interest is secured by an unconditional, irrevocable direct-pay letter of credit. The letter of credit constitutes both a credit facility and a liquidity facility. The letter of credit has a stated expiration date of April 28, 2010, unless otherwise extended. As of September 30, 2009, there are no draws outstanding under the letter of credit. Repayment of any draws outstanding at the expiration date are payable in equal semiannual installments over a five-year period.

For the commercial paper note appearing in the above schedule of outstanding indebtedness, to provide liquidity support, JEA has entered into a revolving credit agreement with a commercial bank. If moneys are not available to pay the principal of any maturing commercial paper notes during the term of the credit agreement, JEA is entitled to make a borrowing under the credit agreement. The credit agreement conversion date may be extended. The conversion date of the credit agreement as of September 30, 2009 was December 4, 2009. Subsequent to September 30, 2009, the conversion date was extended to February 4, 2009, which may be extended. At September 30, 2009, there were no outstanding draws under the credit agreement. 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 semiannual installments over the ensuing six-year period in the amount of such draw.

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.

(Dollars In Thousands)

7. Long-Term Debt (continued)

Long-term debt activity related to bond issuances (excludes short-term bank borrowings) for the year ended September 30, 2009, was as follows:

System	Bonds Payable September 30, 2008	Par Amount of Bonds Issued	Par Amount of Bonds Refunded or Defeased	Scheduled Bond Principal Payments	Accretion of SJRPP Issue 2 Series 7 Capital Appreciation Bonds	Bonds Payable September 30, 2009	Current Portion of Bonds Payable September 30, 2009
Electric	**$ 2,834,164**	**$ 514,115**	**$ (392,685)**	**$ (52,068)**	**$ –**	**$ 2,903,526**	**$ 46,755**
Bulk Power Supply	**–**	**77,945**	**–**	**–**	**–**	**77,945**	**–**
SJRPP	**1,337,730**	**64,305**	**–**	**(95,500)**	**2,528**	**1,309,063**	**100,205**
Water and Sewer	**1,939,221**	**130,168**	**(89,420)**	**(23,200)**	**–**	**1,956,769**	**27,442**
DES	**47,800**	**–**	**–**	**–**	**–**	**47,800**	**–**
Total	**$ 6,158,915**	**$ 786,533**	**$ (482,105)**	**$ (170,768)**	**$ 2,528**	**$ 6,295,103**	**$ 174,402**

Long-term debt activity related to bond issuances (excludes short-term bank borrowings) 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	Scheduled Bond Principal Payments	Accretion of SJRPP Issue 2 Series 7 Capital Appreciation Bonds	Bonds Payable September 30, 2008	Current Portion of Bonds Payable September 30, 2008
Electric	$ 2,552,487	$ 1,388,330	$ (1,081,810)	$ (24,843)	$ –	$ 2,834,164	$ 41,400
Bulk Power Supply	–	–	–	–	–	–	–
SJRPP	1,296,766	125,000	–	(86,415)	2,379	1,337,730	95,500
Water and Sewer	1,784,681	474,435	(302,660)	(17,235)	–	1,939,221	23,200
DES	47,800	–	–	–	–	47,800	–
Total	$ 5,681,734	$ 1,987,765	$ (1,384,470)	$ (128,493)	$ 2,379	$ 6,158,915	$ 160,100

(Dollars In Thousands)

7. Long-Term Debt (continued)

The debt service to maturity on the outstanding bonds (excludes short-term bank borrowings), as of September 30, 2009, is summarized in the following two tables:

Bond Year Ending October 1	**Electric System**		**Bulk Power**		**SJRPP**	
	Principal	**Interest (1)**	**Principal**	**Interest**	**Principal**	**Interest**
2009	$ 46,755	$ 34,560	$ –	$ 2,060	$ 100,205	$ 29,360
2010	107,119	73,960	–	4,110	99,823	68,500
2011	134,556	70,890	–	4,110	101,121	67,860
2012	83,183	66,220	1,475	4,110	122,995	45,970
2013	86,281	63,620	1,535	4,050	129,855	40,110
2014–2018	543,926	270,230	10,475	19,190	345,870	130,650
2019–2023	503,617	195,270	20,355	15,690	157,310	69,600
2024–2028	466,464	149,780	8,635	11,530	62,655	48,490
2029–2033	459,610	111,500	14,850	8,630	77,485	32,280
2034–2038	397,780	51,930	20,620	3,900	79,590	11,810
2039–2043	74,235	4,910	–	–	4,465	246
Totals	$ 2,903,526	$ 1,092,870	$ 77,945	$ 77,380	$ 1,281,374	$ 544,876

Bond Year Ending October 1	**Water and Sewer**		**DES**		**Total Debt**
	Principal	**Interest**	**Principal**	**Interest**	**Service (2)**
2009	$ 27,430	$ 33,180	$ –	$ 10	$ 273,560
2010	36,723	66,160	1,310	90	457,795
2011	41,245	65,090	1,350	90	486,312
2012	44,300	63,750	1,390	90	433,483
2013	44,068	62,230	1,435	80	433,264
2014-2018	255,725	286,710	7,835	380	1,870,991
2019-2023	310,187	240,940	9,085	300	1,522,354
2024-2028	314,665	186,900	10,520	210	1,259,849
2029-2033	310,041	131,770	12,210	100	1,158,476
2034-2038	359,775	76,070	2,665	10	1,004,150
2039-2043	212,610	15,960	–	–	312,426
Totals	$ 1,956,769	$ 1,228,760	$ 47,800	$ 1,360	$ 9,212,660

(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 2009.

(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, 2009. The table excludes payments made during fiscal year 2009.

(Dollars In Thousands)

7. Long-Term Debt (continued)

The estimated fair values of JEA's outstanding fixed-rate debt were $4,576,045 at September 30, 2009, and $3,963,677 at September 30, 2008. 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 (excluding short-term bank borrowings) were $1,904,401 at September 30, 2009, and $2,151,974 at September 30, 2008. The estimated fair value of the variable rate debt was 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	Bulk Power Supply System	SJRPP System	Water and Sewer System
Earliest year for redemption	2010	2014	2010	2010
Redemption price ranges	100%	100%	101%–100%	100%

JEA bonds issued in fiscal year 2009 are 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	2009 Series A	New Money	Subordinated	Jan-09	$ 122,585	$ –	$ –	$ –
Electric	Series Three 2009A	Refunding (1)	Senior	Mar-09	96,685	93,885	(537)	1,794
Electric	2009 Series B	Refunding (2)	Subordinated	Mar-09	117,075	123,135	(379)	–
Electric	2009 Series C	Refunding (3)	Subordinated	Apr-09	65,515	66,000	(217)	–
Electric	2009 Series D	Refunding (4)	Subordinated	Jun-09	50,135	53,970	(617)	2,130
Electric	Series Three 2009B	Refunding (5)	Senior	Aug-09	33,970	33,390	(303)	–
Electric	Series Three 2009C	Refunding (6)	Senior	Aug-09	15,730	17,390	(191)	1,155
Electric	2009 Series E	Refunding (7)	Subordinated	Aug-09	12,420	4,915 (9)	(43)	574
Bulk Power Supply	Series 2008A	New Money	Senior	Nov-08	77,945	–	–	–
SJRPP	Issue 3 Series 3	New Money	Senior	Apr-09	64,305	–	–	–
Water and Sewer	2009 Series A	New Money	Senior	Mar-09	45,405	–	–	–
Water and Sewer	2009 Series B	Refunding (8)	Senior	Mar-09	83,240	89,420	(1,204)	5,851
					$ 785,010	$ 482,105	$ (3,491)	$ 11,504

(1) Economic refunding of $44,850 of prior issued fixed rate bonds were refunded with fixed rate debt, which resulted in new debt service of $48,485 compared to the prior debt service of $50,499. In addition, this issue included a noneconomic refunding of $49,035 for prior issued variable rate demand obligations, which were refunded with fixed rate debt.

(2) Noneconomic refunding of $18,180 of prior issued fixed rate refundable maturities were refunded with fixed rate debt; plus, a noneconomic refunding of $104,955 for prior issued variable rate demand obligations were refunded with fixed rate debt.

(3) Variable rate demand obligations were refunded with fixed rate debt.

(4) Economic refunding of prior issued bonds with new debt service of $64,601 compared to the prior debt service of $67,232.

(5) Noneconomic refunding of prior issued fixed rate refundable maturities.

(6) Economic refunding of prior issued bonds with new debt service of $21,478 compared to the prior debt service of $23,482.

(7) Economic refunding of prior issued bonds with new debt service of $15,611 compared to the prior debt service of $16,379.

(8) Economic refunding of prior issued bonds with new debt service of $105,997 compared to the prior debt service of $113,422.

(9) An additional $8,140 of bonds was refunded by this issue. These additional bonds will be redeemed on October 1, 2009, with refunding proceeds held in the Electric System Subordinated Construction Fund.

(Dollars In Thousands)

7. Long-Term Debt (continued)

Debt Service Reserve Funds

During fiscal years 2009 and 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, 2009, 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	$ 70,801	$ 104,728	$ 8,353
Less: cash and investments	55,551	47,794	6,562
Less: AAA surety policies	–	–	–
Funding required for downgraded surety policies	15,250	56,934	1,791
Less: funds available in Construction Reserve Account	8,019	9,375	930
Net funding needs from future bond issues	$ 7,231	$ 47,559	$ 861

Short-Term Bank Borrowings

JEA currently has arrangements with two commercial banks for unsecured line of credits in the amounts of $75,000 and $112,500. The lines 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.

Activity under the lines of credit for fiscal year 2009 is summarized in the below table:

System	Line of Credit Payable September 30, 2008	New Money Draws for Capital Expenditures	New Money Draws for Surety Replacement (1)	Payments From Bond Issues	Payments From Original Proceeds	Line of Credit Payable September 30, 2009
Electric	$ 25,680	$ 49,000	$ –	$ (30,000)	$ (44,680)	$ –
Bulk Power Supply	15,000	3,000	–	(18,000)	–	–
SJRPP	–	35,000	–	(35,000)	–	–
Water and Sewer	–	42,000	24,000	(19,000)	(1,285)	45,715
DES	4,285	–	–	–	–	4,285
Total	$ 44,965	$ 129,000	$ 24,000	$ (102,000)	$ (45,965)	$ 50,000

(1) To be used for required deposits to the debt service reserve fund resulting from downgraded debt service reserve sureties – see "Debt Service Reserve Funds" section of the Long-Term Debt note.

(Dollars In Thousands)

7. Long-Term Debt (continued)

At September 30, 2009, the total line of credit draws outstanding for the Water and Sewer System were $45,715 of which $21,715 will mature in March 2010 and is expected to be replaced with permanent financing and the remaining $24,000, related to funding the required deposits into the debt service reserve fund related to the downgraded sureties (see Debt Service Reserve Fund section of this note for more information), will mature in September 2010. At September 30, 2009, the line of credit draw outstanding for the DES was $4,285 and is scheduled to mature in October 2009 and be replaced with a refunding draw at that time. The current expiration dates for $75,000 the line of credit agreement is August 30, 2010, and the $112,500 line of credit agreement is September 14, 2010.

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 adopted GASB Cod. Sec. D40 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.

JEA has entered into integrated floating to fixed interest rate swap agreements during prior fiscal years. The terms of the integrated floating to fixed rate swap agreements outstanding at September 30, 2009, are as follows:

System	Related Bonds	Initial Notional Amount	Notional Amount Outstanding	Fixed Rate of Interest	Effective Date	Termination Date	Variable Rate Index
Electric	Series Three 2008C	$ 174,000	$ 163,600	3.7%	Sep-03	Sep-33	68% of one month LIBOR
Electric	Series Three 2008B	27,400	27,200	4.0%	Jan-05	Oct-26	SIFMA
Electric	Series Three 2008B	117,825	116,275	4.4%	Aug-08	Oct-39	SIFMA
Electric	Series Three 2008B	116,425	114,525	3.7%	Sep-08	Oct-35	68% of one month LIBOR
Electric	2008 Series D	29,900	29,450	3.6%	Mar-09	Oct-16	SIFMA
Electric	2008 Series D	40,875	40,650	3.7%	Mar-09	Oct-37	68% of one month LIBOR
Electric	Series Three 2008D-1	98,375	96,635	3.9%	May-08	Oct-31	SIFMA
Electric	Series Three 2008D-2	95,240	95,005	3.9%	May-08	Oct-36	SIFMA
Electric	Series Three 2008A	100,000	100,000	3.8%	Jan-08	Oct-36	SIFMA
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%	Mar-09	Oct-36	SIFMA
Water and Sewer	2008 Series B	85,290	85,290	3.9%	Mar-07	Oct-41	SIFMA
		$ 999,060	$ 982,360				

(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, 2009, are as follows:

System	Debt Issued	Initial Notional Amount	Notional Amount Outstanding	Fixed Rate of Interest	Effective Date	Termination Date	Variable Rate Index
Electric	Future Issue	$ 100,000	$ 100,000	4.0%	Jan-11	Oct-38	SIFMA
		$ 100,000	$ 100,000				

The following table includes fiscal year 2009 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, 2009		
System	**Classification**	**Amount**	**Classification**	**Amount [(1)]**	**Notional**
Electric	Deferred costs	**$ 66,772**	Fair value of debt management strategy instruments	**$ (100,799)**	**$ 883,340**
Water and Sewer	Deferred costs	**16,165**	Fair value of debt management strategy instruments	**(18,256)**	**199,020**
Total		**$ 82,937**		**$ (119,055)**	**$ 1,082,360**

(1) Fair value amounts were calculated using market rates as of September 30, 2009, and standard cash flow present valuing techniques.

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 [(2)]**	**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

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

(Dollars In Thousands)

7. Long-Term Debt (continued)

For fiscal years ended September 30, 2009 and 2008, 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:

	2009	2008
68% of LIBOR Index:		
Notional amount outstanding	**$ 318,775**	$ 322,900
Variable rate received (weighted average)	**0.7%**	2.4%
Fixed rate paid (weighted average)	**3.7%**	3.7%
SIFMA Index (formerly BMA Index):		
Notional amount outstanding	**$ 624,855**	$ 627,580
Variable rate received (weighted average)	**0.8%**	2.6%
Fixed rate paid (weighted average)	**4.0%**	4.0%
CPI Index:		
Notional amount outstanding	**$ 38,730**	$ 38,730
Variable rate received (weighted average)	**3.8%**	4.3%
Fixed rate paid (weighted average)	**4.0%**	4.0%
Net debt management swap loss	**$ (29,137)**	$ (12,227)

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, 2009:

Electric System

Bond Year Ending October 1	Principal	Interest	Net Swap Interest	Total
2009	$ 14,600	$ 151	$ 2,355	$ 17,106
2010	14,760	1,834	27,264	43,858
2011	15,485	1,796	26,757	44,038
2012	16,695	1,760	26,186	44,641
2013	23,640	1,720	25,569	50,929
2014–2018	102,900	7,791	116,039	226,730
2019–2023	126,745	6,551	97,827	231,123
2024–2028	158,680	4,901	75,339	236,920
2029–2033	199,985	2,659	39,716	242,360
2034–2038	100,675	836	12,913	114,424
2039-2043	9,175	22	369	9,566
Total	$ 783,340	$ 20,021	$ 448,334	$ 1,261,695

(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, 2009. 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, 2009.

(Dollars In Thousands)

7. Long-Term Debt (continued)

Water and Sewer System

Bond Year Ending October 1	Principal	Interest	Net Swap Interest	Total
2009	$ 1,410	$ 223	$ 1,057	$ 2,690
2010	1,460	780	6,801	9,041
2011	1,510	776	6,750	9,036
2012	1,570	773	6,697	9,040
2013	1,630	769	6,644	9,043
2014–2018	22,960	3,657	31,928	58,545
2019–2023	39,765	2,326	26,528	68,619
2024–2028	27,580	1,445	20,526	49,551
2029–2033	23,645	1,158	16,458	41,261
2034–2038	45,560	736	10,517	56,813
2039-2043	31,930	162	2,311	34,403
Total	$ 199,020	$ 12,805	$ 136,217	$ 348,042

(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, 2009. 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, 2009.

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, 2009, 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, 2009.

JEA's floating to fixed interest rate swap counterparty credit ratings at September 30, 2009, are as follows:

Counterparty	Counterparty Credit Ratings S&P/Moody's/Fitch	Outstanding Notional Amount
Citigroup Financial Products Inc.	A/A3/A+	$ 95,005
Goldman Sachs Mitsui Marine Derivative Products L.P.	AAA per S&P	290,800
JPMorgan Chase Bank, N.A.	AA-/Aa1/AA-	259,625
Merrill Lynch Derivative Products AG	AAA per S&P	185,290
Morgan Stanley Capital Service Inc	A/A2/A	251,640
Total		$ 1,082,360

(Dollars In Thousands)

7. Long-Term Debt (continued)

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, 2009, the weighted-average interest rate on JEA's hedged variable-rate debt is 0.3%, while the SIFMA swap index rate is 0.3% and 68% of LIBOR is 0.2%.

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.

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 2009	**$ 35,056**	**$ 6,176**
Fiscal year 2008	**$ 28,756**	**$ 8,527**

City Contribution

The calculation of the City contribution is based on a formula negotiated with the City of Jacksonville. Fiscal year 2009 is the first year of an eight-year agreement. This calculation is subject to a minimum average increase of $2,500 per year using 2008 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.

(Dollars In Thousands)

8. Transactions with City of Jacksonville (continued)

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 2009 and 2008 amounted to $76,094 and $73,847.

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 2009 and 2008 amounted to $20,593 and $20,341.

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 2009 and 2008, JEA made principal and interest payments to the City of $1,124 and $1,996. The bonds were paid in full on October 1, 2009.

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, 2009, JEA recorded $30,999 and $6,534 in its electric and water and sewer funds, which are included in operating revenues and expenses. For the year ended September 30, 2008, JEA recorded $14,979 and $3,361 in its electric and water and sewer funds.

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 $1,516 and $2,857 in fiscal years 2009 and 2008.

(Dollars In Thousands)

9. Fuel Purchase and Purchased Power Commitments

JEA has made purchase commitments for the majority of the coal and petroleum coke requirements for the Electric and Enterprise Fund and Scherer Unit 4 through calendar year 2010. Contract terms specify minimum annual purchase commitments at fixed prices or at prices that are subject to market adjustments. JEA has remarketing rights under these contracts.

The majority of JEA's coal and petroleum coke supply is purchased with transportation included. For a portion of coal purchased at the mine, JEA has a rail transportation commitment with CSX for delivery to SJRPP during calendar year 2010. In addition, JEA participates in Georgia Power agreements with rail carriers for the delivery of coal to Scherer Unit 4. The term of the agreements 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 extends through September 14, 2013. The contract provides JEA and the other Scherer co-owners with a unilateral right to extend the agreement through calendar years 2015.

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) under an agreement effective August 1, 2009 through July 31, 2012. 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 contract volume of approximately 785,000 barrels of oil over the three-year contract period. BP compensates JEA for terminalling services. 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 Petroleum coke		Natural Gas			Electric Generating Capacity/ Energy		
	Fuel	Transportation	Fuel	Transportation	Oil		Transmission	Total
2010	2,039	11,003	11,133	21,099	3,458	19,278	8,781	76,791
2011	618	8,759	11,133	21,099	–	–	5,256	46,865
2012	154	2,190	11,163	21,130	–	–	5,637	40,274
2013	–	–	11,133	21,099	–	–	5,811	38,043
2014	–	–	11,133	21,099	–	–	6,000	38,232
2015-2034	–	–	77,989	146,145	–	–	146,292	370,426

Purchase Power Contracts

Vogtle Units Purchase Power Agreement

The JEA Board authorized staff to undertake efforts to acquire 10% of JEA's energy requirements from nuclear sources by 2018. As a result of those efforts, JEA has entered into a power purchase agreement (as amended, the Additional Vogtle Units PPA) with MEAG Power for 206 MW of capacity and related energy from MEAG Power's interest in two additional nuclear generating units (the Additional Vogtle Units) proposed to be constructed at the Alvin W. Vogtle Nuclear Plant in Burke County, Georgia. The 206 MW is projected to represent approximately 10.4% of JEA's total energy requirements in the year 2017.

Under the Additional Vogtle Units PPA, JEA is entitled to 103 MW of capacity and related energy from each of the Additional Vogtle Units for a 20-year term commencing on each Additional Vogtle Unit's commercial operation date (which dates currently are estimated to occur in 2016 and 2017, respectively) and is required to pay for such capacity and energy on a "take-or-pay" basis.

(Dollars In Thousands)

9. Fuel Purchase and Purchased Power Commitments (continued)

In order to finance a portion of its costs of acquisition and construction of the PPA Project, on April 29, 2009, MEAG Power issued bond anticipation notes maturing on May 25, 2010, in a principal amount of $200,960. (the 2009 PPA Notes). Under the Additional Vogtle Units PPA, in the event that MEAG Power does not have sufficient funds to pay in full the principal of or interest on the 2009 PPA Notes when due (including, without limitation, as a result of MEAG Power's inability, for any reason, to borrow funds in an amount sufficient to refund the 2009 PPA Notes at or prior to their due date), JEA will be obligated to pay to MEAG Power 50% of the amount of such shortfall.

In order to provide liquidity support for the 2009 PPA Notes, MEAG Power has entered into a standby note purchase agreement with the trustee for the Municipal Competitive Trust (as described below) under which such trustee has agreed to purchase certain MEAG Power bonds (the PPA Take-Out Bonds) as an investment of the Municipal Competitive Trust in the event that MEAG Power is not able to borrow (whether through the issuance of other MEAG Power bonds or otherwise) funds in an amount sufficient to pay all amounts due with respect to the 2009 PPA Notes on their maturity date. In that event, the PPA Take-Out Bonds will bear interest at a rate based upon a pre-determined formula and will be payable as to principal in 10 equal semiannual installments, commencing on the first business day of the sixth month following the date of issuance thereof and on the first business day of each sixth month thereafter and, under the Additional Vogtle Units PPA, JEA will be obligated to pay to MEAG Power 50% of the principal and interest on the PPA Take-Out Bonds when due.

The Municipal Competitive Trust is a trust that was formed by MEAG Power for the benefit of its participants to accumulate and grow through common investment a substantial fund to assist MEAG Power and such participants in maintaining competitive electric rates and in preparing for competition in the electric utility industry. As of November 30, 2008, the net value of investments in the Municipal Competitive Trust was $771.8 million. However, MEAG Power expects that there will be liquid investments on deposit in such Trust on the due date of the 2009 PPA Notes that will permit such Trust to purchase the PPA Take-Out Bonds, if required.

Jacksonville Solar

Jacksonville Solar, LLC is in the process of building a solar farm projected to be fully operational by the summer of 2010. When operational, this 12.6 MW facility will consist of approximately 200,000 photovoltaic panels on a 100 acre site and generate about 22,430 MWh of electricity per year. JEA has entered into a purchase power agreement with Jacksonville Solar, LLC to receive all electricity and renewable energy credits generated by the facility over the next 30 years.

Trail Ridge Landfill

JEA has signed a Purchase Power 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.

(Dollars In Thousands)

10. Fuel Management Program

The fuel management program is intended to help manage the risk of changes in the market prices of oil and natural gas. During fiscal years 2009 and 2008, 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.

Fuel Management of Natural Gas

At September 30, 2009, the fuel management program had no open NYMEX natural gas futures contracts and several in 2008. The fuel management program had margin deposits of $12 at September 30, 2009 and 2008, which is included in other noncurrent assets on the balance sheets.

During fiscal 2009 and 2008, JEA utilized TEA to execute trades of numerous over-the-counter forward purchase and sale contracts and swaps. For effective derivative transactions, hedge accounting is applied in accordance with GASB Cod. Sec. D40 and the 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, 2009 and 2008, deferred charges of $2,279 and $4,554 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, 2009 and 2008, a $9,866 and $998 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, 2009 and 2008.

Electric Enterprise Fund Cash Flow Hedges	**Changes in Fair Value Classification**	**Amount**	**Fair Value at September 30, 2009 Classification**	**Amount**	**Notional**
Natural Gas	**Deferred costs**	**$ (2,275)**	**Deferred credits and other liabilities**	**$ (2,279)**	**2,194 MMBTUS**

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

(Dollars In Thousands)

11. Pension Plans

JEA Plan Description and Contributions

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

All full-time employees who successfully complete a physical examination and meet the medical requirements for membership are eligible to participate in the Plan. The Plan, based on laws outlined in the City of Jacksonville Ordinance Code and applicable Florida Statutes, provides for retirement, survivor, death, and disability benefits. The Plan's latest financial statements and required supplementary information are included in the 2008 Comprehensive Annual Financial Report of the City of Jacksonville, Florida. This report may be obtained by writing to the City of Jacksonville, Florida, Department of Administration and Finance, Room 300, City Hall, 117 West Duval Street, Jacksonville, Florida 32202-3418 or by calling (904) 630-1298.

In fiscal years 2009 and 2008, plan members were required to contribute 8% of their annual covered salary and JEA's contribution for the plan members was 11%. The employer rate is established each year based on the actuarial evaluation of the unfunded liability.

In fiscal year 2010, employees will also have the option to participate in a defined contribution plan. Plan members will be required to contribute 8% of their annual covered salary and JEA's contribution for the plan members will be 8% during fiscal year 2010. Also all contributions for both the defined contribution and defined benefit plans will be broken out between the contribution and a disability program fund. Due to this change there will be no physical exam requirement for both plans.

St. Johns River Power Park Plan Description

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

Effective February 1, 2009, an SJRPP employee on the SJRPP Plan who now works for JEA may request a forfeiture of their vested benefits rights in exchange for the receipt of a refund of all of their employee contributions made to the SJRPP Plan during their term of employment without interest. An employee is then eligible to purchase the respective time in the City of Jacksonville General Employees Pension Plan at a higher figure than the amount received in their refund.

(Dollars In Thousands)

11. Pension Plans (continued)

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, 2009, was 50.0% of annual covered payroll.

Annual Pension Cost – The annual pension contributions for the years ended September 30, 2009, 2008, 2007, and 2006 were $11,236, $10,902, $5,090, and $4,857, which was equal to the required employee and employer contributions for each year.

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

Actuarial valuation date	October 1, 2008	October 1, 2007	October 1, 2006
Actuarial value of plan assets	$ 60,998	$ 61,029	$ 51,498
Actuarial accrued liability	108,678	95,985	86,533
Total unfunded actuarial liability	47,680	34,956	35,035
The actuarial value of assets as % of the actuarial accrued liabilities	56.13%	63.58%	59.51%
The annual covered payroll	$ 21,609	$ 24,027	$ 20,648
The ratio of the unfunded actuarial liability to annual covered payroll	220.65%	145.49%	169.68%

The schedules of funding progress present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

Assumptions:

SJRPP Plan members are required to contribute currently 4.0% of their current-year annual covered salary since October 1, 2005. The annual required contribution was determined actuarial valuation using the Individual Entry Age Actuarial Cost Method. The actuarial assumptions included (a) life expectancy was calculated using the RP-2000 Mortality Table; (b) 7.75% investment rate of return (net of administrative expenses); and (c) projected salary increases from 4.0% to 6.5%, depending on years of service per year, including an inflation component of 3.75%. The actuarial value of the assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a three-year period. As of October 1, 2006, all remaining gain (loss) bases including increases in the UAAL first recognized as of the valuation date were consolidated into one and amortized over five years starting one year after the valuation date. As of October 1, 2006, all UAAL bases other than experience bases referred to above were consolidated into one and amortized over an 11-year period starting one year after the valuation date. As of October 1, 2008, these bases were all extended by two years. 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 seven-year period from inception. In addition, there has been a valuation system change, increasing liabilities by approximately 1.7%. Plan provisions were modified to add a BAC DROP provision as well as a partial lump-sum option.

(Dollars In Thousands)

12. Health Insurance Programs

As of July 1, 2009, JEA became self insured for medical and prescription benefits. Under the self-insurance program, JEA is liable for all claims up to certain maximum amounts per occurrence. Claims in excess of $250, with an aggregate limit of 125% of aggregate claims are covered by insurance. The health insurance benefits program is administered through an insurance company and as such the administrator is responsible for processing the claims in accordance with the benefit specifications, with JEA reimbursing the insurance company for its payouts. Liabilities associated with the health care program are determined based on an actuarial study. This amount, which includes claims that have been incurred but not reported, is reported on the balance sheet in accounts and accrued expenses payable.

13. Other Post-Employment Benefits

Plan Description

The JEA 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 pays to Blue Cross Blue Shield any remaining required amounts after contributions of plan members are 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 from active members. The use of age-adjusted premiums results in the full expected retiree obligation recognized in this disclosure.

(Dollars In Thousands)

13. Other Post-Employment Benefits (continued)

Annual OPEB Costs and Net OPEB Obligation

Fiscal Year Ending	Annual Retiree Cost	JEA Contributions*`	Percentage of Retiree Cost Contributed	Net Obligation
September 30, 2009	$5,779	$4,023	70%	$3,807
September 30, 2008	$5,351	$3,280	61%	$2,071

* Implicit additional premiums paid by JEA

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 2009	September 30 2008
Annual Required Contribution (ARC)	$ 5,779	$ 5,561
Interest on OPEB Plan obligation	182	-
Adjustment to ARC	203	-
Annual OPEB plan retiree cost*	$ 5,759	$ 3,280
Change in OPEB Plan obligation	$ 1,736	$ 2,281
OPEB Plan obligation at beginning of year	$ 2,281	-
OPEB Plan obligation at end of year	$ 3,807	$ 2,281

* Implicit additional premiums paid by JEA

Funded Status

As of September 30, 2009, the most recent valuation date, the OPEB plan was 2.87% funded. The actuarial accrued liability for benefits was $74,884 and the actuarial value of assets was $2,149, resulting in an unfunded actuarial accrued liability (UAAL) of $72,735. The covered payroll (annual payroll of active employees covered by the OPEB plan) was $136,128 and the ratio of the UAAL the covered payroll was 53.43%.

(Dollars In Thousands)

13. Other Post-Employment Benefits (continued)

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 9% at October 1, 2008, 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.

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.

14. Commitments and Contingent Liabilities

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)

14. Commitments and Contingent Liabilities (continued)

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 Protection (FDEP) 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 Obama 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.

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 civil construction materials presently being marketed as EZBase and EZSorb. In order to provide comprehensive, unified oversight, JEA has recently reorganized its By-product Services to include the material handling area and the marketing area under one process. In addition, the expansion of rail capacity, the ability to load rail cars directly from the storage silos, and direct leasing of rail cars has enabled JEA to become a full-service marketer, delivering products by truck or rail. EZSorb and EZBase are currently being transported by truck and rail to civil and environmental remediation/stabilization projects in several Southeastern states.

The By-products Storage Area (BSA) is an FDEP permitted, Class I lined storage facility at NSGS. As part of the re-permitting process for the BSA, the FDEP is requiring a reshaping of the BSA to reduce slopes. In order to reshape to the proper slopes, and maintain the required "table-top" for processing, a considerable amount of material must be removed. The redesign and reshaping of the BSA will bring it into full compliance with the new permit, and enable JEA to utilize the BSA more effectively as a by-products processing/management facility. JEA has recorded a $10 million liability in fiscal year 2009 related to resolution of this issue.

In 2005 and 2006 JEA's contract by-product marketer (who is no longer under contract) sold a significant quantity of material to a small county in Georgia. The county stockpiled the majority of the material at two separate locations. The stockpiling of the material has caused concerns with the Georgia Department of Natural Resources (GDNR). The GDNR has requested that JEA apply for and secure a variance from GDNR for the continued use of EZBase in Georgia, similar to the approval JEA has already obtained from the FDEP. In order to alleviate GDNR's concerns, JEA has offered to assist the county and GDNR in remediating the stockpiled material. JEA has recorded a $10 million liability in fiscal year 2009 related to the resolution of this issue.

(Dollars In Thousands)

14. Commitments and Contingent Liabilities (continued)

Southside Generating Station

JEA decommissioned the Southside Generating System on October 31, 2001. JEA has spent approximately $26,950 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.

Water Supply System Regulatory Initiatives

The St. Johns River Water Management District (SJRWMD) regulates groundwater withdrawals and issues permits for the same. JEA currently has multiple Consumptive Use Permits (CUPs) authorizing the use of groundwater supplies to serve the public utility water demands. In September 2007, JEA submitted a request to consolidate these CUPs into a single permit and requested permit duration of 20 years. This is the largest utility CUP ever processed by the SJRWMD and is a multi-year process. The ultimate issuance of the consolidated permit cannot be predicted at this time. A central part of a groundwater CUP application is a demonstration by the applicant that withdrawals are within the sustainable limits of the resource. JEA is currently working on a series of modeling tasks to define the maximum sustainable limits of the resource and to identify specific conservation measures and alternative water supply supplies, as needed, to control and meet future demands. The outcome of the CUP process will ultimately define the timeline for implementing alternative water supply strategies in Northeast Florida to augment the abundant groundwater supply in order to ensure its sustainability.

SJRWMD has listed Northeast Florida as a potential priority water resource caution area. If confirmed in the 2010 District Water Supply Plan, it will require a portion of JEA's water supply to be provided through increased conservation, expanded use of reclaimed water, or alternative water supply projects.

Wastewater Treatment System Regulatory Initiatives

The Sewer System is regulated by Environmental Protection Agency (EPA) under provisions of the Federal Clean Water Act and the Federal Water Pollution Act. EPA has delegated the wastewater regulatory program to The Florida Department of Environmental Protection (FDEP). FDEP has implemented a Total Maximum Daily Load regulation (TMDL) 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 limits 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)

14. Commitments and Contingent Liabilities (continued)

EPA announced in January 2009 its intention to promulgate numerical nutrient criteria for Florida beginning 2010 as part of a legal settlement agreement with environmental third parties. Their proposed schedule may result in new criteria for JEA by October 2014 that could supersede the nutrient reduction requirements established by the TMDL. Although EPA has not published specific criteria, it is anticipated the proposed nutrient criteria will be very stringent and would result in significant reductions to nitrogen and phosphorus discharges well below levels currently required for JEA by the existing Lower St. Johns River nutrient TMDL. If such a rule were successfully passed, it could require a substantial investment in additional facility upgrades beyond those planned for the TMDL effort. The proposed criteria are the subject of a legal challenge as JEA and numerous other stakeholder organizations are litigating against EPA on this issue.

Sanitary Sewer Overflow Litigation

In September 2007, plaintiffs 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 complete and JEAs Motion is scheduled for hearing in January 2010. JEA believes it has a strong case.

Pollution Remediation Obligations

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. JEA adopted GASB Cod. Sec. P40, related to various environmental matters. The effect of the adoption was to increase the environmental liability by $2,300. Based on analysis of the cost of remediation and other identified environmental contingencies, approximately $15,320 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.

General Litigation

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

(Dollars In Thousands)

15. 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 District Energy System consists of chilled water activities.

Intercompany billing is employed between the Electric System and the Water and Sewer System and includes purchases of electricity, water, and sewer services and the rental of inventory and buildings. The utility charges between entities are based on a commercial customer rate. All intercompany billings are eliminated in the monthly and annual financial statements. Electricity charges to the Water and Sewer entity was $15,121 for fiscal 2009 and $12,827 for fiscal 2008. Water and Sewer charges to the Electric System were $139 for fiscal 2009 and $131 for fiscal 2008.

The Electric System shares certain administrative functions with Water and Sewer System. Generally, these costs are charged to the Electric System and the costs of these functions are allocated to the Water and Sewer System based on the benefits provided. Operating expense allocated to Water and Sewer System were $37,163 for fiscal year 2009 and $48,103 for fiscal year 2008.

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 prior year's Water and Sewer average cost of debt. Inventory carrying charges were $2,067 for fiscal 2009 and $1,263 for fiscal 2008.

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 $2,055 for fiscal year 2009 and $1,412 for fiscal year 2008.

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. Deposits are allocated to the Electric System or Water and Sewer Systems based on accounts receivable balances. When the deposits are credited to customer accounts they are allocated between the service agreements.

(Dollars In Thousands)

15. Segment Information (continued)

Segment information for these activities for the fiscal years ended September 30, 2009 and 2008, was as follows:

	Electric System and Bulk Power Supply System 2009	Electric System and Bulk Power Supply System 2008	SJRPP System 2009	SJRPP System 2008	Water and Sewer System 2009	Water and Sewer System 2008	DES 2009	DES 2008
Condensed Balance Sheet Information:								
Total current assets	$ 417,860	$ 337,707	$ 147,277	$ 124,135	$ 110,251	$ 99,804	$ 2,869	$ 1,387
Total other noncurrent assets	401,063	253,410	532,974	569,018	195,976	170,736	2,849	2,788
Capital assets, net	3,023,740	2,957,999	798,705	792,817	2,810,499	2,803,270	45,379	47,255
Total assets	$ 3,842,663	$ 3,549,116	$ 1,478,956	$ 1,485,970	$ 3,116,726	$ 3,073,810	$ 51,097	$ 51,430
Total current liabilities	$ 163,789	$ 150,231	$ 27,063	$ 23,650	$ 17,149	$ 10,013	$ 43	$ 574
Total current liabilities payable From restricted assets	92,648	128,914	245,909	247,032	118,810	84,415	4,307	157
Total other noncurrent liabilities	111,539	113,768	2,948	2,839	7,061	6,546	–	–
Total long-term debt	3,003,893	2,780,690	1,163,733	1,195,206	1,916,468	1,881,671	47,800	52,085
Total liabilities	3,371,869	3,173,603	1,439,653	1,468,727	2,059,488	1,982,645	52,150	52,816
Net assets invested in capital assets, net of related debt	72,898	121,002	(335,572)	(329,005)	874,236	939,809	(6,434)	(4,311)
Restricted net assets	171,707	90,645	257,609	248,602	94,550	65,025	2,555	2,112
Unrestricted net assets	226,189	163,866	117,266	97,646	88,452	86,331	2,826	813
Total net assets	470,794	375,513	39,303	17,243	1,057,238	1,091,165	(1,053)	(1,386)
Total liabilities and net assets	$ 3,842,663	$ 3,549,116	$ 1,478,956	$ 1,485,970	$ 3,116,726	$ 3,073,810	$ 51,097	$ 51,430
Condensed Statement of Revenues, Expenses, and Changes in Net Assets Information:								
Operating revenues	$ 1,426,674	$ 1,247,324	$ 391,030	$ 345,695	$ 259,275	$ 257,657	$ 6,915	$ 6,162
Operating expenses	1,154,344	1,114,703	313,328	287,544	243,030	239,061	5,981	5,385
Operating income	272,330	132,621	77,702	58,151	16,245	18,596	934	777
Nonoperating revenues (expenses)	(100,955)	(76,700)	(55,642)	(41,589)	(69,166)	(71,537)	(601)	(1,594)
Contributions	(76,094)	(73,847)	–	–	18,994	29,987	–	–
Change in net assets	95,281	(17,926)	22,060	16,562	(33,927)	(22,954)	333	(817)
Beginning net assets	375,513	393,439	17,243	681	1,091,165	1,114,119	(1,386)	(569)
Ending net assets	$ 470,794	$ 375,513	$ 39,303	$ 17,243	$ 1,057,238	$ 1,091,165	$ (1,053)	$ (1,386)
Condensed Statement of Cash Flow Information:								
Net cash provided by (used in):								
Operating activities	$ 459,157	$ 280,047	$ 125,897	$ 116,808	$ 159,863	$ 146,276	$ 2,791	$ 3,287
Noncapital financing activities	(75,907)	(79,876)	–	–	(21,436)	(22,918)	–	–
Capital and related financing activities	(233,316)	(81,291)	(140,034)	(146,236)	(116,293)	(73,657)	(879)	(2,659)
Investing activities	(23,988)	(15,524)	(73,150)	85,920	(4,245)	(34,998)	30	(11)
Net change in cash and cash equivalents	125,946	103,356	(87,287)	56,492	17,889	14,703	1,942	617
Cash and cash equivalents at beginning of year	235,357	132,001	333,393	276,901	128,402	113,699	3,292	2,675
Cash and cash equivalents at end of year	$ 361,303	$ 235,357	$ 246,106	$ 333,393	$ 146,291	$ 128,402	$ 5,234	$ 3,292

(Dollars In Thousands)

16. Subsequent Events

Short-Term Bank Borrowings

In October 2009, SJRPP made a new money draw of $6,000 for capital expenditures, which will be replaced with permanent financing during 2010.

In October 2009, DES made a refunding draw of $4,285, which is scheduled to mature in August 2010.

In November 2009, the Bulk Power Supply System made a new money draw of $8,000 for capital expenditures, which will be replaced with permanent financing during 2010.

In December 2009, JEA issued $45,955 of its Electric System Revenue Bonds, Series Three 2009D and $68,600 of its Electric System Subordinated Revenue Bonds, 2009 Series F to fund capital expenditures. In addition, in December 2009, JEA issued $27,675 of its Subordinated Electric System Revenue Bonds, 2009 Series G to economic refund $28,930 of prior issued bonds with new debt service of $38,468 compared to the prior debt service of $40,419 with an economic gain of $1,464.

Required Supplementary Information

JEA

Schedule of Funding Progress

September 30, 2009

(Dollars In Thousands)

The following funding schedule presents multi-year trend information on the funded status of the Other Post-Employment Benefit Plan as September 30, 2009. The schedule has been prepared using the entry age actuarial method.

Valuation Date	AAL*	Actuarial Value of Assets	UAAL	Percentage Funded	Annual Covered Payroll**	UAAL as Percentage of Payroll
September 30, 2009	$ 74,884	$ 2,149	$ 72,735	2.87%	$ 136,128	53.43
September 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 $68,682 in 2009 and $40,000 in 2008.

See note 13 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, 2009

(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	$ 1,383,189	$ 391,030	$ (233,132)	$ 1,541,087	$ –	$ –	$ (15,121)	$ 1,525,966
Water and sewer	–	–	–	–	249,952	–	(139)	249,813
District Energy	–	–	–	–	–	6,914	–	6,914
Other, net of allowances	43,485	–	–	43,485	9,323	1	(4,122)	48,687
Total operating revenues	1,426,674	391,030	(233,132)	1,584,572	259,275	6,915	(19,382)	1,831,380
Operating expenses:								
Operations:								
Fuel	418,926	198,559	–	617,485	–	–	–	617,485
Purchased power	334,943	–	(233,132)	101,811	–	–	–	101,811
Other	118,657	19,158	–	137,815	80,556	3,204	(19,382)	202,193
Maintenance	42,980	23,261	–	66,241	26,312	734	–	93,287
Depreciation	177,123	35,364	–	212,487	129,628	2,043	–	344,158
State utility and franchise taxes	65,593	–	–	65,593	6,534	–	–	72,127
Recognition of deferred costs and revenues, net	(3,878)	36,986	–	33,108	–	–	–	33,108
Total operating expenses	1,154,344	313,328	(233,132)	1,234,540	243,030	5,981	(19,382)	1,464,169
Operating income	272,330	77,702	–	350,032	16,245	934	–	367,211
Nonoperating revenues (expenses):								
Earnings from The Energy Authority	4,088	–	–	4,088	–	–	–	4,088
Investment income	2,653	16,695	–	19,348	4,128	(13)	–	23,463
Interest on debt	(114,108)	(72,337)	–	(186,445)	(77,606)	(650)	–	(264,701)
Other interest, net	(113)	–	–	(113)	41	–	–	(72)
Allowance for funds used during construction	7,596	–	–	7,596	5,050	62	–	12,708
Water and Sewer Expansion Authority — operating	–	–	–	–	(864)	–	–	(864)
Gain (loss) on sale of asset	(1,071)	–	–	(1,071)	85	–	–	(986)
Total nonoperating revenues (expenses)	(100,955)	(55,642)	–	(156,597)	(69,166)	(601)	–	(226,364)
Income (loss) before contributions	171,375	22,060	–	193,435	(52,921)	333	–	140,847
Contributions (to) from:								
General fund, City of Jacksonville	(76,094)	–	–	(76,094)	(20,593)	–	–	(96,687)
Water and Sewer Expansion Authority - capital				–				–
Developers and other	–	–	–	–	38,071	–	–	38,071
City of Jacksonville	–	–	–	–	1,516	–	–	1,516
Total contributions	(76,094)	–	–	(76,094)	18,994	–	–	(57,100)
Change in net assets	95,281	22,060	–	117,341	(33,927)	333	–	83,747
Net assets, beginning of year	375,513	17,243	–	392,756	1,091,165	(1,386)	–	1,482,535
Net assets, end of year	$ 470,794	$ 39,303	$ –	$ 510,097	$ 1,057,238	$ (1,053)	$ –	$ 1,566,282

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)
Water and Sewer Expansion Authority - capital				–				–
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 Balance Sheet

September 30, 2009

(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	$ 166,233	$ 50,961	$ –	$ 217,194	$ 35,900	$ 2,663	$ –	$ 255,757
Investments	–	10,498	–	10,498	–	50	–	10,548
Accounts and interest receivable, less allowance for doubtful accounts of $4,386	220,293	6,093	(23,708)	202,678	27,937	156	–	230,771
Inventories:								
Fuel	29,401	56,553	–	85,954	–	–	–	85,954
Materials and supplies	1,933	23,172	–	25,105	46,414	–	–	71,519
Total current assets	417,860	147,277	(23,708)	541,429	110,251	2,869	–	654,549
Noncurrent assets:								
Restricted assets:								
Cash and cash equivalents	195,070	195,145	–	390,215	110,391	2,571	–	503,177
Investments	71,051	192,589	–	263,640	45,209	–	–	308,849
Accounts and interest receivable	5,000	1,972	–	6,972	1,570	–	–	8,542
Total restricted assets	271,121	389,706	–	660,827	157,170	2,571	–	820,568
Deferred costs	121,864	8,470	–	130,334	38,806	278	–	169,418
Investment in The Energy Authority	8,078	–	–	8,078	–	–	–	8,078
Costs to be recovered from future revenues	–	134,798	–	134,798	–	–	–	134,798
Total noncurrent assets	401,063	532,974	–	934,037	195,976	2,849	–	1,132,862
Capital assets:								
Land and easements	57,181	6,660	–	63,841	42,970	3,051	–	109,862
Plant in service	4,417,113	1,400,847	–	5,817,960	3,697,184	49,425	–	9,564,569
Less accumulated depreciation	(1,654,355)	(622,574)	–	(2,276,929)	(1,039,947)	(7,212)	–	(3,324,088)
Plant in service, net	2,819,939	784,933	–	3,604,872	2,700,207	45,264	–	6,350,343
Construction work-in-progress	203,801	13,772	–	217,573	110,292	115	–	327,980
Net capital assets	3,023,740	798,705	–	3,822,445	2,810,499	45,379	–	6,678,323
Total assets	$ 3,842,663	$ 1,478,956	$ (23,708)	$ 5,297,911	$ 3,116,726	$ 51,097	$ –	$ 8,465,734

JEA

Combining Balance Sheet (continued)

September 30, 2009

(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	$ 126,090	$ 27,063	$ -	$ 153,153	$ 10,551	$ 43	$ -	$ 163,747
Customer deposits	37,699	-	-	37,699	6,598	-	-	44,297
Total current liabilities	163,789	27,063	-	190,852	17,149	43	-	208,044
Current liabilities payable from restricted assets:								
Debt due within one year	46,755	100,205	-	146,960	73,157	4,285	-	224,402
Interest payable	38,971	29,356	-	68,327	34,312	16	-	102,655
Construction contracts and accounts payable	6,922	26,348	(23,708)	9,562	11,341	6	-	20,909
Renewal and replacement reserve	-	90,000	-	90,000	-	-	-	90,000
Total current liabilities payable from restricted assets	92,648	245,909	(23,708)	314,849	118,810	4,307	-	437,966
Noncurrent liabilities:								
Deferred credits and other liabilities	39,078	2,948	-	42,026	7,061	-	-	49,087
Revenues to be used for future costs	72,461	-	-	72,461	-	-	-	72,461
Total noncurrent liabilities	111,539	2,948	-	114,487	7,061	-	-	121,548
Long-term debt:								
Bonds payable and commercial paper payable, less current portion	2,934,716	1,208,858	-	4,143,574	1,929,327	47,800	-	6,120,701
Unamortized original issue premium (discount), net	14,324	11,388	-	25,712	263	-	-	25,975
Unamortized deferred losses on refundings	(45,946)	(56,513)	-	(102,459)	(31,378)	-	-	(133,837)
Fair value of debt management strategy instruments	100,799	-	-	100,799	18,256	-	-	119,055
Total long-term debt	3,003,893	1,163,733	-	4,167,626	1,916,468	47,800	-	6,131,894
Net assets:								
Invested in capital assets, net of related debt	72,898	(335,572)	-	(262,674)	874,236	(6,434)	-	605,128
Restricted	171,707	257,609	23,708	453,024	94,550	2,555	-	550,129
Unrestricted	226,189	117,266	(23,708)	319,747	88,452	2,826	-	411,025
Total net assets	470,794	39,303	-	510,097	1,057,238	(1,053)	-	1,566,282
Total liabilities and net assets	3,371,869	1,439,653	(23,708)	4,787,814	2,059,488	52,150	-	6,899,452
Total liabilities and net assets	$ 3,842,663	$ 1,478,956	$ (23,708)	$ 5,297,911	$ 3,116,726	$ 51,097	$ -	$ 8,465,734

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	4,127,411	1,194,719	–	5,322,130	3,546,311	51,890	–	8,920,331
Less accumulated depreciation	(1,533,032)	(605,247)	–	(2,138,279)	(951,363)	(5,169)	–	(3,094,811)
Plant in service, net	2,647,835	596,132	–	3,243,967	2,630,672	46,961	–	5,921,600
Construction work-in-progress	310,164	196,685	–	506,849	172,598	294	–	679,741
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 and net assets	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 Statement of Cash Flows

Year Ended September 30, 2009

(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	$ 1,386,225	$ 391,030	$ (235,715)	$ 1,541,540	$ 253,489	$ 7,259	$ (15,260)	$ 1,787,028
Other receipts	39,029	–	–	39,029	9,370	1	(4,122)	44,278
Payments to suppliers	(837,452)	(231,189)	235,715	(832,926)	(69,849)	(4,041)	19,382	(887,434)
Payments to employees	(128,645)	(33,944)	–	(162,589)	(33,147)	(428)	–	(196,164)
Net cash provided by operating activities	459,157	125,897	–	585,054	159,863	2,791	–	747,708
Noncapital and related financing activities								
Contribution to General Fund, City of Jacksonville, Florida	(75,907)	–	–	(75,907)	(20,572)	–	–	(96,479)
Contribution to Water and Sewer Expansion Authority - operating	–	–	–	–	(864)	–	–	(864)
Net cash used in noncapital financing activities	(75,907)	–	–	(75,907)	(21,436)	–	–	(97,343)
Capital and related financing activities								
Acquisition and construction of capital assets	(245,393)	(49,237)	–	(294,630)	(129,602)	(113)	–	(424,345)
Proceeds from issuance of debt	644,060	99,305	–	743,365	196,323	–	–	939,688
(Loss) gain on disposal of fixed assets	(1,071)	–	–	(1,071)	85	–	–	(986)
Defeasance of debt	(483,089)	(36,640)	–	(519,729)	(104,330)	–	–	(624,059)
Repayment of debt principal	(43,040)	(95,500)	–	(138,540)	(23,200)	–	–	(161,740)
Interest paid on debt	(105,550)	(57,962)	–	(163,512)	(77,483)	(766)	–	(241,761)
Developer and other contributions	–	–	–	–	20,867	–	–	20,867
City of Jacksonville contributions	–	–	–	–	1,516	–	–	1,516
Proceeds from sales of property	767	–	–	767	(469)	–	–	298
Net cash used in capital and related financing activities	(233,316)	(140,034)	–	(373,350)	(116,293)	(879)	–	(490,522)
Investing activities								
Purchase of investments	(196,674)	(1,220,684)	–	(1,417,358)	(168,099)	–	–	(1,585,457)
Proceeds from sale and maturities of investments	167,659	1,140,033	–	1,307,692	161,926	20	–	1,469,638
Investment income	1,407	7,501	–	8,908	1,928	10	–	10,846
Distributions from The Energy Authority	3,620	–	–	3,620	–	–	–	3,620
Net cash (used in) provided by investing activities	(23,988)	(73,150)	–	(97,138)	(4,245)	30	–	(101,353)
Net increase in cash and cash equivalents	125,946	(87,287)	–	38,659	17,889	1,942	–	58,490
Cash and cash equivalents at October 1, 2008	235,357	333,393	–	568,750	128,402	3,292	–	700,444
Cash and cash equivalents at September 30, 2009	$ 361,303	$ 246,106	$ –	$ 607,409	$ 146,291	$ 5,234	$ –	$ 758,934
Reconciliation of operating income to net cash provided by operating activities:								
Operating income	$ 272,330	$ 77,702	$ –	$ 350,032	$ 16,245	$ 934	$ –	$ 367,211
Adjustments to reconcile operating income to net cash provided by operating activities:								
Depreciation and amortization	177,123	35,364	–	212,487	130,290	2,043	–	344,820
Recognition of deferred costs and revenues, net	(3,878)	36,986	–	33,108	–	–	–	33,108
Changes in noncash assets and noncash liabilities:								
Accounts receivable and interest receivable	3,036	(835)	–	2,201	3,537	345	–	6,083
Accounts receivable and interest receivable, restricted	(4,456)	–	–	(4,456)	47	–	–	(4,409)
Inventories	(2,995)	(21,524)	–	(24,519)	2,060	–	–	(22,459)
Other	815	–	–	815	14	–	–	829
Accounts and expenses payable	13,258	3,415	–	16,673	7,156	(531)	–	23,298
Liabilities payable from restricted assets	–	(5,320)	–	(5,320)	–	–	–	(5,320)
Deferred credits and other liabilities	3,924	109	–	4,033	514	–	–	4,547
Net cash provided by operating activities	$ 459,157	$ 125,897	$ –	$ 585,054	$ 159,863	$ 2,791	$ –	$ 747,708
Noncash activity:								
Contribution of capital assets from developers	$ –	$ –	$ –	$ –	$ 17,204	$ –	$ –	$ 17,204

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	497,292	–	–	2,088,095
(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)	(79,389)	(1,613)	–	(243,314)
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
Investment income	3,744	13,180	–	16,924	2,559	102	–	19,585
Distributions from The Energy Authority	22,187	–	–	22,187	–	–	–	22,187
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	(35,662)	2,466	–	(33,196)	1,108	(57)	–	(32,145)
Accounts receivable and interest receivable, restricted	55	–	–	55	2,958	–	–	3,013
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

BOND COMPLIANCE INFORMATION

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

The Governing Board
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, 2009 and 2008 and have issued our report thereon dated December 7, 2009. 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, 2009 and 2008, 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, 2009 and 2008, 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

December 7, 2009

JEA Electric System

Schedules of Debt Service Coverage

Years Ended September 30, 2009 and 2008

(In Thousands)

	2009	2008
Revenues:		
Electric	**$ 1,383,189**	$ 1,205,197
Investment income (1)	**453**	3,207
Earnings from The Energy Authority	**4,088**	22,374
Other, net	**43,485**	41,034
Plus: amount paid from the Rate Stabilization Fund into the Revenue Fund	**40,361**	62,174
Less: amount paid from the Revenue Fund into the Rate Stabilization Fund	**(135,226)**	(50,182)
Total revenues	**1,336,350**	1,283,804
Operating expenses (2):		
Fuel	**383,421**	331,670
Purchased power (3)	**380,082**	409,142
Other operation and maintenance	**152,347**	160,272
Utility and franchise taxes	**65,249**	44,353
Total operating expenses	**981,099**	945,437
Net revenues	**$ 355,251**	$ 338,367
Debt service	**$ 74,747**	$ 77,152
Less: investment income on sinking fund	**(986)**	(673)
Debt service requirement	**$ 73,761**	$ 76,479
Senior debt service coverage (4)	**4.82x**	4.42x
Net revenues (from above)	**$ 355,251**	$ 338,367
Debt service requirement (from above)	**$ 73,761**	$ 76,479
Plus: aggregate subordinated debt service on outstanding subordinated bonds	**44,890**	64,274
Adjusted debt service requirement	**$ 118,651**	$ 140,753
Senior and subordinated debt service coverage (5)	**2.99x**	2.40x

(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, 2009 and 2008

(In Thousands)

	2009	2008
Revenues:		
JEA	**$ 251,132**	$ 240,174
FPL	**157,898**	137,906
Investment income	**7,511**	13,193
Total revenues	**416,541**	391,273
Operating expenses (1):		
Fuel	**198,559**	173,960
Other operation and maintenance	**38,201**	37,419
Total operating expenses	**236,760**	211,379
Net revenues	**$ 179,781**	$ 179,894
Debt service requirement	**$ 143,946**	$ 143,952
Debt service coverage (2)	**1.25x**	1.25x

(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, 2009 and 2008

(In Thousands)

	2009	2008
Revenues:		
Water capacity fees (1)	**$ 105,594**	$ 105,171
Water capacity fees (1)	**5,106**	7,133
Sewer capacity fees (1)	**144,358**	143,075
Sewer capacity fees (1)	**8,704**	10,297
Investment Income	**1,925**	2,615
Other	**9,355**	9,411
Plus: amount paid from the Rate Stabilization Fund into the Revenue Fund	**–**	–
Less: amount paid from the Revenue Fund into the Rate Stabilization Fund	**(1,524)**	–
Total revenues	**273,518**	**277,702**
Operating expenses (2):		
Operations and maintenance	**113,402**	116,890
Net revenues	**$ 160,116**	$ 160,812
Debt service requirement	**$ 86,355**	$ 82,247
Senior debt service coverage (3)	**1.85x**	1.96x
Net revenues (from above)	**$ 160,116**	$ 160,812
Debt service requirement (from above)	**$ 86,355**	$ 82,247
Plus: aggregate subordinated debt service on outstanding subordinated debt	**10,824**	18,252
Adjusted debt service requirement	**$ 97,179**	$ 100,499
Senior and subordinated debt service coverage (4)	**1.65x**	1.60x

(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 2009 and 2008, then the debt service coverage would have been 1.51x and 1.43x.

(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 2009 is $99,344 and $104,149 for the year ending September 2008.

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

JEA at a glance

Electric System
- 417,226 customers
- 900 square miles of service area
- 6,488 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 – NGS 3
- Seven Combustion Turbines – 4 at NGS, 2 at KS, 1 at BB
- One Combined Cycle unit (CC) – BB

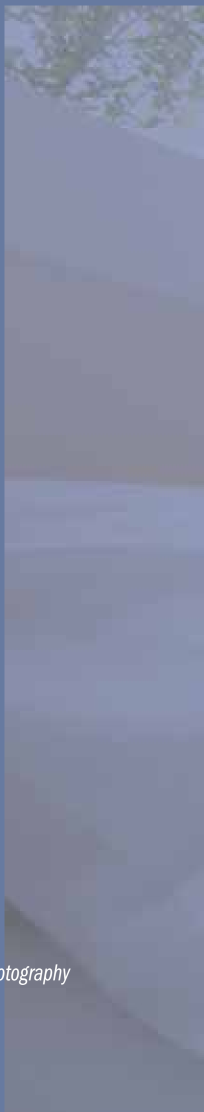
Electric Mix (kW capacity)
- Gas/Oil – 53%
- Solid Fuel – 47%

Power Supply Mix (kWh)
- Gas – 12%
- Solid Fuel – 85%
- Other – 3%

Water and Sewer System
- 305,076 water customers
- 230,358 sewer customers
- 913 square miles of service area
- 4,208 miles of distribution
- 3,760 miles of collection

Water and Sewer Treatment Plants
- 35 water plants (296 MGD maximum daily capacity)
- 7 regional/8 non-regional sewer plants (123.95 MGD average daily capacity)
- 1,261 pump stations
- 134 wells (active)
- 2 potable water system storage and repump facilities
- 3 reclaimed water storage facilities
- 24 reclaimed water delivery stations

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



Annual Report: Laurette Kessler, CPA; Contributors: Jane Upton; Toni Woods; Marcia Francis; Design and Art Direction: Suzanne Hendrix; Photography: Kelly LaDuke; Stock Photography

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

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

Electric System and Water and Sewer System Variable Rate Senior Bonds:
Bond Registrar, Paying Agent and
Tender Agent
The Bank of New York
Mellon 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
Mellon 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
Ft. Lauderdale, Florida

District Energy System
Bond Registrar, Paying Agent and
Tender Agent
The Bank of New York
Mellon 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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