WORK THAT MATTERS

2010 Annual Report

JEA®
Building Community®

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WORK THAT MATTERS FOR THE CUSTOMER EXPERIENCE: Predictable bills, a call-in radio show and a social network with our customers helped us connect with customers during another tough economic year.

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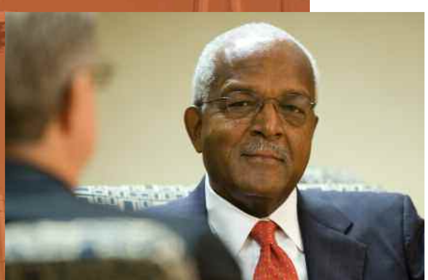
WORK THAT MATTERS FOR THE ST. JOHNS RIVER: JEA employees care deeply about the health of the river and finding ways to improve it while keeping rates down for our customers. We succeeded on several levels.

WORK THAT MATTERS FOR EFFICIENCY: Efficiency in the workplace can translate to millions of dollars saved. In the case of ammonia, it was $2.5 million in two years.

WORK THAT MATTERS FOR THE COMMUNITY: JEA became a leader in solar electricity generation with Jacksonville Solar, a 15 megawatt facility. And programs to reduce customer demand and increase efficiency yielded positive results.



Ron Townsend, *Chair*
Communications Consultant

Chair and CEO's Letter

Despite the tough economy that continued through fiscal year 2010, JEA ended the year in an improved position both financially and operationally. Our employees rose to the challenges around them and made some truly unprecedented accomplishments.

Success always begins with a good plan. Our plan was to control costs, reduce our capital budget, inject more cash into the business and decrease our reliance on debt. With staff's teamwork and dedication, we have accomplished much of our plan.

Our primary financial metrics – Total Debt Coverage, Days Cash on Hand, Debt to Asset Ratio, Renewal and Replacement and Operating Capital Outlay – are part of our Pricing Philosophy which was approved by our Board five years ago. In 2007 the debt to asset ratio on the electric system was 91 percent. Today it stands at 88 percent and by 2015 it will be at 79 percent, a 12 percent improvement. Another of our main goals was to achieve a level of cash in the business that would allow us to pay for recurring capital expenses with internal funds rather than increasing our debt. This goal has been achieved in the electric business and we are rapidly closing in on this goal on the water and sewer side of the business. Going forward our intention is to borrow money for new capacity projects only which will allow us to continue reducing our overall debt load over time.

On the operational front, we were faced with – fuel price volatility and regulatory uncertainty. However, our continued focus on safety, efficiency and cost control has seen us through the last two years to bring us to the positive optimistic position we are in today.

Fiscal year 2010 was the best operational year for JEA since the development of our existing major operational metrics. We exceeded our stretch goal to reduce Sanitary Sewer Overflows (SSOs) to 35 or fewer for the year with a total of only 26 occurrences. We also beat our goal to reduce nitrogen discharge to the St. Johns River to 760 tons or less with a discharge total of only 664 tons. And our water production numbers were higher than projected.

On the electric side, FY10 was one of our most reliable years ever. We received an 83.3 percent approval rating from our customers on "providing reliable electric services." We also compare our performance to peer utilities in our region. Though we were not the best on the number of extended outages, we are best overall for the short momentary outages and we rank first in comparison to our peer utilities in outage duration. Also on the electric system, the Equivalent Forced Outage Rates for both our Northside and St. Johns River Power Park generating units came in within their established targets in addition to the fact that these units have operated very efficiently over the entire year.

Our overall Safety Recordable Incident Rate was a bit higher than our best score to date, but lost-time and severity rates were some of the lowest we have ever experienced meaning the incidents that occurred were less serious.

These accomplishments are even more impressive when you consider most areas in the organization have worked with tighter budgets and fewer resources for at least two years, and still, our utility operated as efficiently as it ever has. I believe this is because regardless of the operating environment, we have a highly competent, committed workforce that is focused on doing the vital utility work that matters – to our community, to our customers and to our peers and families.

Ron Townsend
Chair

Jim Dickenson
CEO and Managing Director

Jim Dickenson
CEO and Managing Director, JEA

Board of Directors

Ashton Hudson, *Vice Chair*
Partner and General Counsel, Rock Creek Partners

Jim Gilmore, *Secretary*
Founding Partner, Infinity Global Solutions, LLC

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

Cynthia Austin
Partner, Austin and Austin Law Firm

Karen Bowling
Co-founder and CEO, Solantic LLC

Jay Fant
Chairman and CEO, First Guaranty Bank

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 Johnson,** 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

WORK THAT MATTERS

"The world is moved along, not only by the mighty shoves of its heroes, but also by the aggregate of the tiny pushes of each honest worker."

—Helen Keller

JEA employees are proud to do work that matters to their community in Jacksonville, Florida. Work that provides reliable electric, water and sewer services to their neighbors. Work that finds innovative ways to keep costs down and efficiency up. Work that provides convenient customer care. Work that improves the health of our river. Work that has our community prepared for the future. Work that matters.

WORK THAT MATTERS

FOR ELECTRIC RELIABILITY

Fiscal year 2010 was one of our best years ever for electric reliability, and our customers noticed. A focused program to zero in on the factors that impact reliable electric service to our customers resulted in an 83 percent approval rating from them in this area. Some of the actions that got us to that level: a two-and-a-half-year tree-trimming cycle with an enhanced reliability trim that reduced the number of outages due to limbs on lines; adding animal guards and P8 insulator brackets to poles to reduce the number of outages caused by squirrels, birds and other animals; the use of automatic line reclosers so outages affect a smaller number of customers; and the replacement of old poles and other infrastructure, which increased the reliability of electric service to our customers' homes and businesses by 50 percent. Since October 2008, the frequency of electric outages has decreased about 34 percent for the average customer.

All these factors helped put us at or near the top of our peer group in the region. We ranked best overall for short momentary outages and first in comparison to our peer utilities in outage duration. Our employees also kept our generating units working exceptionally well. The Equivalent Forced Outage Rates for both our Northside and St. Johns River Power Park generating units came in within their established targets and operated very efficiently over the entire year.

Electric reliability for our customers is important to JEA. The installation of animal guards on poles to reduce the number of outages and protect animals is one of several factors that ranked JEA as one of the best utilities in outage duration and short momentary outages among peer utilities. Electric troubleshooters such as Anthony Johnson installed the animal guards on poles in the most troublesome areas.

WORK THAT MATTERS

FOR THE FUTURE

The decision in 2007 to build a natural-gas generating station came to fruition in FY10 with better-than-expected results. At the time of the decision, considerations included the fact that we had no generating stations on the southeast side of the St. Johns River, Jacksonville's fastest-growing area, and natural gas was an acceptable fuel for a new plant as it causes lower emissions than coal. The estimate at that time to build the plant was about $248 million. However, with the sinking economy and slowing real estate market in 2008, we were able to procure much lower bids. The estimate is now $180 million, and natural gas has taken a dramatic dip in price, making it one of the most cost-efficient fuels. The Greenland Energy Center is on time and is expected to begin commercial operation in June 2011.

Adding positively to the community's economy, there was better-than-expected participation in the construction of GEC by local contractors and Jacksonville Small and Emerging Businesses. Impressively, in 370,000 contractor man-hours there were zero OSHA recordable incidents. We reached out as a partner in the community and received strong support, and the permitting process was smooth, as well.

The timing for a new natural gas generating station is excellent. A rise in the cost of petroleum coke caused us to exceed our fuel budget in FY10, but natural gas prices fell and are forecast to stay down. At our shared St. Johns River Power Park generating station, we saved $1.2 million in FY10 by switching our supplemental fuel from diesel to natural gas on a continuous basis.

JEA neared completion of the Greenland Energy Center that will expand our natural gas generation capacity. Under the leadership of (from left) Clyde Lowe, Don Cheatham and Margaret Limbaugh, the plant is on schedule and experienced zero recordable incidents in FY2010.

WORK THAT MATTERS

FOR THE ST. JOHNS RIVER

JEA employees value the St. Johns River as much as all residents of the Jacksonville area. Many of our employees grew up on the river and use it for fishing and recreation. So as a company made up of these local employees, JEA cares deeply about the health of the river and finding ways to improve it while keeping rates down for our customers.

A role we as a utility can take toward the river's health is to decrease the amount of nitrogen that flows into it with innovative ways to treat sewage. In FY10, JEA beat its goal for no more than 760 tons of nitrogen into the St. Johns River with 664, which already meets the 2013 Total Maximum Daily Load set by regulators.

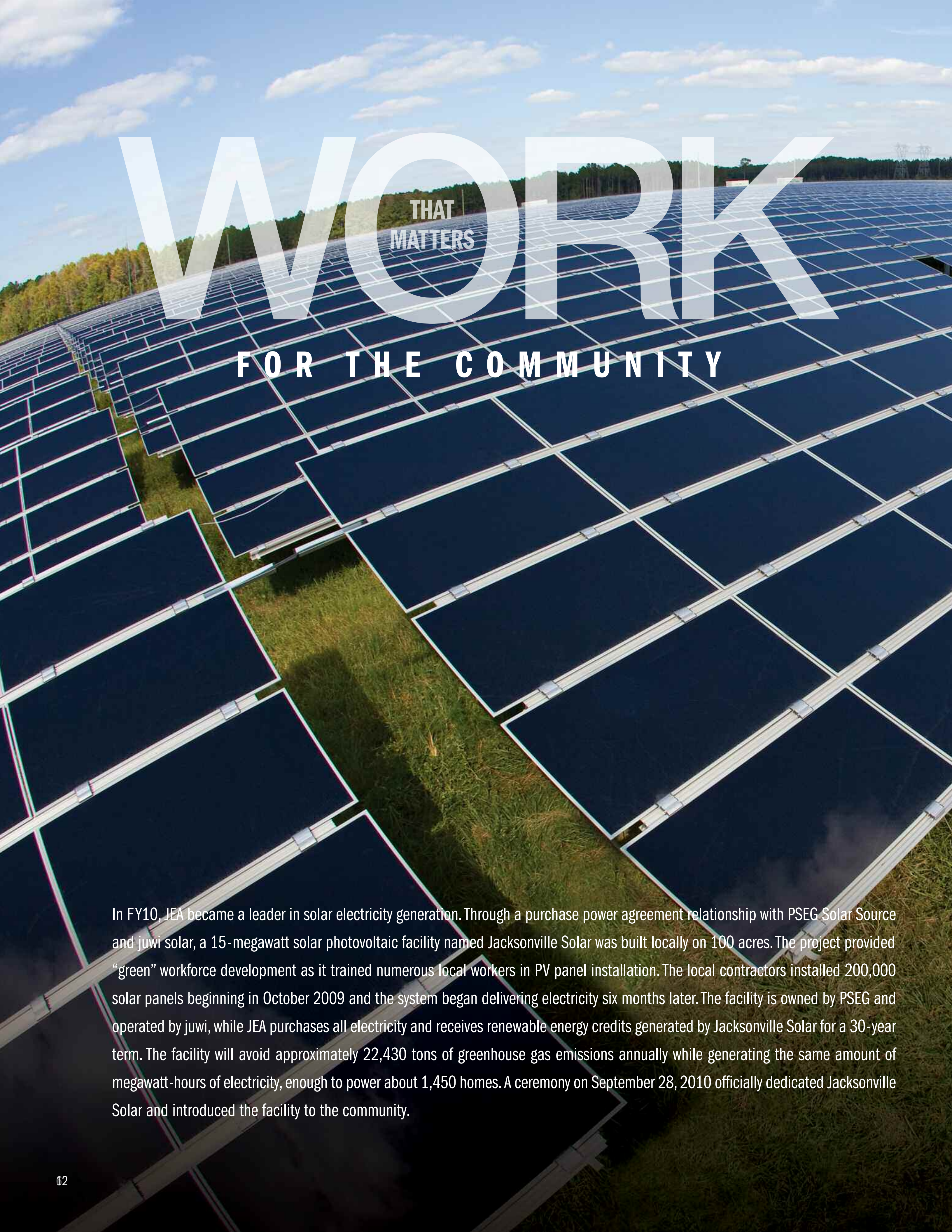
A project that lowered the amount of nitrogen into the river was the completion of the Arlington East Water Reclamation Facility Biological Nutrient Removal Upgrade project four months ahead of schedule (and under budget). This project provided JEA with a relatively low-cost solution to significantly further reduce nutrient discharges to the St. Johns River basin by biological technology enhancements, while increasing the design capacity of the plant by nearly 20 percent, all without the added costs of additional aeration basins or chemical feed. The improvements from this upgrade came online in June 2010.

JEA employees appreciate the beautiful St. Johns River as much as all residents of our service area. Jaclyn Taricska, left, and John Cole were among the employees who oversaw the highly successful upgrade of the Arlington East Wastewater Treatment Plant that will help JEA reach the mandated 2013 goal for nitrogen reduction.

The number of sanitary sewer overflows was reduced to a record low of 26 in FY10, beating the FY10 goal of no more than 35. This accomplishment was achieved through JEA's voluntary implementation of a wastewater collection system management program.

Our Industrial Pretreatment program is another that ultimately protects the St. Johns River. The program helps industries reduce the amount of pollutants that reach our wastewater treatment facilities and protects the health of our treatment plants, hence also protecting the river. Since tracking violations by industries in 2000, when there were 447 user violations, FY10 saw a record low of 38. In addition to the education and coordination with industries to upgrade treatment processes that initially drove down violations, the most recent factor in reductions was the positive recognition of industries with 100 percent compliance. The focus of this program is compliance through cooperation, and it is clearly working.

Furthering JEA's concern for the river is our participation on the lower St. Johns River Tributary Assessment Team to monitor and assess impaired tributaries, and to identify and reduce sources of bacterial contamination. This work earned the Coastal America Spirit Award, recognizing "outstanding collaborative projects that protect, preserve and restore the nation's coastal resources."



WORK THAT MATTERS FOR THE COMMUNITY

In FY10, JEA became a leader in solar electricity generation. Through a purchase power agreement relationship with PSEG Solar Source and juwi solar, a 15-megawatt solar photovoltaic facility named Jacksonville Solar was built locally on 100 acres. The project provided "green" workforce development as it trained numerous local workers in PV panel installation. The local contractors installed 200,000 solar panels beginning in October 2009 and the system began delivering electricity six months later. The facility is owned by PSEG and operated by juwi, while JEA purchases all electricity and receives renewable energy credits generated by Jacksonville Solar for a 30-year term. The facility will avoid approximately 22,430 tons of greenhouse gas emissions annually while generating the same amount of megawatt-hours of electricity, enough to power about 1,450 homes. A ceremony on September 28, 2010 officially dedicated Jacksonville Solar and introduced the facility to the community.

Jacksonville Solar, a 15-megawatt photovoltaic facility, was completed in May 2010. JEA will purchase all power and receive all renewable energy credits for 30 years. Vickie Cavey, left, negotiated all contracts, and Jay Worley directs JEA's renewable energy program.

As a sub-grantee of two energy efficiency grants awarded in FY10, work began on programs that will directly benefit our customers. These grants provide additional funding for our residential program, named **ShopSmart with JEA**, and the business equivalent, **InvestSmart with JEA**, which offer rebate programs to encourage customers to make energy efficiency upgrades in their homes and businesses; lower the cost of professional-grade energy evaluations; and partner with local financial institutions to offer low-interest financing on the energy efficiency upgrades. The programs kicked off in November 2010.

Existing programs that directly affect our customers by helping them lower their energy bills through efficiency continued to have a positive effect on the community. Programs including Neighborhood Energy Efficiency, Energy Efficient Products and Green Built Homes of Florida all exceeded goals for actual energy savings and capacity savings. In FY10, 32.2 GWh and 4.2 MW of incremental savings were put in place with greater than 90 percent of the energy and 75 percent of the demand coming from the Energy Efficient Products program.

WORK THAT MATTERS

FOR EFFICIENCY

Efficiency in the workplace can translate to millions of dollars saved. In the case of ammonia, it was $2.5 million in two years thanks to a project by Northside Generating plant personnel and JEA Black Belts. Nitrous oxide (NOx) is a regulated Hazardous Air Pollutant, which is produced in a generating plant boiler during the combustion of fuel to make the steam to generate the electricity. JEA's Northside units 1 and 2 use ammonia to capture NOx and remove it from the combustion gases before they are released to the air. Utilizing Six Sigma-based analysis and process improvement greatly reduced the amount of ammonia needed to achieve our permit requirements. The first phase of the analysis discovered ammonia was sprayed into the boiler at times when it was not required. A pumping system modification and a change in the system control logic created a better ammonia flow scheme and reduced average flow from 4 gpm to 3 gpm. A second phase discovered areas where excessive NOx was forming in "combustion hot spots" due to non-optimized combustion air distribution and flow settings. This combustion air optimization further reduced average ammonia consumption from 3 gpm to 1 gpm, resulting in a $2.5 million savings in ammonia costs over the last two years.

Efficiency was evident in many areas of the company as we accomplished more with fewer resources. In the operations and maintenance group, productivity improved by 20 percent and led to a 50 percent reduction in the backlog of work orders. As knowledge transfer plays an ever-increasing role in efficiency throughout the company, Sharepoint software technology was deployed in FY10 as a solution to help support it.

In an advancement that will help many employees work more efficiently, the internal geographical information systems, or GIS, was vastly improved. GIS is used extensively by JEA engineers and field employees to quickly determine system infrastructure and locations. From January 2008 to October 2010, the number of hyperlinks to as-built drawings increased from zero to 241,400. In 2010, 7,900 downtown network features were added to the database. The new GIS site is more integrated than the previous system, giving employees access to customer and outage information from other JEA data systems. Employees can now access real-time outage information and street and aerial maps from external data sources. The system is easily customizable and built on technologies that many JEA developers utilize, so it can be maintained and further developed efficiently.

A detailed analysis of the process to use ammonia to capture nitrous oxide before it is released into the air at JEA's Northside Generating Station led to a drastic reduction of the amount used and saved $2.5 million over a two-year period. NGS personnel as well as Black Belt Jason Lankford, pictured, participated in the analysis.

To make it easier for customers to budget for their utility bill we created MyBudget, a billing program that averages customers' last 12 bills. Employees from Technology Services, Communications and Customer Relations, like Victor Blackshear, spearheaded its implementation.

WORK THAT MATTERS

FOR CUSTOMER EXPERIENCE

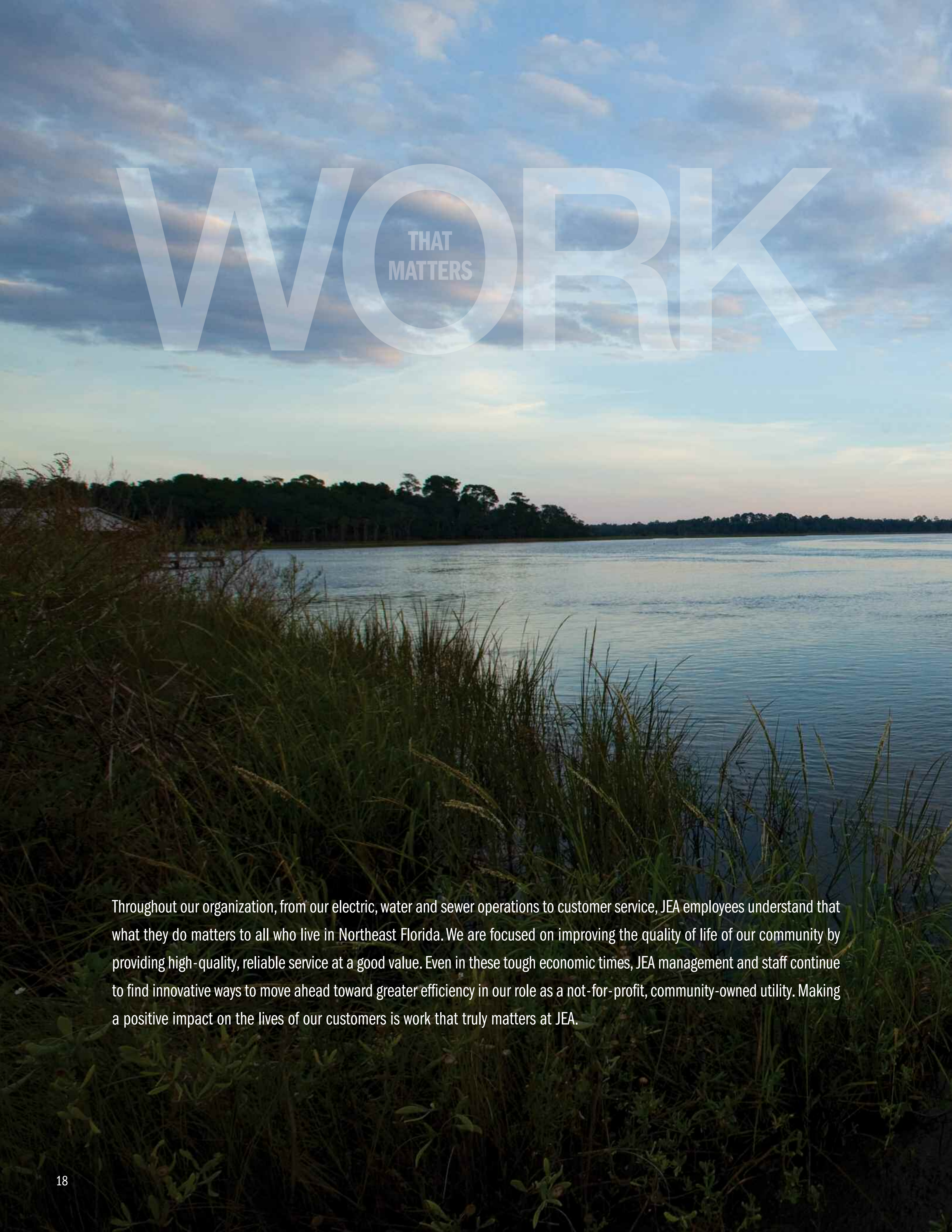
In January 2010, the Jacksonville area experienced a record-long cold snap that led to record-high bills in February. Many customers were simply unable to pay a bill that was so much higher than normal. To alleviate this kind of situation for our customers in the future, we created ***My*****Budget**, a billing program that averages a customer's last 12 bills so their bill is more predictable month-to-month and not drastically higher because of extreme weather. Customers began signing up in August 2010.

In efforts to continue to reach out to customers in effective but inexpensive ways, we began a weekly call-in radio show and an interactive e-mail group. **Q&A with JEA**, airing weekly on a popular local talk radio station, covered topics important to JEA and the community while also inviting customers to call in to ask any utility-related question. Several JEA experts, including CEO Jim Dickenson, appeared on the show. We invited all customers to join an e-mail group called **Your Two Cents Worth** to begin a two-way dialog with us. More than 2,600 customers from all over the city joined and it became more than a two-way dialog when we moved it from an e-mail group to a social network. The members proved to be a wonderfully engaged group of customers who provided pertinent feedback to us on communications issues.

Our call center also became more responsive to our customers. We focused on developing our call center employees with additional coaching and training, raised our hiring standards and hired a Manager of Quality Assurance. The average speed in which calls were answered dropped to 35.8 seconds, down from 108 in 2009, and 82.1 percent of calls were answered in less than 20 seconds, up from 63.6 percent in 2009.

To help make it more convenient for our customers who prefer to pay their bill in person, we began accepting payments at all area Winn-Dixie and SaveRite grocery stores for no fee to the customer. This payment option gave customers all over the city many more sites to choose from to easily and reliably make a payment.

WORK THAT MATTERS



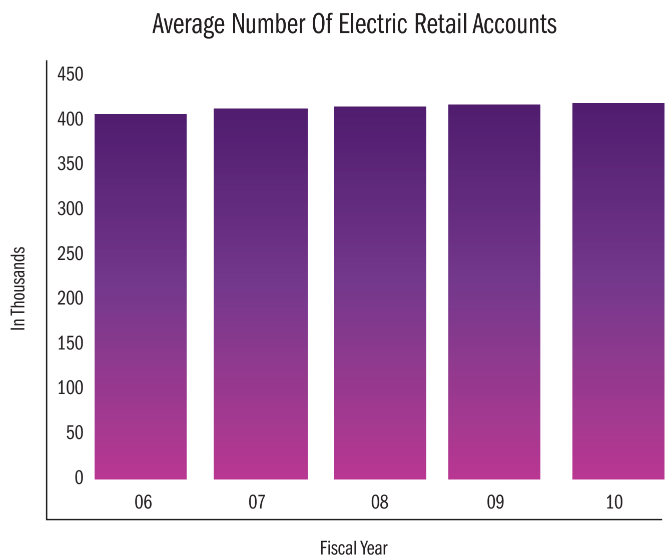
Throughout our organization, from our electric, water and sewer operations to customer service, JEA employees understand that what they do matters to all who live in Northeast Florida. We are focused on improving the quality of life of our community by providing high-quality, reliable service at a good value. Even in these tough economic times, JEA management and staff continue to find innovative ways to move ahead toward greater efficiency in our role as a not-for-profit, community-owned utility. Making a positive impact on the lives of our customers is work that truly matters at JEA.

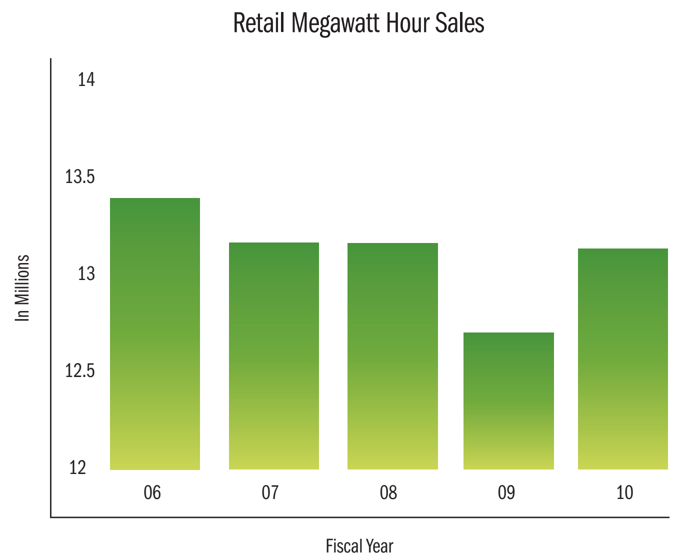
JEA Financial Report

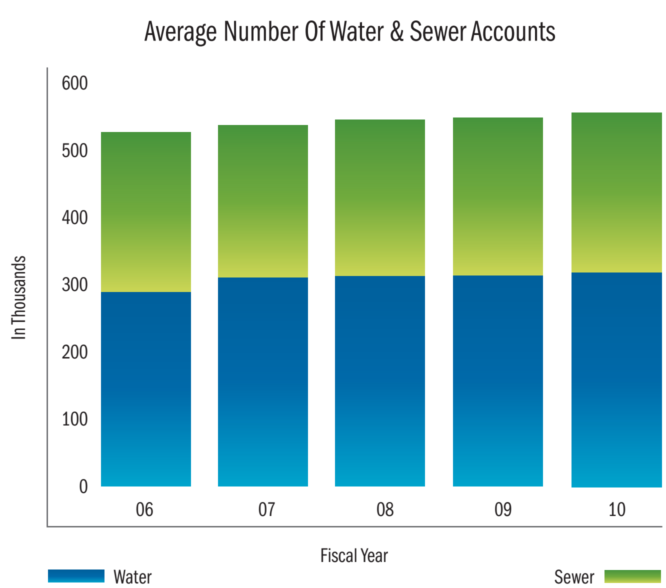
Financial and Operating Highlights

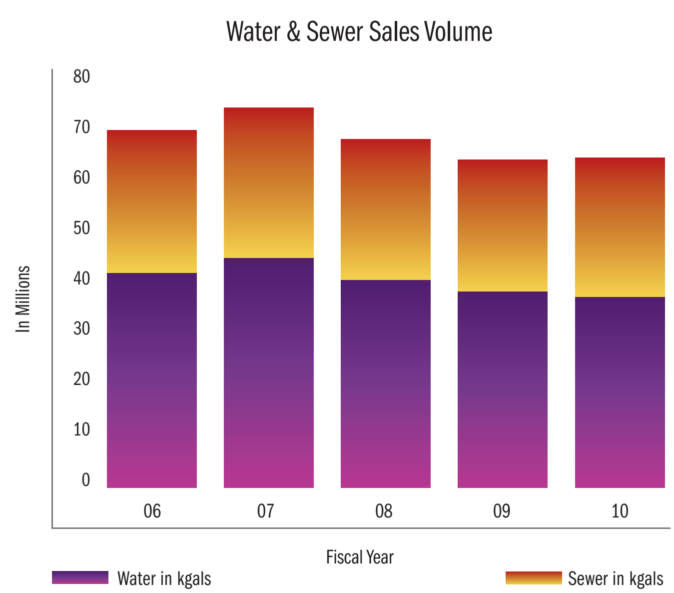
	Years Ended September 30					% Change
	2010	2009	2008	2007	2006	2010–2009
ELECTRIC FINANCIAL HIGHLIGHTS						
Total operating revenues (thousands)	$1,606,474	$1,584,572	$1,385,234	$1,211,967	$1,208,673	1.38%
Fuel and purchased power expenses (thousands)	$741,374	$719,296	$694,007	$600,170	$599,426	3.07%
Total operating expenses (thousands)	$1,273,327	$1,234,540	$1,194,462	$1,080,819	$1,061,962	3.14%
Debt service coverage:						
Senior and subordinated – Electric	3.35x	2.99x	2.40x	2.37x	2.28x	12.37%
Senior – Electric	6.21x	4.82x	4.42x	4.60x	4.57x	29.46%
Bulk Power Supply System	3.00x	-	-	-	-	0.00%
St. Johns River Power Park 1st Resolution	1.25x	1.25x	1.25x	1.26x	1.27x	0.00%
St. Johns River Power Park 2nd Resolution	1.15x	-	-	-	-	0.00%
WATER & SEWER FINANCIAL HIGHLIGHTS						
Total operating revenues (thousands)	$313,136	$259,275	$257,657	$248,997	$228,453	20.77%
Operating expenses (thousands)	$251,100	$243,030	$239,061	$208,305	$183,587	3.32%
Debt service coverage:						
Senior and subordinated	1.82x	1.65x	1.60x	1.89x	2.00x	10.30%
Senior	2.06x	1.85x	1.96x	2.34x	2.42x	11.35%
ELECTRIC OPERATING HIGHLIGHTS						
Sales (megawatt hours)	16,521,876	15,915,031	16,325,894	16,939,214	16,684,077	3.81%
Peak demand – megawatts 60 minute net	3,224	3,064	2,914	2,919	2,919	5.22%
Total accounts – average number	418,504	417,226	414,417	412,295	402,142	0.31%
Sales per residential account (kilowatt hours)	15,481	14,408	14,670	15,038	15,819	7.45%
Average residential revenue per kilowatt hour	$11.56	$12.18	$10.42	$8.96	$9.05	-5.11%
Power supply (%):						
Coal	53	52	51	51	41	1.92%
Petroleum coke	18	23	19	24	30	-21.74%
Natural gas	16	12	14	10	11	33.33%
Coal fired purchases	6	10	10	9	10	-40.00%
Other purchases	6	3	5	4	6	100.00%
Oil	1	0	1	2	2	0.00%
WATER & SEWER OPERATING HIGHLIGHTS						
WATER						
Total sales (kgals*)	36,750,266	36,845,945	39,610,301	43,100,788	41,235,799	-0.26%
Total accounts - average number	306,046	305,076	304,239	303,237	293,689	0.32%
Average sales per residential account (kgals)	71.12	71.35	76.73	85.53	83.58	-0.32%
Average residential revenue per kgal	$4.00	$3.38	$3.15	$2.81	$2.63	18.34%
REUSE						
Total sales (kgals*)	989,010	805,925	547,878	678,185	451,367	22.72%
Total accounts - average number	1,201	837	502	85	16	43.49%
SEWER						
Total sales (kgals*)	25,126,672	24,767,666	26,390,812	27,584,488	26,750,191	1.45%
Total accounts - average number	231,735	230,358	229,205	228,030	219,810	0.60%
Average sales per residential account (kgals)	69.22	67.47	72.27	78.17	77.74	2.59%
Average residential revenue per kgal	$6.39	$5.92	$5.50	$4.90	$4.59	7.94%

*kgal = 1,000 gallons


Average Number Of Electric Retail Accounts
In Thousands
450
400
350
300
250
200
150
100
50
0
06
07
08
09
10
Fiscal Year


Retail Megawatt Hour Sales
In Millions
14
13.5
13
12.5
12
06
07
08
09
10
Fiscal Year

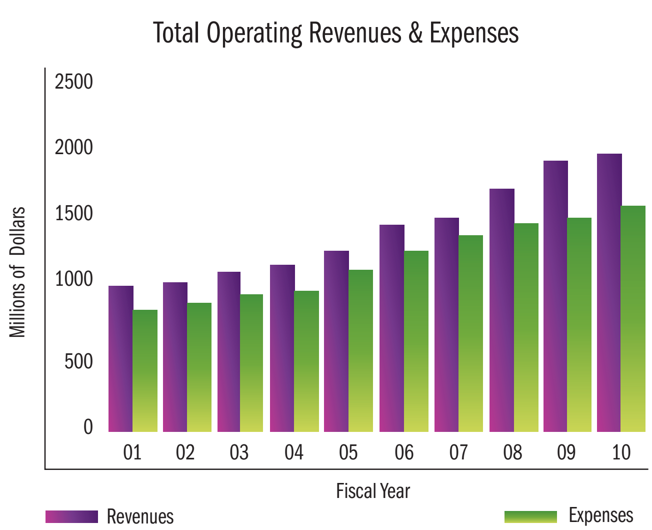

Average Number Of Water & Sewer Accounts
In Thousands
600
500
400
300
200
100
0
06
07
08
09
10
Fiscal Year
Water
Sewer

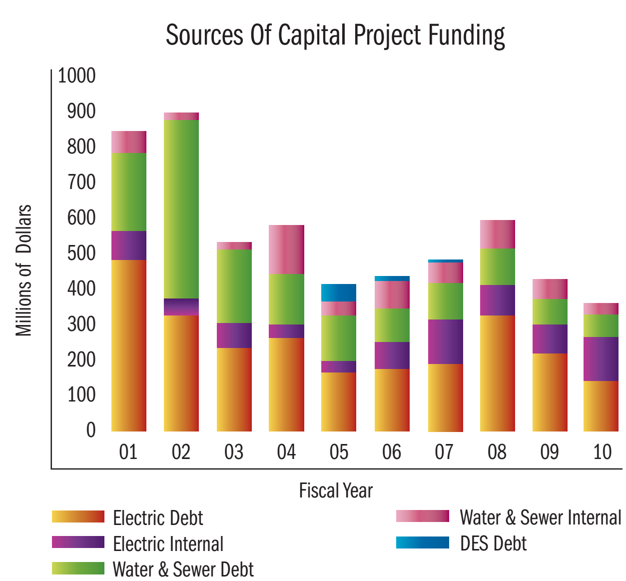

Water & Sewer Sales Volume
In Millions
80
70
60
50
40
30
20
10
0
06
07
08
09
10
Fiscal Year
Water in kgals
Sewer in kgals

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)

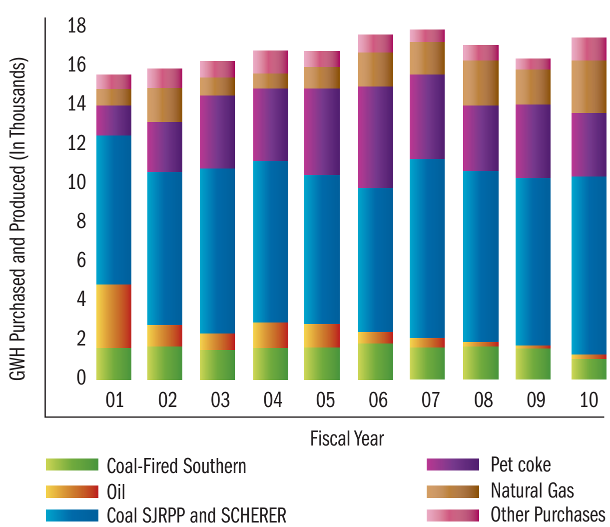
		2010-09	2009-08
Operating revenues:	Electric	$1,548,248	$1,525,966
	Water and sewer	303,241	249,813
	District Energy System	7,595	6,914
	Other, net	50,692	48,687
	Total operating revenues	1,909,776	1,831,380
Operating expenses:	Fuel and purchased power	741,374	719,296
	Operations and maintenance	322,672	295,480
	Depreciation	353,606	344,158
	State utility and franchise taxes	73,120	72,127
	Recognition of deferred costs/revenues	22,149	33,108
	Total operating expenses	1,512,921	1,464,169
	Operating Income	396,855	367,211
Nonoperating revenues (expenses):	Earnings from The Energy Authority	6,103	4,088
	Investment income (loss)	(3,604)	23,463
	Other nonoperating revenue	3,832	-
	Interest on debt	(285,669)	(264,701)
	Other interest	(54)	(72)
	Allowance for funds used during construction	9,713	12,708
	Water & Sewer Expansion Authority	(719)	(864)
	Gain (loss) sale of asset	-	(986)
	Total nonoperating revenues (expenses), net	(270,398)	(226,364)
	Income (loss) before contributions	126,457	140,847
Contributions (to) from:			
	General fund, City of Jacksonville	(99,187)	(96,687)
	Capital Contributions:		
	Developers and other	19,883	38,071
	City of Jacksonville Better Jacksonville Plan	-	1,516
	Water & Sewer Expansion Authority	-	-
	Total other revenues (expenses)	(79,304)	(57,100)
Change in net assets		47,153	83,747
Net assets – beginning of period		1,566,282	1,482,535
Effect of change in accounting		-	-
Net assets– beginning of period as restated		1,566,282	1,482,535
Net assets – end of period		$1,613,435	$1,566,282



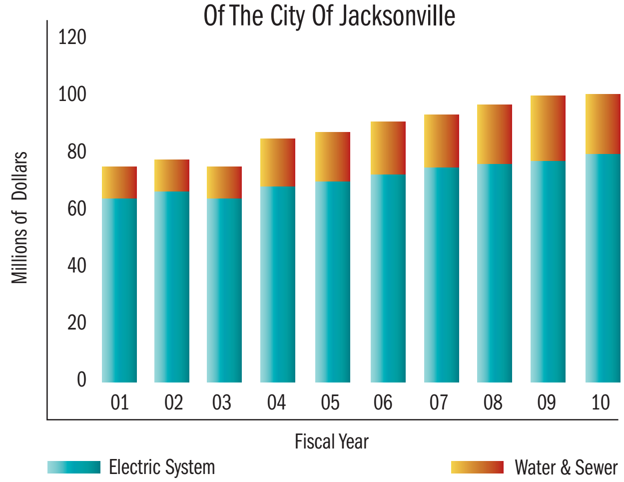


2008-07	2007-06	2006-05	2005-04	2004-03	2003-02	2002-01	2001-00
$1,330,280	$1,164,747	$1,160,463	$973,326	$840,210	$830,519	$793,685	$800,445
248,115	238,256	214,906	182,961	173,579	161,053	151,515	132,758
6,162	5,748	3,054	1,297	-	-	-	-
48,863	47,176	50,649	42,388	54,803	44,147	38,485	43,828
1,633,420	1,455,927	1,429,072	1,199,972	1,068,592	1,035,719	983,685	977,031
694,007	600,170	599,426	494,721	409,690	371,074	345,843	404,487
311,071	305,888	273,578	251,099	248,269	249,945	237,046	206,858
326,301	302,374	297,614	278,531	251,493	252,778	188,725	157,715
48,551	26,399	26,807	21,791	18,941	19,323	18,120	17,654
43,345	45,952	40,428	44,141	44,184	29,110	52,417	35,758
1,423,275	1,280,783	1,237,853	1,090,283	972,577	922,230	842,151	822,472
210,145	175,144	191,219	109,689	96,015	113,489	141,534	154,559
22,374	20,192	21,910	17,382	15,924	14,593	9,156	10,008
17,307	38,112	23,088	14,460	13,832	19,466	38,841	52,467
-	-	-	-	-	-	-	-
(249,622)	(246,787)	(232,370)	(238,454)	(203,100)	(197,148)	(187,838)	(166,302)
(451)	(1,877)	(1,600)	(1,246)	(1,167)	(1,178)	(1,154)	(1,604)
19,448	28,425	32,044	34,637	32,010	42,577	63,211	62,709
(1,216)	(1,601)	(762)	(302)	-	-	-	-
740	(3,762)	-	-	-	-	-	-
(191,420)	(167,298)	(157,690)	(173,523)	(142,501)	(121,690)	(77,784)	(42,722)
18,725	7,846	33,529	(63,834)	(46,486)	(8,201)	63,750	111,837
(94,188)	(91,437)	(88,688)	(85,938)	(83,187)	(74,253)	(76,607)	(73,638)
47,471	119,525	97,775	58,406	56,578	47,381	29,991	19,433
2,857	29,091	14,546	385	9,118	7,548	7,922	-
-	-	-	(254)	-	-	-	-
(43,860)	57,179	23,633	(27,401)	(17,491)	(19,324)	(38,694)	(54,205)
(25,135)	65,025	57,162	(91,235)	(63,977)	(27,525)	25,056	57,632
1,507,670	1,440,241	1,383,079	1,474,314	1,538,291	1,565,816	1,540,760	1,483,128
-	2,404	-	-	-	-	-	-
1,507,670	1,442,645	1,383,079	1,474,314	1,538,291	1,565,816	1,540,760	1,483,128
$1,482,535	$1,507,670	$1,440,241	$1,383,079	$1,474,314	$1,538,291	$1,565,816	$1,540,760

Fuel Sources



Contribution To The General Fund
Of The City Of Jacksonville



Operating Summary

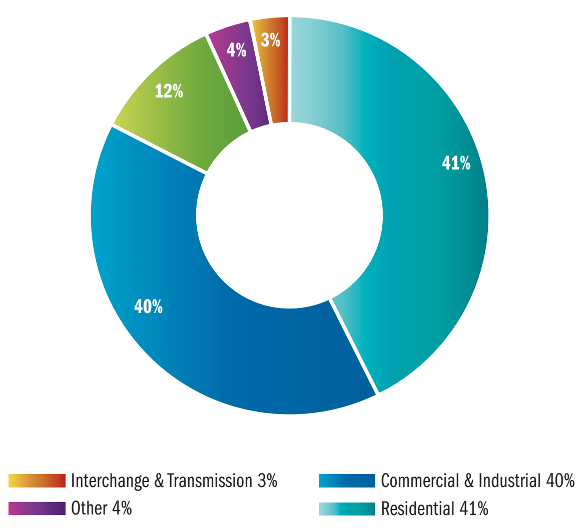
Electric System, Bulk Power System and St Johns River Power Park

		2010-09	2009-08
Electric revenues (000's omitted):	Residential	$659,829	$645,725
	Commercial and industrial	647,316	678,218
	Public street lighting	14,203	14,440
	Sales for resale	53,990	52,941
	Florida Power & Light saleback	190,293	157,898
	Total	$1,565,631	$1,549,222
Sales (megawatt hours):	Residential	5,707,670	5,300,203
	Commercial and industrial	6,932,123	6,849,291
	Public street lighting	121,413	120,191
	Sales for resale		
	Territorial	418,867	406,051
	Off-system	391,559	579,730
	Florida Power & Light saleback	2,950,244	2,659,565
	Total	16,521,876	15,915,031
Average number of accounts:	Residential	368,682	367,864
	Commercial and industrial	46,325	45,810
	Public street lighting	3,495	3,550
	Sales for resale (1)	2	2
	Total	418,504	417,226
System installed capacity – MW (2)		3,376	3,376
Peak demand – MW (60 minute net)		3,224	3,064
System load factor – %		47%	49%
Residential averages – annual:	Revenue per account - $	1,789.70	1,755.34
	kWh per account	15,481	14,408
	Revenue per kWh - ¢	11.56	12.18
All other retail – annual:	Revenue per account - $	13,278.18	14,032.78
	kWh per account	141,580	141,197
	Revenue per kWh - ¢	9.38	9.94
Heating-cooling degree days		4,705	4,094

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

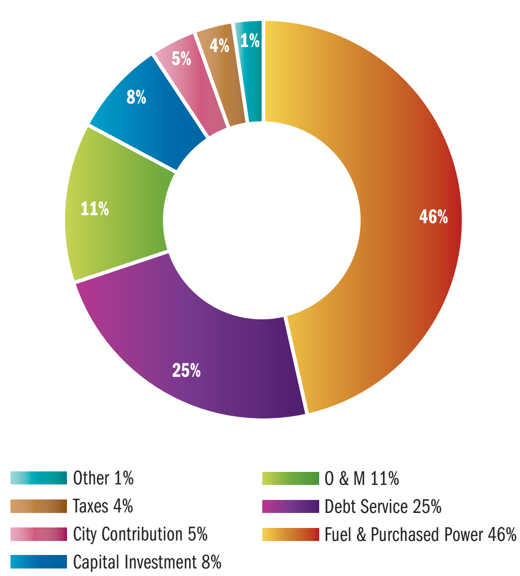
(2) Includes JEA's 50% share of the SJRPP's two coal-fired generating units (638 net megawatts each) and JEA's 23.64% share of Scherer's 846 net megawatt coal-fired generating Unit 4. System installed capacity is reported based on winter capacity.

Electric System Revenue Sources



2008-07	2007-06	2006-05	2005-04	2004-03	2003-02	2002-01	2001-00
$559,042	$490,935	$511,389	$426,316	$370,323	$372,247	$337,656	$336,495
588,910	490,089	488,304	384,808	319,659	321,196	314,275	308,727
12,066	10,242	10,086	8,622	7,919	7,880	7,650	7,688
49,660	48,522	45,961	41,330	38,358	30,061	25,731	32,235
137,910	137,463	117,816	122,256	112,938	105,483	115,345	118,136
$1,347,588	$1,177,251	$1,173,556	$983,332	$849,197	$836,867	$800,657	$803,281
5,363,697	5,478,280	5,650,986	5,542,498	5,389,616	5,438,697	4,896,009	4,895,532
7,314,128	7,160,361	7,157,602	6,948,730	6,696,646	6,840,708	6,558,145	6,416,130
116,966	112,760	110,178	107,757	111,483	114,840	111,053	114,427
437,870	479,425	522,134	492,716	468,324	435,934	433,343	472,855
457,421	649,193	593,750	568,442	630,007	374,728	229,554	316,875
2,635,812	3,059,195	2,649,427	2,577,860	2,656,556	2,912,075	2,983,814	3,006,655
16,325,894	16,939,214	16,684,077	16,238,003	15,952,632	16,116,982	15,211,918	15,222,474
365,632	364,284	357,232	349,139	341,162	335,915	329,589	323,537
45,207	44,440	41,342	39,151	38,610	37,917	37,236	36,335
3,576	3,565	3,561	3,539	3,581	3,543	3,399	3,179
2	6	7	2	2	2	2	2
414,417	412,295	402,142	391,831	383,355	377,377	370,226	363,053
3,241	3,241	3,213	3,049	3,095	3,095	2,545	2,825
2,914	2,919	2,919	2,860	2,644	3,055	2,607	2,666
54%	54%	55%	55%	57%	49%	56%	53%
1,528.97	1,347.67	1,431.53	1,221.05	1,085.48	1,108.16	1,024.48	1,040.05
14,670	15,038	15,819	15,875	15,798	16,191	14,855	15,131
10.42	8.96	9.05	7.69	6.87	6.84	6.90	6.87
12,319.37	10,422.48	11,099.26	9,215.98	7,764.17	7,937.19	7,922.36	8,007.67
152,330	151,508	161,855	165,296	161,364	167,765	164,124	165,272
8.09	6.88	6.86	5.58	4.81	4.73	4.83	4.85
3,785	3,803	4,053	4,035	4,217	4,167	3,888	4,035

Electric System Revenue Uses



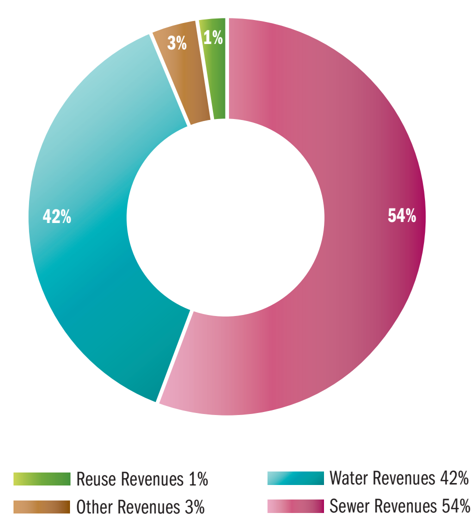
Operating Summary

Water and Sewer System

		2010-09	2009-08
Water revenues (000's omitted):	Residential	$70,396	$59,441
	Commercial and Industrial	34,872	27,591
	Irrigation	26,876	19,080
	Total	$132,144	$106,112
Water Sales (kgals*):	Residential	17,609,301	17,572,032
	Commercial and Industrial	12,091,091	12,184,482
	Irrigation	7,049,874	7,089,431
	Total	36,750,266	36,845,945
Average Number of Accounts:	Residential	247,609	246,276
	Commercial and Industrial	22,996	23,460
	Irrigation	35,441	35,340
	Total	306,046	305,076
Residential averages – annual:	Revenue per account - $	284.30	241.36
	kgals per account	71.12	71.35
	Revenue per kgal - $	4.00	3.38
Rainfall (inches)		40.53	53.67
Reuse revenues (000's omitted):		$2,093	$1,156
Reuse Sales (kgals*):		989,010	805,925
Average Number of Accounts:		1,201	837
Sewer revenues (000's omitted):	Residential	$99,327	$84,961
	Commercial and Industrial	70,831	59,017
	Total	$170,158	$143,978
Volume (kgals*):	Residential	14,847,431	14,353,777
	Commercial and Industrial	10,279,241	10,413,889
	Total	25,126,672	24,767,666
Average Number of Accounts:	Residential	214,506	212,741
	Commercial and Industrial	17,229	17,617
	Total	231,735	230,358
Residential averages – annual:	Revenue per account - $	463.05	399.36
	kgals per account	69.22	67.47
	Revenue per kgal - $	6.39	5.92

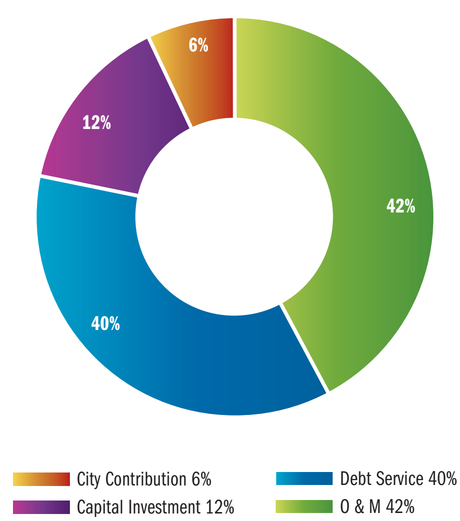
*kgal = 1,000 gallons

Water & Sewer System Revenue Sources



2008-07	2007-06	2006-05	2005-04	2004-03	2003-02	2002-01	2001-00
$59,297	$57,620	$52,299	$44,337	$40,661	$36,552	$34,891	$29,227
26,692	24,483	22,404	17,546	17,182	16,545	15,504	14,754
19,679	21,143	18,105	13,782	12,088	10,326	10,188	8,951
$105,668	$103,246	$92,808	$75,665	$69,931	$63,423	$60,583	$52,932
18,848,414	20,499,442	19,890,048	17,666,292	17,971,271	15,663,602	15,135,010	12,627,648
12,837,866	12,917,475	12,785,160	12,610,550	12,322,567	11,980,925	11,125,876	10,774,894
7,924,021	9,683,871	8,560,591	6,816,341	7,065,790	5,975,976	6,148,409	5,026,034
39,610,301	43,100,788	41,235,799	37,093,183	37,359,628	33,620,503	32,409,295	28,428,576
245,659	245,420	237,990	227,253	217,927	204,826	188,559	164,669
23,473	23,302	22,577	21,775	21,322	20,618	19,597	18,023
35,107	34,515	33,122	30,581	27,346	23,702	20,468	17,572
304,239	303,237	293,689	279,609	266,595	249,146	228,624	200,264
241.38	234.78	219.75	195.10	186.58	178.45	185.04	177.49
76.73	85.53	83.58	77.74	82.46	76.47	80.27	76.69
3.15	2.81	2.63	2.51	2.26	2.33	2.31	2.31
65.72	39.35	47.89	56.22	67.56	50.24	49.50	46.90
$1,079	$739	$196	$33	$49	$37	$28	$29
547,878	678,185	451,367	90,671	231,930	124,139	83,827	92,463
502	85	16	13	12	11	11	12
$84,102	$80,717	$72,433	$60,502	$59,058	$51,963	$49,128	$41,363
58,640	54,281	50,183	47,629	46,153	46,345	43,130	39,095
$142,742	$134,998	$122,616	$108,131	$105,211	$98,308	$92,258	$80,458
15,293,138	16,464,215	15,772,717	13,784,344	14,027,600	11,504,645	10,334,304	8,722,013
11,097,674	11,120,273	10,977,474	11,158,375	10,685,149	11,220,343	10,543,639	9,708,497
26,390,812	27,584,488	26,750,191	24,942,719	24,712,749	22,724,988	20,877,943	18,430,510
211,607	210,609	202,892	191,812	182,418	169,921	155,905	135,660
17,598	17,421	16,918	16,331	15,904	15,300	14,222	12,678
229,205	228,030	219,810	208,143	198,322	185,221	170,127	148,338
397.44	383.25	357.00	315.42	323.75	305.81	315.11	304.90
72.27	78.17	77.74	71.86	76.90	67.71	66.29	64.29
5.50	4.90	4.59	4.39	4.21	4.52	4.75	4.74

Water & Sewer System Revenue Uses



Financial Statements, Supplementary Information, and Bond Compliance Information

JEA

Years Ended September 30, 2010 and 2009
With Report of Independent Certified Public Accountants

JEA

Financial Statements, Supplementary Information, and Bond Compliance Information

Years Ended September 30, 2010 and 2009

Contents

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Report of Independent Certified Public Accountants

The Governing Board
JEA
Jacksonville, Florida

We have audited the accompanying balance sheets of JEA, a component unit of the City of Jacksonville, Florida, as of September 30, 2010 and 2009, 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, 2010 and 2009, 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, 2010 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, 2010 and 2009 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, 2010

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 financial statements are presented on a comparative basis for the fiscal years ending September 30, 2010 and 2009. 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 2010, 2009, and 2008 fiscal years:

Condensed Balance Sheets

	2010	2009	2008
		(In millions)	
Assets and deferred outflows			
Current assets	**$ 694**	$ 655	$ 540
Other noncurrent assets and deferred outflows	**1,272**	1,133	996
Capital assets, net	**6,703**	6,678	6,601
	$ 8,669	$ 8,466	$ 8,137
Liabilities and net assets			
Current liabilities	**$ 230**	$ 208	$ 183
Liabilities payable from restricted assets	**469**	438	439
Noncurrent liabilities	**118**	122	123
Long-term debt	**6,238**	6,132	5,910
Net assets invested in capital assets, net of related debt	**706**	746	924
Net assets, restricted	**321**	290	230
Net assets, unrestricted	**587**	530	328
	$ 8,669	$ 8,466	$ 8,137

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

	2010	2009	2008
		(In millions)	
Operating revenues	**$ 1,909**	$ 1,831	$ 1,633
Operating expenses	**(1,513)**	(1,464)	(1,423)
Operating income	**396**	367	210
Nonoperating expenses	**(270)**	(226)	(191)
Contributions	**(79)**	(57)	(44)
Increase (decrease) in net assets	**$ 47**	$ 84	$ (25)

Financial Analysis of JEA for fiscal years 2010 and 2009

Operating Revenues

2010 compared to 2009:

Total Electric Enterprise Fund operating revenues for the fiscal year 2010 increased $21.9 million (1.4%) compared to fiscal year 2009. Electric Enterprise Fund operating revenues (operating revenues) increased $21.1 million (5.8%) and other operating revenues increased $.8 million. The increase in operating revenues was primarily attributable to increased kWh sales as a result of abnormal temperatures both in the winter and summer. Operating revenues include a base rate increase that became effective on October 1, 2009, and a $10.98 per 1,000 kWh fuel rate decrease. Total consumption increased 5.2% as compared to the prior year. Territorial sales increased from 15,335 GWh to 16,130 GWh, an increase of 5.2%; however, off-system sales decreased from 580 GWh to 392 GWh, a decrease of 32.5%. The number of customers remained constant as compared with fiscal year 2009.

Total Water and Sewer Fund operating revenues increased $53.9 million, a 20.8% increase. Water and Sewer Fund operating revenues (operating revenues) increased $53.5 million and other revenues increased $.4 million. The increase in operating revenues was mainly due to an increase in water and sewer rates. Operating revenues include rate structure changes and rate adjustments, which resulted in an overall rate increase of 17.0 percent for the fiscal year. Other factors contributing to the increase in operating revenues were the addition of an environmental charge for water, sewer and non-bulk reclaim water; an increase in franchise fees due to increased revenues; and a change in the sales mix. The volume of water and sewer sales increased slightly. The number of customers remained constant as compared with fiscal year 2009.

Total DES revenues increased $0.7 million for fiscal year 2010 compared to fiscal year 2009. The increase in revenues was due an increase in demand charges of 15.3%.

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 increases 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.

Operating Expenses

2010 compared to 2009:

Total Electric Enterprise Fund operating expenses for fiscal year 2010 increased $38.8 million or 3.1% compared to fiscal year 2009. The increase was mainly due to an increase in fuel and purchased power expense of $22.1 million, as discussed below. Other operating expenses and maintenance expenses increase of $20.7 million was primarily due to increased renewal and replacement expenses related to SJRPP; increased salary related benefits; increased depreciation expense due to increased assets placed in service; and increased maintenance expenses. Offsetting the increase was a $10.9 million decrease in recognition of costs to be recovered.

Total fuel and purchased power expense increased $22.1 million compared to the prior year. Fuel expense increased $17.9 million and purchased power increased $4.2 million. The increase was primarily due an increase in fuel prices, mainly solid fuels, and an increase in kWh sales. As the price of solid fuels, gas and oil, 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 3.3%, energy purchased increased 1.7% and total energy produced and purchased increased 2.4% from the prior fiscal year. JEA's power supply mix for fiscal year 2010 was 53% coal (from JEA units), 18% petroleum coke, 16% natural gas, 6% coal-fired purchases, 6% other power purchases, and 1% oil. During fiscal year 2009, JEA's power supply was 52% coal (from JEA units), 23% petroleum coke, 12% natural gas, 10% coal-fired purchases, and 3% other power purchases.

Total operating expenses for the Water and Sewer Fund increased $8.1 million, an increase of 3.3%. The major factors impacting the increase in operating and maintenance expenses were an increase in depreciation expense due to increased assets placed in service; a termination fee paid on a maintenance contract; franchise fee increase due to increased revenues; increased benefit related expenses; and an increase in professional services, supplies, motor pool charges and industrial services.

The operating expenses for DES were consistent with prior year 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.

Nonoperating Revenues and Expenses

2010 compared to 2009:

There was a net increase of $45.4 million (20.2%) in total net nonoperating revenues and expenses in fiscal year 2010. The Energy Authority (TEA) earnings, a municipal power marketing joint venture in which JEA is a member, increased $2 million due to increased purchases by JEA. Investment income decreased $26.6 million in fiscal 2010 primarily due to an early termination of a forward starting swap of $17.5 million. Other factors include lower fair market value adjustment and decreased average rates on investment returns. Interest expense increased $21.4 million as a result of a $16.5 million increase in interest expenses and a $4.9 million increase in debt management expenses. See note 7 for further discussion on debt management strategy. Other nonoperating revenue increased $3.8 million due to Build America Bonds subsidy payments from United States Treasury. Allowance for funds used for construction (AFUDC) decreased $2.9 million due to an increase in the transfer of capital assets from construction in progress to plant in service.

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.

Capital Assets and Debt Administration for Fiscal Years 2010 and 2009

Capital Assets

During fiscal year 2010, capital assets (excluding accumulated depreciation) increased $265.7 million, a 2.6% increase. This included $220.5 million, a 3.6% increase, in electric plant; $45.1 million increase in water and sewer plant, an increase of 1.2%; and a $.1 million increase in DES plant, an increase of .3%. During fiscal year 2009, capital assets (excluding accumulated depreciation) increased $403.4 million, a 4.2% increase. This included $270.8 million, a 4.6% increase, in electric plant; $132.4 million increase in water and sewer plant, an increase of 3.5%; and $0.2 million increase in DES plant, an increase of 0.3%. 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, or short-term borrowings as determined by JEA.

The projected total capital expenditures for fiscal year 2011 are as follows:

	In millions
Electric Enterprise Fund (Electric System, SJRPP and Scherer)	$ 287
Water and Sewer Fund	111
DES	0.4

SJRPP and Plant Scherer are subject to joint ownership agreements. JEA's share of the estimated capital expenditures relating to these plants are included in the Electric Enterprise Fund amounts above.

Debt Administration

Debt outstanding at September 30, 2010, was $6.4 billion, an increase of approximately $41 million from the prior fiscal year. The amount was used in conjunction with capital investment programs.

Debt outstanding at September 30, 2009, was $6.3 billion, an increase of $141 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 2010 and 2009 were as follows:

	2010				**2009**			
	Electric System	**SJRPP**	**Scherer**	**Water and Sewer System**	**Electric System**	**SJRPP**	**Scherer**	**Water and Sewer System**
Senior debt:								
Fitch	**AA-**	**AA-**	**AA-**	**AA**	AA-	AA-	AA-	AA
Standard & Poor's	**AA-**	**AA-**	**AA-**	**AA-**	AA-	AA-	AA-	AA-
Moody's Investors Service	**Aa2**	**Aa2**	**Aa2**	**Aa2**	Aa2	Aa2	Aa2	Aa3
Subordinated debt:								
Fitch	**AA-**	—	—	**AA**	AA-	—	—	AA
Standard & Poor's	**A+**	—	—	**AA-**	A+	—	—	AA-
Moody's Investors Service	**Aa3**	—	—	**Aa2**	Aa3	—	—	Aa3

Also, at September 30, 2010 and 2009, 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

Effective October 1, 2010, the final year of a four-year base rate increase became effective. Electric retail base rate increases, for all customers were designed to increase revenues approximately 2.8%.

Effective October 1, 2010, with the approval of the Board, the fuel rate increased $6.48 to $50.64 per 1000 kWh, which represents a 14.7% increase from the current total fuel charge.

In May 2009, the Board approved water and sewer rate structure changes and rate adjustments for the four fiscal years 2010 through 2013 whereas the rates will become effective October 1 of each year. These rate changes resulted in a 17% increase in fiscal year 2010 and projected to achieve an approximate 9% average annual increase over the remaining three years. In addition, the Board approved the addition of an environmental charge for water, sewer and nonbulk reclaimed volume. New service charges and adjustments to a limited number of existing service charges were also approved.

The consumption rate for chilled water related to the DES increased from 11.24 cents per ton hour to 12.19 cents per ton hour, effective October 1, 2010. 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	
	2010	**2009**
Operating revenues:		
Electric	**$ 1,548,248**	$ 1,525,966
Water and sewer	**303,241**	249,813
District Energy System	**7,595**	6,914
Other	**50,692**	48,687
Total operating revenues	**1,909,776**	1,831,380
Operating expenses:		
Operations:		
Fuel	**635,363**	617,485
Purchased power	**106,011**	101,811
Other	**218,633**	202,193
Maintenance	**104,039**	93,287
Depreciation	**353,606**	344,158
State utility and franchise taxes	**73,120**	72,127
Recognition of deferred costs and revenues, net	**22,149**	33,108
Total operating expenses	**1,512,921**	1,464,169
Operating income	**396,855**	367,211
Nonoperating revenues (expenses):		
Earnings from The Energy Authority	**6,103**	4,088
Investment income (loss)	**(3,604)**	23,463
Other nonoperating income	**3,832**	–
Interest on debt	**(285,669)**	(264,701)
Other interest	**(54)**	(72)
Allowance for funds used during construction	**9,713**	12,708
Water and Sewer Expansion Authority	**(719)**	(864)
Gain (loss) on asset disposition	**–**	(986)
Total nonoperating revenues (expenses)	**(270,398)**	(226,364)
Income before contributions	**126,457**	140,847
Contributions (to) from:		
General fund, City of Jacksonville	**(99,187)**	(96,687)
Developers and other	**19,883**	38,071
City of Jacksonville Better Jacksonville Plan	**–**	1,516
Total contributions	**(79,304)**	(57,100)
Change in net assets	**47,153**	83,747
Net assets, beginning of year	**1,566,282**	1,482,535
Effect of change in accounting	**–**	–
Net assets, beginning of year, as restated	**1,566,282**	1,482,535
Net assets, end of year	**$ 1,613,435**	$ 1,566,282

See accompanying notes.

JEA

Balance Sheets

(In Thousands)

	September 30	
	2010	**2009**
Assets and deferred outflows		
Current assets:		
Cash and cash equivalents	**$ 325,463**	$ 255,757
Investments	**12,849**	10,548
Accounts and interest receivable, less allowance for doubtful accounts of $4,365 for 2010 and $4,386 for 2009	**240,524**	230,771
Inventories:		
Fuel	**47,061**	85,954
Materials and supplies	**67,879**	71,519
Total current assets	**693,776**	654,549
Noncurrent assets and deferred outflows:		
Restricted assets:		
Cash and cash equivalents	**632,000**	503,177
Investments	**314,205**	308,849
Accounts and interest receivable	**13,038**	8,542
Total restricted assets	**959,243**	820,568
Deferred costs	**49,128**	48,083
Deferred outflows	**159,266**	121,335
Investment in The Energy Authority	**9,619**	8,078
Costs to be recovered from future revenues	**94,632**	134,798
Total noncurrent assets and deferred outflows	**1,271,888**	1,132,862
Capital assets:		
Land and easements	**118,764**	109,862
Plant in service	**9,845,790**	9,564,569
Less accumulated depreciation	**(3,487,729)**	(3,324,088)
Plant in service, net	**6,476,825**	6,350,343
Construction-in-progress	**226,982**	327,980
Net capital assets	**6,703,807**	6,678,323
Total assets and deferred outflows	**$ 8,669,471**	$ 8,465,734

See accompanying notes.

JEA

Balance Sheets (continued)

(In Thousands)

	September 30	
	2010	**2009**
Liabilities and net assets		
Current liabilities:		
Accounts and accrued expenses payable	**$ 183,010**	$ 163,747
Customer deposits	**47,448**	44,297
Total current liabilities	**230,458**	208,044
Current liabilities payable from restricted assets:		
Debt due within one year	**192,433**	224,402
Interest payable	**135,185**	102,655
Construction contracts and accounts payable	**51,655**	20,909
Renewal and replacement reserve	**90,000**	90,000
Total current liabilities payable from restricted assets	**469,273**	437,966
Noncurrent liabilities:		
Deferred credits and other liabilities	**49,440**	49,087
Revenues to be used for future costs	**68,583**	72,461
Total noncurrent liabilities	**118,023**	121,548
Long-term debt:		
Bonds and commercial paper payable, less current portion	**6,193,330**	6,120,701
Unamortized premium (discount), net	**38,199**	25,975
Unamortized deferred losses on refundings	**(135,190)**	(133,837)
Fair value of debt management strategy instruments	**141,943**	119,055
Total long-term debt	**6,238,282**	6,131,894
Net assets:		
Invested in capital assets, net of related debt	**705,722**	746,061
Restricted	**320,827**	290,140
Unrestricted	**586,886**	530,081
Total net assets	**1,613,435**	1,566,282
Total liabilities	**7,056,036**	6,899,452
Total liabilities and net assets	**$ 8,669,471**	$ 8,465,734

JEA

Statements of Cash Flows

(In Thousands)

	Year Ended September 30	
	2010	**2009**
Operating activities		
Receipts from customers	**$ 1,847,267**	$ 1,787,028
Other receipts	**45,850**	44,278
Payments to suppliers	**(869,133)**	(889,434)
Payments to employees	**(200,836)**	(194,164)
Net cash provided by operating activities	**823,148**	747,708
Noncapital and related financing activities		
Contribution to General Fund, City of Jacksonville, Florida	**(98,979)**	(96,479)
Contribution to Water & Sewer Expansion Authority – operating	**(719)**	(864)
Net cash used in noncapital financing activities	**(99,698)**	(97,343)
Capital and related financing activities		
Acquisition and construction of capital assets	**(333,578)**	(424,844)
Proceeds from issuance of debt, net	**782,315**	939,688
Gain (loss) on disposal of capital assets	**-**	(986)
Defeasance of debt	**(543,432)**	(624,059)
Repayment of debt principal	**(178,612)**	(161,740)
Interest paid on debt	**(277,703)**	(241,761)
Developer and other contributions	**11,082**	20,867
City of Jacksonville Better Jacksonville Plan contributions	**-**	1,516
Proceeds from sale of property	**22**	797
Build America Bonds	**3,832**	–
Net cash used in capital and related financing activities	**(536,074)**	(490,522)
Investing activities		
Purchases of investments	**(3,022,533)**	(1,585,457)
Proceeds from sales and maturities of investments	**3,019,411**	1,469,638
Investment income (loss)	**9,713**	10,846
Distributions from The Energy Authority	**4,562**	3,620
Net cash provided by investing activities	**11,153**	(101,353)
Net change in cash and cash equivalents	**198,529**	58,490
Cash and cash equivalents at beginning of year	**758,934**	700,444
Cash and cash equivalents at end of year	**$ 957,463**	$ 758,934

Continued on next page.

JEA

Statements of Cash Flows (continued)

(In Thousands)

	Year Ended September 30	
	2010	**2009**
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	**$ 396,855**	$ 367,211
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	**354,319**	344,820
Recognition of deferred costs and revenues, net	**22,149**	33,108
Changes in noncash assets and noncash liabilities:		
Accounts and interest receivable	**(14,221)**	6,083
Accounts and interest receivable, restricted	**(4,841)**	(4,409)
Inventories	**42,534**	(22,459)
Other	**(3,027)**	829
Accounts and accrued expenses payable	**23,865**	23,298
Liabilities payable from restricted assets	**2,796**	(5,320)
Deferred credits and other liabilities	**2,719**	4,547
Net cash provided by operating activities	**$ 823,148**	$ 747,708
Noncash activity:		
Contribution of capital assets from developers	**$ 8,802**	$ 17,204

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, 2010 and 2009:

	2010	2009
Bulk Power Supply System:		
Capital assets, net	**$ 165,085**	$ 125,787
Inventory	**4,312**	5,364
Revenues to be used for future costs	**68,583**	72,461
Other noncurrent assets	**8,465**	–
SJRPP:		
Capital assets, net	**766,399**	798,705
Current assets	**130,844**	147,277
Restricted assets	**443,837**	389,706
Other noncurrent assets	**94,150**	143,268
Long-term debt	**1,088,819**	1,163,733
Other liabilities	**280,479**	275,920

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 Financial Accounting Board Standards pronouncements (now included in the Accounting Standards Codifications – ASC) except for those that conflict with GASB Statement No. 20, *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.

JEA presents its financial statements in accordance with the GASB pronouncements which establish 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.

(Dollars In Thousands)

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

- Restricted – consists of assets that have constraints placed upon their use through external constraints imposed either by creditors (such as through debt covenants) or through laws, regulations, or constraints imposed by law through constitutional provisions or enabling legislation, reduced by any liabilities to be paid from these assets.

- Unrestricted – consists of net assets that do not meet the definition of restricted or invested in capital assets, net of related debt.

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

(c) Revenues

Operating revenues are defined as revenues generated from the sale of primary products or services through normal business operations. 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 $41,398 in fiscal year 2010 and $46,727 in fiscal year 2009. Electric Enterprise and Water and Sewer Fund revenues are recorded as earned. JEA earned 12.2% of its electric revenue from electricity sold to FPL in fiscal year 2010 and 10.3% in fiscal year 2009. Operating revenues include amounts estimated for unbilled services provided during the reporting period of $80,705 in 2010 and $76,089 in 2009.

(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 resolutions 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 or applied to other designated uses as specifically required under the bond resolutions. 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.

(Dollars In Thousands)

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

(e) Allowance for Funds Used During Construction

An allowance for funds used during construction (AFUDC) is included in construction work-in-progress and as a reduction of interest expense. JEA capitalizes interest on construction projects financed with revenue bonds, commercial paper, and renewal and replacement funds in accordance with ASC *Topic 835-20 Capitalization of Interest*. The average AFUDC rate for the Electric Enterprise Fund fixed and variable rate debt was 3.2% for fiscal year 2010 and 3.4% for fiscal year 2009. The average AFUDC rate for the Water and Sewer Fund fixed and variable rate debt was 3.7% for fiscal year 2010 and 3.9% for fiscal year 2009. The average AFUDC rate for the DES variable rate debt was 1.6% for fiscal year 2010 and 2.5% for fiscal year 2009. 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 $303,201 for fiscal year 2010 and $264,773 for fiscal year 2009. Interest expense of $9,681 and investment income on bond proceeds of $81 was capitalized in accordance with ASC Topic 835-20 during fiscal year 2010. 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.

(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 depreciation rates are based on depreciation studies performed by an outside consultant which are updated periodically, most recently in fiscal 2005. The effective rate of depreciation based upon average depreciable plant in service balance was 3.7% for fiscal year 2010 and 3.8% for fiscal year 2009. The average depreciable life of the depreciable capital assets for the Electric System is 25.0 years as of September 30, 2010 and 24.3 years as of September 30, 2009. The average depreciable life of the depreciable capital assets for the Water and Sewer Fund is 29.2 years as of September 30, 2010 and 28.2 years as of September 30, 2009. The average depreciable life of the depreciable capital assets for the DES is 26.2 years as of September 30, 2010 and 2009.

(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.

(Dollars In Thousands)

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

(i) Investments

Investments in U.S. Treasury, government agency, and state and local government securities are recorded at fair value, as determined by quoted market prices. Investments in 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, money market mutual funds, and short-term liquid investments purchased with an original maturity of 90 days or less.

(k) Interest Rate Swap Agreements

JEA's risk management policies allow for the use of interest rate swaps to manage financial exposures, but prohibit the use of these instruments for speculative or trading purposes. JEA utilizes interest rate swaps to manage the interest rate risk associated with various assets and liabilities. Interest rate swaps are used in the area of debt management to take advantage of favorable market interest rates. Interest rate swaps are authorized under the policy to be used in the area of investment management to increase the yield on revolving short-term investments.

JEA applies GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, 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.

During fiscal years 2010 and 2009, JEA did not have any interest rate swaps outstanding under JEA's asset management interest rate swap program. See the Debt Management Strategy of Long-Term Debt note for more information on JEA's debt management interest rate swap program.

(Dollars In Thousands)

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

(l) Inventory

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

(m) Fuel Management Program

In connection with the purchase of oil and natural gas, JEA has developed and implemented a fuel management program intended to manage the risk of changes in the market prices of oil and natural gas. Pursuant to this program, JEA may execute fixed price and options contracts from time to time to help manage fluctuations in the market prices of oil and natural gas. In addition, JEA has executed an Operating Agreement with TEA whereby TEA may be tasked with developing and implementing a Fuel Price hedging 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 Statement No. 53. 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 on Fuel Management Program.

(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 notes on Other Post-Employment Benefits and Commitments and Contingent Liabilities.

(p) Pollution Remediation Obligations

In 2009, JEA implemented GASB Statement No. 49, *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 on Contingent Liabilities 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 – SJRPP deferred debt-related costs of $86,167 at September 30, 2010, and $134,798 at September 30, 2009, 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. 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 $34,469 in fiscal year 2010 and $36,986 in fiscal year 2009 in deferred costs. The costs to be recovered from future revenues will be recovered over a period extending through 2039.

Bulk Power Supply System deferred debt-related costs of $8,465 at September 30, 2010, and $0 at September 30, 2009, are included in noncurrent assets on the balance sheets. The Bulk Power Supply System recorded deferred costs of $8,442 in 2010 and $0 in 2009.

(Dollars In Thousands)

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

Revenues to be Used for Future Costs – Early debt principal retirements of the Bulk Power Supply System in excess of straight-line depreciation of $68,583 at September 30, 2010 and $72,461 at September 30, 2009 are included in noncurrent liabilities on the balance sheet. The Bulk Power Supply System recognized $3,878 for both fiscal 2010 and 2009. The revenues to be used for future costs will be amortized until the capital assets are fully depreciated in 2040.

	2010	2009
Summary:		
Recognition of deferred costs from SJRPP	**$ 34,469**	$ 36,986
Recognition of deferred costs from the Bulk Power System	**(12,320)**	(3,878)
Recognition of deferred costs and revenues, net	**$ 22,149**	$ 33,108

(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 2009 amounts have been reclassified to conform to the 2010 presentation.

(t) Recent Accounting Pronouncements

JEA implemented GASB Statement No. 59, *Financial Instruments Omnibus* in 2010. This implementation did not 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, 2010 and 2009:

	2010	2009
Electric System:		
Sinking Fund	**$ 90,000**	$ 82,738
Construction Fund	**49,943**	60,443
Debt Service Reserve Fund	**78,499**	59,662
Renewal and Replacement Fund	**48,626**	67,697
Adjustment to fair value of investments	**1,415**	581
Total Electric System	**268,483**	271,121
SJRPP System:		
Sinking Fund	**141,804**	129,630
Construction Fund	**35,312**	12,741
Debt Service Reserve Fund	**147,173**	145,972
Renewal and Replacement Fund	**90,000**	90,000
Revenue Fund	**21,102**	5,885
Adjustment to fair value of investments	**8,446**	5,478
Total SJRPP System	**443,837**	389,706
Water and Sewer System:		
Sinking Fund	**71,496**	60,696
Debt Service Reserve Fund	**91,239**	54,356
Construction Fund	**37,519**	28,308
Renewal and Replacement Fund	**38,922**	11,130
Revenue Fund	**1,423**	1,207
Adjustment to fair value of investments	**2,187**	1,473
Total Water and Sewer System	**242,786**	157,170
DES:		
Sinking Fund	**1,326**	15
Renewal and Replacement Fund	**2,811**	2,556
Total DES	**4,137**	2,571
Total restricted assets	**$ 959,243**	$ 820,568

(Dollars In Thousands)

2. Restricted Assets (continued)

The Electric System, SJRPP System, Bulk Power Supply, 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 Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, which requires the adjustments of the carrying value of investments to fair value to be presented as a component of investment income. Investments are presented at fair value, which is based on available or equivalent market values. The 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 Statement No. 31, 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, 2010 and 2009, as an investment for balance sheet purposes at fair value. As of September 30, 2010 and 2009, JEA had $0 invested in Pool A.

At September 30, 2010 and 2009, the fair value of all securities, regardless of balance sheet classification as cash equivalent or investment, was as follows:

	2010	2009
Securities:		
U.S. Treasury and government agency securities	**$ 341,494**	$ 158,032
State and local government securities	**190,331**	190,410
Commercial paper	**180,732**	114,595
Local government investment pool	**1,892**	1,880
Investment in money market mutual funds	**267,959**	334,595
Total securities, at fair value	**$ 982,408**	$ 799,512

(Dollars In Thousands)

3. Cash and Investments (continued)

These securities are held in the following accounts:

	2010	2009
Restricted assets:		
Cash and cash equivalents	**$ 632,000**	$ 503,177
Investments	**314,205**	308,849
Current assets:		
Cash and cash equivalents	**325,463**	255,757
Investments	**12,849**	10,548
Total cash and investments	**1,284,517**	1,078,331
Plus interest due on securities	**2,019**	2,370
Less cash on deposit	**(304,128)**	(281,189)
Total securities, at fair value	**$ 982,408**	$ 799,512

JEA is authorized to invest in securities as described in its investment policy and in each bond resolution. As of September 30, 2010, JEA's investments in securities and their maturities are categorized below in accordance with GASB Statement No. 40, *Deposit and Investment Risk Disclosures – an amendment of GASB Statement No. 3*. 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	$ 258,648	$ 40,293	$ 3,310	$ 39,243	$ 341,494
State and local government securities	70,763	5,418	50,362	63,788	190,331
Commercial paper	180,732	–	–	–	180,732
Local government investment pool	–	1,892	–	–	1,892
Investment in money market mutual funds	267,959	–	–	–	267,959
Total securities, at fair value	$ 778,102	$ 47,603	$ 53,672	$ 103,031	$ 982,408

(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, 2010, 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, 2010, JEA had 18.4% 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, 2010, investments in any one issuer representing 5% or more of JEA's investments included $189,159 (19.3%) invested in issues of the Federal Home Loan Bank, $67,615 (6.9%) invested in issues of the Federal Home Loan Mortgage Corp., and $51,435 (5.2%) invested in issues of the Florida State Board of Education. JEA's investment policy limits the maximum holding of any one U.S. government agency issuer to 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, 2010, investments in all security types were within the allowable policy limits.

(Dollars In Thousands)

4. Capital Assets

Capital asset activity for the year ended September 30, 2010, is as follows:

	Balance September 30, 2009	Additions	Retirements	Transfers/ Adjustments	Balance September 30, 2010
Electric Enterprise Fund:					
Generation assets	$ 3,247,994	**$ 277,531**	**$ (39,643)**	**$ (637)**	**$ 3,485,245**
Transmission assets	473,202	**19,418**	**(1,158)**	**(465)**	**490,997**
Distribution assets	1,535,852	**23,904**	**(8,532)**	**8,390**	**1,559,614**
Other assets	560,912	**(7,595)**	**(38,334)**	**(15,143)**	**499,840**
Total capital assets	5,817,960	**313,258**	**(87,667)**	**(7,855)**	**6,035,696**
Less: accumulated depreciation and amortization	(2,276,929)	**(216,560)**	**94,461**	**–**	**(2,399,028)**
Land	63,841	**7,121**	**–**	**–**	**70,962**
Construction work-in-process	217,573	**263,273**	**(292,683)**	**–**	**188,163**
Net capital assets	3,822,445	**367,092**	**(285,889)**	**(7,855)**	**3,895,793**
Water and Sewer Fund:					
Pumping assets	392,543	**19,630**	**(3,368)**	**999**	**409,804**
Treatment assets	480,430	**32,134**	**(474)**	**3,027**	**515,117**
Transmission and distribution assets	977,116	**35,215**	**(9,459)**	**–**	**1,002,872**
Collection assets	1,323,344	**41,942**	**(40,503)**	**–**	**1,324,783**
Reclaimed water assets	106,283	**13,606**	**–**	**(4,008)**	**115,881**
General and other assets	417,468	**12,936**	**(38,301)**	**(18)**	**392,085**
Total capital assets	3,697,184	**155,463**	**(92,105)**	**–**	**3,760,542**
Less: accumulated depreciation	(1,039,947)	**(131,641)**	**92,105**	**–**	**(1,079,483)**
Land	42,970	**1,781**	**–**	**–**	**44,751**
Construction work-in-process	110,292	**76,821**	**(148,441)**	**–**	**38,672**
Net capital assets	2,810,499	**102,424**	**(148,441)**	**–**	**2,764,482**
DES:					
Chilled water plant assets	49,425	**127**	**–**	**–**	**49,552**
Total capital assets	49,425	**127**	**–**	**–**	**49,552**
Less: accumulated depreciation	(7,212)	**(2,006)**	**–**	**–**	**(9,218)**
Land	3,051	**–**	**–**	**–**	**3,051**
Construction work-in-process	115	**159**	**(127)**	**–**	**147**
Net capital assets	45,379	**(1,720)**	**(127)**	**–**	**43,532**
Total Electric Enterprise Fund, Water and Sewer Fund, and DES	$ 6,678,323	**$ 467,796**	**$ (434,457)**	**$ (7,855)**	**$ 6,703,807**

Note: Transfers do not net to zero due to Scherer Capitalized Interest being reclassed to “Cost to be Recovered from Future Revenues” as required by FASB 71 due to new bond issuance.

(Dollars In Thousands)

4. Capital Assets (continued)

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)

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 seven 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 $6,103 in fiscal year 2010 and $4,088 in fiscal year 2009 for all power marketing activities. The investment in TEA of $9,619 at September 30, 2010, and $8,078 at September 30, 2009, 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, 2010 and September 30, 2009. TEA issues separate audited financial statements on a calendar-year basis.

	Unaudited	
	2010	**2009**
Condensed balance sheet:		
Current assets	**$ 128,244**	$ 121,407
Noncurrent assets	**26,022**	16,473
Total assets	**$ 154,266**	$ 137,880
Current liabilities	**$ 104,381**	$ 101,775
Noncurrent liabilities	**3,790**	-
Members' capital	**46,095**	36,105
Total liabilities and members' capital	**$ 154,266**	$ 137,880
Condensed statement of operations:		
Operating revenues	**$ 718,527**	$ 728,697
Operating expenses	**657,001**	693,027
Operating income	**$ 61,526**	$ 35,670
Net income	**$ 61,601**	$ 36,648

As of September 30, 2010, 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 $43,800; 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 $60,000 (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, 2010 and 2009, $258 and $296, 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, 2010 and 2009. Colectric issues separate audited financial statements on a calendar-year basis.

	Unaudited	
	2010	**2009**
Condensed balance sheet:		
Current assets	**$ 1,782**	$ 2,039
Noncurrent assets	**15**	23
Total assets	**$ 1,797**	$ 2,062
Current liabilities	**$ 742**	$ 844
Members' capital	**1,055**	1,218
Total liabilities and members' capital	**$ 1,797**	$ 2,062
Condensed statement of operations:		
Operating revenues	**$ 1,524**	$ 1,932
Operating expenses	**1,323**	1,387
Operating income	**$ 201**	$ 545
Net income	**$ 202**	$ 545

(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]	Dates	September 30, 2010	September 30, 2009
Electric System Senior Revenue Bonds:				
Series Three, 1998A	5.000%	n/a	**$ –**	$ 2,485
Series Three, 2002B	3.500%	n/a	**–**	10,165
Series Three, 2003A	3.000 - 4.625%	2011-2039	**72,245**	90,245
Series Three, 2004A	3.625 - 5.000%	2011-2039	**67,320**	80,785
Series Three, 2005A	4.375 - 4.750%	2022-2039	**63,465**	90,000
Series Three, 2005B	3.300 - 5.000%	2011-2033	**21,290**	63,795
Series Three, 2005D	3.000 - 4.500%	2010-2035	**28,610**	33,925
Series Three, 2006A	3.400 - 5.000%	2010-2041	**88,115**	90,000
Series Three, 2007C	4.000 - 5.250%	2010-2042	**26,190**	26,515
Series Three, 2008A [2]	Variable	2010-2036	**98,130**	100,000
Series Three, 2008B-1 [3]	Variable	2010-2040	**72,420**	72,745
Series Three, 2008B-2 [2]	Variable	2010-2040	**71,860**	72,160
Series Three, 2008B-3 [2]	Variable	2010-2036	**56,025**	57,950
Series Three, 2008B-4 [2]	Variable	2010-2036	**55,485**	57,385

(Dollars In Thousands)

7. Long-Term Debt (continued)

Schedule of Outstanding Indebtedness

Long-Term Debt	Interest Rates (1)	Dates	September 30, 2010	2009
Series Three, 2008C-1 (2)	Variable	2010-2034	**$ 80,545**	$ 83,545
Series Three, 2008C-2 (2)	Variable	2010-2034	**80,300**	83,300
Series Three, 2008C-3 (2)	Variable	2010-2038	**52,215**	52,915
Series Three, 2008D-1 (3)	Variable	2010-2036	**126,450**	128,260
Series Three, 2008D-2A (2)	Variable	2010-2037	**64,465**	64,880
Series Three, 2008D-2B (2)	Variable	2010-2037	**64,465**	64,885
Series Three, 2008E	3.000 - 5.000%	2010-2028	**53,580**	54,050
Series Three, 2009A	3.000 - 5.250%	2010-2029	**95,975**	96,685
Series Three, 2009B	2.000 - 5.375%	2010-2034	**33,970**	33,970
Series Three, 2009C	5.000%	2016-2017	**15,730**	15,730
Series Three, 2009D (6)	6.056%	2033–2044	**45,955**	–
Series Three, 2010A	2.000 - 4.500%	2012–2030	**64,245**	–
Series Three, 2010B	2.000 - 4.500%	2011–2030	**8,540**	–
Series Three, 2010C	2.000 - 4.500%	2012–2031	**15,290**	–
Total Electric System Senior Revenue Bonds			**1,522,880**	1,526,375
Electric System Subordinated Revenue Bonds:				
Series C Commercial Paper Notes	Variable	n/a	**93,500**	97,666
2000 Series A (2)	Variable	2010–2035	**75,400**	77,900
2000 Series B (2)	Variable	2010–2035	**75,400**	77,900
2000 Series F (2)	Variable	2017–2030	**125,000**	125,000
2001 Series A	4.300%	2010	**2,280**	4,530
2001 Series C (2)	Variable	2017–2030	**66,000**	66,000
2001 Series E	3.700%	n/a	**–**	3,050
2002 Series C	3.625 - 3.875%	n/a	**–**	36,350
2002 Series D	4.875%	2031–2035	**42,000**	85,530
2003 Series A	4.500 - 4.625%	2023–2033	**30,755**	30,755
2004 Series A	4.700 - 5.000%	n/a	**–**	25,000
2005 Series A	3.125 - 4.750%	2010–2029	**14,315**	23,880
2005 Series C	3.000 - 4.375%	2010–2035	**22,325**	23,370
2006 Series A	3.750 - 4.300%	2015–2024	**25,000**	25,000
2007 Series A	4.000 - 5.250%	2010–2037	**82,205**	82,800
2008 Series A	3.625 - 5.125%	2011–2037	**56,410**	56,410
2008 Series C	3.600 - 5.000%	2010–2020	**79,255**	79,255
2008 Series D (2)	Variable	2010–2038	**70,155**	70,380
2008 Series E	3.000 - 4.750%	2010–2028	**18,080**	18,645
2009 Series A	3.000 - 5.625%	2010–2039	**122,585**	122,585
2009 Series B	4.000 - 5.000%	2010–2019	**116,900**	117,075
2009 Series C	4.000 - 5.000%	2014–2020	**65,515**	65,515
2009 Series D	5.000%	2011–2018	**50,135**	50,135

(Dollars In Thousands)

7. Long-Term Debt (continued)

Schedule of Outstanding Indebtedness

Long-Term Debt	Interest Rates [1]	Dates	September 30, 2010	2009
2009 Series E	4.000 - 5.000%	2014–2018	**$ 12,420**	$ 12,420
2009 Series F [6]	3.150 - 6.406%	2013–2034	**68,600**	–
2009 Series G	3.750 - 4.000%	2015–2021	**27,675**	–
2010 Series A	2.000 - 5.000%	2010–2017	**16,685**	–
2010 Series B	3.000 - 5.000%	2012–2024	**40,930**	–
Total Electric System Subordinated Revenue Bonds			**1,399,525**	1,377,151
Bulk Power Supply System Revenue Bonds:				
Series 2008A	3.750 - 6.000%	2012–2038	**77,945**	77,945
Series 2010A [6]	2.250 - 5.920%	2013–2030	**48,140**	–
Total Bulk Power System Revenue Bonds			**126,085**	77,945
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%	2010–2019	**382,225**	395,955
Issue 2, Series 18	3.500 - 4.500%	2010–2018	**40,800**	95,245
Issue 2, Series 19	3.700 - 4.600%	2010–2017	**37,885**	45,590
Issue 2, Series 20	3.625 - 4.500%	2011–2021	**96,500**	96,500
Issue 2, Series 21	4.000 - 5.000%	2010–2021	**168,605**	190,620
Issue 2, Series 22	3.750 - 4.000%	2010–2019	**100,805**	103,115
Issue 3, Series 1 [5]	3.600 - 5.000%	2010–2037	**150,000**	150,000
Issue 3, Series 2 [5]	3.500 - 5.000%	2013–2037	**125,000**	125,000
Issue 3, Series 3 [5]	3.000 - 5.500%	2013–2039	**64,305**	64,305
Issue 3, Series 4 [5], [6]	3.875 - 5.450%	2016–2028	**25,720**	–
Issue 3, Series 5 [5]	3.000 - 4.000%	2012–2015	**6,110**	–
Total SJRPP System Revenue Bonds:			**1,212,999**	1,281,374
Water and Sewer System Senior Revenue Bonds:				
2001 Series B	5.25%	n/a	**–**	42,740
2001 Series C	3.75%	n/a	**–**	6,825
2002 Series B	3.500 - 5.250%	2010–2012	**18,780**	24,405
2002 Series C	4.800 - 4.875%	2027–2041	**45,295**	76,635
2003 Series A	3.125 - 4.750%	2011–2043	**35,995**	44,445
2003 Series B	4.625 - 4.750%	2025–2037	**44,085**	56,640
2004 Series A	2.600 - 5.250%	2010–2039	**191,570**	195,950
2004 Series B	2.500 - 4.500%	2010–2039	**79,115**	121,245
2004 Series C	3.000 - 5.000%	2010–2039	**23,480**	29,785
2005 Series A	3.250 - 5.000%	2010–2041	**129,035**	141,595
2005 Series B	3.250 - 5.000%	2010–2041	**129,065**	129,795
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%	2010–2029	**36,570**	36,995

(Dollars In Thousands)

7. Long-Term Debt (continued)

Schedule of Outstanding Indebtedness

Long-Term Debt	Interest Rates [1]	Dates	September 30, 2010	2009
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%	2010–2037	**40,330**	40,985
2008 Series A-1[2]	Variable	n/a	**–**	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**	45,405
2009 Series B	3.000 - 5.000%	2010–2019	**83,240**	83,240
2010 Series A [6]	6.210 - 6.310%	2026–2044	**83,115**	–
2010 Series B	2.500 - 5.700%	2012–2025	**24,220**	–
2010 Series C	3.250 - 5.000%	2012–2040	**45,780**	–
2010 Series D	2.500 - 5.000%	2010–2039	**204,205**	–
Total Water and Sewer System Senior Revenue Bonds:			**1,706,985**	1,599,385
Water and Sewer System Subordinated Revenue Bonds:				
Subordinated 2003 Series C	3.125 - 4.750%	2011–2043	**39,590**	40,400
Subordinated 2004 Series A	2.375 - 4.375%	2010–2034	**28,130**	37,905
Subordinated 2004 Series B	4.500 - 4.750%	2023–2025	**6,425**	20,000
Subordinated 2005 Series A	3.500%	2010–2013	**705**	865
Subordinated 2006 Series A	4.000 - 4.750%	2010–2036	**14,750**	14,900
Subordinated 2007 Series A	4.500%	2034–2043	**10,330**	10,330
Subordinated 2008 Series A-1 [2]	Variable	2010–2038	**64,350**	65,625
Subordinated 2008 Series A-2 [2]	Variable	2010–2038	**64,025**	65,275
Subordinated 2008 Series B-1 [2]	Variable	2010–2036	**98,810**	98,810
Subordinated 2010 Series A	3.000 - 4.500%	2013–2022	**16,655**	–
Total Water and Sewer System Subordinated Revenue Bonds			**343,770**	354,110
Water and Sewer System Other Subordinated Debt:				
Line of Credit Draws	Variable	2010	**–**	45,715
State Revolving Fund Loans	2.630 - 2.750%	2010–2030	**5,725**	3,274
Total Water and Sewer System Other Subordinated Revenue Bonds			**5,725**	48,989

(Dollars In Thousands)

7. Long-Term Debt (continued)

Schedule of Outstanding Indebtedness

Long-term Debt	Interest Rates [1]	Dates	September 30, 2010	September 30, 2009
District Energy System:				
2004 Series A [2]	Variable	2010–2034	**$ 47,800**	$ 47,800
Line of Credit Draws	Variable	2011	**3,785**	4,285
Total District Energy System			**51,585**	52,085
Total Debt Principal Outstanding			**6,369,554**	6,317,414
Plus Accretion of SJRPP Issue 2 Series 7 Capital Appreciation Bonds			**16,209**	27,689
Sub-total			**6,385,763**	6,345,103
Less: Debt Due Within One Year [7]			**(192,433)**	(224,402)
Total Long-term Debt			**$ 6,193,330**	$ 6,120,701

(1) The interest rates on the variable rate debt outstanding (excluding CPI bonds) at September 30, 2010, ranged from 0.24% to 1.07%. At September 30, 2010, interest on the outstanding variable rate debt is based on either the weekly mode or the 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, 2010.

(2) Variable rate demand obligations.

(3) Variable rate direct purchased bonds.

(4) Variable rate bonds indexed to the Consumer Price Index (CPI bonds). At September 30, 2010, interest rates on the CPI bonds ranged from 3.49% to 3.63%.

(5) 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.

(6) Federally Taxable - Issuer Subsidy – Build America Bonds where JEA expects to receive a cash subsidy payment from the United States Treasury for 35 percent of the related interest.

(7) At September 30, 2010, debt due within one year includes a $3,785 DES line of credit draw. At September 30, 2009, debt due within one year includes $45,715 of Water and Sewer System line of credit draws and a $4,285 DES line of credit draw. 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, and except for the obligations noted in the following paragraphs, 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 February 7, 2011 to March 18, 2013. Each of the SBPA termination dates may be extended. At September 30, 2010, 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.

JEA entered into an irrevocable direct-pay letter of credit and reimbursement agreement to support the payment of the principal and interest on the Electric System's Series Three 2008B-4 VRDOs. The letter of credit agreement constitutes both a credit facility and a liquidity facility. The letter of credit agreement has a stated expiration date of July 27, 2012, unless otherwise extended. As of September 30, 2010, there are no draws outstanding under the letter of credit agreement. Repayment of any draws outstanding at the expiration date are payable in equal semiannual installments over a five-year period.

On July 27, 2010, the bank previously providing liquidity support for JEA Variable Rate Electric System Revenue Bonds, Series Three 2008B-1 and Series Three 2008D-1 (collectively, the "Direct Purchased Bonds") purchased the applicable bonds pursuant to two substantially similar direct purchase agreements. Upon such purchases, the letter of credit and standby bond purchase agreement previously in effect for the respective Direct Purchased Bonds terminated. Except as described below, the bank does not have the option to tender the respective Direct Purchased Bonds for purchase for a period specified in the respective direct purchase agreements, which period would be subject to renewal under certain conditions. Any Direct Purchased Bond that was not purchased from such bank on the mandatory tender date that occurred upon the expiration of such period would be required to be repaid as to principal in equal semiannual installments over a period of approximately five years from such mandatory tender date. Upon any such tender for payment, the Direct Purchased Bond so tendered would be due and payable immediately. The current expiration date of each respective direct purchased agreement is July 27, 2012, which may be extended.

For the commercial paper notes appearing in the above schedule of outstanding indebtedness, JEA has entered into a revolving credit agreement with a commercial bank to provide liquidity support. 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, 2010 was January 27, 2012. At September 30, 2010, 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 five-year period in the amount of such draw.

(Dollars In Thousands)

7. Long-Term Debt (continued)

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

Long-term debt activity related to bond issuances (excludes short-term bank borrowings) for the year ended September 30, 2010, was as follows:

System	Bonds Payable September 30, 2009	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, 2010	Current Portion of Bonds Payable September 30, 2010
Electric	$ 2,903,526	$ 287,920	$ (218,120)	$ (50,921)	$ –	$ 2,922,405	$ 50,705
Bulk Power Supply	77,945	48,140	–	–	–	126,085	–
SJRPP	1,309,063	31,830	–	(100,205)	(11,480)	1,229,208	99,823
Water and Sewer	1,956,769	376,482	(249,285)	(27,486)	–	2,056,480	36,810
DES	47,800	–	–	–	–	47,800	1,310
Total	$ 6,295,103	$ 744,372	$ (467,405)	$ (178,612)	$ (11,480)	$ 6,381,978	$ 188,648

(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

The debt service to maturity on the outstanding bonds (excludes short-term bank borrowings), as of September 30, 2010, is summarized in the following table:

Bond Year Ending October 1	Electric System Principal	Electric System Interest (1)	Bulk Power Principal	Bulk Power Interest	SJRPP Principal	SJRPP Interest
2010	$ 50,705	$ 36,700	$ –	$ 3,230	$ 99,823	$ 41,880
2011	101,735	78,960	–	6,530	101,121	69,350
2012	86,465	75,710	1,475	6,530	124,455	47,450
2013	91,855	73,020	3,035	6,470	131,360	41,550
2014	119,730	70,420	2,595	6,380	138,025	35,210
2015–2019	549,520	296,940	25,855	29,450	272,675	120,940
2020–2024	501,845	223,790	32,715	22,390	123,720	66,150
2025–2029	499,320	175,490	24,365	15,020	74,460	46,800
2030–2034	492,830	123,390	18,905	8,000	80,930	28,570
2035–2039	383,660	49,610	17,140	2,680	66,430	7,890
2040–2044	44,740	5,780	–	–	–	–
Total	$ 2,922,405	$ 1,209,810	$ 126,085	$ 106,680	$ 1,212,999	$ 505,790

(Dollars In Thousands)

7. Long-Term Debt (continued)

Bond Year Ending October 1	Water and Sewer Principal	Water and Sewer Interest	DES Principal	DES Interest	Total Debt Service (2)
2010	$ 36,755	$ 34,680	$ 1,310	$ 20	$ 305,103
2011	41,882	75,530	1,350	120	476,578
2012	46,938	74,140	1,390	120	464,673
2013	46,579	72,470	1,435	110	467,884
2014	48,960	70,760	1,475	110	493,665
2015-2019	274,008	325,720	8,070	490	1,903,668
2020-2024	329,215	273,200	9,355	380	1,582,760
2025-2029	333,436	212,150	10,840	250	1,392,131
2030-2034	337,772	147,730	12,575	100	1,250,802
2035-2039	388,455	78,000	–	–	993,865
2040-2044	172,480	13,910	–	–	236,910
Total	$ 2,056,480	$ 1,378,290	$ 47,800	$ 1,700	$ 9,568,039

(1) Includes amortization of commercial paper notes that is based upon JEA's current commercial paper payment plan and excludes payments made during fiscal year 2010.
(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, 2010. The table excludes payments made during fiscal year 2010.
(3) Interest in the above table reflects total interest on the Federally Taxable – Issuer Subsidy - Build America Bonds and is not net of the 35 percent cash subsidy payments that JEA expects to receive from the United States Treasury.

The estimated fair values of JEA's outstanding fixed-rate debt were $4,636,403 at September 30, 2010, and $4,576,045 at September 30, 2009. 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 $1,801,820 at September 30, 2010, and $1,904,401 at September 30, 2009. 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 fiscal year for redemption	2011	2014	2011	2011
Redemption price ranges	100%	100%	100%	100%

(Dollars In Thousands)

7. Long-Term Debt (continued)

JEA bonds issued in fiscal year 2010 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	Series Three 2009D	New Money	Senior	Dec-09	$ 45,955	$ –	$ –	$ –
Electric	2009 Series F	New Money	Subordinated	Dec-09	68,600	–	–	–
Electric	2009 Series G	Refunding (1)	Subordinated	Dec-09	27,675	28,930	(403)	1,464
Electric	Series Three 2010A	Refunding (2)	Senior	Apr-10	64,245	65,725	(602)	2,253
Electric	Series Three 2010B	Refunding (3)	Senior	Aug-10	8,540	7,500	(117)	–
Electric	Series Three 2010C	Refunding (4)	Senior	Aug-10	15,290	15,215	(328)	813
Electric	2010 Series A	Refunding (5)	Subordinated	Aug-10	16,685	18,180	(22)	–
Electric	2010 Series B	Refunding (6)	Subordinated	Aug-10	40,930	40,430	(584)	2,875
Bulk Power Supply	Series 2010A	New Money	Senior	Apr-10	48,140	–	–	–
SJRPP	Issue 3 Series 4	New Money	Senior	May-10	25,720	–	–	–
SJRPP	Issue 3 Series 5	New Money	Senior	May-10	6,110	–	–	–
Water and Sewer	2010 Series A	New Money	Senior	Jan-10	83,115	–	–	–
Water and Sewer	2010 Series B	New Money	Senior	Jan-10	24,220	–	–	–
Water and Sewer	2010 Series C	Refunding (7)	Senior	Jan-10	45,780	43,625	(709)	2,061
Water and Sewer	2010 Series D	Refunding (8)	Senior	Aug-10	204,205	187,210	(9,806)	7,799
Water and Sewer	2010 Series A	Refunding (9)	Subordinated	Aug-10	16,655	18,450	(399)	957
					$ 741,865	$ 425,265	$ (12,970)	$ 18,222

(1) Economic refunding of fixed rate bonds with new debt service of $38,468 compared to the prior debt service of $40,419.

(2) Economic refunding of $39,050 of fixed rate bonds were refunded with fixed rate debt, which resulted in new debt service of $49,132 compared to the prior debt service of $51,943. In addition, this fixed rate issue included a noneconomic refunding of $26,675 of a prior issued fixed rate refundable maturity.

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

(4) Economic refunding of fixed rate bonds with new debt service of $24,304 compared to prior debt service of $25,431.

(5) Noneconomic refunding of a fixed rate refundable maturity.

(6) Economic refunding of fixed rate bonds with new debt service of $58,756 compared to prior debt service of $62,522. The refunded bonds noted in the above table does not include an additional $2,450 of bonds refunded by this issue which will be redeemed on October 1, 2010, with refunding proceeds held in the Electric System Subordinated Construction Fund.

(7) Economic refunding of fixed rate bonds with new debt service of $51,000 compared to prior debt service of $53,484.

(8) Economic refunding of $113,620 of fixed rate bonds with new debt service of $195,420 compared to prior debt service of $210,243. In addition, this fixed rate issue included a noneconomic refunding of $73,590 of a prior issued variable rate demand obligation.

(9) Economic refunding of fixed rate bonds with new debt service of $23,280 compared to prior debt service of $24,631.

(Dollars In Thousands)

7. Long-Term Debt (continued)

Debt Service Reserve Funds

During fiscal years 2008 and 2009, various AAA providers of debt service reserve sureties 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 is according to each system's bond resolution. As of September 30, 2010, the Electric System Initial Subaccount in the Debt Service Reserve and the Water and Sewer System Initial Subordinated Debt Service Reserve was 100% funded with cash and investments. As of September 30, 2010, the remaining amount to be funded for the Water and Sewer System Initial Subaccount in the Debt Service Reserve is as follows:

	Water and Sewer System Initial Subaccount in the Debt Service Reserve
Debt service reserve requirement	$ 113,460
Less: cash and investments	(83,149)
Funding required for downgraded surety policies	30,311
Less: funds available in the Construction Reserve Account	18,806
Net funding needs from future bond issues or other sources	$ 11,505

Short-Term Bank Borrowings

JEA currently has two arrangements with three commercial banks (one of the arrangements is provided jointly by two banks) for unsecured line of credits in the amounts of $87,500 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 2010 is summarized in the table below:

System	Line of Credit Payable September 30, 2009	New Money Draws for Capital Expenditures	Payments From Revenue Fund	Payments From Bond Issues	Payments From Original Proceeds	Line of Credit Payable September 30, 2010
Electric	$ –	$ –	$ –	$ –	$ –	$ –
Bulk Power Supply	–	22,000	–	(22,000)	–	–
SJRPP	–	6,000	–	–	(6,000)	–
Water and Sewer	45,715	10,000	–	(55,715)	–	–
DES	4,285	–	(500)	–	–	3,785
Total	$ 50,000	$ 38,000	$ (500)	$ (77,715)	$ (6,000)	$ 3,785

(Dollars In Thousands)

7. Long-Term Debt (continued)

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

System	Line of Credit Payable September 30, 2008	New Money Draws for Capital Expenditures	New Money Draws for Surety Replacement	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

At September 30, 2010, the line of credit draw outstanding for the DES was $3,785 and is scheduled to mature in November 2010 and will be replaced with a refunding draw at that time. At September 30, 2010, the $87,500 line of credit agreement has $83,715 available to be drawn and the $112,500 line of credit agreement has the entire $112,500 available to be drawn.

The current expiration date is August 29, 2011 for the $87,500 line of credit agreement and is September 14, 2011 for the $112,500 line of credit agreement.

Debt Management Strategy

JEA has entered into various 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 reported in the long-term debt section on the balance sheets; however, the notional amounts of the interest rate swaps are not reflected in the financial statements. JEA adopted GASB Statement No. 53 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.

(Dollars In Thousands)

7. Long-Term Debt (continued)

JEA entered into all outstanding floating to fixed interest rate swap agreements during prior fiscal years. The terms of the floating to fixed rate swap agreements outstanding at September 30, 2010, 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	$ 157,600	3.7%	Sep-03	Sep-33	68% of one month LIBOR
Electric	Series Three 2008B	27,400	27,125	4.0%	Jan-05	Oct-26	SIFMA
Electric	Series Three 2008B	117,825	115,725	4.4%	Aug-08	Oct-39	SIFMA
Electric	Series Three 2008B	116,425	110,700	3.7%	Sep-08	Oct-35	68% of one month LIBOR
Electric	2008 Series D	29,900	29,300	3.6%	Mar-09	Oct-16	SIFMA
Electric	2008 Series D	40,875	40,575	3.7%	Mar-09	Oct-37	68% of one month LIBOR
Electric	Series Three 2008D-1	98,375	94,825	3.9%	May-08	Oct-31	SIFMA
Electric	Series Three 2008A	100,000	98,130	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 B	85,290	85,290	3.9%	Mar-07	Oct-41	SIFMA
		$ 828,820	$ 798,000				

During fiscal year 2010, JEA elected to terminate two floating to fixed interest rate swap agreements. The terms of the early terminated floating to fixed rate swap agreements are as follows:

System	Related Bonds Refunded	Initial Notional Amount	Notional Amount Outstanding at Termination	Fixed Rate of Interest	Effective Date	Original Termination Date	Variable Rate Index	Deferred Outflows at Early Termination
Electric	Series Three 2008D-2	$ 95,240	$ 94,760	3.9%	May-08	Oct-36	SIFMA	$ 15,991
Water and Sewer	2008 Series A	75,000	73,590	3.9%	Mar-09	Oct-36	SIFMA	7,040
		$ 170,240	$ 168,350					$ 23,031

During fiscal year 2010, JEA terminated the above swaps in conjunction with pricing the refunding of the related variable bonds with fixed rate bonds. The deferred outflows associated with the fair value of the interest rates swaps are noted in the above table. At September 30, 2010, the Electric System deferred outflows of $15,991 remain on the balance sheet, and as such will be included in the computation of the unamortized loss on refundings at the time of the bond closing in October 2010. The Water and Sewer System deferred outflows of $7,040 were included in the computation of the unamortized loss on refunding at the time of the related bond closing in August 2010.

(Dollars In Thousands)

7. Long-Term Debt (continued)

In anticipation of future bond issues, JEA entered into a forward starting floating to fixed interest rate swap agreement during fiscal year 2008 that was early terminated during fiscal year 2010. The original terms of the early terminated forward starting floating to fixed rate swap agreement are as follows:

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

The above forward starting swap was early terminated during September 2010 and was no longer recognized as an effective hedge; therefore, the termination loss of $17,510 was recorded to investment income for fiscal year 2010.

The terms of the 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 1 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%	Jan-05	Oct-39	SIFMA
Electric	Series Three 2008B	116,425	114,525	3.7%	Jan-05	Oct-35	68% of 1 month LIBOR
Electric	2008 Series D	29,900	29,450	3.6%	Jan-05	Oct-16	SIFMA
Electric	2008 Series D	40,875	40,650	3.7%	Jan-05	Oct-37	68% of 1 month LIBOR
Electric	Series Three 2008D-1	98,375	96,635	3.9%	Jan-07	Oct-31	SIFMA
Electric	Series Three 2008D-2	95,240	95,005	3.9%	Jul-07	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%	Feb-08	Oct-41	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)

The following table includes fiscal year 2010 summary information for JEA's effective cash flow hedges related to the outstanding floating to fixed interest rate swap agreements.

	Changes in Fair Value		Fair Value at September 30, 2010		
System	**Classification**	**Amount**	**Classification**	**Amount [1]**	**Notional**
Electric	Deferred outflows	$ 40,133	Fair value of debt management strategy instruments	$ (124,648)	$ 673,980
Water and Sewer	Deferred outflows	5,389	Fair value of debt management strategy instruments	(17,295)	124,020
Total		$ 45,522		$ (141,943)	$ 798,000

(1) Fair value amounts were calculated using market rates as of September 30, 2010, and standard cash flow present valuing techniques.

The following table includes fiscal year 2009 summary information for JEA's effective cash flow hedges related to both outstanding 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 outflows	$ 66,772	Fair value of debt management strategy instruments	$ (100,799)	$ 883,340
Water and Sewer	Deferred outflows	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.

(Dollars In Thousands)

7. Long-Term Debt (continued)

For fiscal years ended September 30, 2010 and 2009, the weighted average rates of interest for each index type of floating to fixed interest rate swap agreement and the total net swap earnings were as follows:

	2010	2009
68% of LIBOR Index:		
Notional amount outstanding	**$ 308,875**	$ 318,775
Variable rate received (weighted average)	**0.2%**	0.7%
Fixed rate paid (weighted average)	**3.7%**	3.7%
SIFMA Index (formerly BMA Index):		
Notional amount outstanding	**$ 450,395**	$ 624,855
Variable rate received (weighted average)	**0.3%**	0.8%
Fixed rate paid (weighted average)	**4.0%**	4.0%
CPI Index:		
Notional amount outstanding	**$ 38,730**	$ 38,730
Variable rate received (weighted average)	**1.8%**	3.8%
Fixed rate paid (weighted average)	**4.0%**	4.0%
Net debt management swap loss [1]	**$ (51,590)**	$ (29,137)

(1) For 2010, the net debt management swap loss includes the $17,510 forward dated interest rate swap termination loss recorded to investment income.

(Dollars In Thousands)

7. Long-Term Debt (continued)

The following two tables summarize the anticipated net cash flows of JEA's outstanding hedged variable rate debt and related floating to fixed interest rate swap agreements at September 30, 2010:

Electric System

Bond Year Ending October 1	Principal	Interest	Net Swap Interest	Total
2010	$ 14,505	$ 259	$ 2,044	$ 16,808
2011	15,220	2,703	23,760	41,683
2012	16,420	2,642	23,191	42,253
2013	23,355	2,575	22,571	48,501
2014	21,455	2,479	21,748	45,682
2015–2019	74,515	11,268	99,073	184,856
2020–2024	113,845	9,542	84,211	207,598
2025–2029	161,380	6,866	60,677	228,923
2030–2034	138,700	3,405	30,073	172,178
2035–2039	94,585	1,015	9,341	104,941
Total	$ 673,980	$ 42,754	$ 376,689	$ 1,093,423

(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, 2010. 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, 2010.

Water and Sewer System

Bond Year Ending October 1	Principal	Interest	Net Swap Interest	Total
2010	$ –	$ 712	$ 337	$ 1,049
2011	–	1,592	3,259	4,851
2012	–	1,592	3,259	4,851
2013	–	1,592	3,259	4,851
2014	–	1,592	3,259	4,851
2015–2019	19,620	7,017	16,183	42,820
2020–2024	27,565	2,236	15,477	45,278
2025–2029	9,140	844	12,785	22,769
2030–2034	9,660	774	11,706	22,140
2035–2039	36,315	558	8,436	45,309
2040-2044	21,720	79	1,190	22,989
Total	$ 124,020	$ 18,588	$ 79,150	$ 221,758

(2) 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, 2010. 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, 2010.

(Dollars In Thousands)

7. Long-Term Debt (continued)

Credit Risk. JEA is exposed to credit risk on hedging derivative instruments that are in asset positions. To minimize its exposure to loss related to credit risk, the Board has established limits on the notional amount of JEA's interest rate swap transactions and standards for the qualification of financial institutions with whom JEA may enter into interest rate swap transactions. The counterparties with whom JEA may deal must be rated (i) "AAA" by one or more nationally recognized rating agencies at the time of execution, (ii) "AA-/Aa3" or better by at least two of such credit rating agencies at the time of execution, or (iii) if such counterparty is not rated "AA-/Aa3" or better at the time of execution, provide for a guarantee by an affiliate of such counterparty rated at least "A/A2" or better at the time of execution where such affiliate agrees to unconditionally guarantee the payment obligations of such counterparty under the swap agreement. In addition, each swap agreement will require the counterparty to enter into a collateral agreement to provide collateral when the ratings of such counterparty (or its guarantor) fall below "AA-/Aa3" and a payment is owed to JEA. All outstanding interest rate swaps at September 30, 2010, 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, 2010.

JEA's floating to fixed interest rate swap counterparty credit ratings at September 30, 2010, are as follows:

Counterparty	Counterparty Credit Ratings S&P/Moody's/Fitch	Outstanding Notional Amount
Goldman Sachs Mitsui Marine Derivative Products L.P.	AAA per S&P	$ 282,855
Morgan Stanley Capital Service Inc	A/A2/A	249,280
JPMorgan Chase Bank, N.A.	AA-/Aa1/AA-	180,575
Merrill Lynch Derivative Products AG	AAA per S&P	85,290
Total		$ 798,000

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, 2010, the weighted-average interest rate on JEA's hedged variable-rate debt is 0.4%, 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.

(Dollars In Thousands)

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 2010	**$ 36,060**	**$ 4,778**
Fiscal year 2009	$ 36,770	$ 6,176

City Contribution

The calculation of the City contribution is based on a formula negotiated with the City of Jacksonville. Fiscal year 2010 is the second 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.

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 2010 and 2009 amounted to $79,007 and $76,094.

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 2010 and 2009 amounted to $20,180 and $20,593.

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

(Dollars In Thousands)

8. Transactions with City of Jacksonville (continued)

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, 2010, JEA recorded $30,766 and $7,789 in its electric and water and sewer funds, which are included in operating revenues and expenses. 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.

Risk Management

JEA is exposed to various risks of loss related to general liability, automobile liability, workers' compensation, and property claims. 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. See note 12 for discussion of the self insurance program.

Better Jacksonville Plan

The City was 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 in fiscal year 2009 and none in 2010.

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 2011. 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. From time to time, JEA purchases portions of its coal supply for SJRPP from domestic suppliers and takes delivery at the mine. In these instances, JEA contracts with CSX for rail transportation from the mine to the SJRPP plant. JEA is currently considering a rail transportation commitment with CSX for delivery to SJRPP during calendar year 2011. 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.

(Dollars In Thousands)

9. Fuel Purchase and Purchased Power Commitments (continued)

JEA has commitments to purchase natural gas delivered to Jacksonville under a long-term contract with BG Energy Merchants, LLC (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 and an option from Peoples Gas System for a seasonal release of firm gas transportation capacity on Southern Natural Gas Company and FGT.

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 had 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 were firm, subject to the availability of the units involved (Miller Units 1-4 and Scherer Unit 3).

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

In the unlikely event that JEA would not be in a position to fulfill its obligations to receive fuel and purchased power under the terms of its existing fuel and purchased power contracts, JEA would nonetheless be obligated to make certain future payments. If the conditions necessitating the future payments occurred, JEA would mitigate the financial impact of those conditions by 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	Coal and Petroleum Coke		Natural Gas				
September 30	Fuel	Transportation	Fuel	Transportation	Oil	Transmission	Total
2011	17,526	25,338	3,340	2,227	3,007	4,236	55,674
2012	13,024	13,752	3,349	2,233	-	4,452	36,810
2013	3,466	2,275	3,340	2,227	-	4,608	15,916
2014	522	-	3,340	2,227	-	4,860	10,949
2015	74	-	3,340	2,227	-	5,088	10,729
2016-2035	-	-	20,057	13,371	-	129,444	162,872

(Dollars In Thousands)

9. Fuel Purchase and Purchased Power Commitments (continued)

Purchase Power Contracts

Vogtle Units Purchase Power Agreement

The JEA Board established a target of up to 30% of JEA's energy requirements to be met with nuclear energy by 2030. As a result of those efforts, JEA 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 percent of JEA's total energy requirements in the year 2017.

The Additional Vogtle Units PPA requires JEA to pay MEAG Power for the capacity and energy at the full cost of production (including debt service on the bonds issued and to be issued by MEAG Power to finance the portion of the capacity to be sold to JEA of its ownership interest in the Additional Vogtle Units) plus a margin over the term of the Additional Vogtle Units PPA. 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 (that is, whether or not either Additional Vogtle Unit is completed or is operating or operable, and whether or not its output is suspended, reduced or the like or terminated in whole or in part), except that JEA is not obligated to pay the "margin" referred to above during such periods in which the output of either Additional Vogtle Unit is suspended or terminated.

MEAG Power has advised JEA that MEAG Power has created three separate "projects" for the purpose of owning and financing its 22.7 percent undivided ownership interest in the Additional Vogtle Units (representing approximately 500.308 MW of capacity and related energy based upon the nominal rating of the Units), and that MEAG Power's estimated in-service cost, including construction costs, financing costs and contingencies, initial fuel load costs and switchyard and transmission costs, for its entire 22.7 percent undivided ownership interest in the Additional Vogtle Units is approximately $3.7 billion, of which approximately $1.5 billion is allocable to the project (referred to herein as "Project J") from which the capacity and energy to be sold to JEA under the Additional Vogtle Units PPA will be derived.

In order to finance a portion of its acquisition and construction of Project J and to refund bond anticipation notes previously issued by MEAG Power, MEAG Power issued $1.2 billion of its Plant Vogtle Units 3&4 Project J Bonds (the 2010 PPA Bonds) on March 11, 2010. This financing represents approximately 85 percent of the estimated construction costs of the units applicable to the output purchased by JEA under the Additional Vogtle Units PPA. It results in a portion of fixed annual costs to JEA for one of the Additional Vogtle Units of approximately $36.3 million per year for 20 years beginning in April 2016 and a portion of fixed annual costs to JEA for the other Additional Vogtle Unit of approximately $28.7 million per year for 20 years beginning in April 2017.

(Dollars In Thousands)

9. Fuel Purchase and Purchased Power Commitments (continued)

Jacksonville Solar

JEA entered into a 30-year purchase power agreement with Jacksonville Solar, LLC, in 2009 for the produced energy as well as the associated environmental attributes from a solar farm, Jacksonville Solar, which has been constructed in JEA's service territory. The facility, which consists of 200,000 photovoltaic panels on a JEA leased 100 acre site is owned by PSEG Solar Source, LLC and will generate approximately 22,430 MWh of electricity per year.

Construction of the 15 MW solar farm started in November 2009. JEA commenced receipt of energy in May 2010 during the early stages of phased-in facility completion and is now receiving energy from the completed facility. JEA pays only for the energy produced. On September 28, 2010, a dedication ceremony for Jacksonville Solar was hosted by PSEG and JEA.

Trail Ridge Landfill

JEA currently purchases energy from a 9.6 MW landfill gas to energy facility at the Trail Ridge Landfill in Jacksonville through a Purchase Power Agreement with Landfill Energy Systems.

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 2010 and 2009, 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, 2010 and 2009, the fuel management program had no open NYMEX natural gas futures contracts. The fuel management program had margin deposits of $12 at September 30, 2010 and 2009, which is included in other noncurrent assets on the balance sheets.

During fiscal 2010 and 2009, 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 Statement No. 53 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, 2010 and 2009, deferred charges of $1,333 and $2,279 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, 2010 and 2009, a $24 and $9,866 realized loss was included in fuel expense. Any losses were off-set by decreased prices in the purchase of natural gas.

(Dollars In Thousands)

10. Fuel Management Program (continued)

The following is a summary of derivative transactions for the years ending September 30, 2010 and 2009.

Electric Enterprise Fund	Changes in Fair Value		Fair Value at September 30, 2010		
Cash Flow Hedges	**Classification**	**Amount**	**Classification**	**Amount**	**Notional**
Natural Gas	**Deferred outflows**	**$ (946)**	**Deferred outflows**	**$ (1,333)**	**$2,808**

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

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.

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 2009 Comprehensive Annual Financial Report of the City of Jacksonville, Florida. This report may be obtained at http://www.coj.net/Departments/Finance/Accounting/CAFR.htm or 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.

In fiscal years 2010, 2009 and 2008, plan members were required to contribute 8% of their annual covered salary and JEA's contribution of the covered payroll for the plan members was $16,257 (13%) in 2010, $13,280 (11%) in 2009 and $12,744 (11%) in 2008. Contributions were made in accordance with contribution requirements determined through an actuarial valuation.

In fiscal year 2010, employees had the option to participate in a defined contribution plan. Plan members of the defined contribution plan were required to contribute 8% of their annual covered salary and JEA's contribution was for the plan members of the defined contribution was 8% or $16.

All contributions for both the defined contribution and defined benefit plans of the City of Jacksonville were separated out between the pension contribution and a disability program fund. Due to this change, a physical exam requirement is no longer required to participate in the plans.

(Dollars In Thousands)

11. Pension Plans (continued)

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 does not issue publicly audited financial statements.

Effective February 1, 2009, SJRPP employees 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. The employees are then eligible to purchase the respective time in the City of Jacksonville General Employees Pension Plan.

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, 2010, was 69.0% of annual covered payroll.

Annual Pension Cost – The annual pension contributions for the years ended September 30, 2010, 2009, and 2008 were $14,350, $11,236, and $10,902, which was equal to the required employee and employer contributions for each year.

Funding Status and Funding Progress

As of October 1, 2009, the most recent actuarial valuation date, the SJRPP Pension Plan was 65.09% funded. The actuarial accrued liability (AAL) for benefits was $113,512, and the actuarial value of assets was $73,884, resulting in an unfunded actuarial accrued liability (UAAL) of $39,628. The covered payroll (annual payroll of active employees covered by the pension plan) was $21,327, and the ratio of the UAAL to the covered payroll was 185.81%.

The schedule of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, presents multiyear trend information indicating whether the actuarial value of pension plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

(Dollars In Thousands)

11. Pension Plans (continued)

Actuarial Methods and Assumptions

SJRPP Plan members are required to contribute currently 4.0% of their current-year annual covered salary. The annual required contribution was determined by actuarial valuation using the Individual Entry Age Actuarial Cost Method. The actuarial assumptions include: a life expectancy calculation using the RP-2000 Mortality Table; a 7.25% investment rate of return (net of administrative expenses); and 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. There have been no changes to the Plan provisions or actuarial costs methods since the last valuation. However, there have been changes in actuarial assumptions which included reducing investment return from 7.75% to 7.25% per annum, rates of retirement were modified, and the percentage of members assumed to be married were decreased from 100% to 75%.

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 per employee with an aggregate limit of 125% of aggregate claims are covered by insurance. There have been no significant reductions in coverage from the coverage in the prior year. 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.

(Dollars In Thousands)

12. Health Insurance Programs (continued)

Self-insurance program liability at September 30, 2010 and 2009 is as follows:

	Medical and Prescription Benefits
	(Dollars in thousands)
Balance at September 30, 2008	$ –
Contributions	7,411
Incurred claims	(3,316)
Balance at September 30, 2009	4,095
Contributions	**31,923**
Incurred claims	**(27,791)**
Balance at September 30, 2010	**$ 8,227**

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. In addition, retirees are eligible to continue life insurance coverage through the plan sponsored by JEA. Premiums for the first $5,000 of coverage are being subsidized by the employer and as such are considered as Other Post Employment benefits for the purposes of GASB Statement No. 45.

As of October 1, 2009 (the Actuarial valuation date), the OPEB Plan had approximately 2,062 active participants and 565 retirees receiving benefits. The JEA currently determines the eligibility, benefit provisions and changes to those provisions, applicable to eligible retirees. The OPEB Plan does not issue publicly audited financial statements.

Funding Policy

Retired members pay the full premium associated with the health coverage elected. There is no direct JEA subsidy 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.

(Dollars In Thousands)

13. Other Post-Employment Benefits (continued)

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.

In 2008, JEA began to advance fund the OPEB obligation. This was accomplished by establishing a separate trust into which JEA will make periodic deposits and withdrawals to reimburse operations for costs incurred on a pay-as-you-go basis.

Annual OPEB Costs and Net OPEB Obligation

Fiscal Year Ending	Annual OPEB Cost	JEA Contributions*	Percentage of Retiree Cost Contributed	Net Obligation
September 30, 2010	**$5,215**	**$5,236**	**100.4%**	**$3,786**
September 30, 2009	$5,779	$4,023	70%	$3,807
September 30, 2008	$5,351	$3,280	61%	$2,071

* Implicit 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 as of September 30, 2010 and 2009:

	September 30	
	2010	**2009**
Annual Required Contribution (ARC)	**$ 5,126**	$ 5,779
Interest on OPEB Plan obligation	**305**	183
Adjustment to ARC	**(216)**	(203)
Annual OPEB plan retiree cost*	**5,215**	5,759
Contributions made	**5,236**	(4,023)
Change in OPEB Plan obligation	**(21)**	1,736
OPEB Plan obligation at beginning of year	**3,807**	2,071
OPEB Plan obligation at end of year	**$ 3,786**	$ 3,807

* Implicit additional premiums paid by JEA

(Dollars In Thousands)

13. Other Post-Employment Benefits (continued)

Funded Status

As of September 30, 2010, the most recent valuation date, the OPEB plan was 2.99% funded. The actuarial accrued liability for benefits was $71,894 and the actuarial value of assets was $2,149, resulting in an unfunded actuarial accrued liability (UAAL) of $69,745. The covered payroll (annual payroll of active employees covered by the OPEB plan) was $138,093 and the ratio of the UAAL to the covered payroll was 50.51%.

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 Unfunded Actuarial Accrued Liability is amortized in a closed amortization, calculated as a level percent of payroll over a 28 year period. 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 asset valuation method used to determine the actuarial value of the assets was the market value of the investments held in trust. The annual health care cost trend rate was assumed to decline gradually over the next several years from 9% at 2010, to an ultimate rate of 5% on and after 2018. The assumed rate of payroll growth is 4%. The discount rate and salary rates include a general price inflation rate of 3%.

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.

(Dollars In Thousands)

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.

Clean Air Act

On July 6, 2010, the U.S. Environmental Protection Agency (EPA) proposed its long-expected rule replacing the Clean Air Interstate Rule (CAIR). The CAIR rule established a cap-and-trade program to reduce sulfur dioxide (SO2) and nitrogen oxide (NOx) emissions from power plants for electric generation units (EGUs) in a 28-state region in the East. CAIR, however, was overturned in court.

The proposed new rule, known as the Transport Rule, would require 31 states and the District of Columbia to reduce power plant emissions of either SO2 or NOx or both. As with CAIR, the purpose of the program is to address the contribution of upwind states to downwind nonattainment of EPA's ozone and PM2.5 standards. The reductions required under the proposed Transport Rule are more stringent than those under CAIR principally because phase two of the CAIR program began in 2015 whereas phase two of the proposed Transport Rule begins in 2014. In addition, although CAIR provided for a regional cap-and-trade program, the proposed Transport Rule provides only for intrastate trading and limited interstate trading.

Under the proposed rule, SO2 reductions would take place in two phases and would be divided among two groups of states. Phase one would apply to all 26 states subject to SO2 standards under the rule. In phase two, 10 states would become subject to significantly more stringent requirements in 2014.

For NOx, all of the affected states would become subject to both annual and seasonal reduction requirements, and these requirements would become applicable in 2012 and would not change in 2014. EPA, however, stated that it was still studying whether additional NOx reductions would be required from the EGU sector in 2014 and would have a proposal on that subject in the relatively near future.

Significantly, the proposed Transport Rule addresses compliance with EPA's 1997 ozone standard and EPA's annual PM2.5 standard established in 1997 and its 24-hour PM2.5 standard promulgated in 2006. EPA, however, has already proposed more stringent ozone standards that it expects to finalize this year, and is working on new PM2.5 standards that are likely to be more stringent than the PM2.5 standards addressed in the proposed Transport Rule. EPA states that it will propose a new transport rule that addresses the new ozone standards in 2011 and finalize it in 2012, and will also propose a new transport rule that addresses the new PM2.5 standards after those standards are finalized.

(Dollars In Thousands)

14. Commitments and Contingent Liabilities (continued)

EPA accepted comments on the proposed Transport Rule through October 1, 2010. JEA filed comments on its own behalf and joined in or supported comments filed by the Florida Electric Power Coordinating Group, the Class of '85, the American Public Power Association, the Large Public Power Council and the Florida Municipal Electric Association.

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 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 had to be removed. A draft permit has been issued for review.

At September 30, 2010 and 2009, a liability of $6,029 and $11,000 was included in current liabilities on the balance sheets related to the 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.

At September 30, 2010 and 2009, a liability of $7,675 and $10,000 was included in current liabilities in the balance sheets 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 $27,075 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. 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 has completed a series of modeling tasks to define the maximum sustainable limits of the resource and to identify specific conservation and reuse demand management measures to forestall the need for alternative water supplies through 2030. The outcome of the CUP process will ultimately define the timeline for implementing alternative water supply strategies in Northeast Florida to augment the 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 would require a portion of JEA's water supply to be provided through inclusion of 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 state rule limits the amount of nitrogen that these 11 wastewater treatment facilities are allowed to discharge by permit. JEA is meeting these limits as the result of past capital improvements to its wastewater facilities, expansion of the reclaimed water system and phase out of smaller old technology wastewater facilities.

(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. EPA's freshwater rule that was circulated November 24, 2010 contained stringent nutrient criteria, but also contained provisions for the adoption of less stringent site specific standards, such as TMDLs, as alternative standards. If the future marine rule imposes a more stringent standard, or if an alternative standard such as the Lower St. Johns River TMDL is not adopted, 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. A settlement agreement regarding this lawsuit was reached during a mediation hearing on June 18, 2010. The settlement agreement was approved by the JEA Board on July 20, 2010. As part of the settlement JEA agreed to pay up to $100,000 for two consultants to coordinate with the plaintiffs and review JEA's program for reducing SSOs from their system. JEA also agreed to pay $270,000 in plaintiff's attorney's fees. In return, the plaintiffs agreed to withdraw their suit regarding the SSOs covered under the complaint.

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 Statement No. 49*,* related to various environmental matters. The effect of the adoption was to increase the environmental liability by $600 in fiscal year 2010 and $2,300 in fiscal year 2009. Based on analysis of the cost of remediation and other identified environmental contingencies, JEA's pollution remediation obligations for fiscal year 2010 was $17,100 million in which 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 liabilities 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 $13,905 for fiscal year 2010 and $15,121 for fiscal year 2009. Water and Sewer charges to the Electric System were $197 for fiscal year 2010 and $139 for fiscal year 2009.

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 $35,964 for fiscal year 2010 and $37,163 for fiscal year 2009.

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 $1,542 for fiscal year 2010 and $2,067 for fiscal year 2009.

In July 1999 and July 2004, the Electric System transferred several buildings to the Water and Sewer System in the amounts of $22,940 and $6,278, an amount equal to the net book value of the assets. Monthly the Electric System reimburses the Water and Sewer System for their equitable allocation. Annual rent paid by the Electric System to the Water and Sewer System for use of these buildings was $1,785 for fiscal 2010 and $2,055 for fiscal year 2009.

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, 2010 and 2009, was as follows:

	Electric System and Bulk Power Supply System		SJRPP System		Water and Sewer System		DES	
	2010	2009	2010	2009	2010	2009	2010	2009
Information:								
Total current assets	$ 464,265	$ 417,860	$ 130,844	$ 147,277	$ 122,621	$ 110,251	$ 4,220	$ 2,869
Total other noncurrent assets	449,515	401,063	537,987	532,974	279,982	195,976	4,404	2,849
Capital assets, net	3,129,394	3,023,740	766,399	798,705	2,764,482	2,810,499	43,532	45,379
Total assets	$ 4,043,174	$ 3,842,663	$ 1,435,230	$ 1,478,956	$ 3,167,085	$ 3,116,726	$ 52,156	$ 51,097
Total current liabilities	$ 173,212	$ 163,789	$ 16,430	$ 27,063	$ 24,952	$ 17,149	$ 74	$ 43
Total current liabilities payable from restricted assets	164,905	92,648	260,848	245,909	82,335	118,810	5,149	4,307
Total other noncurrent liabilities	107,100	111,539	3,201	2,948	7,670	7,061	52	–
Total long-term debt	3,093,858	3,003,893	1,088,819	1,163,733	2,009,115	1,916,468	46,490	47,800
Total liabilities	3,539,075	3,371,869	1,369,298	1,439,653	2,124,072	2,059,488	51,765	52,150
Net assets invested in capital assets, net of related debt	33,223	31,760	(174,752)	(189,600)	855,075	910,335	(7,824)	(6,434)
Restricted net assets	81,820	112,046	129,471	111,637	78,961	40,194	4,121	2,555
Unrestricted net assets	389,056	326,988	111,213	117,266	108,977	106,709	4,094	2,826
Total net assets	504,099	470,794	65,932	39,303	1,043,013	1,057,238	391	(1,053)
Total liabilities and net assets	$ 4,043,174	$ 3,842,663	$ 1,435,230	$ 1,478,956	$ 3,167,085	$ 3,116,726	$ 52,156	$ 51,097
Condensed Statement of Revenues, Expenses, and Changes in Net Assets Information:								
Operating revenues	$ 1,416,181	$ 1,426,674	$ 471,918	$ 391,030	$ 313,136	$ 259,275	$ 7,595	$ 6,915
Depreciation	179,439	177,123	40,257	35,364	131,904	129,628	2,006	2,043
Operating expenses	997,032	977,221	338,224	277,964	119,196	113,402	3,917	3,938
Operating income	239,710	272,330	93,437	77,702	62,036	16,245	1,672	934
Nonoperating revenues (expenses)	(127,398)	(100,955)	(66,808)	(55,642)	(75,964)	(69,166)	(228)	(601)
Contributions	(79,007)	(76,094)	–	–	(297)	18,994	–	–
Change in net assets	33,305	95,281	26,629	22,060	(14,225)	(33,927)	1,444	333
Beginning net assets	470,794	375,513	39,303	17,243	1,057,238	1,091,165	(1,053)	(1,386)
Ending net assets	$ 504,099	$ 470,794	$ 65,932	$ 39,303	$ 1,043,013	$ 1,057,238	$ 391	$ (1,053)
Condensed Statement of Cash Flow Information:								
Net cash provided by (used in):								
Operating activities	$ 409,629	$ 459,157	$ 193,710	$ 125,897	$ 198,583	$ 159,863	$ 3,716	$ 2,791
Noncapital financing activities	(78,764)	(75,907)	–	–	(20,934)	(21,436)	–	–
Capital and related financing activities	(298,891)	(233,316)	(132,722)	(140,034)	(86,076)	(116,293)	(875)	(879)
Investing activities	2,184	(23,988)	27,378	(73,150)	(18,441)	(4,245)	32	30
Net change in cash and cash equivalents	34,158	125,946	88,366	(87,287)	73,132	17,889	2,873	1,942
Cash and cash equivalents at beginning of year	361,303	235,357	246,106	333,393	146,291	128,402	5,234	3,292
Cash and cash equivalents at end of year	$ 395,461	$ 361,303	$ 334,472	$ 246,106	$ 219,423	$ 146,291	$ 8,107	$ 5,234

(Dollars In Thousands)

16. Subsequent Events

Long-Term Debt

In October 2010, JEA issued $184,385 of its Electric System Revenue Bonds, Series Three 2010D to (1) refund a portion of $128,065 of variable rate demand obligations of a particular series with fixed rate debt (see Short-Term Bank Borrowing section of the Subsequent Events note below), (2) pay a portion of a swap termination fee relating to the refunded variable rate demand obligations, and (3) refund $82,755 of fixed rate bonds, with new debt service of $155,520 compared to prior debt service of $175,112, with an economic gain of $6,181.

In October 2010, JEA issued $15,925 of its Electric System Subordinated Revenue Bonds 2010 Series C to refund $15,595 of fixed rate bonds, with new debt service of $23,974 compared to the prior debt service of $25,275, with an economic gain of $991.

In October 2010, JEA issued $34,255 of its Electric System Revenue Bonds, Series Three 2010E, $45,575 of its Electric System Subordinated Revenue Bonds, 2010 Series D, and $13,765 of its Electric System Subordinated Revenue Bonds, 2010 Series E for new money purposes.

In November 2010, JEA issued $49,000 of its Water and Sewer System Bonds 2010 Series F and G for new money purposes.

In November 2010, JEA issued $60,990 of its Water and Sewer System Bonds 2010 Series E to refund $64,830 of fixed rate bonds with new debt service of $114,901 compared to prior debt service of $121,858, with an economic gain of $3,682.

In November 2010, JEA issued $12,770 of its Water and Sewer System Subordinated Revenue Bonds, 2010 Series B to refund $13,680 of fixed rate bonds, with new debt service of $20,997 compared to prior debt service of $22,208, with an economic gain of $768.

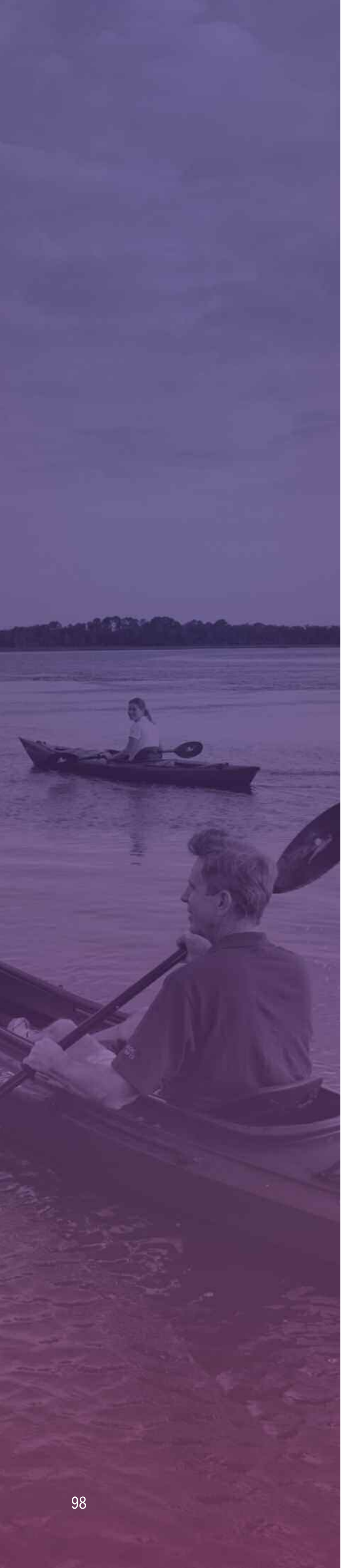
In November 2010, JEA redeemed $7,925 of its Variable Rate Water and Sewer System Subordinated Revenue Bonds with available cash from the Revenue Fund.

In December 2010, JEA replaced the existing standby bond purchase agreements with new letters of credit and reimbursement agreements for the Electric System Subordinated 2000 Series A VRDO program with a stated expiration date of December 3, 2012 and for the Water and Sewer System 2008 Series A-2 VRDO program with a stated expiration date of December 2, 2013.

Short-Term Bank Borrowings

In October 2010, in connection with the issuance of the $184,385 of Electric System Revenue Bonds, Series Three, 2010D (see the Long-Term Debt section of the Subsequent Events note above), a draw of $34,196 on the line of credit was made to refund the balance of the $128,065 of variable rate demand obligations and to pay the balance of the associated swap termination fee. Such draw is anticipated to be replaced with permanent financing during 2011.

In November 2010, DES made a refunding draw of $3,785, which is scheduled to mature in August 2011.



Required Supplementary Information

JEA

Schedules of Funding Progress

September 30, 2010

(Dollars In Thousands)

SJRPP Employees' Retirement Plan

The following funding schedule presents multi-year trend information on the funded status of SJRPP Defined Benefit as of September 30, 2010. The schedule has been prepared using the Entry Age Actuarial method.

Actuarial Valuation Date	**Actuarial Value of Assets (a)**	**Actuarial Accrued Liability (AAL) Entry-Age Normal (b)**	**Unfunded/ (Overfunded) AAL (UAAL) (b - a)**	**Funded Ratio (a / b)**	**Covered Payroll (c)**	**UAAL as a Percentage of Covered Payroll ((b - a) / c)**
October 1, 2009	$ 73,884	$ 113,512	$ 39,628	65.09%	$ 21,327	185.81%
October 1, 2008	60,998	108,678	47,680	56.13%	21,609	220.65%
October 1, 2007	61,029	95,985	34,956	63.58%	24,027	145.49%

Other Post-Employment Benefit Plan

The following funding schedule presents multi-year trend information on the funded status of the Other Post-Employment Benefit Plan as of September 30, 2010. 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**
October 1, 2009	$ 71,894	$ 2,149	$ 69,745	2.99%	$ 138,093	50.51%
October 1, 2008*	74,884	2,149	72,735	2.87%	136,128	53.43%
October 1, 2007	70,286	754	69,532	1.07%	79,280	87.70%

* Projected from October 1, 2007 Valuation.

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, 2010

(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	$ 1,371,860	$ 471,918	$ (281,625)	$ 1,562,153	$ –	$ –	$ (13,905)	$ 1,548,248
Water and sewer	–	–	–	–	303,438	–	(197)	303,241
District Energy	–	–	–	–	–	7,595	–	7,595
Other, net of allowances	44,321	–	–	44,321	9,698	–	(3,327)	50,692
Total operating revenues	1,416,181	471,918	(281,625)	1,606,474	313,136	7,595	(17,429)	1,909,776
Operating expenses:								
Operations:								
Fuel	385,704	249,659	–	635,363	–	–	–	635,363
Purchased power	387,636	–	(281,625)	106,011	–	–	–	106,011
Other	121,503	32,048	–	153,551	79,269	3,242	(17,429)	218,633
Maintenance	49,178	22,048	–	71,226	32,138	675	–	104,039
Depreciation	179,439	40,257	–	219,696	131,904	2,006	–	353,606
State utility and franchise taxes	65,331	–	–	65,331	7,789	–	–	73,120
Recognition of deferred costs and revenues, net	(12,320)	34,469	–	22,149	–	–	–	22,149
Total operating expenses	1,176,471	378,481	(281,625)	1,273,327	251,100	5,923	(17,429)	1,512,921
Operating income	239,710	93,437	–	333,147	62,036	1,672	–	396,855
Nonoperating revenues (expenses):								
Earnings from The Energy Authority	6,103	–	–	6,103	–	–	–	6,103
Investment income (loss)	(15,356)	9,845	–	(5,511)	1,874	33	–	(3,604)
Other nonoperating revenue	2,433	161	–	2,594	1,238	–	–	3,832
Interest on debt	(127,579)	(76,814)	–	(204,393)	(80,983)	(293)	–	(285,669)
Other interest, net	(67)	–	–	(67)	13	–	–	(54)
Allowance for funds used during construction	7,068	–	–	7,068	2,613	32	–	9,713
Water and Sewer Expansion Authority – operating	–	–	–	–	(719)	–	–	(719)
Gain (loss) on sale of asset	–	–	–	–	–	–	–	–
Total nonoperating revenues (expenses)	(127,398)	(66,808)	–	(194,206)	(75,964)	(228)	–	(270,398)
Income (loss) before contributions	112,312	26,629	–	138,941	(13,928)	1,444	–	126,457
Contributions (to) from:								
General fund, City of Jacksonville	(79,007)	–	–	(79,007)	(20,180)	–	–	(99,187)
Developers and other	–	–	–	–	19,883	–	–	19,883
City of Jacksonville	–	–	–	–	–	–	–	–
Total contributions	(79,007)	–	–	(79,007)	(297)	–	–	(79,304)
Change in net assets	33,305	26,629	–	59,934	(14,225)	1,444	–	47,153
Net assets, beginning of year	470,794	39,303	–	510,097	1,057,238	(1,053)	–	1,566,282
Net assets, end of year	$ 504,099	$ 65,932	$ –	$ 570,031	$ 1,043,013	$ 391	$ –	$ 1,613,435

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 (loss)	2,653	16,695	–	19,348	4,128	(13)	–	23,463
Other nonoperating revenue	–	–	–	–	–	–	–	–
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)
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 Balance Sheet

September 30, 2010

(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 and deferred outflows								
Current assets:								
Cash and cash equivalents	$ 209,328	$ 65,359	$ –	$ 274,687	$ 46,806	$ 3,970	$ –	$ 325,463
Investments	–	12,799	–	12,799	–	50	–	12,849
Accounts and interest receivable, less allowance for doubtful accounts of $4,365	224,567	11,245	(28,174)	207,638	32,686	200	–	240,524
Inventories:								
Fuel	28,474	18,587	–	47,061	–	–	–	47,061
Materials and supplies	1,896	22,854	–	24,750	43,129	–	–	67,879
Total current assets	464,265	130,844	(28,174)	566,935	122,621	4,220	–	693,776
Noncurrent assets and deferred outflows:								
Restricted assets:								
Cash and cash equivalents	186,133	269,113	–	455,246	172,617	4,137	–	632,000
Investments	75,579	173,102	–	248,681	65,524	–	–	314,205
Accounts and interest receivable	6,771	1,622	–	8,393	4,645	–	–	13,038
Total restricted assets	268,483	443,837	–	712,320	242,786	4,137	–	959,243
Deferred costs	20,976	7,983	–	28,959	19,902	267	–	49,128
Deferred outflows	141,972	–	–	141,972	17,294	–	–	159,266
Investment in The Energy Authority	9,619	–	–	9,619	–	–	–	9,619
Costs to be recovered from future revenues	8,465	86,167	–	94,632	–	–	–	94,632
Total noncurrent assets and deferred outflows	449,515	537,987	–	987,502	279,982	4,404	–	1,271,888
Capital assets:								
Land and easements	64,302	6,660	–	70,962	44,751	3,051	–	118,764
Plant in service	4,635,331	1,400,365	–	6,035,696	3,760,542	49,552	–	9,845,790
Less accumulated depreciation	(1,746,776)	(652,252)	–	(2,399,028)	(1,079,483)	(9,218)	–	(3,487,729)
Plant in service, net	2,952,857	754,773	–	3,707,630	2,725,810	43,385	–	6,476,825
Construction work-in-progress	176,537	11,626	–	188,163	38,672	147	–	226,982
Net capital assets	3,129,394	766,399	–	3,895,793	2,764,482	43,532	–	6,703,807
Total assets and deferred outflows	$ 4,043,174	$ 1,435,230	$ (28,174)	$ 5,450,230	$ 3,167,085	$ 52,156	$ –	$ 8,669,471

JEA

Combining Balance Sheet (continued)

September 30, 2010

(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	$ 151,791	$ 16,430	$ (1,720)	$ 166,501	$ 16,435	$ 74	$ –	$ 183,010
Customer deposits	38,931	–	–	38,931	8,517	–	–	47,448
Total current liabilities	190,722	16,430	(1,720)	205,432	24,952	74	–	230,458
Current liabilities payable from restricted assets:								
Debt due within one year	50,705	99,823	–	150,528	36,810	5,095	–	192,433
Interest payable	58,221	41,881	–	100,102	35,067	16	–	135,185
Construction contracts and accounts payable	38,469	29,144	(26,454)	41,159	10,458	38	–	51,655
Renewal and replacement reserve	–	90,000	–	90,000	–	–	–	90,000
Total current liabilities payable from restricted assets	147,395	260,848	(26,454)	381,789	82,335	5,149	–	469,273
Noncurrent liabilities:								
Deferred credits and other liabilities	38,517	3,201	–	41,718	7,670	52	–	49,440
Revenues to be used for future costs	68,583	–	–	68,583	–	–	–	68,583
Total noncurrent liabilities	107,100	3,201	–	110,301	7,670	52	–	118,023
Long-term debt:								
Bonds payable and commercial paper payable, less current portion	2,997,785	1,129,385	–	4,127,170	2,019,670	46,490	–	6,193,330
Unamortized original issue premium (discount), net	16,855	8,319	–	25,174	13,025	–	–	38,199
Unamortized deferred losses on refundings	(45,430)	(48,885)	–	(94,315)	(40,875)	–	–	(135,190)
Fair value of debt management strategy instruments	124,648	–	–	124,648	17,295	–	–	141,943
Total long-term debt	3,093,858	1,088,819	–	4,182,677	2,009,115	46,490	–	6,238,282
Net assets:								
Invested in capital assets, net of related debt	33,223	(174,752)	–	(141,529)	855,075	(7,824)	–	705,722
Restricted	81,820	129,471	26,454	237,745	78,961	4,121	–	320,827
Unrestricted	389,056	111,213	(26,454)	473,815	108,977	4,094	–	586,886
Total net assets	504,099	65,932	–	570,031	1,043,013	391	–	1,613,435
Total liabilities	3,539,075	1,369,298	(28,174)	4,880,199	2,124,072	51,765	–	7,056,036
Total liabilities and net assets	$ 4,043,174	$ 1,435,230	$ (28,174)	$ 5,450,230	$ 3,167,085	$ 52,156	$ –	$ 8,669,471

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 and deferred outflows								
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 and deferred outflows:								
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	18,786	8,470	–	27,256	20,549	278	–	48,083
Deferred outflows	103,078	–	–	103,078	18,257	–	–	121,335
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 and deferred outflows	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 and deferred outflows	$ 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	31,760	(189,600)	–	(157,840)	910,335	(6,434)	–	746,061
Restricted	112,046	111,637	23,708	247,391	40,194	2,555	–	290,140
Unrestricted	326,988	117,266	(23,708)	420,546	106,709	2,826	–	530,081
Total net assets	470,794	39,303	–	510,097	1,057,238	(1,053)	–	1,566,282
Total liabilities	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 Statement of Cash Flows

Year Ended September 30, 2010

(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	$ 1,367,586	$ 471,918	$ (284,370)	$ 1,555,134	$ 298,684	$ 7,551	$ (14,102)	$ 1,847,267
Other receipts	42,555	–	–	42,555	6,622	–	(3,327)	45,850
Payments to suppliers	(852,616)	(242,380)	284,370	(810,626)	(72,534)	(3,402)	17,429	(869,133)
Payments to employees	(130,386)	(35,828)	–	(166,214)	(34,189)	(433)		(200,836)
Net cash provided by operating activities	427,139	193,710	–	620,849	198,583	3,716	–	823,148
Noncapital and related financing activities								
Contribution to General Fund,								
City of Jacksonville, Florida	(78,764)	–	–	(78,764)	(20,215)	–	–	(98,979)
Contribution to Water and Sewer Expansion								
Authority - operating	–	–	–	–	(719)	–	–	(719)
Net cash used in noncapital financing activities	(78,764)	–	–	(78,764)	(20,934)	–	–	(99,698)
Capital and related financing activities								
Acquisition and construction of capital assets	(249,729)	(7,951)	–	(257,680)	(75,804)	(94)	–	(333,578)
Proceeds from issuance of debt	358,060	37,830	–	395,890	386,425	–	–	782,315
(Loss) gain on disposal of fixed assets	–	–	–	–	–	–	–	–
Defeasance of debt	(235,795)	(5,979)	–	(241,774)	(301,158)	(500)	–	(543,432)
Repayment of debt principal	(50,921)	(100,205)	–	(151,126)	(27,486)	–	–	(178,612)
Interest paid on debt	(140,020)	(56,578)	–	(196,598)	(80,824)	(281)	–	(277,703)
Developer and other contributions	–	–	–	–	11,082	–	–	11,082
City of Jacksonville contributions	–	–	–	–	–	–	–	–
Proceeds from sales of property	(429)	–	–	(429)	451	–	–	22
Build America Bonds	2,433	161	–	2,594	1,238	–	–	3,832
Net cash used in capital and related financing activities	(316,401)	(132,722)	–	(449,123)	(86,076)	(875)	–	(536,074)
Investing activities								
Purchase of investments	(1,040,560)	(1,295,420)	–	(2,335,980)	(686,553)	–	–	(3,022,533)
Proceeds from sale and maturities of investments	1,036,867	1,315,572	–	2,352,439	666,951	21	–	3,019,411
Investment income (loss)	1,315	7,226	–	8,541	1,161	11	–	9,713
Distributions from The Energy Authority	4,562	–	–	4,562	–	–	–	4,562
Net cash (used in) provided by investing activities	2,184	27,378	–	29,562	(18,441)	32	–	11,153
Net increase in cash and cash equivalents	34,158	88,366	–	122,524	73,132	2,873	–	198,529
Cash and cash equivalents at October 1, 2009	361,303	246,106	–	607,409	146,291	5,234	–	758,934
Cash and cash equivalents at September 30, 2010	$ 395,461	$ 334,472	$ –	$ 729,933	$ 219,423	$ 8,107	$ –	$ 957,463
Reconciliation of operating income to net cash								
provided by operating activities:								
Operating income	$ 239,710	$ 93,437	$ –	$ 333,147	$ 62,036	$ 1,672	$ –	$ 396,855
Adjustments to reconcile operating income to net								
cash provided by operating activities:								
Depreciation and amortization	179,439	40,257	–	219,696	132,617	2,006	–	354,319
Recognition of deferred costs and revenues, net	(12,320)	34,469	–	22,149	–	–	–	22,149
Changes in noncash assets and noncash liabilities:								
Accounts receivable and interest receivable	(4,274)	(5,149)	–	(9,423)	(4,754)	(44)	–	(14,221)
Accounts receivable and interest receivable,								
restricted	(1,766)	–	–	(1,766)	(3,075)	–	–	(4,841)
Inventories	964	38,284	–	39,248	3,286	–	–	42,534
Other	(3,041)	–	–	(3,041)	14	–	–	(3,027)
Accounts and expenses payable	26,623	(10,637)	–	15,986	7,849	30	–	23,865
Liabilities payable from restricted assets	–	2,796	–	2,796	–	–	–	2,796
Deferred credits and other liabilities	1,804	253	–	2,057	610	52	–	2,719
Net cash provided by operating activities	$ 427,139	$ 193,710	$ –	$ 620,849	$ 198,583	$ 3,716	$ –	$ 823,148
Noncash activity:								
Contribution of capital assets from developers	$ –	$ –	$ –	$ –	$ 8,802	$ –	$ –	$ 8,802

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	(838,992)	(231,189)	235,715	(834,466)	(70,309)	(4,041)	19,382	(889,434)
Payments to employees	(127,105)	(33,944)	–	(161,049)	(32,687)	(428)	–	(194,164)
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)	(130,101)	(113)	–	(424,844)
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	30	–	–	797
Build America Bonds	–	–	–	–	–	–	–	–
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 (loss)	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

Bond Compliance Information

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1 Independent Drive
Jacksonville, FL 32202
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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, 2010 and 2009 and have issued our report thereon dated December 7, 2010. 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, 2010 and 2009, 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, 2010 and 2009, 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, 2010

JEA Electric System

Schedules of Debt Service Coverage

(In Thousands)

	Year Ended September 30 2010	2009
Revenues:		
Electric	**$ 1,371,860**	$ 1,383,189
Investment income (1)	**489**	453
Earnings from The Energy Authority	**6,103**	4,088
Other, net	**46,755**	43,485
Plus: amount paid from the Rate Stabilization Fund into the Revenue Fund	**105,525**	40,361
Less: amount paid from the Revenue Fund into the Rate Stabilization Fund	**(99,089)**	(135,226)
Total revenues	**1,431,643**	1,336,350
Operating expenses (2):		
Fuel	**356,534**	383,421
Purchased power (3)	**432,938**	380,082
Other operation and maintenance	**155,555**	152,347
Utility and franchise taxes	**64,562**	65,249
Total operating expenses	**1,009,589**	981,099
Net revenues	**$ 422,054**	$ 355,251
Debt service	**$ 68,594**	$ 74,747
Less: investment income on sinking fund	**(662)**	(986)
Debt service requirement	**$ 67,932**	$ 73,761
Senior debt service coverage (4)	**6.21x**	4.82x
Net revenues (from above)	**$ 422,054**	$ 355,251
Debt service requirement (from above)	**$ 67,932**	$ 73,761
Plus: aggregate subordinated debt service on outstanding subordinated bonds	**58,027**	44,890
Adjusted debt service requirement	**$ 125,959**	$ 118,651
Senior and subordinated debt service coverage (5)	**3.35x**	2.99x

(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 Bulk Power Supply System

Schedules of Debt Service Coverage

(In Thousands)

	Year Ended September 30	
	2010	**2009**
Revenues:		
JEA	**$ 45,302**	$ –
Investment income	**17**	–
Other, net	**411**	–
Total revenues	**45,730**	–
Operating expenses (1):		
Fuel	**29,170**	–
Other operation and maintenance	**13,378**	–
Total operating expenses	**42,548**	–
Net revenues	**$ 3,182**	$ –
Aggregate debt service	**$ 1,060**	$ –
Debt service coverage (2), (3)	**3.00x**	–

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

JEA St. Johns River Power Park System

Schedules of Debt Service Coverage - 1st Resolution

(In Thousands)

	Year Ended September 30	
	2010	2009
Revenues:		
JEA	**$ 279,325**	$ 251,132
FPL	**190,293**	157,898
Investment income	**6,860**	7,511
Total revenues	**476,478**	416,541
Operating expenses (1):		
Fuel	**249,659**	198,559
Other operation and maintenance	**42,511**	38,201
Total operating expenses	**292,170**	236,760
Net revenues	**$ 184,308**	$ 179,781
Aggregate debt service	**$ 147,440**	$ 143,946
Debt service coverage (2)	**1.25x**	1.25x

(1) Excludes depreciation.

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

JEA St. Johns River Power Park System

Schedules of Debt Service Coverage - 2nd Resolution

(In Thousands)

	Year Ended September 30	
	2010	**2009**
Revenues:		
JEA	**$ 20,740**	$ –
Investment income	**-**	–
Other	**161**	–
Total revenues	**20,901**	–
Operating expenses (1):		
Fuel	**-**	–
Other operation and maintenance	**-**	–
Total operating expenses	**-**	–
Net revenues	**$ 20,901**	$ –
Aggregate debt service	**$ 18,166**	$ –
Debt service coverage (2), (3)	**1.15x**	–

(1) Excludes all current expenses paid or accrued to the extent that such expenses are to be paid from revenues under the 1st Resolution.

(2) Net revenues divided by aggregate debt service.

(3) Minimum annual coverage is 1.15x.

JEA Water and Sewer System

Schedules of Debt Service Coverage

(In Thousands)

	Year Ended September 30	
	2010	**2009**
Revenues:		
Water	**$ 131,761**	$ 105,594
Water capacity fees (1)	**4,268**	5,106
Sewer	**171,677**	144,358
Sewer capacity fees (1)	**6,463**	8,704
Investment income	**1,161**	1,925
Other	**10,936**	9,355
Plus: amount paid from the Rate Stabilization Fund into the Revenue Fund	**5,895**	–
Less: amount paid from the Revenue Fund into the Rate Stabilization Fund	**(13,886)**	(1,524)
Total revenues	**318,275**	273,518
Operating expenses (2):		
Operations and maintenance	**119,196**	113,402
Net revenues	**$ 199,079**	$ 160,116
Aggregate debt service	**$ 96,702**	$ 86,355
Senior debt service coverage (3)	**2.06x**	1.85x
Net revenues (from above)	**$ 199,079**	$ 160,116
Debt service requirement (from above)	**$ 96,702**	$ 86,355
Plus: aggregate subordinated debt service on outstanding subordinated debt	**12,606**	10,824
Adjusted debt service requirement	**$ 109,308**	$ 97,179
Senior and subordinated debt service coverage (4)	**1.82x**	1.65x

(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 2010 and 2009, then the debt service coverage would have been 1.72x and 1.51x.

(2) Excludes depreciation.

(3) Net revenues divided by aggregate debt service. 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 2010 is $111,829 and $99,344 for the year ending September 2009.

JEA At A Glance

Electric System
- 418,504 customers
- 900 square miles of service area
- 6,547 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 – 57%
- Solid Fuel – 43%

Power Supply Mix (kWh)
- Gas – 16%
- Solid Fuel – 77%
- Other – 7%

Water and Sewer System
- 306,046 water customers
- 231,735 sewer customers
- 913 square miles of service area
- 4,619 miles of distribution
- 3,925 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)
- 1,273 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: Paul Figura

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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Except for the Water and Sewer System Variable Rate Senior Bonds, 2006 Series B, U.S. Bank National Association at Ft. Lauderdale, Florida is the Paying Agent and Tender Agent

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