FLORIDA MUNICIPAL POWER AGENCY

Financial Statements

Years Ended September 30, 2004 and 2003

This page intentionally left blank.

FLORIDA MUNICIPAL POWER AGENCY

Financial Statements

For The Years Ended September 30, 2004 and 2003

Contents

Financial Statements

Purvis Gray & Company

INDEPENDENT AUDITORS' REPORT

Board of Directors and Members
Florida Municipal Power Agency
Orlando, Florida

We have audited the accompanying financial statements of the business-type activities and each major fund of Florida Municipal Power Agency as of and for the year ended September 30, 2004, which collectively comprise the Agency's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Florida Municipal Power Agency management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of Florida Municipal Power Agency as of September 30, 2003, were audited by other auditors whose report dated November 17, 2003, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund, of Florida Municipal Power Agency as of September 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2004, on our consideration of Florida Municipal Power Agency internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Certified Public Accountants
P.O. Box 23999 • 222 N.E. 1st Street • Gainesville, Florida 32602 • (352) 378-2461 • FAX (352) 378-2505
Laurel Ridge Professional Center • 2347 S.E. 17th Street • Ocala, Florida 34471 • (352) 732-3872 • FAX (352) 732-0542
443 East College Avenue • Tallahassee, Florida 32301 • (850) 224-7144 • FAX (850) 224-1762
1727 2nd Street • Sarasota, Florida 34236 • (941) 365-3774 • FAX (941) 365-0238
MEMBERS OF AMERICAN AND FLORIDA INSTITUTES OF CERTIFIED PUBLIC ACCOUNTANTS
MEMBER OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS PRIVATE COMPANIES AND S.E.C. PRACTICE SECTIONS

Board of Directors and Members
Florida Municipal Power Agency
Orlando, Florida

INDEPENDENT AUDITORS' REPORT
(Concluded)

The management's discussion and analysis, as listed in the accompanying contents is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. 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.

November 19, 2004
Ocala, Florida

Purvis, Gray and Company

FLORIDA MUNICIPAL POWER AGENCY
MANAGEMENT'S DISCUSSION & ANALYSIS
For Fiscal Year Ended September 30, 2004

This discussion and analysis is intended to serve as an introduction to Florida Municipal Power Agency's (FMPA) basic financial statements, which are comprised of individual project or fund financial statements and the notes to those financial statements.

FMPA's financial statements are designed to provide readers with a broad overview of FMPA's finance condition in a manner similar to a private-sector business. It is important to note that, due to contractual arrangements which are the basis of each power project, no monies are shared between projects.

Financial Highlights

- Total assets at September 30, 2004, of FMPA's Agency Fund, Pooled Loan Fund and projects increased $58.6 million from prior year. The significant amounts are as follows: $19.5 million pertains to the mark-to-market on fuel hedging activities; $15 million is working capital contributions; $8.7 million is for a water treatment plant expansion at the Stanton Energy Center and $4.4 million is for the St. Lucie Decommissioning Fund.

- Total liabilities at September 30, 2004, for FMPA's Agency Fund, Pooled Loan Fund and projects increased by $58 million during the current fiscal year**.** This increase is directly related to the increases in assets listed above.

- Long-term debt outstanding at September 30, 2004, for FMPA's Agency Fund, Pooled Loan Fund and projects increased by $10.6 million during the current fiscal year. FMPA's funds and projects took advantage of lower interest rates and refunded all of the outstanding Stanton II Refunding Revenue Bonds, Series 1993. This refinancing is estimated to have saved at least $2 million in present value debt service costs for FMPA's members. Rates on the Agency's variable-rate debt ranged from 0.65% to 2.0% in fiscal year 2003 and 0.65% to 1.72% in fiscal year 2004. Interest expense decreased in fiscal year 2004 by $959,000 and is primarily attributable to refinancing at lower interest rates. Also, Stanton, Stanton II, All-Requirements and Tri-City Projects entered into a loan agreement with the Pooled Loan Fund and Wachovia National Bank for $9.7 million to finance a water treatment facility located at the Stanton Energy Center. Additionally, the All-Requirements Project entered into a loan agreement with the Pooled Loan Fund for $7.6 million to finance a long-term service agreement with General Electric for Cane Island Unit 3.

- The primary source of revenue - sales of electricity to the participants - increased more than $40 million, or 8.72% from fiscal year 2003 to 2004. This combined with a $15.2 million decrease in "Due from Participants" accounts for the $26.9 million increase in total operating revenues for fiscal year 2004. This growth is, in part, due to an increase in production for the Stanton II Project. Also contributing to the rise in revenues are higher billed energy rates for the All-Requirements Project driven, in part, by escalating coal prices for the Stanton, Stanton II and Tri-City Projects, which are billed through energy charges on each of the project's invoices. The low interest rate environment continued throughout fiscal year 2004 and contributed to lower earnings on the investment portfolios of FMPA's funds and projects. Many of the high interest-bearing, long-term investments matured or were called during fiscal year 2004 and were reinvested in securities earning lower rates. For fiscal year 2004, interest income decreased by $1.6 million or 29.7% from fiscal year 2003.

Overview of Financial Statements

This discussion and analysis is intended to serve as an introduction to FMPA's basic financial statements, which are comprised of two components: (1) individual project or fund financial statements and (2) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Entity-Wide Financial Statements: FMPA's financial statements are designed to provide readers with a broad overview of FMPA's finances in a manner similar to a private-sector business. It is very important to note that, due to contractual arrangements that are the basis of each power project, no monies can be shared among projects.

The cash flow of one power project, although presented with all others in the financial statement presentation as required by financial reporting requirements, cannot and should not be considered available for any other project. Management encourages readers of this report, when evaluating the financial condition of FMPA, to remember that each power project or fund is a stand-alone entity.

The **Statements of Net Assets** presents information on all of FMPA's assets and liabilities with the differences between the two reported as Net Assets. As a result of Statement of Financial Accounting Standards No. 71, *Accounting for the Effect of Certain Types of Regulation* (SFAS 71), billings and revenues in excess of actual costs are returned to the participants in the form of billing credits. The assets within the Agency Fund represent those required for staff operations, which coordinate all of the power projects described herein.

The **Statements of Revenues, Expenses and Changes in Fund Net Assets** present information regarding how FMPA's net assets have changed during the fiscal year ended 2004. All changes in net assets are reported as the underlying event giving rise to the change as it occurs, regardless of the timing of related cash flows. Therefore, some revenues and expenses that are reported in these statements for some items will only result in cash flows in future fiscal periods, such as unrealized gains or losses from investment activities, uncollected billings and earned but unused vacation.

The **Statements of Cash Flows** provides information about FMPA's Agency Fund, Pooled Loan Fund and each project's cash receipts and disbursements during the fiscal year. These statements report cash receipts, cash payments and net changes in cash resulting from operating, investing and financing activities.

All of the activities of FMPA are of a business type, as compared to governmental activities. FMPA has no component units to report. The Financial Statements can be found on pages 20 through 31 of this report.

The **Fund Financial Statements** are comprised of a grouping of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. FMPA, like governments and other special agencies or districts, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. All of the funds of FMPA are reported on the proprietary basis.

Overview of Financial Statements (continued)

FMPA maintains only one type of **Proprietary Fund,** the Enterprise Fund type. Enterprise Funds are used to report the same functions presented as business-type activities in the financial statements. FMPA uses enterprise funds to account for all of its power projects, as well as the Agency and Pooled Loan business operations. Each of the funds is considered a "major fund" according to specific accounting rules. The major fund proprietary financial statements can be found on pages 20 through 31 of this report.

The **Notes to Financial Statements** provide additional information that is essential to a complete understanding of the data provided in both the government-wide and fund financial statements. The Notes to the Financial Statements can be found on pages 33 through 77 of this report.

Entity-Wide Financial Analysis

As noted earlier, when readers use the financial presentations to evaluate FMPA's financial position and results of operations, it is essential to remember the legal separation that exists between the projects. Nevertheless, broad patterns and trends may be observed at this level that should lead the reader to study carefully the financial statements of each fund and project. For example, total Utility Plant did not increase, but rather decreased over the past year. Since no new capital projects were added, this decrease represents the difference between depreciation and any capital outlays required during the year. See additional information in the Notes to Financial Statements, beginning on page 33.

Financial Analysis of FMPA's Funds and Projects

FMPA uses fund accounting, Federal Energy Regulatory Commission accounting and special utility industry terminology to ensure and demonstrate compliance with finance-related legal requirements. The projects and funds are presented below and in the financial statements in the order in which they were established.

Agency Fund: The Agency Fund accounts for the administrative activities of FMPA. The expenses incurred while operating the projects and administrative activities are allocated to the power projects, net of any miscellaneous receipts. The costs allocated in fiscal year 2004 totaled $6.9 million, compared to $6.8 million in fiscal year 2003. General and administrative expenses increased $882,000 in fiscal year 2004. A portion of this is attributed to the expensing of a previously capitalized cost, increases in insurance premiums, increases in outside services and increases in salaries and benefits.

Financial Analysis of FMPA's Funds and Projects (continued)

Pooled Loan Fund: FMPA has a line of credit that can be used to finance capital expenditures of its members or the Agency through the issuance of commercial paper. These loans and the repayments of these loans are accounted for in the Pooled Loan Fund. For fiscal years 2004 and 2003, long-term commercial paper note debt was $94.8 million and $93.5 million, respectively. In fiscal year 2004, $13.25 million of commercial paper notes were redeemed. The cities of Ft. Pierce and Ft. Meade were issued new loans totaling $14.5 million. Management is not aware of any pending non-payment of commercial paper notes and no loans were in default at September 30, 2004.

St. Lucie Project: The St. Lucie Project consists of an 8.806% undivided ownership interest in St. Lucie Unit 2. This unit is a nuclear power plant primarily owned and operated by Florida Power & Light (FPL). FPL submitted an application to the Nuclear Regulatory Commission seeking to extend the operating license for Units 1 and 2 by 20 years. The NRC granted the license renewal for 20 years, which allows Unit 1 to operate until 2035 and Unit 2 to operate until 2043, subject to FPL's final acceptance.

The Project billed Megawatt-hours (MWh) of 583,185 and 574,206 in fiscal years 2004 and 2003 respectively. The average billing per MWh increased 6.97% from $56.57/MWh in fiscal year 2003 to $60.51/MWh in fiscal year 2004. The cost of power production and delivery decreased from $27.99/MWh in fiscal year 2003 to $23.33/MWh in fiscal year 2004, a decrease of 16.66% from the prior year. General and administrative expenses also decreased $750,000. The primary reason for the decreases is due to the non-occurrence of a refueling outage during fiscal year 2004.

In June 2004, the Agency entered into a Forward Sale Agreement and a Credit Support Agreement for the St. Lucie Project with Merrill Lynch. Under this Agreement, the securities or securities and cash to be delivered will guarantee the Project an annual effective yield of 6.22% between January 1, 2005 and July 1, 2026 on the semi-annual amounts deposited. It is expected that the amounts invested pursuant to the Forward Sale Agreement will be used to redeem auction rate bonds outstanding on this Project. See Note IX in the Notes to Financial Statements for further information.

Stanton Project: The Stanton Project derives its power from a 14.8193% ownership interest in Stanton Unit 1, a 425 MW coal-fired power plant operated by its primary owner, Orlando Utilities Commission (OUC). Unit 1 was shut down during fiscal year 2004 for routine maintenance, resulting in an availability factor of 90.4%, when compared to 90.7% in fiscal year 2003. The unit's lifetime availability factor average is 87.2%. The Project billed 456,164 and 459,516 of MWh in years 2004 and 2003. The average billing rate per MWh increased 7.369% from $41.44/MWh in 2003 to $44.49/MWh for fiscal year 2004. This increase was primarily due to rising coal costs which are billed to the participants through the energy charge on each Project's invoice.

The cost of power production and delivery rose from $25.70/MWh in fiscal year 2003 to $26.70/MWh in fiscal year 2004, an increase of 3.89% in fiscal year 2004. This change is due to the rising cost of coal as well as outage expenses. General and administrative expenses increased $225,000, and is attributed to an increase in salary expense and liability insurance allocated to the Project by the operator.

Financial Analysis of FMPA's Funds and Projects (continued)

All-Requirements Project: The All-Requirements Project (ARP) consists of 15 participants. The ARP energy resources are part of the Florida Municipal Power Pool (FMPP). FMPP is a consortium of three municipal energy suppliers - ARP, Lakeland Electric and OUC - which have agreed to dispatch resources on a cost and availability basis in order to meet combined loads. The average billed rate to ARP member cities was $62.62/MWh in fiscal year 2004 and $57.76/MWh for fiscal year 2003 on billed Megawatt hours of 6,377,973 and 6,374,569 in fiscal years 2004 and 2003 respectively.

Billings to ARP participants in fiscal year 2004 were 8.48% higher than fiscal year 2003, increasing from $368 million to $399 million. This increase is primarily due to higher energy rates.

Power costs, inclusive of transmission, increased from $56.57 per MWh to $60.34 in fiscal year 2004, a 6.65% increase from fiscal year 2003. This increase was due to a rise in natural gas prices, and the Project's generation and contractual resource mix. General and administrative expenses increased $396,000, a 4.1% change from prior year or $.06 per MWh. The fuel supply mix for the ARP was 39.4% purchased power, 21.9% natural gas and fuel oils, 29.4% coal and 9.3% nuclear.

Stanton A is a high efficiency, 630 MW 2-on-1 natural gas-fired generating unit that became operational in October, 2003. All-Requirements has a 3.5% ownership interest in the unit, along with Kissimmee Utility Authority (3.5%), OUC (28%), and Southern Company Florida (65%). Additionally, for the first 10 years of the unit's commercial operation, OUC, KUA and FMPA are purchasing Southern Company's share of the unit's output. The plant is located at OUC's Stanton Energy Center site in Orlando, Florida.

After consideration of amounts to be refunded to or recovered from Project participants, the net assets of the All-Requirement Project were zero by design again in fiscal year 2004. The APR bills an estimated rate during the year and then credits back to participants the amounts in excess of those needed to operate and meet all the Project's obligations. This amount is shown in the Statements of Revenues, Expenses and Changes in Fund Net Assets as "Amounts to be Recovered (Refunded to) Participants" and as "Participant Accounts Receivable" or "Due to Participants" in the accompanying Statement of Net Assets.

Tri-City Project: The Tri-City Project consists of a 5.3012% ownership interest in Stanton Unit 1. The Project billed 163,082 MWh in fiscal year 2004 and 159,373 MWh in 2003. The average billing rate increased 2.79% to $51.75/MWh from $50.34 in fiscal years 2004 and 2003 respectively. This increase was primarily due to the rising coal costs which are billed to the participants through the energy charge on each Project's invoice.

The cost of power production and delivery rose from $26.38/MWh in fiscal year 2003 to $27.16 in fiscal year 2004, a 2.98% increase. This change is due to the rising cost of coal as well as outage expenses. General and administrative expenses increased by $52,000 or $.32 per MWh and is attributed to an increase in salary expense and liability insurance allocated to the Project by the operator.

Financial Analysis of FMPA's Funds and Projects (continued)

Stanton II Project: The Stanton II Project consists of a 23.2367% ownership interest in Stanton Unit 2, a coal-fired power plant operated by its primary owner, Orlando Utilities Commission. During fiscal year 2004, the Stanton II plant was shut down for a routine maintenance outage, which resulted in an availability factor of 87.4% for 2004, compared to 83.2% in fiscal year 2003 and a lifetime availability factor average of 88.2%.

The Project billed 726,604 MWh in 2004 and 693,272 MWh in 2003. The average billing rate increased 9.88% from $42.99/MWh to $47.24/MWh for fiscal years 2004 and 2003 respectively. This increase was primarily due to the rising coal costs which are billed to the participants through the energy charge on each Project's invoice.

During fiscal year 2004, an increase in MWh generated, combined with consistent fuel and production costs, caused the Stanton II Project's cost of power production and delivery to decrease 5.69%, from $27.39/MWh to $25.83 MWh in fiscal years 2003 and 2004 respectively**.** General and administrative expenses increased $481,000, or $.66 per MWh and is attributed to an increase in salary expense and liability insurance allocated to the Project by the operator.

Budgetary Highlights

The FMPA Board of Directors approves the project budgets, establishing legal boundaries for expenditures. For fiscal year 2004, the amended budget authority was not exceeded.

Capital Assets and Long-Term Debt

Capital Assets: FMPA's investment in capital assets as of September 30, 2004 was $464 million, net of accumulated depreciation and inclusive of work-in-process and development projects. This investment in capital assets includes plants, distribution and transmission systems, land, buildings, improvements, and machinery and equipment.

The total decrease in FMPA's investment in capital assets for fiscal year 2004 was $7.6 million or 1.61% of total assets. By Project, this equates to a 3.29% decrease in the All-Requirements utility plant while all other projects' net change ranged from a 2.78% decrease to a 1.15% increase. This overall reduction highlights the relatively stable nature of these generating assets and FMPA's participation in them or the capital renewal and replacement program.

Long-Term Debt: At September 30, 2004, FMPA had $893 million in notes, loans and bonds payable. The remaining principal payments on long-term debt, including current amounts due, are as follows (thousands omitted):

•	Agency Fund	$ 2,585
•	Pooled Loan Fund	$ 94,836
•	St. Lucie Project	$ 212,701
•	Stanton Project	$ 84,269
•	All-Requirements Project	$ 272,420
•	Tri-City Project	$ 37,173
•	Stanton II Project	$ 188,752

See Note VIII to the Notes to Financial Statements for further information on debt.

Economic Factors and Next Year's Budgets and Rates

Multi-year operational and financial modeling was conducted to arrive at the fiscal year 2005, budget which took into consideration the member cities' economies that have shown varying amounts of growth in both demand and energy.

Significant Events

FMPA is experiencing load growth and has entered into a Memorandum of Understanding to acquire land in Ft. Pierce, Florida, for a future generation site.

The city of Vero Beach has requested arbitration against FMPA pursuant to the Capacity and Energy Sales Contract between FMPA and Vero Beach under the terms of the All-Requirements Project Participation Agreement. See Note IX in the Notes to Financial Statements for further details.

During fiscal year 2004, Florida experienced four devastating hurricanes that impacted FMPA on varying levels. During two of the hurricanes, the St. Lucie plant was shut down as a precautionary measure. Also, Kissimmee, Lake Worth, Ft. Pierce and Vero Beach - four FMPA generating cities - experienced damages but after brief outages, all utilities were able to meet system requirements. The Federal Emergency Management Agency has been involved in the restoration and funding of repairs.

Interest Arbitrage and Rebate

As a result of declining interest rates on outstanding debt in contrast to higher yields on investments, the Agency has incurred the following potential arbitrage rebate liabilities as of September 30, 2004:

•	Pooled Loan Fund	$ 32,524
•	St. Lucie Project	$ 3,048,769
•	Stanton Project	$ 13,111
•	All-Requirements Project	$ 138,685
•	Tri-City Project	$ 9,097
•	Stanton II Project	$ 4,683,102
	TOTAL	$ 7,925,288

$4,349,600 of the total potential arbitrage rebate liability was paid in November 2004. This amount was paid from earnings and savings on deposit in the Operating and Maintenance accounts of the various projects. See Note XIV in the Notes to Financial Statements for further information regarding the arbitrage rebate liabilities.

Request for Information

Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Assistant General Manager and CFO, Florida Municipal Power Agency, 8553 Commodity Circle, Orlando, FL 32819.

FLORIDA MUNICIPAL POWER AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
For Year Ended September 30, 2003

As management of the Florida Municipal Power Agency (FMPA or the Agency), we offer readers of FMPA's financial statements this narrative overview and analysis of the financial activities of FMPA, which are presented for the Agency Fund, Pooled Loan Fund and Projects for the fiscal years ended fiscal year 2003 and fiscal year 2002. We encourage readers to consider the information presented here in conjunction with additional information in this report.

Financial Highlights

- The total assets at September 30, 2003 of FMPA's Agency Fund, Pooled Loan Fund and Projects decreased $27.5 million over prior year. The majority of this decrease is due to depreciation of assets, use of working capital monies to fund project expenses, a reduction in accounts receivable from non-participant wholesale electric sales and a write-off of the Communications development project in progress.

- Total liabilities at September 30, 2003 for FMPA's Agency Fund, Pooled Loan Fund and Projects decreased by $26.7 million during the current fiscal year. This decrease is due in part to a $15.3 million reduction in current liabilities for payments to members. The decrease also resulted from bond refinancings during the year.

- Long-term debt outstanding at September 30, 2003 for FMPA's Agency Fund, Pooled Loan Fund and Projects decreased by $10 million during the current fiscal year. FMPA's funds and projects took advantage of lower interest rates and refunded a portion of the Stanton II Refunding Revenue Bonds, Series 1993, all of the Stanton Refunding Revenue Bonds, Series 1991, all of the Tri-City Refunding Revenue Bonds, Series 1992 and all of the All-Requirements Power Supply Revenue Bonds, Series 1993. Combined, the refinancings are estimated to save at least $22 million in present value debt service costs for FMPA's members. Rates on this variable-rate debt ranged between 1.2% and 5.5% in fiscal year 2002 and 0.65% to 2.0% in fiscal year 2003. The decrease in variable-rate interest paid and the refinancings completed in July 2003 contributed to a more than $7.6 million decrease in interest expense for fiscal year 2003 compared to fiscal year 2002.

- Revenues of FMPA's Agency Fund, Pooled Loan Fund and Projects increased $146 million in fiscal year 2003 compared to the prior year. The primary source of revenue, sales of electricity to participants, increased by more than $88.7 million, or 24% from fiscal year 2002 to fiscal year 2003. This significant growth is due to a full year of the All-Requirements Project adding two new members, Kissimmee Utility Authority (KUA) and the city of Lake Worth. Sales of electricity also increased due to higher billed energy rates, which resulted from increased natural gas costs and escalated coal prices. In 2002, FMPA showed a "due to participants" of $35.7 million to be refunded. In 2003, this changed to a "due from participants" of $20.3 million. The low interest rate environment continuing throughout fiscal year 2003 contributed to lower earnings on the investment portfolios of FMPA's funds and projects. Fiscal year 2003 interest income decreased by $4.1 million or 42% from fiscal year 2002.

Overview of Financial Statements

This discussion and analysis is intended to serve as an introduction to FMPA's basic financial statements, which are comprised of two components: (1) individual project or fund financial statements, and (2) notes to the financial statements.

Entity-Wide Financial Statements: FMPA's financial statements are designed to provide readers with a broad overview of FMPA's finances in a manner similar to a private-sector business. It is very important to note that due to contractual arrangements, which are the basis of each power project, no monies can be shared between projects.

The cash flow of one power project, although presented with all others in the financial statement presentation as required by financial reporting requirements, cannot and should not be considered available for any other Project. Management encourages readers of this report, when evaluating the financial condition of FMPA as a combined entity from the use of the Financial Statements, to remember that each power project or fund is a stand-alone reporting entity.

The **Statement of Net Assets** presents information on all of FMPA's assets and liabilities with the differences between the two reported as Net Assets. As a result of the application of Statement of Financial Accounting Standards No. 71, *Accounting for the Effect of Certain Types of Regulation* (SFAS 71), billings and revenues in excess of actual costs are returned to the project participants in the form of billing credits. The assets within the Agency Fund represent those required for staff operations, which coordinates all of the power projects described herein.

The **Statement of Revenues, Expenses and Changes in Fund Net Assets** present information showing how FMPA's net assets changed during the most recent fiscal year. All changes in net assets are reported as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods such as, unrealized gains and losses from investment activities, uncollected billings and earned but unused vacation leave.

The **Statement of Cash Flows** provides information about FMPA's Agency Fund, Pooled Loan Fund and Projects cash receipts and payments during the fiscal year. These statements report cash receipts, cash payments and net changes in cash resulting from operating, investing and financing activities.

All of the activities of FMPA are of a business type, as compared to governmental activities. FMPA has no component units to report. The financial statements can be found on pages 20 through 31 of this report

Fund Financial Statements are comprised of a grouping of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. FMPA, like governments and other special agencies or districts, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of FMPA are reported on the proprietary basis.

Overview of Financial Statements (continued)

FMPA maintains only one type of **Proprietary Funds,** the enterprise fund type. Enterprise funds are used to report the same functions presented as business-type activities in the financial statements. FMPA uses enterprise funds to account for its power projects, Agency and Pooled Loan business operations. Each of these funds is considered a "major fund" according to accounting rules. The major fund proprietary financial statements can be found on pages 20 through 31 of this report.

The **Notes to Financial Statements** provide additional information that is essential to a full understanding of the data provided in the financial statements. The Notes to Financial Statements can be found on pages 33 through 77 of this report.

Entity-Wide Financial Analysis

As noted earlier, when readers use the financial presentations to evaluate FMPA's financial position and results of operations, it is essential to remember the legal separation that exists between projects. Nevertheless, broad patterns and trends may be observed at this level that should lead the reader to study carefully the financial statements of each fund and project. For example, total capital assets did not increase, but rather decreased over the past year. Since no new capital projects were added, this decrease represents the difference between depreciation and any capital outlays required during the year. Another trend seen in the data is the increase in restricted assets, the decrease in current assets, in conjunction with the decrease in long-term debt and restricted liabilities, and an associated decrease in current liabilities. All of these trends are a result of increases in fund and project expenses over revenues and the refinancing of significant amounts of FMPA project debt to take advantage of low interest rate markets. See additional information in the Notes to Financial Statements, beginning on page 33.

Financial Analysis of FMPA's Funds and Projects

FMPA uses fund accounting, Federal Energy Regulatory Commission accounting and special utility industry terminology to ensure and demonstrate compliance with finance-related legal requirements. The projects and funds are presented below and in the financial statements in the order in which the funds and projects were established.

Agency Fund: The Agency Fund accounts for the administrative activities of FMPA. The expenses incurred in operating the projects and administrative activities are allocated to the power projects, net of any miscellaneous receipts. The costs allocated in fiscal year 2003 totaled $6.8 million, compared to $7.1 million in fiscal year 2002. The decrease results from an accounting procedural change, whereby certain project invoices are now paid directly by the projects rather than flowing through the Agency budget. General and administrative expenses decreased $234,000 in fiscal year 2003 due to a decrease in consulting service charges.

The Agency also wrote off the Communications project in progress expenses of $1.7 million, in accordance with SFAS 71, *Accounting for the Effects of Certain Types of Regulation,* as amended by SFAS 90. These costs were for preliminary investigation and development of a fiber optic network. Due to the lack of participation or interest, the recorded value of these costs exceeded the net present value of the probable future revenues expected to be recovered through rates.

Financial Analysis of FMPA's Funds and Projects (continued)

Pooled Loan Fund: FMPA has arranged for a line of credit that can be used to finance capital expenditures of its members or the Agency through the issuance of commercial paper. The loans and the repayment of those loans are accounted for in the Pooled Loan Fund. For fiscal years 2003 and 2002, long-term commercial paper notes debt was $93.6 million and $90.5 million, respectively. In fiscal year 2003, $2.3 million of commercial paper notes were redeemed; the city of Leesburg was issued a new loan of $6.1 million. Management is not aware of any pending non-payment, and no loans were in default at year-end.

St. Lucie Project: The St. Lucie Project consists of an 8.806% undivided ownership interest in St. Lucie Nuclear Unit 2, a nuclear power plant primarily owned and operated by Florida Power & Light (FPL). FPL submitted an application to the Nuclear Regulatory Commission seeking to extend the operating licenses by 20 years for Units 1 and 2. The NRC has granted a license renewal for 20 years. This would allow Unit 2 to operate until 2043 subject to FPL's final acceptance. The capacity factors for Units 1 and 2 were 94.2% and 81.7%, respectively, for fiscal year 2003 and 99.9% and 90.7%, respectively, for fiscal year 2002. For the two units combined under FMPA's reliability exchange agreement with FPL, the 2003 and 2002 fiscal years capacity factor for FMPA's St. Lucie Project was 87.9% and 95.3%, respectively. The Project's lifetime capacity factor since 1983 is 83.1%.

The Project billed Megawatt-hours (MWh) of 574,206 and 622,067 in fiscal years 2003 and 2002, respectively. The average billing per MWh decreased 8.5% from $61.82/MWh to $56.57/MWh. This reduction was made possible in large measure due to the debt service budget reductions in 2003 stemming from a debt refinancing completed in fiscal year 2002. St. Lucie's entire fixed-rate debt was refinanced with variable-rate debt, and then using staggered swaps of five to nine years, two-thirds of the variable debt was swapped to fixed-rates of 3.43%, 3.69%, 3.88%, 4.14% and 4.24%.

The cost of power production and delivery rose from $19.93/MWh to $27.99/MWh, an increase of 40.5%. The driver of this increase is due to an unexpected extended maintenance outage that increased operating and maintenance expense. General and administrative expenses increased $425,000, by 19.1% or 74 cents/MWh.

Stanton Project: The Stanton Project derives its power from a 14.8193% ownership interest in Stanton Unit 1, a 425 MW coal-fired power plant operated by its primary owner Orlando Utilities Commission (OUC). Unit 1 was shut down during the first quarter of fiscal year 2003 for routine maintenance, resulting in an availability factor of 90.7% for the fiscal year 2003, compared to 88.3% in fiscal year 2002, an improvement over its lifetime average of 87%.

The Project billed MWhs of 459,516 and 446,507 in fiscal years 2003 and 2002, respectively. The average billing rate per MWh increased 1% from $41.01/MWh to $41.44/MWh for fiscal years 2002 and 2003, respectively. This increase was due to the escalation in coal prices of $42.80 to $44.66 per ton.

The cost of power production and delivery rose from $23.46/MWh to $25.70/MWh, an increase of 9.5% in fiscal year 2003. This is due to the change in the long-term coal contract with one vendor and outage expenses. Participants were billed via the variable fuel rate 32.5% of the 9.5 % increase in cost of power production and the remaining amount was absorbed by the Project. General and administrative expense decreased $242,000, 28.4% or 53 cents /MWh.

Financial Analysis of FMPA's Funds and Projects (continued)

All-Requirements Project: The All-Requirements Project (ARP) energy resources are a part of the Florida Municipal Power Pool (FMPP). FMPP is a consortium of three municipal energy suppliers (ARP, Lakeland Electric and Orlando Utilities Commission) that have agreed to dispatch resources on a cost and availability basis in order to meet combined native loads. The average billed rate to ARP member cities was $57.76/MWh, and $58.18/MWh on billed Megawatt-hours of 6,374,569 and 4,709,921 in fiscal years 2003 and 2002, respectively.

Billings to ARP participants in fiscal year 2003 were 34.4% higher than fiscal year 2002, increasing from $274 million to $368 million. This increase is due to the addition of two new members, Kissimmee Utility Authority and the city of Lake Worth Utilities, which increased the size of the Project by approximately 357 MW, or 33%. The Project now has a total of 15 participants. Also occurring in fiscal year 2003 was an energy rate increase of 13% in April. This was needed to cover the Project's escalating fuel costs for fiscal year 2003.

Power costs (inclusive of transmission) increased from $45.51/MWh to $56.57/MWh a 24.3 % increase from last year. This is due to increases in natural gas, change in the long-term coal contract with one vendor, and the Project's generation and contractual resource mix. General and administrative expense increased $215,000 by 2.3% or 3 cents/MWh. The fuel supply mix for the All-Requirements Project was 34.9% purchased power, 32% natural gas and fuel oils, 23.4% coal and 9.7% nuclear. Stanton A, a new high efficiency, 630 MW 2-on-1 natural gas-fired generating unit began testing in May 2003. It was in commercial operation October 1, 2003. The All-Requirements Project has a 3.5% ownership interest, with Kissimmee Utility Authority owning 3.5%, Orlando Utilities Commission owning 28%, and Southern Company owning 65%. Additionally, for the first 10 years from the unit's commercial operation date, OUC, KUA, and FMPA are purchasing Southern Company's share of the output via a purchase power agreement. The plant is located at OUC's Stanton Energy Center site in Orlando.

After consideration of amounts to be refunded to or recovered from Project participants, the net assets of the All-Requirements Project were zero by design again in fiscal year 2003. The ARP bills at an estimated rate during the year and credits back to participants, amounts in excess of those needed to operate and meet all obligations. This amount is shown in the Statement of Revenues, Expenses and Changes in Fund Net Assets as "Amounts to be recovered from (refunded to) participants," and as "Participant accounts receivable" or "Due to participants" in the accompanying Statement of Net Assets.

Tri-City Project: The Tri-City Project consists of a 5.3012% ownership interest in Stanton Unit 1. The Project billed Megawatt-hours of 159,373 and 157,956 in fiscal years 2003 and 2002 respectively. The average billing rate increased 0.8% to $50.35/MWh from $49.94/MWh in fiscal years 2003 and 2002, respectively. This increase was due to the escalation in coal prices.

The cost of power production and delivery rose from $23.43/MWh to $26.38/MWh, a 12.6% increase in fiscal year 2003. This is due to the change in the long-term coal contract with one vendor and outage expenses which increased operations and maintenance expense. Participants were billed via the variable fuel rate 28.3% of the 12.6% increase in cost of power production and the remaining amount was absorbed by the Project. General and administrative expense decreased $47,000, 14.1% or 29 cents per MWh for the same reason as the Stanton Project.

Financial Analysis of FMPA's Funds and Projects (continued)

Stanton II Project: The Stanton II Project derives its power from a 23.2367% ownership interest in Stanton Unit 2, a 429 MW coal-fired power plant operated by its primary owner Orlando Utilities Commission. During the second quarter of fiscal year 2003, the scheduled eight-week maintenance outage for Unit 2 was moved forward from fiscal year 2004. This was done to take advantage of available personnel from the Stanton A construction site. The outage lowered the plant's availability factor to 83.2% for fiscal year 2003, compared to 87% in fiscal year 2002, and a lifetime average of 89.1%.

The Project billed Megawatt-hours of 693,272 and 696,998 in fiscal years 2003 and 2002, respectively. The average billing rate decreased 0.7% from $43.28/MWh to $42.99/MWh for fiscal years 2002 and 2003, respectively. This decrease was due to the refinancing of Project debt in fiscal year 2003 offset by the escalation in coal prices.

The cost of power production and delivery rose from $22.75/MWh to $27.39/MWh, an increase of 20.4% in fiscal year 2003. The increase is due to moving a major outage one year earlier and changes in a long-term coal contract with a major vendor. Participants were billed via the variable fuel rate 24.4% of the 20.4% increase in cost of power production and the remaining amount was absorbed by the Project. General and administrative expense decreased $316,000, 26.4% or 46 cents per MWh mainly due to adjustments found during the scheduled operating audit of the billings associated with Stanton Unit 2.

Budgetary Highlights

The Board of Directors of FMPA approves the project budgets, establishing legal boundaries for expenditures. For fiscal year 2003, the amended budget authority was not exceeded.

Capital Assets and Long-Term Debt

Capital Assets: FMPA's investment in capital assets as of September 30, 2003 amounts to $471.7 million (net of accumulated depreciation and inclusive of work in progress and development projects). This investment in capital assets includes investment in plants, distribution and transmission systems, land, buildings, improvements, machinery and equipment.

The total decrease in FMPA's investment in capital assets for the fiscal year 2003 was $12.8 million or 2.6%. By project, this is a 1.7% decrease in the All-Requirements utility plant, while all other projects decreased from 2% to 2.9%. This reduction highlights the relatively stable nature of these generating assets and FMPA's participation in them or capital renewal and replacement program.

Capital Assets and Long-Term Debt (continued)

Long-Term Debt: At September 30, 2003, FMPA had total liabilities outstanding of $974.6 million of which $882.2 million represents notes, loans and bonds payable. The remaining principal payments on long-term debt, including current amounts due, are as follows:

Agency Fund	$ 3,615,000
Pooled Loan Fund	$ 93,589,000
St. Lucie Project	$ 209,628,000
Stanton Project	$ 84,252,000
All-Requirements Project	$ 269,709,000
Tri-City Project	$ 35,942,000
Stanton II Project	$ 185,421,000

See Note VIII in the Notes to Financial Statements for further information on debt.

Economic Factors and Next Year's Budgets and Rates

The fiscal year 2004 budget was adopted amid a slow-down in the national and state economies. The member cities' economies have shown varying amounts of growth in both demand and energy. Interest rates, having been historically low in fiscal year 2003, are expected to increase by mid-to late-2004. Multi-year operational and financial modeling is done to arrive at the recommended budget levels and associated rates.

Significant Events

The Nuclear Regulatory Commission issued renewed operating licenses on October 3, 2003 for the St. Lucie Nuclear Power Plant. The license renewals, which add 20 years to the original license period for the two nuclear units at St. Lucie, are subject to FPL's final acceptance. FMPA has an 8.806% ownership interest in St. Lucie Unit 2.

Interest Arbitrage and Rebate

As a result of declining interest rates on refinancings, the Agency calculated the following arbitrage rebate liabilities as of September 30, 2003:

All-Requirements Project	$ 339,427
St. Lucie Project	$ 1,666,238
Stanton Project	$ 8,948
Stanton II Project	$ 4,602,370
Pooled Loan Fund	$ 77,182

Interest Arbitrage and Rebate (continued)

The amount of $234,522 of the total arbitrage rebate liability for the All-Requirements Project 1993 issue is currently due. This is a final payment. The amounts will be paid from earnings and savings on deposit in the Operating and Maintenance account. The large amounts arise due to a significant difference between yields earned on proceeds and the very low bond yields. See Note XIV in the Notes to Financial Statements for further information regarding the arbitrage rebate liabilities.

Requests for Information

This financial report is designed to provide a general overview of FMPA's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Assistant General Manager and CFO, Florida Municipal Power Agency, 8553 Commodity Circle, Orlando, FL 32819.

This page intentionally left blank.

Financial Statements

FLORIDA MUNICIPAL POWER AGENCY
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
(thousands omitted)
September 30, 2004

		Business-Type Activities-	
ASSETS	**Agency**	**Pooled Loan Fund**	**St. Lucie Project**
Current Assets:			
Cash and cash equivalents	$ 1,888		$ 7,918
Investments	1,929		43,839
Participant accounts receivable	1,477		3,031
Other receivables	121	$ 1,787	317
Fuel stock and material inventory			
Other current assets	179		25
Total Current Assets	5,594	1,787	55,130
Non-Current Assets:			
Restricted Assets:			
Cash and cash equivalents		8,404	1,801
Investments		521	46,131
Receivables		85,120	296
Total Restricted Assets	-	94,045	48,228
Capital Assets:			
Electric plant			182,272
General plant	5,673		8,381
Less accumulated depreciation and amortization	(1,310)		(103,435)
Net Capital Assets	4,363		87,218
Construction work in progress	70		
Development projects in progress	72		497
Total Capital Assets, Net	4,505	-	87,715
Deferred Costs:			
Net costs recoverable from future participant billings	2,059		57,430
Other	5		1,997
Total Deferred Costs	2,064	-	59,427
Total Non-Current Assets	6,569	94,045	195,370
Total Assets	$ 12,163	$ 95,832	$ 250,500
LIABILITIES AND NET ASSETS			
Current Liabilities:			
Current portion of loans payable	$ 180		
Accounts payable	409	$ 693	$ 5,170
Accrued liabilities	578	45	406
Total Current Liabilities	1,167	738	5,576
Liabilities Payable from Restricted Assets:			
Current portion of long-term revenue bonds			
Commercial paper notes		94,836	
Accrued interest on long-term debt		151	54
Accrued decommissioning expenses			31,808
Total Liabilities Payable from Restricted Funds	-	94,987	31,862
Long-Term Liabilities:			
Long-term revenue bonds, less current portion			212,701
Long-term loans	2,405		
Net costs payable to participants			
Other liabilities		107	361
Total Long-Term Liabilities	2,405	107	213,062
Total Liabilities	$ 3,572	$ 95,832	$ 250,500
Net Assets:			
Invested in capital assets, net of related debt	1,920		(125,347)
Restricted		(942)	16,366
Unrestricted	6,671	942	108,981
Total Net Assets	$ 8,591	$ -	$ -

The accompanying notes are an integral part of these financial statements

-Enterprise Funds

Stanton Project	All-Requirements Project	Tri-City Project	Stanton II Project	Totals
$ 3,307	$ 29,678	$ 1,103	$ 4,412	$ 48,306
14,828	50,446	4,051	23,125	138,218
1,536	37,421	707	4,324	48,496
235	53	55	390	2,958
340	19,198	121	1,318	20,977
	1,743			1,947
20,246	138,539	6,037	33,569	260,902
3,403	8,400	2,512	6,406	30,926
6,201	18,677	3,399	8,319	83,248
28	475	12	27	85,958
9,632	27,552	5,923	14,752	200,132
69,371	249,462	28,635	167,000	696,740
65	2,265	20	86	16,490
(28,946)	(66,752)	(11,997)	(38,156)	(250,596)
40,490	184,975	16,658	128,930	462,634
	698			768
	115			684
40,490	185,788	16,658	128,930	464,086
15,669	5,023	9,186	15,989	105,356
911	2,911	498	4,524	10,846
16,580	7,934	9,684	20,513	116,202
66,702	221,274	32,265	164,195	780,420
$ 86,948	$ 359,813	$ 38,302	$ 197,764	$ 1,041,322
$ 407	$ 2,199	$ 143	$ 189	$ 3,118
1,245	34,559	394	6,584	49,054
	100			1,129
1,652	36,858	537	6,773	53,301
2,790	4,635	1,950	5,180	14,555
				94,836
1,434	3,328	735	2,428	8,130
				31,808
4,224	7,963	2,685	7,608	149,329
72,163	224,195	31,890	179,510	720,459
8,909	41,391	3,190	3,873	59,768
	49,406			49,406
				468
81,072	314,992	35,080	183,383	830,101
$ 86,948	$ 359,813	$ 38,302	$ 197,764	$ 1,032,731
(43,780)	(136,038)	(20,514)	(59,822)	(383,581)
8,198	24,224	5,188	12,324	65,358
35,582	111,814	15,326	47,498	326,814
$ -	$ -	$ -	$ -	$ 8,591

FLORIDA MUNICIPAL POWER AGENCY
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
(thousands omitted)
September 30, 2003

		Business-Type Activities-	
ASSETS	**Agency**	**Pooled Loan Fund**	**St. Lucie Project**
Current Assets:			
Cash and cash equivalents	$ 3,014		$ 7,406
Investments	1,481		34,628
Participant accounts receivable	1,058		4,559
Other receivables	283	$ 1,572	293
Fuel stock and material inventory			
Other current assets	182		289
Total Current Assets	6,018	1,572	47,175
Non-Current Assets:			
Restricted Assets:			
Cash and cash equivalents		13,489	2,041
Investments		21	42,006
Receivables	2	79,567	287
Total Restricted Assets	2	93,077	44,334
Capital Assets:			
Electric plant			179,362
General plant	6,338		6,157
Less accumulated depreciation and amortization	(1,497)		(95,792)
Net Capital Assets	4,841		89,727
Construction work in progress	240		
Development projects in progress	78		503
Total Capital Assets, Net	5,159	-	90,230
Deferred Costs:			
Net costs recoverable from future participant billings	1,906		56,243
Other	6		2,185
Total Deferred Costs	1,912		58,428
Total Non-Current Assets	7,073	93,077	192,992
Total Assets	$ 13,091	$ 94,649	$ 240,167
LIABILITIES AND NET ASSETS			
Current Liabilities:			
Current portion of loans payable	$ 200		
Accounts payable	610	$ 941	$ 1,773
Accrued liabilities	853		756
Total Current Liabilities	1,663	941	2,529
Liabilities Payable from Restricted Assets:			
Current portion of long-term revenue bonds			
Commercial paper notes		93,589	
Accrued interest on long-term debt		119	3
Accrued decommissioning expenses			27,560
Total Liabilities Payable from Restricted Funds	-	93,708	27,563
Long-Term Liabilities:			
Long-term revenue bonds, less current portion			209,628
Long-term loans	3,415		
Net costs payable to participants			
Other liabilities			447
Total Long-Term Liabilities	3,415	-	210,075
Total Liabilities	$ 5,078	$ 94,649	$ 240,167
Net Assets:			
Invested in capital assets, net of related debt	4,959		(119,845)
Restricted		(631)	16,771
Unrestricted	3,054	631	103,074
Total Net Assets	$ 8,013	$ -	$ -

The accompanying notes are an integral part of these financial statements

-Enterprise Funds

	Stanton Project	All-Requirements Project	Tri-City Project	Stanton II Project	Totals
	$ 1,509	$ 15,491	$ 1,158	$ 1,694	$ 30,272
	14,040	32,927	3,543	24,271	110,890
	1,960	32,745	945	3,715	44,982
	172	124	36	241	2,721
	1,170	11,250	418	578	13,416
	150	2,280	13	20	2,934
	19,001	94,817	6,113	30,519	205,215
	4,194	5,565	569	6,252	32,110
	4,883	16,050	2,881	6,885	72,726
	22	6,425	6	41	86,350
	9,099	28,040	3,456	13,178	191,186
	67,134	238,881	27,838	161,509	674,724
	62	2,123	20	81	14,781
	(27,165)	(57,285)	(11,263)	(34,031)	(227,033)
	40,031	183,719	16,595	127,559	462,472
		8,388			8,628
					581
	40,031	192,107	16,595	127,559	471,681
	17,123		9,913	20,335	105,520
	1,023	1,994	557	3,248	9,013
	18,146	1,994	10,470	23,583	114,533
	67,276	222,141	30,521	164,320	777,400
	$ 86,277	$ 316,958	$ 36,634	$ 194,839	$ 982,615
	$ 275	$ 1,120	$ 100		$ 1,695
	929	31,211	360	$ 5,985	41,809
		10			1,619
	1,204	32,341	460	5,985	45,123
	2,680	770	210	2,920	6,580
					93,589
	1,096	666	332	3,433	5,649
					27,560
	3,776	1,436	542	6,353	133,378
	74,572	228,275	33,227	182,501	728,203
	6,725	39,544	2,405		52,089
		15,362			15,362
					447
	81,297	283,181	35,632	182,501	796,101
	$ 86,277	$ 316,958	$ 36,634	$ 194,839	$ 974,602
	(44,221)	(92,964)	(19,347)	(57,862)	(329,280)
	8,003	27,374	3,124	9,745	64,386
	36,218	65,590	16,223	48,117	272,907
	$ -	$ -	$ -	$ -	$ 8,013

FLORIDA MUNICIPAL POWER AGENCY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
(thousands omitted)
Year Ended September 30, 2004

		Business-Type Activities-	
	Agency	Pooled Loan Fund	St. Lucie Project
Operating Revenue:			
Billings to participants		$ 1,305	$ 35,289
Sales to others			2,659
Amounts to be recovered from (refunded to) participants		203	(1,992)
		1,508	35,956
Operating Expenses:			
Operation and maintenance			7,899
Fuel expense			
Nuclear fuel amortization			1,706
Spent fuel fees			546
Purchased power			3,075
Transmission services			380
General and administrative	$ 7,331		1,904
Interest expense		1,525	
Depreciation	283		6,003
Decommissioning			4,248
	7,614	1,525	25,761
Amounts capitalized to development projects or charged to other projects	(6,903)		
Total Operating Income	(711)	(17)	10,195
Non-Operating Income (Expense):			
Interest expense	(44)		(6,757)
Amortization of debt related costs	(5)		(3,841)
Investment income	51	17	2,205
Development fund fee	896		
Gain/Loss on disposal of property	141		
Miscellaneous income	250		
Net cost recoverable from future participant billings			(1,802)
Total Non-operating Income (Expense)	1,289	17	(10,195)
Change in Net Assets	578		
Net Assets at Beginning of Year	8,013		
Net Assets at End of Year	$ 8,591	$ -	$ -

The accompanying notes are an integral part of these financial statements

-Enterprise Funds

Stanton Project	All-Requirements Project	Tri-City Project	Stanton II Project	Totals
$ 20,295	$ 399,392	$ 8,439	$ 34,324	$ 499,044
307	2,169	110	481	5,726
(218)	5,644	55	1,425	5,117
20,384	407,205	8,604	36,230	509,887
2,988	41,457	1,107	4,517	57,968
8,483	132,925	3,033	13,189	157,630
				1,706
				546
	189,033			192,108
709	21,428	290	1,060	23,867
835	10,063	339	1,361	21,833
				1,525
1,783	9,353	731	4,124	22,277
				4,248
14,798	404,259	5,500	24,251	483,708
				(6,903)
5,586	2,946	3,104	11,979	33,082
(3,242)	(8,423)	(1,503)	(7,509)	(27,478)
(686)	(988)	(672)	(1,656)	(7,848)
275	843	110	359	3,860
				896
				141
				250
(1,933)	5,622	(1,039)	(3,173)	(2,325)
(5,586)	(2,946)	(3,104)	(11,979)	(32,504)
				578
				8,013
$ -	$ -	$ -	$ -	$ 8,591

FLORIDA MUNICIPAL POWER AGENCY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
(thousands omitted)
Year Ended September 30, 2003

		Business-Type Activities-	
	Agency	Pooled Loan Fund	St. Lucie Project
Operating Revenue:			
Billings to participants		$ 1,531	$ 32,481
Sales to others			2,544
Amounts to be recovered from (refunded to) participants		(146)	1,606
		1,385	36,631
Operating Expenses:			
Operation and maintenance			11,182
Fuel expense			
Nuclear fuel amortization			1,482
Spent fuel fees			484
Purchased power			2,517
Transmission services			409
General and administrative	$ 6,449		2,654
Interest expense		1,530	
Depreciation	302		5,634
Decommissioning			3,804
	6,751	1,530	28,166
Amounts capitalized to development projects or charged to other projects	(6,809)		
Total Operating Income	58	(145)	8,465
Non-Operating Income (Expense):			
Interest expense	(60)		(6,798)
Amortization of debt related costs	(1)		(3,820)
Investment income	50	145	2,636
Development fund fee	907		
Rental income	25		
Write off development project	(1,741)		
Net cost recoverable from future participant billings			(483)
Total Non-operating Income (Expense)	(820)	145	(8,465)
Change in Net Assets	(762)		
Net Assets at Beginning of Year	8,775		
Net Assets at End of Year	$ 8,013	$ -	$ -

The accompanying notes are an integral part of these financial statements

-Enterprise Funds

Stanton Project	All-Requirements Project	Tri-City Project	Stanton II Project	Totals
$ 19,041	$ 368,157	$ 8,023	$ 29,804	$ 459,037
	1,009			3,553
466	17,419	302	672	20,319
19,507	386,585	8,325	30,476	482,909
3,372	34,651	1,175	5,679	56,059
7,715	142,520	2,738	12,242	165,215
				1,482
				484
	164,552			167,069
723	18,908	291	1,065	21,396
610	9,667	287	880	20,547
				1,530
1,709	8,633	706	4,057	21,041
				3,804
14,129	378,931	5,197	23,923	458,627
				(6,809)
5,378	7,654	3,128	6,553	31,091
(3,206)	(8,413)	(2,101)	(7,854)	(28,432)
(550)	(1,468)	(556)	(1,485)	(7,880)
433	1,176	180	871	5,491
				907
				25
				(1,741)
(2,055)	1,051	(651)	1,915	(223)
(5,378)	(7,654)	(3,128)	(6,553)	(31,853)
				(762)
				8,775
$ -	$ -	$ -	$ -	$ 8,013

FLORIDA MUNCIPAL POWER AGENCY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
(thousands omitted)
For The Year Ended September 30, 2004

	Business-Type Activities-			
	Agency	Pooled Loan Fund	St. Lucie Project	Stanton Project
Cash Flows from Operating Activities:				
Cash received from (paid to) customers	$ 6,369	$ (4,260)	$ 39,012	$ 20,950
Cash paid to suppliers	(7,374)	(964)	(12,054)	(11,938)
Cash paid to/received from participants		0	(1,992)	
Net Cash Provided by (Used In) Operating Activities	$ (1,005)	$ (5,224)	$ 24,966	$ 9,012
Cash Flows from Investing Activities:				
Proceeds from sales and maturities of investments	1,960		242,136	11,065
Purchases of investments	(2,424)	(500)	(256,508)	(13,613)
Income received on investments	301	17	3,148	677
Net Cash Provided (Used In) Investing Activities	$ (163)	$ (483)	$ (11,224)	$ (1,871)
Cash Flows from Capital and Related Financing Activities:				
Proceeds from issuance of bonds	0	17,870		2,591
Payments of bond principal and issuance costs	0	(12,534)		
Capital expenditures for utility plant	221		(6,662)	(2,240)
Principal payments on long-term debt	(1,030)	(4,714)		(2,955)
Interest paid on long term debt	(44)		(6,808)	(3,530)
Cash received for development fund	895			
Net Cash Provided By (Used In) Capital and Related Financing Activities	$ 42	$ 622	$ (13,470)	$ (6,134)
Net increase (decrease) in cash and cash equivalents	(1,126)	(5,085)	272	1,007
Cash and cash equivalents, beginning of year	3,014	13,489	9,447	5,703
Cash and cash equivalents, end of year	$ 1,888	$ 8,404	$ 9,719	$ 6,710
Consisting of:				
Unrestricted	1,888	0	7,918	3,307
Restricted	0	8,404	1,801	3,403
	$ 1,888	$ 8,404	$ 9,719	$ 6,710

Reconciliation of Operating Income to Net Cash Provided By (Used In) Operating Activities:	Agency	Pooled Loan Fund	St. Lucie Project	Stanton Project
Operating income	$ (711)	$ (17)	$ 10,195	$ 5,586
Adjustments to reconcile net operating income to net cash				
Provided by (used in) operating activities:				
Depreciation and decommissioning	283		10,251	1,783
Amortization of nuclear fuel			1,706	
Changes in assets and liabilities which provided (used) cash:				
Inventory				830
Receivables from participants	(419)	(5,553)	1,528	422
Prepaids	3		264	150
Accounts payable and accrued expenses	(476)	346	1,054	558
Amounts to be refunded	151			(248)
Other receivables	164		(32)	(69)
Net Cash Provided By (Used In) Operating Activities	$ (1,005)	$ (5,224)	$ 24,966	$ 9,012

The accompanying notes are an integral part of these financial statements

-Enterprise Funds

All-Requirements Project	Tri-City Project	Stanton II Project	Totals
$ 402,907	$ 8,757	$ 34,039	$ 507,774
(365,880)	(4,425)	(20,328)	(422,963)
5,643	(409)		3,242
$ 42,670	$ 3,923	$ 13,711	$ 88,053
289,028	6,352	17,234	567,775
(288,829)	(6,613)	(18,699)	(587,186)
881	185	1,119	6,328
$ 1,080	$ (76)	$ (346)	$ (13,083)
9,683	928	64,037	95,109
	0	(62,977)	(75,511)
(23,086)	(806)	(3,569)	(36,142)
(7,563)	(310)	(2,920)	(19,492)
(5,762)	(1,771)	(5,063)	(22,978)
			895
$ (26,728)	$ (1,959)	$ (10,492)	$ (58,119)
17,022	1,888	2,873	16,851
21,056	1,727	7,945	62,381
$ 38,078	$ 3,615	$ 10,818	$ 79,232
29,678	1,103	4,412	48,306
8,400	2,512	6,406	30,926
$ 38,078	$ 3,615	$ 10,818	$ 79,232
$ 2,946	$ 3,104	$ 11,979	$ 33,082
9,353	731	4,125	26,526
		0	1,706
(7,948)	297	(740)	(7,561)
(4,675)	237	(610)	(9,070)
(509)	13	610	531
3,438	34	579	5,533
34,044	247	(2,097)	32,097
6,021	(740)	(135)	5,209
$ 42,670	$ 3,923	$ 13,711	$ 88,053

FLORIDA MUNCIPAL POWER AGENCY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
(thousands omitted)
For The Year Ended September 30, 2003

	Business-Type Activities-			
	Agency	**Pooled Loan Fund**	**St. Lucie Project**	**Stanton Project**
Cash Flows from Operating Activities:				
Cash received from (paid to) customers	$ 9,219	$ 682	$ 33,689	$ 18,786
Cash paid to suppliers	(6,088)	(987)		
Cash paid to/received from participants	(419)		(16,804)	(12,618)
Net Cash Provided by (Used In) Operating Activities	$ 2,712	$ (305)	$ 16,885	$ 6,168
Cash Flows from Investing Activities:				
Proceeds from sales and maturities of investments	503		255,317	17,919
Purchases of investments	(1,984)		(264,118)	(16,559)
Income received on investments	51	145	2,458	868
Net Cash Provided (Used In) Investing Activities	$ (1,430)	$ 145	$ (6,343)	$ 2,228
Cash Flows from Capital and Related Financing Activities:				
Proceeds from issuance of bonds		6,077		20,000
Payments of bond principal and issuance costs				(21,015)
Capital expenditures for utility plant	(2,029)		(2,187)	(891)
Principal payments on long-term debt	(190)	(3,543)		(255)
Interest paid on long term debt	(60)		(6,824)	(3,133)
Cash received for development fund	907			
Net Cash Provided By (Used In) Capital and Related Financing Activities	$ (1,372)	$ 2,534	$ (9,011)	$ (5,294)
Net increase (decrease) in cash and cash equivalents	(90)	2,374	1,531	3,102
Cash and cash equivalents, beginning of year	3,104	11,115	7,916	2,601
Cash and cash equivalents, end of year	$ 3,014	$ 13,489	$ 9,447	$ 5,703
Consisting of:				
Unrestricted	3,014		7,406	1,509
Restricted		13,489	2,041	4,194
	$ 3,014	$ 13,489	$ 9,447	$ 5,703

Reconciliation of Operating Income to Net Cash Provided By (Used In) Operating Activities:				
Operating income	$ 58	$ (145)	$ 8,465	$ 5,378
Adjustments to reconcile net operating income to net cash Provided by (used in) operating activities:				
Depreciation and decommissioning	302		9,438	1,709
Amortization of nuclear fuel	0		1,482	
Changes in assets and liabilities which provided (used) cash:				
Inventory				(183)
Receivables from participants	400		(1,215)	(253)
Prepaids	(63)		1,577	416
Accounts payable and accrued expenses	(1,393)	714	472	(431)
Amounts to be refunded			(1,606)	(512)
Amounts to participants	1,705			
Loans to participants		(874)		
Other receivables	1,703		(1,728)	44
Net Cash Provided By (Used In) Operating Activities	$ 2,712	$ (305)	$ 16,885	$ 6,168

The accompanying notes are an integral part of these financial statements

-Enterprise Funds

All-Requirements Project	Tri-City Project	Stanton II Project	Totals
$ 370,593	$ 8,088	$ 25,934	$ 466,991
			(7,075)
(372,030)	(4,527)	(14,827)	(421,225)
$ (1,437)	$ 3,561	$ 11,107	$ 38,691
244,588	8,939	33,462	560,728
(218,397)	(7,547)	(29,987)	(538,592)
667	325	1,574	6,088
$ 26,858	$ 1,717	$ 5,049	$ 28,224
160,469	41,505	19,514	247,565
(169,658)	(43,429)	(22,604)	(256,706)
(6,293)	(319)	(303)	(12,022)
(5,000)	(1,530)	(4,300)	(14,818)
(11,063)	(2,333)	(8,065)	(31,478)
			907
$ (31,545)	$ (6,106)	$ (15,758)	$ (66,552)
(6,124)	(828)	398	363
27,180	2,555	7,548	62,019
$ 21,056	$ 1,727	$ 7,946	$ 62,382
15,491	1,158	1,694	30,272
5,565	569	6,252	32,110
$ 21,056	$ 1,727	$ 7,946	$ 62,382

$ 7,654	$ 3,128	$ 6,553	$ 31,091
8,633	706	4,057	24,845
			1,482
(2,868)	(65)		(3,116)
(6,717)	81	(232)	(7,936)
2,261	192	1,032	5,415
(19,121)	(164)	4,007	(15,916)
1,064	(338)	315	(1,077)
			1,705
			(874)
7,657	21	(4,625)	3,072
$ (1,437)	$ 3,561	$ 11,107	$ 38,691

This page intentionally left blank.

FLORIDA MUNICIPAL POWER AGENCY
NOTES TO FINANCIAL STATEMENTS
For the Years Ended September 30, 2004 and 2003

I. Summary of Significant Accounting Policies

A. Reporting Entity

Florida Municipal Power Agency (FMPA or Agency) was created on February 24, 1978, pursuant to the terms of an Interlocal Agreement signed by the governing bodies of 25 Florida municipal corporations or utility commissions chartered by the State of Florida.

The Florida Interlocal Cooperation Act of 1969 authorizes local government units to enter together into mutually advantageous agreements which create separate legal entities for certain specified purposes. FMPA, as one such entity, was authorized under the Joint Powers Act to finance, acquire, construct, manage, operate or own electric power projects or to accomplish these same purposes jointly with other public or private utilities. An amendment to the Act in 1985 and an amendment to the Interlocal Agreement in 1986 authorized FMPA to implement a pooled financing or borrowing program for electric, water, wastewater, waste refuse disposal or gas projects for FMPA and its members.

FMPA established itself as a project-oriented agency. This structure allows each member the option of whether to participate in a project, to participate in more than one project, or not to participate in any project. Each of the projects are independent from the other and the project bond resolutions specify that no revenues or funds from one project can be used to pay the costs of any other project.

As of September 30, 2004, FMPA had 29 members.

B. Basis of Accounting

The Agency Fund, Pooled Loan Fund and each of the projects are maintained using the Uniform System of Accounts of the Federal Energy Regulatory Commission and with Generally Accepted Accounting Principles of the United States (GAAP) using the accrual basis of accounting. Application of the Statement of Financial Standards No. 71, *Accounting for the Effect of Certain Types of Regulation,* is also included in these financial statements. This standard relates to the deferral of revenues and expenses to future periods in which the revenues are earned or the expenses are recovered through the rate-making process.

The Agency's General Bond Resolution requires that its rate structure be designed to produce revenues sufficient to pay operating, debt service and other specified costs. The Agency's Board of Directors, which is comprised of one representative from each member city, is responsible for reviewing and approving the rate structure. The application of a given rate structure to a given period's electricity sales may produce revenues not intended to pay that period's costs and conversely, that period's costs may not be intended to be recovered in that period's revenues. The affected revenues and/or costs are, in such cases, deferred for future recognition. The recognition of deferred items is correlated with specific future events, primarily payment of debt principal.

I. Summary of Significant Accounting Policies (continued)

In accordance with Governmental Accounting Standards No. 20, FMPA has elected not to follow Financial Accounting Standards Board (FASB) pronouncements issued subsequent to November 30, 1989 in accounting and reporting for its operations. FMPA has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments;* GASB Statement No. 38, *Certain Financial Statement Note Disclosures;* GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, an amendment of GASB Statement No. 3; GASB Statement No. 41, *Budgetary Comparison Schedules – Perspective Differences*, an amendment of GASB Statement No. 34 and GASB Technical Bulletin No. 2003-1, *Disclosure Requirements for Derivatives Not Reported at Fair Value on the Statement of Net Assets.*

In conformity with these statements, we have included additional footnote disclosures, the direct method of cash flow presentation, and the Management's Discussion and Analysis.

FMPA considers electric revenues and costs that are directly related to generation, purchases, transmission and distribution of electricity to be operating revenues and expenses. Revenues are recorded when they are both measurable and available and expenses are recorded when a liability is incurred, following GAAP.

1. Reclassification

Certain items in the accompanying 2003 financial statements have been re-classed to facilitate comparisons with the 2004 financial statements.

2. Fund Accounting

FMPA maintains it accounts on a fund/project basis, in compliance with appropriate bond resolutions and operates its various projects in a manner similar to private business. Operations of each project are accounted for as an enterprise fund and as such, inter-project transactions, revenues and expenses are not eliminated.

The Agency operates the following major funds: the Agency Fund, which accounts for general operations beneficial to all members and projects; the St. Lucie Project, which accounts for ownership interest in the St. Lucie Unit 2 nuclear generating facility; the Stanton Project and the Tri-City Project, which account for respective ownership interests in the Stanton Energy Center (SEC) Unit 1, a coal-fired generation facility; the All-Requirements Project, which accounts for ownership interest in SEC Unit 1, SEC Unit 2, Stanton A, Indian River Combustion Turbine Units A, B, C and D, Cane Island Units 1, 2 and 3, and FMPA's Key West Combustion Turbine Units 2 and 3. Also included in All-Requirements Project is the purchase of power for resale to the participants as well as the purchase of equipment necessary for dispatching requirements. The Stanton II Project, which accounts for ownership interest in SEC Unit 2; and the Pooled Loan Fund, which accounts for operations of pooled financing of loans to other FMPA projects and members for utility-related projects are the remaining major funds. Certain accounts within these funds are grouped and classified in the manner established by respective bond resolutions and/or debt instruments.

I. Summary of Significant Accounting Policies (continued)

All funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of FMPA's enterprise funds are charges to participants for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expense.

When both restricted and unrestricted resources are available for use, it is FMPA's policy to use restricted funds for their intended purposes only, based on the bond resolutions. Unrestricted resources are used as they are needed in a hierarchal manner from the General Reserve accounts to the Operations and Maintenance accounts.

3. Capital Assets

Certain direct and indirect expenses allocable to FMPA's undivided ownership in the St. Lucie Project, the Stanton Project, the All-Requirements Project, the Tri-City Project and the Stanton II Project are capitalized as part of the cost of acquiring or constructing the respective utility plant. Direct and indirect expenses not associated with these projects are capitalized as part of the cost of Development Projects in Progress in the Agency Fund. Electric Plant in Service is depreciated on the straight-line basis at rates calculated to amortize the costs over the assets' respective estimated and useful lives. Estimated useful lives for electric plant assets range from 23 years to 40 years.

FMPA has adopted the policy of capitalizing net interest costs during the period of project construction (interest expense less interest earned on the investment of bond proceeds). Capitalized net interest cost on borrowed funds includes amortization of bond discount and bond premium, interest expense and interest income. The cost of major replacements of assets in excess of $1,500 is capitalized to utility plant accounts. The cost of maintenance, repairs and replacements of minor items are expensed as incurred.

4. Inventory

Coal and oil inventory is stated at weighted average cost as are parts inventory related to the All-Requirement Project's Cane Island Units 1, 2 and 3. Nuclear fuel is carried at cost and is amortized on the units of production basis.

5. Cash Equivalents

FMPA considers the following highly liquid investments (including restricted assets) to be cash equivalents:

- time deposits (not including certificates of deposits)
- money market funds
- flexible repurchase agreements

I. Summary of Significant Accounting Policies (continued)

6. Investments

Florida Statutes authorize FMPA to invest in the Local Government Surplus Funds Trust Fund, obligations of the U.S. Government Agencies and Instrumentalities, Money Market Funds, U.S. Government and Agency Securities, Certificates of Deposit, commercial paper and repurchase agreements fully collateralized by U.S. Government obligations. In addition to the above, FMPA's policy also authorizes the investment in bonds, bankers acceptances, prime commercial paper and repurchase agreements, guaranteed investment contracts and other investments approved by the rating agencies.

Investments are stated at fair value based on quoted market prices. Investment income includes changes in the fair value of these investments. Interest on investments is accrued at the balance sheet date. All of FMPA's project and fund investments can be sold at any point due to cash flow needs, changes in market trends or risk management strategies.

7. Debt Related Costs

Unamortized debt issuance costs are amortized on the bonds outstanding method, which approximates the effective interest method. This method is used for the St. Lucie Project, the Stanton Project, the All-Requirements Project, the Tri-City Project and the Stanton II Project. Debt related costs relative to loans from the Pooled Loan Fund are amortized using the straight-line method over the life of the loans. Accounting for gains and losses on the refunding of bonds are deferred and amortized over the life of the refunding bonds or the life of the refunded bonds, whichever is less, using the straight-line method.

8. Compensated Absences

Liabilities related to compensated absences are recognized as incurred in accordance with GASB Statement No. 16 and are included in accrued expenses. Regular, full-time employees in good standing, upon resignation or retirement, are eligible for vacation and sick/personal pay. At September 30, 2004 and 2003, the liability for unused vacation was $260,647 and $259,690 respectively and $158,428 and $182,326 for unused sick/personal leave.

9. Allocation of Agency Fund Expenses

General and administrative operating expenses of the Agency Fund are allocated based on direct labor hours to each of the projects (except Pooled Loan). General and administrative operating expenses of the Agency Fund related to the Pooled Loan Fund are recovered through a fixed fee from participants of the Pooled Loan Fund.

I. Summary of Significant Accounting Policies (continued)

10. Billings to Participants

Participant billings are designed to systematically provide revenue sufficient to recover costs. Rates and budgets can be amended by the Board of Directors or the Executive Committee at any time. FMPA's General Manager has been given authority to increase or decrease the All-Requirements Project's energy rate as much as 8%, with subsequent review by the Board of Directors, the Executive Committee and the All-Requirements participants.

Amounts due from participants are deemed to be entirely collectible and as such, no allowance for uncollectible accounts has been recorded.

For the St. Lucie Project, the Stanton Project, the All-Requirements Project, the Tri-City Project and the Stanton II Project, variances in current fiscal year billings and actual project costs are computed and under the terms of the project contract, net excesses or deficiencies are credited or charged to future participant billings or may be paid from the rate stabilization fund, as approved by the Executive Committee.

Billings to Pooled Loan Fund participants are designed to provide cash flows that are sufficient to pay principal and interest on outstanding debt and recover cost of operating the Pooled Loan Fund.

11. Income Taxes

FMPA is exempt from federal and state income taxes.

12. Use of Estimates

Management of FMPA has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with GAAP. Actual results could differ from those estimates.

13. Derivative Financial Investments

FMPA uses commodity futures contracts, commodity price swap contracts and commodity options on forward contracts to hedge the effects of fluctuations in the price of natural gas purchases as well as the use of interest rate swap contracts to hedge the fluctuations in the interest rate of variable-rate debt. The contracts require the Agency to pay a fixed interest rate and receive a variable interest rate, based upon the London Interbank Overnight Rate (LIBOR) and the Bond Market Association (BMA) indices. These transactions meet the requirements for hedge accounting, including high correlation. Related gains or losses on the commodity price swap contracts are recorded as either a reduction of or an addition to fuel costs. The cash received or paid on the interest rate swap contracts are recorded as a reduction of or an addition to interest expense.

II. Loans Receivable

All loans receivable are of the Pooled Loan Fund. They are comprised of $48,991,000 for FMPA-related undertakings and $45,406,000 for loans receivable from member cities. Amounts for the FMPA-related undertakings are recoverable from each project and are identified in Note VIII, Long-Term Debt, by project.

III. Capital Assets

A description and summary as of September 30, 2004, and 2003, of Capital Assets by fund and project, is as follows.

1. Agency Fund

The Agency Fund consists of the general assets of the Agency. Depreciation of general assets is computed by using the straight-line method over the expected useful life of the asset. Expected lives of the different types of general assets are:

- Automobiles and Computers 3 years
- Office Equipment 5 years
- Furniture & Fixtures 8 years
- Structures & Improvements 25 years

New capital undertakings are accounted for in Development Projects in Progress. Depending on whether these undertakings become a project, costs are either capitalized or expensed. The column labeled Retirements reflects the expensing of those costs.

The activity for the Agency's general assets for the years ended September 30, 2004 and 2003 were as follows:

	September 30, 2003	Additions	Retirements	September 30, 2004
		(thousands omitted)		
General Plant	$ 6,338	$ 493	$(1,158)	$ 5,673
Construction Work in Progress	240	70	(240)	70
Development Projects in Progress	78	149	(155)	72
Utility Plant in Service	$ 6,656	$ 712	$(1,553)	$ 5,815
Less Accumulated Depreciation	(1,497)	(275)	(462)	(1,310)
Utility Plant in Service, Net	$ 5,159	$ 437	$(1,091)	$ 4,505

III. Capital Assets (continued)

1. Agency Fund (continued)

	September 30, 2002	Additions	Retirements	September 30, 2003
		(thousands omitted)		
General Plant	$ 6,736	$ 143	$(541)	$ 6,338
Construction-Work in Progress	66	174	0	240
Development Projects in Progress	2,061	340	(2,323)	78
Utility Plant in Service	$ 8,863	$ 657	$(2,864)	$ 6,656
Less Accumulated Depreciation	(1,729)	(305)	537	(1,497)
Utility Plant in Service, Net	$ 7,134	$ 352	$(2,327)	$ 5,159

2. St. Lucie Project

The St. Lucie Project consists of an 8.806% undivided ownership interest in St. Lucie Unit 2, a nuclear power plant primarily owned and operated by Florida Power & Light (FPL).

Depreciation is computed using the straight-line method over the expected useful life of the asset, which is computed to be 34.6 years. Nuclear fuel is amortized over 18 months. Land is included in the electric plant component on a non-depreciable cost basis.

St. Lucie plant assets activity for the years ended September 30, 2004 and 2003 were as follows:

	September 30, 2003	Additions	Retirements	September 30, 2004
		(thousands omitted)		
Electric Plant	$ 179,362	$ 2,975	$(65)	$ 182,272
General Plant	14			14
Nuclear Fuel	6,143	2,224		8,367
Development Projects in Progress	503	0	(6)	497
Electric Utility Plant in Service	$ 186,022	$ 5,199	$(71)	$ 191,150
Less Accumulated Depreciation	(95,791)	(7,709)	65	(103,435)
Utility Plant In Service, Net	$ 90,231	$(2,510)	$(6)	$ 87,715

	September 30, 2002	Additions	Retirements	September 30, 2003
		(thousands omitted)		
Electric Plant	$ 178,076	$ 1,332	$(46)	$ 179,362
General Plant	14	0	0	14
Nuclear Fuel	5,510	3,302	(2,669)	6,143
Development Projects in Progress	311	221	(29)	503
Electric Utility Plant in Service	$ 183,911	$ 4,855	$(2,744)	$ 186,022
Less Accumulated Depreciation	(91,065)	(6,935)	2,209	(95,791)
Utility Plant In Service, Net	$ 92,846	$(2,080)	$ (535)	$ 90,231

III. Capital Assets (continued)

3. Stanton Project

The Stanton Project consists of 14.8193% undivided ownership in Stanton Energy Center Unit 1, a coal-fired power plant. Asset retirements and additions for the plant are decided by Orlando Utilities Commission (OUC), the primary owner and operator of the plant.

Depreciation of plant assets is computed using the straight-line method over the expected useful life of the different plant assets. Computer equipment is depreciated over 9 years; the electric plant is depreciated over 40 years. Land is included in the electric plant component on a non-depreciable cost basis.

Stanton Unit 1 plant assets activity for the years ended September 30, 2004 and 2003 were as follows:

	September 30, 2003	Additions	Retirements	September 30, 2004
		(thousands omitted)		
Electric Plant	$ 67,134	$ 2,237	$ 0	$ 69,371
General Plant	62	3		65
Utility Plant in Service	$ 67,196	$ 2,240	$ 0	$ 69,436
Less Accumulated Depreciation	(27,165)	(1,781)	0	(28,946)
Utility Plant In Service, Net	$ 40,031	$ 459	$ 0	$ 40,490

	September 30, 2002	Additions	Retirements	September 30, 2003
		(thousands omitted)		
Electric Plant	$ 66,243	$ 1,098	$ (207)	$ 67,134
General Plant	61	1	0	62
Utility Plant in Service	$ 66,304	$ 1,099	$ (207)	$ 67,196
Less Accumulated Depreciation	(25,454)	(1,711)	0	(27,165)
Utility Plant In Service, Net	$ 40,850	$(612)	$ (207)	$ 40,031

4. All-Requirements Project

The All-Requirement Project's current utility plant assets consist of varying ownership interests in Stanton Energy Center Units 1 and 2; Cane Island Units 1, 2 and 3; Indian River Combustion Turbines A, B, C and D; Key West Units 2 and 3 and Stanton A.

Retirements and additions for the All-Requirements Project are decided by the primary owners of the plants. Land is included in the electric plant component on a non-depreciable cost basis.

III. Capital Assets (continued)

4. All-Requirements Project (continued)

Depreciation of plant assets is computed using the straight-line method over the expected useful life of the asset. Expected lives of the different plant assets are as follows:

- Stanton Energy Center Units 1 and 2 — 40 years
- Stanton Energy Center Unit A — 35 years
- Cane Island Units 2 and 3 — 30 years
- Cane Island Unit 1 — 25 years
- Key West Units 2 and 3 — 25 years
- Indian River Units A, B, C and D — 23 years
- Computer Equipment — 9 years

All-Requirements plant assets activity for the years ended September 30, 2004 and 2003 were as follows:

	September 30, 2003	Additions	Retirements	September 30, 2004
		(thousands omitted)		
Electric Plant	$238,881	$ 10,581	$ 0	$249,462
General Plant	2,123	142	0	2,265
Construction Work in Progress	8,388	735	(8,425)	698
Development Projects in Progress	0	115	0	115
Utility Plant in Service	$249,392	$ 11,573	$(8,425)	$252,540
Less Accumulated Depreciation	(57,285)	(4,331)	(5,136)	(66,752)
Utility Plant in Service, Net	$192,107	$ 7,242	$(13,561)	$185,788

	September 30, 2002	Additions	Retirements	September 30, 2003
		(thousands omitted)		
General Plant	$236,354	$ 75,334	$(72,807)	$238,881
Electric Plant	1,669	457	(3)	2,123
Construction Work in Progress	5,995	2,921	(528)	8,388
Development Projects in Progress	2	0	(2)	0
Utility Plant in Service	$244,020	$ 78,712	$(73,340)	$249,392
Less Accumulated Depreciation	(48,650)	(8,789)	154	(57,285)
Utility Plant in Service, Net	$195,370	$ 69,923	$(73,186)	$192,107

III. Capital Assets (continued)

5. Tri-City Project

The Tri-City Project consists of an undivided 5.3012% ownership interest in Stanton Unit 1, a coal-fired power plant. Retirements and additions for Stanton Unit 1 are determined by OUC, the primary owner and operator.

Depreciation of plant assets is computed using the straight-line method over the expected useful life of the different assets. Computer equipment is depreciated over 9 years; the electric plant is depreciated over 40 years. Land is included in the electric plant component on a non-depreciable cost basis.

Tri-City Project plant asset activity for the years ended September 30, 2004 and 2003 were as follows:

	September 30, 2003	Additions	Retirements	September 30, 2004
		(thousands omitted)		
Electric Plant	$ 27,838	$ 797	$ 0	$ 28,635
General Plant	20	0	0	20
Utility Plant in Service	$ 27,858	$ 797	$ 0	$ 28,655
Less Accumulated Depreciation	(11,263)	(734)	0	(11,997)
Utility Plant in Service, Net	$ 16,595	$ 63	$ 0	$ 16,658

	September 30, 2002	Additions	Retirements	September 30, 2003
		(thousands omitted)		
Electric Plant	$ 27,519	$ 397	$ (78)	$ 27,838
General Plant	20	0	0	20
Utility Plant in Service	$ 27,539	$ 397	$ (78)	$ 27,858
Less Accumulated Depreciation	(10,556)	(707)	0	(11,263)
Utility Plant in Service, Net	$ 16,983	$ (310)	$ (78)	$ 16,595

6. Stanton II Project

The Stanton II Project consists of an undivided 23.2367% ownership interest in Stanton Unit 2, a coal-fired power plant. Retirements and additions for Stanton Unit 2 are determined by OUC, the primary owner and operator.

Depreciation of plant assets is computed using the straight-line method over the expected useful life of the different assets. Computer equipment is depreciated over 9 years; the electric plant is depreciated over 40 years. Land is included in the electric plant component on a non-depreciable cost basis.

III. Capital Assets (continued)

6. Stanton II Project (continued)

Stanton Unit 2 plant asset activity for the years ended September 30, 2004 and 2003 were as follows:

	September 30, 2003	Additions	Retirements	September 30, 2004
		(thousands omitted)		
Electric Plant	$ 161,509	$ 5,491	$ 0	$ 167,000
General Plant	81	5	0	86
Utility Plant in Service	$ 161,590	$ 5,496	$ 0	$ 167,086
Less Accumulated Depreciation	(34,031)	(4,125)	0	(38,156)
Utility Plant in Service, Net	$ 127,559	$ 1,371	$ 0	$ 128,930

	September 30, 2002	Additions	Retirements	September 30, 2003
		(thousands omitted)		
Electric Plant	$ 161,206	$ 1,275	$ (972)	$ 161,509
General Plant	81	0	0	81
Utility Plant in Service	$ 161,287	$ 1,275	$ (972)	$ 161,590
Less Accumulated Depreciation	(29,974)	(4,057)	0	(34,031)
Utility Plant in Service, Net	$ 131,313	$ 2,782	$ (972)	$ 127,559

IV. Cash, Cash Equivalents and Investments

FMPA assumes that its callable investments will not be called. Cash, cash equivalents and investments are discussed separately below.

A. Cash and Cash Equivalents

At September 30, 2004 and 2003, FMPA's cash and cash equivalents consisted of demand accounts, money market accounts and flexible repurchase agreements, which are authorized under FMPA ordinances and various bond resolutions. Cash and cash equivalents are held at three financial institutions and with one commodity dealer. All of FMPA's demand deposits at September 30, 2004 and 2003 were insured by Federal Depository Insurance Corporation (FDIC) or collateralized pursuant to the Public Depository Security Act of the State of Florida. Current unrestricted cash and cash equivalents are used in FMPA's funds' and projects' day-to-day operations.

IV. Cash, Cash Equivalents and Investments (continued)

B. Investments

FMPA adheres to an investment policy based on the requirements of the bond resolutions. The policy requires diversification based upon security type, issuing institutions and duration. All of the fund and project accounts have specified requirements with respect to investments selected and the length of allowable investment. Investments at September 30, 2004 and 2003 were insured or registered and held by its agent in FMPA's name. Changes in the fair value of investments are reported in current period revenues and expenses. All of FMPA's fund and project investments can be sold at any point due to cash flow needs, changes in market trends or risk management strategies.

Investment-Rate Risk
FMPA's investment policy requires that funds generally be invested to match the anticipated cash flow. All fund and project accounts have a specified maximum maturity for investments and the majority of FMPA's funds are required to be invested for less than five years.

Concentration of Credit Risk
Each project is separate from the others and as such, each project is evaluated individually to determine the credit and interest rate risk. FMPA's investment policy prohibits investments in commercial paper that exceed 50% of any of the projects' or Agency's assets. For the last three years, FMPA has not invested more than 25% of any one project in commercial paper. All commercial paper must be rated in the highest rated category by a nationally recognized bond rating agency at the time of purchase. Money market funds rated in the highest rated category are allowed as well as those collateralized with specific high-quality instruments. These investments must not exceed 20% for any of FMPA's funds or projects.

Custodial Credit Risk
FMPA maintains all assets other than demand deposit accounts within a trust department of a bank. Under Florida Statutes, Chapter 280, public deposits in a bank or savings association by a trust department company are fully secured under trust business laws. All cash and investments, other than demand deposit accounts, are held in the name of a custodian or a trustee for the Agency and its projects.

1. Agency Fund

Cash, cash equivalents and investments on deposit for the Agency at September 30, 2004 and 2003 were as follows,:

	September 30, 2004		September 30, 2003
Unrestricted		(thousands omitted)	
Cash and Cash Equivalents	$ 1,888		$ 3,014
Investments	1,929		1,481
	$ 3,817		$ 4,495

Investment Type	Fair Value	Weighted Average Maturity (Days)
US Government/ Agency Securities	$ 1,929	195.0

IV. Cash, Cash Equivalents and Investments (continued)

2. Pooled Loan Fund

The Pooled Loan Fund is invested in accordance with its debt provisions. The Fund invests in agencies, treasuries, commercial paper, bankers acceptances and short-term money market investments that match the debt obligations on the commercial paper. With the exception of monies deposited into the Pooled Loan Fund's revenue account, all funds collected are for the payment of debt service on the commercial paper and expenses of the program. The commercial paper is marketed in increments over a 1 to 270-day time frame. Pooled Loan fund monies are invested in the same direction of the borrower or participant who is responsible for the debt. The loan rates are set in concert with the commercial paper rates with an allowance for program expenses. All of the funds of the loan program are on deposit with the Trustee and invested in money market or agency securities and are not exposed as uncollateralized or uninsured balances.

	September 30, 2004		September 30, 2003
Restricted		(thousands omitted)	
Cash and Cash Equivalents	$ 8,404		$13,489
Investments	521		21
	$ 8,925		$13,510

Investment Type	Fair Value	Weighted Average Maturity (Days)	Fair Value	Weighted Average Maturity (Days)
US Government/ Agency Securities	$ 521	34.0	$ 21	547.0

3. St. Lucie Project

Cash, cash equivalents and investments for the St. Lucie Project at September 30, 2004 and 2003 are as follows:

	September 30, 2004		September 30, 2003
Restricted		(thousands omitted)	
Cash and Cash Equivalents	$ 1,801		$ 2,041
Investments	46,131		42,006
	$47,932		$44,047
Unrestricted			
Cash and Cash Equivalents	$ 7,918		$ 7,406
Investments	43,839		34,628
	$51,757		$42,034
Total	$99,689		$86,081

IV. Cash, Cash Equivalents and Investments (continued)

3. St. Lucie Project (continued)

	September 30, 2004		September 30, 2003	
Investment Type	**Fair Value**	**Weighted Average Maturity (Days)**	**Fair Value**	**Weighted Average Maturity (Days)**
US Government/ Agency Securities	$82,834	610.0	$74,344	600.0
Commercial Paper	201	22.0	2,290	167.0
Municipal Bonds	6,935	8,310.0	0	0.0
Total	$89,970		$76,634	

4. Stanton Project

Cash, cash equivalents and investments for the Stanton Project at September 30, 2004 and 2003 are as follows:

	September 30, 2004		September 30, 2003
Restricted		(thousands omitted)	
Cash and Cash Equivalents	$ 3,403		$ 4,194
Investments	6,201		4,883
	$ 9,604		$ 9,077
Unrestricted			
Cash and Cash Equivalents	$ 3,307		$ 1,509
Investments	14,828		14,040
	$18,135		$15,549
Total	$27,739		$24,626

Investment Type	**Fair Value**	**Weighted Average Maturity (Days)**	**Fair Value**	**Weighted Average Maturity (Days)**
US Government/ Agency Securities	$19,928	504.0	$17,697	550.0
Commercial Paper	1,101	1.0	1,226	220.0
Total	$21,029		$18,923	

IV. Cash, Cash Equivalents and Investments (continued)

5. All-Requirements Project

Cash, cash equivalents and investments for the All-Requirements Project at September 30, 2004 and 2003 are as follows:

	September 30, 2004		September 30, 2003
Restricted		(thousands omitted)	
Cash and Cash Equivalents	$ 8,400		$ 5,565
Investments	18,677		16,050
	$ 27,077		$ 21,615
Unrestricted			
Cash and Cash Equivalents	$ 29,678		$ 15,491
Investments	50,446		32,927
	$ 80,124		$ 48,418
Total	$107,201		$ 70,033

Investment Type	Fair Value	Weighted Average Maturity (Days)	Fair Value	Weighted Average Maturity (Days)
US Government/ Agency Securities	$ 38,733	358.0	$ 42,728	277
Commercial Paper	10,985	11.0	6,249	173
Options/Futures	19,405		0	
Total	$ 69,123		$ 48,977	

6. Tri-City Project

Cash, cash equivalents and investments for the Tri-City Project at September 30, 2004 and 2003 are as follows:

	September 30, 2004		September 30, 2003
Restricted		(thousands omitted)	
Cash and Cash Equivalents	$ 2,512		$ 569
Investments	3,399		2,881
	$ 5,911		$ 3,450
Unrestricted			
Cash and Cash Equivalents	$ 1,103		$ 1,158
Investments	4,051		3,543
	$ 5,154		$ 4,701
Total	$ 11,065		$ 8,151

IV. Cash, Cash Equivalents and Investments (continued)

6. Tri-City Project (continued)

Investment Type	September 30, 2004 Fair Value	Weighted Average Maturity (Days)	September 30, 2003 Fair Value	Weighted Average Maturity (Days)
US Government/ Agency Securities	$ 6,967	663.0	5,469	705.0
Commercial Paper	483	47.0	955	115.0
Total	$ 7,450		$ 6,424	

7. Stanton II Project

Cash, cash equivalents and investments for the Stanton II Project at September 30, 2004 and 2003 are as follows:

	September 30, 2004	(thousands omitted)	September 30, 2003
Restricted			
Cash and Cash Equivalents	$ 6,406		$ 6,252
Investments	8,319		6,885
	$14,725		$13,137
Unrestricted			
Cash and Cash Equivalents	$ 4,412		$ 1,694
Investments	23,125		24,271
	$27,537		$25,965
Total	$42,262		$39,102

Investment Type	Fair Value	Weighted Average Maturity (Days)	Fair Value	Weighted Average Maturity (Days)
US Government/ Agency Securities	$29,940	360.0	$30,172	614.0
Commercial Paper	1,504	2.0	984	1.0
Total	$31,444		$31,156	

V. Derivative Financial Instruments

FMPA uses derivative instruments to hedge the effects of fluctuations in interest rates and the price of natural gas. Discussed below are the types of derivatives used and the risks involved.

A. Swap Agreements

Four of FMPA's projects are party to interest rate swap agreements. The objective for entering into these agreements is to convert variable interest rates to fixed rates thus reducing interest rate exposure. The Bond Market Association Municipal Swap Index (BMA), the London Interbank Offered Rate (LIBOR) and the Consumer Price Index (CPI) are used to determine the variable rates received. Interest requirements for variable rate debt are determined using the rate in effect at the financial statement date.

V. Derivative Financial Instruments (continued)

Credit Risk

The swap agreements are subject to credit risk. All of the counterparties have credit ratings of at least Aa/A+/AA by two or more nationally recognized statistical rating organizations. The maximum amount of losses due to credit risk as of September 30, 2004 are listed, by project, in the tables to follow. As part of the swap agreements, if the providers' credit rating drops below certain levels and a termination value indicates an amount that would be payable to the Agency, collateral (or cash in some circumstances) would need to be posted by the counterparty with a third-party custodian. Conversely, the Agency would have to post collateral for the same reason in some circumstances on swaps dated prior to 2003.

For the 2004 issues, the Agency purchased swap termination insurance and thereby is not obligated to post collateral should there be a decline in a project's credit rating. If the insurance is drawn on to pay a termination payment, the Agency would be required to reimburse the insurance company over a period of time. In all of the agreements dated prior to 2003, the payment amounts are netted out on each payment date on a weekly basis. On the swap agreements dated in 2003, FMPA receives funds every payment date, which is every 7 or 28 days, and pays the provider twice annually. The 2004 swap agreements provide for monthly payments.

The Agency has approved a Debt Management Policy with regard to derivatives whereby approval is required of the appropriate project participants and the Board of Directors prior to entering into swaps or other derivative products. The policy sets minimum standards for all derivative transactions. The Agency also consults with its Finance Advisory Committee and its Financial Advisor before accepting these types of agreements.

Interest Rate Risk

FMPA has entered into swap agreements to fix the interest rate on variable rate bonds for a part or for the entirety of the term of the bonds. As interest rates increase above the swap rates, the value of these swaps will increase. As rates decrease below the swap rates, the values will decrease.

Basis Risk

Basis risk exists on all of the swap purchases. The variable rate indices used on the swaps differ from the variable rates on the bonds, though historically, there has been a high correlation between these indices and the bonds. If there were a mismatch between the indices, the budget process would allow FMPA to adjust rates for this difference.

Termination Risk

Termination values are listed in the tables as of September 30, 2004. These amounts vary with changes in the market. The swap may be terminated by the Agency if the counterparty's credit quality falls below certain levels. The Agency or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. If the swap is terminated, the variable rate bonds would no longer carry a synthetic fixed interest rate. If, at the time of the termination, the swap has a negative fair value, the Agency would be liable to the counterparty for a payment equal to the swap's fair value.

V. Derivative Financial Instruments (continued)

Rollover Risk

The Agency is exposed to rollover risk on the swaps that mature or may be terminated prior to the maturity of the associated debt. When these swaps terminate, if the counterparty exercises its option to terminate, the Agency will not realize the synthetic fixed rate offered by the swaps on the underlying debt issues.

1. St. Lucie Project

Swaps Currently Effective

Bond Issue	Notional Amount	Effective Date	Fixed Rate Paid	Variable Rate Received	Term Date	Fair Value	Counterparty Credit Rating
Series 2002	$ 27,200,000	7/10/2002	3.43%	BMA Swap*	7/1/2005	$(347,804)	Aa3/A+/AA-
	27,200,000	7/10/2002	3.43%	BMA Swap*	7/1/2005	$(339,615)	Aa1/AA/AA
	27,200,000	7/10/2002	3.69%	BMA Swap*	7/1/2006	$(1,090,052)	Aa3/A+/AA-
	27,200,000	7/10/2002	3.69%	BMA Swap*	7/1/2006	$(733,776)	Aa1/AA/AA
	27,200,000	7/10/2002	3.88%	BMA Swap*	7/1/2007	$(749,529)	Aa3/A+/AA-
	27,200,000	7/10/2002	3.88%	BMA Swap*	7/1/2007	$(1,072,566)	Aa1/AA/AA
Total	$ 163,200,000					$(4,333,342)	

*floating to fixed

Swaps to Become Effective at Future Dates

	$ 27,200,000	7/01/2005	4.14%	BMA Swap*	7/1/2011	$(1,183,377)	Aa3/A+/AA-
	27,200,000	7/01/2005	4.14%	BMA Swap*	7/1/2011	$(1,185,019)	Aa1/A+/AA
	27,200,000	7/03/2006	4.24%	BMA Swap*	7/1/2010	$(826,185)	Aa3/A+/AA-
	27,200,000	7/03/2006	4.24%	BMA Swap*	7/1/2010	$(811,681)	Aa1/A+/AA
Total	$ 108,800,000					$(4,006,262)	

*floating to fixed

2. Stanton Project

Bond Issue	Notional Amount	Effective Date	Fixed Rate Paid	Variable Rate Received	Term Date	Fair Value	Counterparty Credit Rating
Series 2003	$ 20,000,000	7/09/2003	3.4780%	BMA Swap, floating to fixed*	10/1/2019	$(392,588)	Aa3/AA-

* converts to 72% of LIBOR 7/18/2005

3. All Requirements Project

Bond Issue	Notional Amount	Effective Date	Fixed Rate Paid	Variable Rate Received	Term Date	Fair Value	Counterparty Credit Rating
Series 2003B-1	$ 35,925,000	7/09/2003	3.5810%	BMA Swap, floating to fixed*	10/1/2025	$(731,815)	Aa3/AA-
Series 2003B-2	$ 55,050,000	7/09/2003	4.0765%	BMA Swap, floating to fixed	10/1/2025	$(5,979,281)	Aa1/AA/AA+
	$ 90,975,000					$(6,711,096)	

*converts to 72% LIBOR 7/12/2005

V. Derivative Financial Instruments (continued)

4. Stanton II Project

Bond Issue	Notional Amount	Effective Date	Fixed Rate Paid	Variable Rate Received	Term Date	Fair Value	Counterparty Credit Rating
Series 2002	$ 1,040,000	4/30/2002	3.7700%	CPI Rate swap +1.14	10/01/2008	$(2,938)	Aa3/A+/AA-
	1,415,000	4/30/2002	3.9400%	CPI Rate swap +1.27	10/01/2009	(7,267)	Aa3/A+/AA-
	1,490,000	4/30/2002	4.0600%	CPI Rate swap +1.35	10/01/2010	(12,202)	Aa3/A+/AA-
	3,220,000	4/30/2002	4.1700%	CPI Rate swap +1.39	10/01/2011	(27,158)	Aa3/A+/AA-
	1,730,000	4/30/2002	4.2600%	CPI Rate swap +1.40	10/01/2012	(40,271)	Aa3/A+/AA-
Series 2004	29,987,500	8/5/2004	3.8625%	BMA Swap, floating to fixed converts to 72% LIBOR 10/01/2006	10/01/2027	$(1,013,183)	
	29,987,500	8/05/2004	3.8625%	BMA Swap, floating to fixed converts to 72% LIBOR 10/01/2006	10/01/2027	$(962,058)	
Total	$ 68,870,000					$(2,065,077)	

B. Natural Gas Futures, Contracts and Options

FMPA uses New York Mercantile Exchange (NYMEX), natural gas futures contracts, options on futures contracts and fixed-price firm physical purchases of natural gas (gas) as a tool to establish the cost of natural gas that will be needed by the All-Requirements Project in the future (next month or several years from now). NYMEX futures contracts can be used to obtain physical gas supplies, however all futures contracts that FMPA enters into will be financially settled before physical settlement is required by the Exchange. Any gain or loss of value in these futures contracts are ultimately rolled into the price of the natural gas burned in the Project's electric generators.

All NYMEX transactions are entered into as hedges against the volatility of natural gas prices. The Agency at September 30, 2004, had futures and options contracts outstanding in the following amounts, covering the fiscal years 2005 through 2008.

	Thousands of mmBtu			Mark-to-Market Value
	Futures	Options	Physical	at 9/30/04
2005	7,820	2,500	864	$11,375
2006	5,360	0	230	6,987
2007	900	0	0	1,022
2008	60	0	0	22
	14,140	2,500	1,099	$19,406

Although the Agency marks every position to market daily for management reporting purposes, it does not trade on these contracts. A margin account is maintained with the Agency's brokerage firm. Option premiums paid and collected and market gains and losses realized on contract sales of futures expirations are booked as cost of energy. For fiscal year 2004, the Agency recorded a realized net gain of $6,211,729 which represents positive hedging activities.

Basis Risk

The commodity hedge transactions are subject to basis risk. NYMEX transactions are based on pricing at the Henry Hub delivery point where the project purchases natural gas at various delivery points in Florida. Changes in natural gas prices have been and are anticipated to be highly correlated.

V. Derivative Financial Instruments (continued)

Credit Risk
The commodity hedge transactions are subject to credit risk. Credit risk associated with these transactions is mitigated by margin accounts required under the contract terms.

FMPA transacts its NYMEX futures contracts through Calyon Financial (formerly Carr Futures, Inc), a licensed commodity broker. Transactions that are entered into Over-The-Counter provide alternatives to transactions on the NYMEX when liquidity on the exchange may prevent the timely execution of hedges.

VI. Net Costs Recoverable from (Due to) Future Participant Billings

Rates for power billings to participants are designed to provide for full recovery of project costs (as defined by the respective bond resolutions and project contracts) over the life of the project. Rates are structured to systematically provide for the current debt service requirements, operating costs and reserves as specified by the bond resolutions and project contracts. The current costs to be recovered from future revenues consist primarily of the difference between depreciation and the debt principal requirements included in the rates.

In accordance with Statement of Financial Accounting Standards (SFAS) No. 71, *Accounting for the Effects of Certain Types of Regulation*, certain income and expense amounts that would be recognized during the current time period are deferred and not included in the determination of net income until such costs are recoverable through participant billings. Through the application of the provision of SFAS No. 71, current costs in excess of fundings are deferred and shown as net costs recoverable from future participant billings on the accompanying balance sheets. In order to provide a level rate structure to participants over the life of the projects, various financings entered into have provided for interest on bonds to be funded from bond proceeds for the duration of construction preceding commencement of commercial operation of a project. At September 30, 2004 and 2003, these cumulative differences in timing have resulted in “net costs recoverable from (due to) future participant billings” as follows:

Net Costs Recoverable from (Due to) Future Participant Billings
at September 30
(thousands omitted)

	St. Lucie Project		Stanton Project	
	2004	**2003**	**2004**	**2003**
GAAP Items Not Included in Participant Billings				
Interest funded by bond proceeds	$ 38,803	$ 39,347	$ 43,522	$ 43,442
Depreciation	106,228	100,225	27,413	25,630
Nuclear fuel amortization	49,381	47,675		
Budget/Actual variances from prior year participant billings	(6,922)	(8,528)	(5,051)	(5,517)
Amortization of debt issue costs and bond discount	53,395	49,554	9,218	8,532
Special funds drawdowns*	76,767	75,385	26,752	26,739
	$ 317,652	$ 303,658	$ 101,854	$ 98,826
Bond Resolution Requirements Included in Participant Billings				
Special funds deposits*	148,166	134,787	24,378	22,909
Debt service principal	82,440	82,440	29,115	26,160
Investment income not available for operating purposes	29,616	30,188	32,692	32,634
	$ 260,222	$ 247,415	$ 86,185	$ 81,703
Net Cost Recoverable from (Due to) Future Participant Billings	$ 57,430	$ 56,243	$ 15,669	$ 17,123

* Special funds include the Reserve and Contingency Fund, Fuel Account (St. Lucie Project only), Cost Reduction Fund, Working Capital and Rate Stabilization Account in the Operation and Maintenance Fund.

All-Requirements Project		Tri-City Project		Stanton II Project	
2004	**2003**	**2004**	**2003**	**2004**	**2003**
$ 45,257	$ 42,198	$ 9,067	$ 10,781	$ 41,160	$ 43,362
65,582	56,228	11,450	10,717	36,334	32,209
30	30	(1,677)	(1,979)	(2,605)	(3,277)
17,290	16,303	8,466	7,794	17,019	15,364
17,811	18,011	12,125	11,707	19,186	21,031
$ 145,970	$ 132,770	$ 39,431	$ 39,020	$ 111,094	$ 108,689
110,730	75,171	7,338	6,435	30,410	26,649
50,312	43,295	14,440	14,130	28,575	25,655
29,311	29,666	8,467	8,542	36,120	36,050
$ 190,353	$ 148,132	$ 30,245	$ 29,107	$ 95,105	$ 88,354
$ (44,383)	$ (15,362)	$ 9,186	$ 9,913	$ 15,989	$ 20,335

VII. Restricted Net Assets

Bond resolutions require that certain designated amounts from bond proceeds and project revenues be deposited into designated funds. The monies and securities are to be used for specific purposes and certain restrictions define the order in which available funds may be used to pay costs. Other restrictions require minimum balances or accumulation of balances for specific purposes. At September 30, 2004 and 2003, all projects were in compliance with requirements of the bond resolutions.

The restricted assets of the funds and projects consist primarily of cash, cash equivalents and investments, including accrued interest. Segregated restricted net assets at September 30, 2004 and 2003 are as follows:

	Pooled Loan Fund		St. Lucie Project		Stanton Project	
	2004	2003	2004	2003	2004	2003
	(thousands omitted)					
Debt Service Funds	$ 637	$ 665	$ 1,084	$ 944	$ 6,670	$ 6,565
Reserve & Contingency Funds			14,178	14,363	2,962	2,534
Depository Trust Fund-FGU						
Decommissioning Fund			32,966	29,027		
Project Fund	7,571	12,106				
Revenue Fund	717	739				
Loans receivable	85,120*	79,567**				
Total Restricted Assets	$ 94,045	$ 93,077	$48,228	$44,334	$ 9,632	$ 9,099
Commercial paper notes	$(94,836)	(93,589)				
Accrued interest on long-term debt	(151)	(119)	(54)	(3)	(1,434)	(1,096)
Accrued decommissioning expense	0	0	(31,808)	(27,560)	0	0
Total Restricted Net Assets	$(942)	$(631)	$16,366	$16,771	$ 8,198	$ 8,003

	All-Requirements Project		Tri-City Project		Stanton II Project	
	2004	2003	2004	2003	2004	2003
	(thousands omitted)					
Debt Service Funds	$ 12,661	$ 7,193	$ 4,543	$ 2,383	$12,269	$11,834
Reserve & Contingency Funds	6,325	6,388	1,380	1,073	2,483	1,344
Depository Trust Fund-FGU	8,090	8,034				
Loans receivable	475	6,425				
Total Restricted Assets	$ 27,552	$ 28,040	$ 5,923	$ 3,456	$14,752	$13,178
Accrued interest on long-term debt	(3,328)	(666)	(735)	(332)	(2,428)	(3,433)
Total Restricted Net Assets	$ 24,224	$ 23,374	$ 5,188	$ 3,124	$12,324	$ 9,745

2004 net of undistributed proceeds of $7,567*
2003 net of undistributed proceeds of $12,093**

Restrictions of the various bank funds are as follows:

- Debt service funds include the Debt Service Account, which is restricted for payment of the current portion of the bond principal and interest and Debt Service Reserve Account, which includes sufficient funds to cover one half of the maximum annual principal and interest requirement of the respective issues or 10% of the original bond proceeds.

VII. Restricted Net Assets (continued)

- Reserve and Contingency Funds are restricted for payment of major renewals, replacements, repairs, additions, betterments and improvements for each project. If, at any time, the Debt Service Fund is deficient and there are not adequate funds in the General Reserve Fund to cure the deficiency, funds will be transferred from the Reserve and Contingency Fund to make up for the deficiency.
- Depository Trust Fund Account (exclusive of the All-Requirements Project) includes amounts held by the Trustee for the benefit of Florida Gas Utility (FGU) to support credit standing in purchases of natural gas supplies for the All-Requirements Project Credit support is a requirement for gas purchase services from FGU.
- Decommissioning Funds are restricted for the payment of costs of nuclear plant decommissioning, removal and disposal.
- Project Funds are restricted for the acquisition, construction and capitalized interest under the Pooled Loan agreements.
- Revenue Funds are restricted under outstanding Pooled Loan resolutions.
- Loans Receivable Funds are restricted under outstanding Pooled Loan agreements.

VIII. Long-Term Debt

A. Debt

FMPA enters into long term debt to fund different projects. The type of long-term debt differs among each of the projects. A description and summary of long-term debt at September 30, 2004 and 2003, by project, is as follows.

1. Agency Fund

The Agency Fund has two loans payable to the Pooled Loan Fund. Interest is payable monthly at a variable rate tied to the interest rates paid on the Pooled Loan Fund debt. Interest rates on the loans varied from 0.80% to 0.95% during the fiscal year ended September 2004 and between 1.45% and 2.0% during September 30, 2003.

	2004				
Business-Type Activities	**Beginning Balance**	**Increases**	**Decreases**	**Ending Balance**	**Amounts Due Within One Year**
			(thousands omitted)		
Pooled Loan 1990	$ 280	$ -	$ (280)	$ -	$ -
Pooled Loan 1998	745	-	(635)	110	60
Pooled Loan 1999	2,590	-	(115)	2,475	120
Total Business-Type Activities	$ 3,615	$ -	$ (1,030)	$ 2,585	$ 180

	2003				
Business-Type Activities	**Beginning Balance**	**Increases**	**Decreases**	**Ending Balance**	**Amounts Due Within One Year**
			(thousands omitted)		
Pooled Loan 1990	$ 305	$ -	$ (25)	$ 280	$ 25
Pooled Loan 1998	800	-	(55)	745	60
Pooled Loan 1999	2,700	-	(110)	2,590	115
Total Business-Type Activities	$ 3,805	$ -	$ (190)	$ 3,615	$ 200

VIII. Long-Term Debt (continued)

2. Pooled Loan Fund

FMPA is authorized to issue up to $150 million of commercial paper notes with Wachovia Bank N.A., the current letter of credit provider. The commercial paper is issued for funding loans to FMPA members and other FMPA projects. The respective loan agreements between the Pooled Loan Fund and FMPA members or other FMPA projects are equal in the aggregate to the principal of the current notes issued and are executed simultaneously with each note issue.

At September 30, 2004 and 2003, the outstanding commercial paper notes total $94,836,000 and $93,589,000 respectively. The commercial paper notes bear interest at a rate that varies periodically, as determined by the dealer, and remarketed at prevailing market rates.

	2004				
Business-Type Activities	**Beginning Balance**	**Increases**	**Decreases**	**Ending Balance**	**Amounts Due Within One Year**
			(thousands omitted)		
Other Liabilities:					
Commercial paper notes	$ 93,589	$ 17,870	$ (16,623)	$ 94,836	$ -
Total Other Liabilities	93,589	17,870	(16,623)	94,836	-
Total Business-Type Activities	$ 93,589	$ 17,870	$ (16,623)	$ 94,836	$ -

	2003				
Business-Type Activities	**Beginning Balance**	**Increases**	**Decreases**	**Ending Balance**	**Amounts Due Within One Year**
			(thousands omitted)		
Other Liabilities:					
Commercial paper notes	$ 90,511	$ 6,077	$ (2,999)	$ 93,589	$ -
Total Other Liabilities	90,511	6,077	(2,999)	93,589	-
Total Business-Type Activities	$ 90,511	$ 6,077	$ (2,999)	$ 93,589	$ -

Interest is paid periodically, ranging from 1 to 270 days. During the fiscal years ended September 30, 2004 and 2003, interest rates ranged from 0.80% to 0.95% and 0.75% to 1.70% respectively.

The commercial paper notes are further collateralized by an irrevocable long-term letter of credit with Wachovia Bank N.A. in an amount sufficient for payment of the outstanding principal plus 65 days accrued interest at an assumed rate of 10%. The letter of credit expires August 22, 2007, with an annual extension unless Wachovia Bank N.A. gives notice during the 60-day period prior to August 22, 2005. At September 30, 2004 and 2003, the fee paid on the letter of credit was 38 basis points on the amount of paper outstanding plus interest on the outstanding amount at 10% for 65 days. Amounts payable to the bank under the letter of credit are due on demand and bear interest at the lower of prime rate plus 2% or the maximum rate permitted by law. There were no draws outstanding on the letter of credit at September 30, 2004 and 2003.

VIII. Long-Term Debt (continued)

3. St. Lucie Project

	2004				
Business-Type Activities	**Beginning Balance**	**Increases**	**Decreases**	**Ending Balance**	**Amounts Due Within One Year**
			(thousands omitted)		
Revenue Bonds					
2000 Refunding	$ 17,150	$ -	$ -	$ 17,150	$ -
2002 Refunding	244,850	-	-	244,850	-
Subtotal	262,000	-	-	262,000	-
Less Deferred Refundings and Discounts	(52,372)	3,073		(49,299)	-
Total Business-Type Activities	$ 209,628	$ 3,073	$ -	$ 212,701	$ -

	2003				
Business-Type Activities	**Beginning Balance**	**Increases**	**Decreases**	**Ending Balance**	**Amounts Due Within One Year**
			(thousands omitted)		
Revenue Bonds					
2000 Refunding	$ 17,150	$ -	$ -	$ 17,150	$ -
2002 Refunding	244,850	-	-	244,850	-
Subtotal	262,000	-	-	262,000	-
Less Deferred Refundings and Discounts	(55,445)	3,073		(52,372)	-
Total Business-Type Activities	$ 206,555	$ 3,073	$ -	$ 209,628	$ -

The variable interest rates ranged between 0.75% and 1.25% and 0.65% to 1.6% for the years ended September 30, 2004 and 2003 respectively.

The Series 2000 bonds are subject to redemption prior to maturity at the election of FMPA on any interest payment date at a call rate of 100%.

VIII. Long-Term Debt (continued)

4. Stanton Project

	2004				
Business-Type Activities	**Beginning Balance**	**Increases**	**Decreases**	**Ending Balance**	**Amounts Due Within One Year**
			(thousands omitted)		
Revenue Bonds					
1997 Refunding [1]	$ 10,890	$ -	$ -	$ 10,890	$ -
2000 Refunding	4,425	-	-	4,425	-
2002 Refunding	45,825	-	(2,680)	43,145	2,765
2003 Refunding	20,000	-		20,000	25
Subtotal	81,140	-	(2,680)	78,460	2,790
Less Deferred Refundings and Discounts	(3,888)	381		(3,507)	
Total Revenue Bonds	77,252	381	(2,680)	74,953	2,790
Other Liabilities:					
Pooled Loan #1	6,725	-	-	6,725	285
Pooled Loan #2	-	907	-	907	44
Wachovia Bank Taxable Loan	-	1,684	-	1,684	78
Total Other Liabilities	6,725	907	-	9,316	407
Total Business-Type Activities	$ 83,977	$ 1,288	$ (2,680)	$ 84,269	$ 3,197

	2003				
Business-Type Activities	**Beginning Balance**	**Increases**	**Decreases**	**Ending Balance**	**Amounts Due Within One Year**
			(thousands omitted)		
Revenue Bonds					
1991 Refunding	$ 20,010	$ -	$ (20,010)	$ -	$ -
1997 Refunding [1]	10,890	-	-	10,890	-
2000 Refunding	4,425	-	-	4,425	-
2002 Refunding	45,825	-	-	45,825	2,680
2003 Refunding	-	20,000	-	20,000	-
Subtotal	81,150	20,000	(20,010)	81,140	2,680
Less Deferred Refundings and Discounts	(3,889)	-	1	(3,888)	
Total Revenue Bonds	77,261	20,000	(20,009)	77,252	2,680
Other Liabilities:					
Pooled Loan #1	7,000	-	(275)	6,725	-
Total Other Liabilities	7,000	-	(275)	6,725	-
Total Business-Type Activities	$ 84,261	$ 20,000	$ (20,284)	$ 83,977	$ 2,680

(1) These bonds are re-marketed weekly. The average rates were 1.2% and 1.16% for the years ended September 30, 2004 and 2003.

The variable interest rates ranged between 0.8% to 1.72% and 0.7% to 1.8% for the years ended September 30, 2004 and 2003 respectively.

The Series 1997, 2000 and Series 2003 bonds are subject to redemption prior to maturity at the election of FMPA on any interest payment date at a call rate of 100%.

The Series 2002 bonds are subject to redemption prior to maturity at the election of FMPA at 100% beginning October 1, 2012.

VIII. Long-Term Debt (continued)

4. Stanton Project (continued)

Loan Payable to Pooled Loan Project

The Stanton Project has two loans payable to the Pooled Loan Fund with balances of $6,725,000 and $907,000 at September 30, 2004. Interest is payable monthly using the variable rate tied to the interest rates paid on the Pooled Loan Fund debt. Interest rates on the loan varied from 0.8% to .0.95% during fiscal year ended September 30, 2004 and 1.45% to 2.0% during fiscal year 2003. The first loan payable balance is due in 15 annual principal payments ranging from $285,000 to $655,000, with the final payment due October 1, 2018. The second loan balance is due in 15 annual principal payments ranging from $44,000 to $69,000 with the final payment due October 1, 2018. Both loans are subordinate to the other debt of the project.

Loan Payable to Wachovia Bank

In December, 2003, the Stanton Project closed a taxable loan with Wachovia Bank to finance a partial interest in the brine plant facility at the Stanton Plant. The outstanding amount at September 30, 2004 for the Stanton Project is $1,684,000.

5. All-Requirements Project

	2004				
Business-Type Activities	**Beginning Balance**	**Increases**	**Decreases**	**Ending Balance**	**Amounts Due Within One Year**
			(thousands omitted)		
Revenue Bonds					
2000 (June) Refunding	$ 20,125	$ -	$ -	$ 20,125	$ -
2000 (August)	70,000	-	-	70,000	-
2003 (July) Refunding	62,395	-	(770)	61,625	4,485
2003 (July) Refunding	90,975	-	-	90,975	150
Subtotal	243,495	-	(770)	242,725	4,635
Less Deferred Refundings and Discounts	(14,450)	555	-	(13,895)	-
Total Revenue Bonds	472,540	555	(770)	228,830	4,635
Other Liabilities:					
Pooled Loan #1	4,384	-	(290)	4,094	305
Pooled Loan #2	14,780	-	(510)	14,270	530
Pooled Loan #3	11,000	-	(2,152)	8,848	-
Pooled Loan #4	10,500	-	(3,805)	6,695	330
Pooled Loan #5	-	715	-	715	34
Wachovia Bank Taxable Loan #1	-	1,327,000	-	1,327	62
Wachovia Bank Taxable Loan #2	-	7,641,000	-	7,641	938
Total Other Liabilities	40,664	8,968,715	(6,757)	43,590	2,199
Total Business-Type Activities	$ 513,204	$8,969,270	$ (7,527)	$ 272,420	$ 6,834

VIII. Long-Term Debt (continued)

5. All-Requirements Project (continued)

Business-Type Activities	2003 Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
			(thousands omitted)		
Revenue Bonds					
1992	$ 1,115	$ -	$ (1,115)	$ -	$ -
1993	164,065	-	(164,065)	-	-
2000 (June) Refunding	20,125	-	-	20,125	-
2000 (August) *	70,000	-	-	70,000	-
2003 (July) Refunding	-	62,395	-	62,395	770
2003 (July) Refunding		90,975	-	90,975	-
Subtotal	255,305	153,370	(165,180)	243,495	770
Less Deferred Refundings and Discounts	(17,903)	3,453	-	(14,450)	-
Total Revenue Bonds	237,402	156,823	(165,180)	229,045	770
Other Liabilities:					
Pooled Loan #1	4,654	-	(270)	4,384	290
Pooled Loan #2	15,265	-	(485)	14,780	510
Pooled Loan #3	11,000	-	-	11,000	-
Pooled Loan #4	10,500	-	-	10,500	320
Total Other Liabilities	41,419	-	(755)	40,664	1,120
Total Business-Type Activities	$ 278,821	$ 156,823	$ (165,935)	$ 269,709	$ 1,890

During fiscal year 2003, these bonds were escalated to parity bond status by Board Resolution*

The variable interest rates ranged from 0.788% to 1.25% and 0.7% to 1.6% for the years ended September 30, 2004 and 2003 respectively.

The Series 2000, 2000-1, 2000-2, 2003B-1 and 2003B-2 bonds are subject to redemption prior to maturity at the election of FMPA on any interest payment date at a call rate of 100%.

Loan Payable to Pooled Loan Fund

The All-Requirements Project has five loans payable to the Pooled Loan Fund at September 30, 2004 and four at September 30, 2003. Interest is payable monthly at a variable rate tied to the interest rates paid on the Pooled Loan Fund debt. Interest rates on the loans varied from 0.8% to 0.95% during fiscal year ended September 30, 2004 and 1.45% to 2.0% during fiscal year 2003. These loans are subordinate to the other debt of the project.

Loan Payable to Wachovia Bank

In December, 2003, the All-Requirements Project closed a taxable loan with Wachovia Bank to finance a partial interest in the brine plant facility at the Stanton Plant. The outstanding amount at September 30, 2004 for the All Requirements Project is $1,327,000. In addition, the All Requirements Project borrowed $7,641,000 to finance the purchase of a seven year service contract from General Electric for the Cane Island Unit 3. As of September 30, 2004, the outstanding amount is $7,641,000.

VIII. Long-Term Debt (continued)

6. Tri-City Project

	2004				
Business-Type Activities	**Beginning Balance**	**Increases**	**Decreases**	**Ending Balance**	**Amounts Due Within One Year**
			(thousands omitted)		
Revenue Bonds					
2003 Refunding	$ 39,090	$ -	$ (210)	$ 38,880	$ 1,950
Subtotal	39,090	-	(210)	38,880	1,950
Less Deferred Refundings and Discounts	(5,653)	613	-	(5,040)	
Subtotal	33,437	613	(210)	33,840	1,950
Other Liabilities:					
Pooled Loan #1	2,405	-	-	2,405	100
Pooled Loan #2	-	325	-	325	15
Wachovia Bank Taxable Loan	-	603	-	603	28
Total Other Liabilities	2,405	928	-	3,333	143
Total Business-Type Activities	$ 35,842	$ 1,541	$ (210)	$ 37,173	$ 2,093

	2003				
Business-Type Activities	**Beginning Balance**	**Increases**	**Decreases**	**Ending Balance**	**Amounts Due Within One Year**
			(thousands omitted)		
Revenue Bonds					
1992 Refunding	$ 42,750	$ -	$ (42,750)	$ -	$ -
2003 Refunding	-	39,090	-	39,090	210
Subtotal	42,750	39,090	(42,750)	39,090	210
Less Deferred Refundings and Discounts	(7,185)	1,532	-	(5,653)	
Subtotal	35,565	40,622	(42,750)	33,437	210
Other Liabilities:					
Pooled Loan	2,505	-	(100)	2,405	-
Total Other Liabilities	2,505	-	(100)	2,405	-
Total Business-Type Activities	$ 38,070	$ 40,622	$ (42,850)	$ 35,842	$ 210

<u>Loan Payable to Pooled Loan Fund</u>

The Tri-City Project has a loan payable to the Pooled Loan Fund with a balance of $2,730,000 at September 30, 2004 and $2,405,000 at September 30, 2003. Interest is payable monthly at a variable rate tied to the interest rates paid on the Pooled Loan Fund debt. Interest rates on the loan varied from 0.8% to 0.95% during fiscal year 2004 and 1.45% to 2.0% for fiscal year 2003. The loan payable balance is due in 15 annual principal payments ranging from $100,000 to $235,000 with the final payment due October 1, 2018. This loan is subordinate to other debt of the project.

<u>Loan Payable to Wachovia Bank</u>

In December, 2003, the Tri-City Project closed a taxable loan with Wachovia Bank to finance a partial interest in the brine plant facility at the Stanton Plant. The outstanding amount at September 30, 2004 for the Tri-City Project is $603,000.

VIII. Long-Term Debt (continued)

7. Stanton II Project

	2004				
Business-Type Activities	**Beginning Balance**	**Increases**	**Decreases**	**Ending Balance**	**Amounts Due Within One Year**
			(thousands omitted)		
Revenue Bonds					
1993 Refunding	$ 58,410	$ -	$ (58,410)	$ -	$ -
2000 Refunding	41,650	-		41,650	-
2002 Refunding	85,000	-	(2,820)	82,180	2,940
2003 Refunding	18,315	-	(100)	18,215	1,065
2004 Refunding	-	59,975	-	59,975	1,175
Subtotal	203,375	-	(61,330)	202,020	5,180
Less Deferred Refundings and Discounts	(17,954)	624	-	(17,330)	-
Total Revenue Bonds	185,421	624	(61,330)	184,690	5,180
Other Liabilities:					
Pooled Loan	-	1,422	-	1,422	67
Wachovia Bank Taxable Loan	-	2,640	-	2,640	122
Total Other Liabilities	-	4,062	-	4,062	189
Total Business-Type Activities	$ 185,421	$ 4,686	$ (61,330)	$ 188,752	$ 5,369

	2003				
Business-Type Activities	**Beginning Balance**	**Increases**	**Decreases**	**Ending Balance**	**Amounts Due Within One Year**
			(thousands omitted)		
Revenue Bonds					
1992	$ 3,380	$ -	$ (3,380)	$ -	$ -
1993 Refunding	79,265	-	(20,855)	58,410	-
2000 Refunding	41,650	-	-	41,650	-
2002 Refunding	85,000	-	-	85,000	2,820
2003 Refunding	-	18,315	-	18,315	100
Subtotal	209,295	18,315	(24,235)	203,375	2,920
Less Deferred Refundings and Discounts	(19,545)	1,591	-	(17,954)	-
Total Revenue Bonds	189,750	19,906	(24,235)	185,421	5,840
Total Business-Type Activities	$ 189,750	$ 19,906	$ (24,235)	$ 185,421	$ 5,840

The variable interest rates ranged between 0.75% to 1.25% and 0.69% to 1.6% for the years ended September 30, 2004 and 2003 respectively.

The Series 2000 bonds provide for early redemption at the election of FMPA on any interest payment date at a call rate of 100%. The Series 2002 bonds are subject to redemption prior to maturity at the election of FMPA at 100%, beginning October 1, 2012. The series 2003A bonds are not subject to early redemption. The Series 2004 bonds provide for early redemption at the election of FMPA on any interest payment date at a call price of 100% at any time.

During July 2003, the Agency issued $18.315 million Stanton II Project Refunding Revenue Bonds, Series 2003A, fixed-rate mode to provide resources along with existing debt service reserve funds of $578,000 in order to refund and pay the cost of refunding $19.935 million of Stanton II Project Series 1993 Refunding Revenue Bonds.

VIII. Long-Term Debt (continued)

7. Stanton II Project (continued)

During August 2004, the Agency issued $59,975,000 Stanton II Project Refunding Revenue Bonds, Series 2004 auction rate bonds. This provided resources along with a portion of existing debt service reserve funds to refund and pay the cost of refunding $58,410,000 Stanton II Project Series 1993 Refunding Revenue Bonds.

Loan Payable to Pooled Loan Fund
The Stanton II Project has a loan payable to the Pooled Loan Fund with a balance of $1,422,000 as of September 30, 2004, which originated on December 19, 2003. Interest is payable monthly at a variable rate tied to the interest rates paid on the Pooled Loan Fund debt. Interest rates on the loan varied from 0.80% to 0.95% during the fiscal year ended September 30, 2004.

Loan Payable to Wachovia Bank
In December, 2003, the Stanton II Project entered into a taxable loan with Wachovia Bank to finance a partial interest in the brine plant facility at the Stanton Plant. The outstanding amount at September 30, 2004 for the Stanton II Project is $2,640,000.

B. Major Debt Provisions (All Projects)

Bonds, which are special obligations of FMPA, are payable solely from (1) revenues less operating expenses (both as defined by the respective bond resolutions) and (2) other monies and securities pledged for payment thereof by the respective bond resolutions. The respective resolutions require FMPA to deposit into special funds, all proceeds of bonds issued and all revenues generated as a result of the projects' respective Power Sales and Power Support Contracts or the Power Supply Contract. The purpose of the individual funds is also specifically defined in the respective bond resolutions.

Investments are generally restricted to those types described in Note I. Additional restrictions that apply to maturity dates are defined in the respective bond resolutions.

VIII. Long-Term Debt (continued)

C. Defeased Debt

The following bonds have been defeased in substance. Since investments consisting of governmental obligations are held in escrow for payment of principal and interest, the bonds are not considered liabilities of FMPA for financial reporting purposes. The principal balances of the defeased bonds at September 30, 2004 are as follows:

Dated	Description	Defeased Portion Amount Originally Issued	Balance at September 30, 2004	2003
		(thousands omitted)		
May 1983	St. Lucie Project Revenue Bonds, Series 1983	$280,075	$ 26,185	$ 26,185
December 1993	All-Requirements Power Supply Project Revenue Bonds, Series 1993	$160,935	$ 0	$160,935
February 1991	Stanton Project Refunding Revenue Bonds, Series 1991	$ 20,010	$ 0	$ 20,010
September 1993	Stanton II Project Refunding Revenue Bonds, Series 1993	$ 19,935	$ 0	$ 19,935
December 1992	Tri-City Project Refunding Revenue Bonds, Series 1992	$ 41,310	$ 0	$ 41,310

VIII. Long-Term Debt (continued)

D. Annual Requirements

The annual debt service requirements to amortize all long-term bond debt outstanding as of September 30, 2004 are as follows:

(thousands omitted)

Fiscal Year Ending September	St. Lucie Project	Interest Rate Swaps, Net	Stanton Project	Interest Rate Swaps, Net	All-Requirements Project	Interest Rate Swaps, Net	Tri-City Project	Stanton II Project	Interest Rate Swaps, Net	Totals
2005	$ 3,930	$ 3,633	$ 5,413	$ 395	$ 10,250	$ 2,162	$ 3,399	$ 10,205	$ 1,230	$ 40,617
2006	3,930	3,997	5,412	395	10,247	2,158	3,404	10,204	1,229	40,976
2007	3,930	3,898	5,412	394	10,222	2,154	3,398	10,206	1,228	40,842
2008	3,930	2,927	5,406	394	10,173	2,151	3,407	10,139	1,227	39,754
2009	3,930	2,927	5,409	393	10,280	2,148	3,397	10,153	1,247	39,884
2010	3,930	2,554	5,413	393	10,256	2,144	3,405	10,125	1,272	39,492
2011	3,930	1,077	5,412	392	10,270	2,139	3,401	10,098	1,298	38,017
2012	3,930		5,384	392	10,239	2,135	3,412	10,041	1,351	36,884
2013	3,930		5,413	391	10,278	2,131	3,399	11,991	1,377	38,910
2014	3,930		5,403	391	10,306	2,125	3,404	10,206	1,375	37,140
2015	3,930		5,436	391	9,287	2,120	3,402	10,307	1,316	36,189
2016	3,930		5,418	390	9,438	1,962	3,398	10,390	1,254	36,180
2017	3,930		5,519	297	9,635	1,799	3,409	10,439	1,190	36,218
2018	3,930		5,597	201	9,778	1,629	3,401	10,557	1,103	36,196
2019	3,930		20,797	102	9,967	1,453	3,402	10,647	1,011	51,309
2020	3,930				10,176	1,270		10,721	916	27,013
2021	265,930				10,381	1,079		10,852	817	289,059
2022					10,605	880		10,975	714	23,174
2023					10,800	672		11,087	607	23,166
2024					11,040	457		11,216	495	23,208
2025					31,399	233		11,306	379	43,317
2026					1,050			11,488	258	12,796
2027					1,050			47,908	131	49,089
2028					1,050					1,050
2029					1,050					1,050
2030					71,050					71,050
Total Principal and Interest	$ 328,810	$ 21,013	$ 96,844	$ 5,311	$ 310,277	$ 35,001	$ 51,038	$ 281,261	$ 23,025	$ 1,152,580
Less: Amount Representing Interest	66,810	21,013	21,174	5,311	72,187	35,001	14,108	84,421	23,025	343,050
Less: Unamortized Loss on refunding	49,299		5,094		19,928		7,136	18,666		100,123
Unamortized Premium/(Discount), net			1,587		6,033		2,096	1,336		11,052
Total Net Debt Service Requirement at September 30,2004	$ 212,701	$ -	$ 72,163	$ -	$ 224,195	$ -	$ 31,890	$ 179,510	$ -	$ 720,459

Interest rate swap information is determined using the rate in effect at the financial statement date of 1.5%. Variable rates for the CPI Bonds averaged 5.8729%.

IX. Commitments and Contingencies

A. Participation Agreements

FMPA has entered into participation agreements for individual ownership of generating facilities as follows:

Project	Operating Utility	Joint Ownership Interest	Commercial Operation Date
St. Lucie	Florida Power & Light (FPL)	8.806% of St. Lucie Unit 2 nuclear plant	August 1983
Stanton	Orlando Utilities Commission (OUC)	14.8193% of Stanton Energy Center (SEC) Unit 1 coal-fired plant	July 1987
All-Requirements	OUC	6.506% of SEC Unit 1	July 1987
Tri-City	OUC	5.3012% of SEC Unit 1	July 1987
All-Requirements	OUC	39% of Indian River Units A & B combustion turbines	A - June 1989 B - July 1989
All-Requirements	OUC	21% of Indian River Units C & D combustion turbines	C - August 1992 D - October 1992
All-Requirements	Kissimmee Utility Authority (KUA)	50% of Cane Island Unit 1 combustion turbine	January 1995
All-Requirements	KUA	50% of Cane Island Unit 2 combined cycle	June 1995
All-Requirements	OUC	5.1724% of SEC Unit 2 coal-fired plant	June 1996
Stanton II	OUC	23.2367 of SEC Unit 2	June 1996
All-Requirements	KUA	50% of Cane Island Unit 3 combined cycle	January 2002
All-Requirements	Southern Company	3.5% of Stanton Unit A combined cycle	October 2003

IX. Commitments and Contingencies (continued)

Operational control of the electric generation plants rests with the operating utility and includes the authority to enter into long-term purchase obligations with suppliers. FMPA is liable under its participation agreements for its ownership interest of total construction and operating costs. Further contracts with Orlando Utilities Commission (OUC) include commitments for purchases of coal. Through participation with OUC, FMPA has minimum annual purchases of coal through 2009 as shown below:

Project	2005	2006	2007	2008	2009
		(thousands of tons)			
Stanton Project	181	127	127	95	95
All-Requirements Project	143	100	100	75	75
Tri-City Project	65	45	45	34	34
Stanton II Project	284	199	199	148	148

B. Other Agreements

FMPA has entered into certain long-term contracts for transmission services for its projects. These amounts are recoverable from participants in the projects (except The All-Requirements Project) through the Power Sales, Power Support and Power Supply Contracts. FMPA has entered into Power Sales and Project Support Contracts with each of the project participants for entitlement shares aggregating 100% of FMPA's joint ownership interest. In the case of the All-Requirement Project, a Power Supply Contract was entered into providing for the participant's total power requirements. Revenues received under these individual project contracts are expected to be sufficient to pay all of the related project costs.

1. St. Lucie Project

FMPA has entered into a Reliability Exchange Agreement and a Replacement Power Agreement with FPL. The Reliability and Exchange agreement results in FMPA exchanging 50% of its share of the output from St. Lucie Unit 2 for a like amount from the St. Lucie Unit 1. The Replacement Power Agreement provides for replacement power and energy to be made available to FMPA if FPL voluntarily ceases to operate or reduces output from St. Lucie Unit 2 or St. Lucie Unit 1 for economic reasons or valley-load conditions.

The St. Lucie Project, a joint owner of St. Lucie Unit 2, is subject to the Price Anderson Act, which was enacted to provide financial protection for the public in the event of a nuclear power plant accident. As the first layer of financial protection, FPL has purchased $300 million of public liability insurance from pools of commercial insurers on behalf of all joint owners. The second layer of financial protection is provided under an industry retrospective payment plan. Under this plan, St. Lucie Unit 2 is subject to an assessment of $103.61 million per incident with a provision for payment of such assessment to be made over time, as necessary, which limits the payment in any one year to no more than $10.5 million per incident. FMPA is liable for its ownership interest of any assessment made against St. Lucie Unit 2 under this plan.

IX. Commitments and Contingencies (continued)

1. St. Lucie Project (continued)

The U.S. Nuclear Regulatory Commission (NRC) requires that each licensee of a commercial nuclear power reactor furnish to the NRC a certification of its financial capability to meet the costs of nuclear decommissioning at the end of the useful life of the licensee's facility. As a co-licensee of St. Lucie Unit 2, FMPA's St. Lucie Project is subject to these requirements and therefore has complied with the NRC regulations.

To comply with the NRC's financial capability regulations, FMPA established an external trust fund (Decommissioning Trust) pursuant to a trust agreement with Wachovia Bank. This agreement requires that the St. Lucie Project make annual deposits to the Decommissioning Trust which, together with investment earnings and amounts previously on deposit in the Trust, are anticipated to result in sufficient funds in the Decommissioning Trust at the expiration of the current operating license to meet the project's share of the decommissioning costs. Based on a 1999 site-specific study, Unit 2's decommissioning costs are estimated to be $2.781 billion (in 1999 dollars). FMPA's share is estimated to be $244 million (in 1999 dollars). The Decommissioning Trust is irrevocable and funds may be withdrawn from the Trust solely for the purpose of paying the St. Lucie Project's share of costs for nuclear decommissioning. There is approximately $31.8 million in the account at September 30, 2004.

Also, under NRC regulations, the Trust is required to be segregated from other FMPA assets and outside FMPA's administrative control. FMPA has complied with these regulations.

On December 19, 1999, the Agency (as Decommissioning Trust Administrator) and J.P. Morgan Chase (formerly Chase Manhattan Bank) entered into a Forward Sale Agreement for a portion of the St. Lucie Decommissioning Trust. The agreement provides that J.P. Morgan Chase deliver securities initially with a value not to be less than $10,225,000 for an equivalent payment. Each month, an additional $75,000 in securities will be delivered by J.P. Morgan Chase in exchange for an equivalent payment from the Trustee for the Decommissioning Fund. Upon maturity, the securities and the yield earned along with any cash delivered by J.P. Morgan Chase will be equivalent to 7.03% of the face value of the Agreement. The Forward Sale Agreement has a termination date of April 6, 2023.

In addition to the Decommissioning Trust Fund, the St. Lucie Project has also recorded a liability for its estimated portion of the costs for the decommissioning and the decontamination of the United States Department of Energy nuclear fuel enrichment facilities, as provided for by the National Energy Policy Act of 1992 (Energy Act). The Energy Act states that utilities with nuclear reactors will contribute an aggregate total of $150 million annually, for a period of 15 years, up to a total of $2.25 billion (in 1992 dollars) for decommissioning and decontamination costs. The St. Lucie Project has $360,587 (in current dollars) recorded as a remaining liability to be funded, compared to a total liability of $1,218,672 (in current dollars). The Energy Act also provides that these costs are a 'necessary and reasonable costs of fuel and shall be fully recoverable in rates in all jurisdictions in the same manner as other fuel costs'. The St. Lucie Project intends to recover these deferred costs from its participants through billings.

IX. Commitments and Contingencies (continued)

1. St. Lucie Project (continued)

During 2003, nuclear utilities identified that pressurizer heater sleeves made with a particular material (Alloy 600) were experiencing penetration cracks and leaks as a result of primary water stress corrosion cracking. As a result, in May 2004, the NRC issued a bulletin requesting utilities to identify and inspect all Alloy 600 and weld materials in all pressurizer locations and connected steam space piping. St. Lucie Unit 2 will perform inspections at its next scheduled refueling outage. Due to costs and outage impacts associated with potential leaks, FPL has decided to repair St. Lucie Unit 2's pressurizer heater sleeve penetrations during its next scheduled refueling outage and replace the steam generator and reactor vessel head during the refueling outage set for fall 2007.

In June 2004, the Agency entered into a Forward Sale Agreement and a Credit Support Agreement for the St. Lucie Project with Merrill Lynch. The Credit Support Agreement requires the Agency to establish a collateral account with the Trustee that must contain cash and securities that have a market value of $7.5 million. This collateral is posted for the benefit of Merrill Lynch should the Agency be unable to keep its commitments under the Forward Sale Agreement. Under the Forward Sale Agreement, Merrill Lynch is required to deliver and the Trustee is required to purchase certain eligible securities on behalf of the St. Lucie Project. Under this Agreement, the securities or securities and cash to be delivered will guarantee the project an annual effective yield of 6.22% between January 1, 2005 and July 1, 2026 on the semi-annual amounts deposited. It is expected that the amounts invested pursuant to the Forward Sale Agreement will be used to redeem auction rate bonds outstanding for this project.

2. All-Requirements Project

FMPA supplies all of the wholesale power needs of the All-Requirements Project participants. In addition to its ownership facilities, FMPA has entered into interchange and power purchase contracts, as detailed below:

Supplier	End of Contract	Minimum Contract Liability (millions)
Gainesville Regional Utilities	12/31/2006	$ .408
Progress Energy Florida	FY 2005 & FY 2006	5.825
Florida Power & Light	5/31/2013	14.321
Lakeland Electric	12/14/2007	10.820
Calpine Energy Services	12/31/2009	35.850
Orlando Utilities Commission	12/31/2006	2.973
Southern Company-Florida	9/03/2013	44.257
Total Minimum Liability		$114.453

IX. Commitments and Contingencies (continued)

2. All-Requirements Project (continued)

Other Agreements are as follows:

- In October 2003, FMPA executed contracts for a $10 million investment in a brine water processing plant and other water facilities at the Stanton Energy Center in Orlando, Florida.

  The Stanton Unit A combined cycle generator receives cooling water treatment services from the brine plant and associated facilities. The owners of Stanton Unit A (Southern Company Florida, FMPA, Kissimmee Utility Authority and Orlando Utilities Commission) will pay FMPA's Stanton, Stanton II, Tri-City and All-Requirements Projects a fixed and a variable operation and maintenance charge for services received from this facility.

- The All-Requirements Project has entered into a Florida Gas Transmission Company (FGT) Agreement as part of FGT's phase three expansion in firm gas transportation, expiring in 2015. The annual cost is approximately $3.5 million. The All-Requirements Project also has a contract with FGT, which was part of their phase four expansion. All-Requirements' share is 12,500 mmBtu per day with annual fixed costs of $3.7 million expiring in 2021. The transportation agreements are mainly for the Cane Island Facility's (located in Osceola County, Florida) natural gas generation units.

- The All-Requirements Project, in combination with Ft. Pierce, Kissimmee and Vero Beach, has a take-or-pay contract with Florida Gas Utility effective until November, 2008 for a firm supply of natural gas of approximately 12,000 mmBtu per day. This is priced at a first of the month discounted index price.

- The All-Requirements Project has entered into a natural gas deal for physical gas purchases with Florida Gas Utility that extends through December 2005. Under this deal, the All-Requirements Project will purchase a specific amount of gas with a total value of approximately $5.3 million.

- On November 30, 1993, the gas turbine for Unit 1 at Cane Island was in transit for delivery when it was struck and destroyed by an Amtrak train. Kissimmee Utility Authority and FMPA were named as defendants (along with numerous other entities) in several personal injury and property damage lawsuits arising from this incident. In November 1996, the U.S. District Court, Middle District of Florida found neither FMPA nor KUA negligent. Because of indemnity provisions in the Private Road Grade Crossing Agreement that KUA entered.into with CSX Transportation, Inc., the court ruled that FMPA and KUA were equally liable for CSX's negligence

IX. Commitments and Contingencies (continued)

2. All-Requirements Project (continued)

- There is a pending indemnity claim by Amtrak against FMPA and KUA based on the same Private Road Grade Crossing Agreement. The case is now on appeal to the U.S. Court of Appeals, Eleventh Circuit. As a part of the appellate process, the Eleventh Circuit has certified the indemnity issues to the Supreme Court of Florida for rulings as to the applicability of Florida law. Oral arguments were heard on June 9, 2003, but no opinion has been issued as of the writing of this report. It is the opinion of FMPA and its counsel that there is adequate insurance to cover the potential liability.

- On March 13, 2004, the city of Vero Beach requested arbitration against FMPA pursuant to Section 5(F) of the Capacity and Energy Sales Contract between FMPA and Vero Beach. The city asserts that FMPA has underpaid Vero Beach for generation resources (capacity credits) for fiscal year 2004 by $7,927,000. FMPA is contesting the claim. The discovery process is ongoing and a final hearing is scheduled for June 2005. At the time of this report, a determination cannot be made as to the likely outcome.

- On August 11, 2004, Vero Beach requested arbitration for fiscal year 2005 capacity credits, claiming that FMPA will potentially underpay the city by $6,720,000. FMPA considers Vero Beach's request for arbitration to be legally insufficient and has not submitted the matter to arbitration. It is not possible to predict whether Vero Beach will seek to enforce arbitration by court action or otherwise, however, FMPA will oppose efforts to arbitrate fiscal year 2005 capacity credits.

- FMPA is under a contractual agreement to have generation facilities in Key West, Florida, at a minimum level of 60% of the island utility's peak capacity requirements.

- FMPA has entered into a Memorandum of Understanding to acquire land in Ft. Pierce, Florida for a future generation site. This purchase is contingent upon FMPA receiving a warranty deed for the property. The approximate cost of the purchase is estimated at $5 million.

X. Capacity and Energy Sales Contract

The All-Requirements Project has a contractual agreement to provide capacity credits to five member cities that have generating facilities.

Certain of the St. Lucie Project participants have entered into an agreement to sell capacity and energy to the All-Requirements Project. The All-Requirements Project has agreed to provide reserves and back up capacity and energy for these sales. FMPA has been appointed as agent in the administration of this contract.

XI. Mutual Aid Agreement

The All-Requirements Project has agreed to participate in a mutual aid agreement with seven other utilities for an extended outage of a defined base-load generating unit. The participants include the city of Tallahassee, Gainesville Regional Utilities, Jacksonville Electric Authority (JEA), Lakeland Electric, Orlando Utilities Commission, Municipal Electric Authority of Georgia, and Seminole Electric Cooperative, Inc. The All-Requirements Project will receive 80 MW at a price based on gas indices and a fixed heat rate, in the event of a loss of Cane Island Unit 3. The project would receive 60 MW each for outages at Stanton Unit 1 and Stanton Unit 2. In the event of any extended outage from any other participants, the project would provide between 4 MW and 7 MW for a maximum of nine months. This agreement expires on October 7, 2007.

XII. Employment Benefits

A Deferred Compensation Plan (in accordance with the Internal Revenue Code Section 457) and a Defined Contribution Pension (money purchase) Plan (under the Internal Revenue Code Section 401(a)) are offered to the Agency's full time employees who become fully vested after six months of employment. FMPA's contribution is 10% of the individual's gross base salary. Total payroll for the year ended September 30, 2004 and 2003 was $3.8 million and $4.0 million respectively, which approximates covered payroll.

The Agency's contribution may be made to either plan at the discretion of the employee. Additionally, an employee may contribute to the Deferred Compensation Plan so that the combined annual contribution does not exceed 25% of their gross base payroll or $13,000 for 2004 and $12,000 for 2003. Assets of both plans are held by ICMA Retirement Corporation, the Plan Administrator and Trustee.

Expenses for the Deferred Compensation Plan during fiscal years 2004 and 2003 were $4,627 and $5,840 respectively and $361,243 and $323,251 for the Defined Money Purchase Pension Plan. Funds from these plans are not available to employees until termination or retirement, however funds from either plan can be made available, allowing an employee to borrow up to one half of their balance in the form of a loan.

XII. Employment Benefits (continued)

FMPA also offers paid group health insurance to retired, full-time employees over the age of 55 who have a combined total of at least 900 months of age plus months of active service. This insurance is secondary to Medicare. Currently, FMPA has four retirees receiving this benefit. The cost to FMPA for fiscal year 2004 and 2003 was approximately $22,600 and $15,463 respectively. Expenses for post - retirement health care benefits are recognized as premiums when due.

XIII. Risk Management

The Agency is exposed to various risks of loss related to torts, theft, damage and destruction of assets, errors and omissions, injuries to employees and the public and damage to property of others. In addition, FMPA enters into contracts with third parties, some of whom are empowered to act as its agents in order to carry out the purpose of the contracts.

These contracts subject FMPA to varying degrees and types of risk. The Agency has purchased commercial insurance that management believes is adequate to cover these various risks. In fiscal year 2004, FMPA elected to self-insure the Agency's risk for general liability. No other significant changes in insurance coverage have occurred. At no point have settlements exceeded coverage in the past two fiscal years.

The Agency has established a Risk Oversight Committee (ROC) made up of some of FMPA's Board of Director members and has assigned corporate risk management to its Chief Financial Officer. Risk Management also includes an internal group of managers representing all aspects of the Agency's operations. This group, known as the Risk Management Group (RMG), supports the risk oversight function in cooperation with the CFO/Risk Manager.

FMPA has created an Agency-Wide Risk Management Policy that addresses key risk areas such as energy, debt, investment, insurance, credit and contracts.

XIV. Interest Arbitrage and Rebate

A rebate payable to the Internal Revenue Service (IRS) is calculated based on the investment of bond proceeds in financial instruments that yield interest income that is higher than the interest of the debt. This rebate is payable to the IRS within five years of the date of the bond offering and each consecutive five years thereafter.

The potential arbitrage liability at September 30, 2004 for the All-Requirements Project is $138,685; $3,048,769 for the St. Lucie Project; $13,111 for the Stanton Project; $4,683,102 for the Stanton II Project; $9,097 for the Tri-City Project; and $32,524 for the Pooled Loan Fund. A receivable from project participants for these amounts is included on the Balance Sheets of each project.

XV. Related Party Transactions

Each of the 29 members of FMPA appoints a member to the Board of Directors of FMPA (the Board). The Board has responsibility for developing and approving FMPA's budget, hiring of the General Manager and General Counsel and establishing the Agency's bylaws, which govern how FMPA operates and the policies which implement such bylaws. The Board also authorizes all debt issued by FMPA. The Board elects a Chairman, Vice-Chairman, Secretary, Treasurer and an Executive Committee. The Executive Committee consists of nine members of the Board, elected by the Board, plus the current FMPA Chairman, Vice Chairman, Secretary and Treasurer of the Board. The officers of the Board also serve in the same positions of the Executive Committee.

The Executive Committee meets regularly to oversee FMPA's operations and approve expenditures and contracts. The Executive Committee also approves budgeted expenditure levels and authorizes additional work that may arise during the year that was not budgeted.

In order to facilitate the project decision-making process, there are project committees which are comprised of one representative from each participant in a project. The project committees serve in an advisory capacity, and all decisions concerning the project are decided by the Executive Committee or the Board of Directors, as appropriate.

Decisions of the Board of Directors are governed by a weighted voting system, with each member entitled to votes that are weighted based on retail kilowatt hour sales. A majority of the total votes represented on the Board must be present in order to establish a quorum. Actions of the Board of Directors require approval by a majority of the votes present.

The All-Requirements Project has a contractual agreement to purchases natural gas from Florida Gas Utility (FGU) and accounts for 70% of FGU's sales of natural gas.

XVI. Subsequent Events

A. Public Gas Partners

On November 16, 2004, FMPA signed an agreement with six other public gas and electric utilities in five different states to form a gas supply agency called Public Gas Partners, Inc (PGP). This agency was created to secure economical, long-term wholesale natural gas supplies for its seven members in order to stabilize and reduce the cost of natural gas. This innovative partnership among governmental entities was motivated by the common need for a long-term, secure supply of economical natural gas.

PGP has targeted an initial supply portfolio capable of producing 60,000 mmBtu per day or 219 Bcf over 10 years. FMPA projects that approximately 20% of its daily gas needs eventually will be supplied by this partnership, yielding cost savings below current market prices. At this time, PGP has no agreements that have been consummated.

The day-to-day operations of PGP will be performed under contract by the Municipal Gas Authority of Georgia. All operations and management costs for PGP will be funded through fees to its membership. Each member has appointed a representative to the PGP Board of Directors.

XVI. Subsequent Events (continued)

A. Public Gas Partners (continued)

The members of PGP, along with FMPA, include Municipal Gas Authority of Georgia, Florida Gas Utility, Lower Alabama Gas District, Patriots Energy Group, Southeast Alabama Gas District and Tennessee Energy Acquisition Corporation.

B. City of Vero Beach

Subsequent to year end, the Agency received official notice from the City of Vero Beach, an All-Requirements Project participant, that it is, pursuant to options available in the Power Supply Contract, Section 3, as amended by Amendment No. 1, limiting the maximum amount of electric capacity and energy required to be purchased from the All-Requirements Project. This limitation would commence in 2010 and continue for the remainder of the Power Supply Contract term.