Florida Municipal Power Agency

Financial Statements
Supplementary Information and Compliance Reports

For The Fiscal Year Ended September 30, 2007

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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 (the Agency) as of and for the year ended September 30, 2007, which collectively comprise the Agency's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 the Agency as of September 30, 2007, and the respective changes in financial position and, where applicable, cash flows, 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 January 11, 2008, on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of reporting or on compliance and not to provide an opinion on the internal controls over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements. The Five Year Trend Analysis information and Amount Due (From) To Participants schedules are supplementary information and is presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we express no opinion on it.

January 11, 2008
Ocala, Florida

Purvis, Gray and Company

Certified Public Accountants

PO 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
2201 Cantu Court, Suite #100 • Sarasota, Florida 34232 • (941) 379-2800 • FAX (941) 379-2899
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MANAGEMENT'S DISCUSSION & ANALYSIS

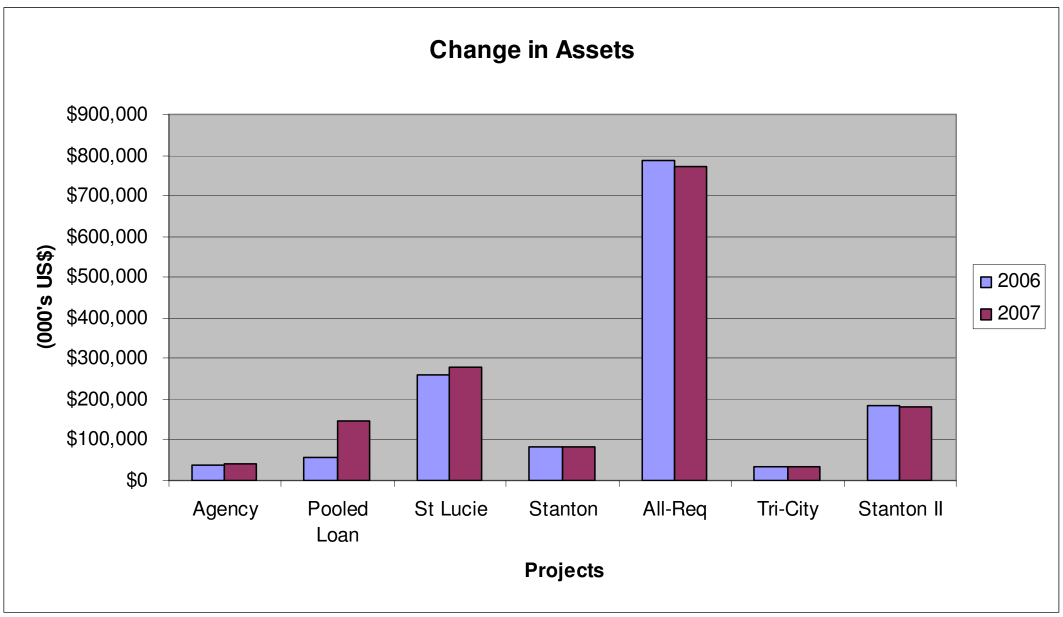
For The Fiscal Year Ended September 30, 2007

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 financal 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 among the projects.

FINANCIAL HIGHLIGHTS

Total Assets at September 30, 2007, of FMPA's Agency Fund, Pooled Loan Fund and other projects increased $90 million from the prior year. The significant assets changes are as follows: increase of $88 million pertains to the Pooled Loan Fund advances to members and funding construction for the other FMPA projects; the All-Requirements Project used $145 million in restricted cash and investments for on-going construction of generation projects which had no impact on overall total assets, and a $16 million reduction in cash primarily due to cash used for margins on hedging activity; the St. Lucie Project borrowed $16 million from the Pooled Loan Fund to support capital expenditures for upgrades to the reactor and steam generators at the plant; the Agency Fund increased $4 million due to reimbursement for development projects and contributions for Crystal River Three decommissioning; the other projects showed decreases due to depreciation of plant assets.



Change in Assets (000's US$)								
Year	Agency	Pooled Loan	St Lucie	Stanton	All-Req	Tri-City	Stanton II	Total
2006	$36,185	$56,969	$260,615	$82,319	$787,185	$35,659	$184,893	$1,443,825
2007	39,760	145,322	279,178	81,751	771,429	34,838	181,610	1,533,888
Variance	$3,575	$88,353	$18,563	($568)	($15,756)	($821)	($3,283)	$90,063

MANAGEMENT'S DISCUSSION & ANALYSIS (CONTINUED)

For Fiscal Year Ended September 30, 2007

FINANCIAL HIGHLIGHTS (CONTINUED)

Total Liabilities at September 30, 2007, for FMPA's Agency Fund, Pooled Loan Fund and other projects increased by $87 million during the current fiscal year. This value includes $8 million increase in long-term debt, $12 million decrease in current liabilities, and $93 million increase in restricted liabilities. The majority of these increases are directly related to the significant increases in the assets listed on the previous page.

Current portion of loans payable and taxable loans payable balance amounted to $2 million. Total Accounts Payable balance was $119 million or an increase of $26 million compared with 2006. The All-Requirements Project accounted for $108 million of this total as follows: Short-Term Due to Participants balance $43 million, Accounts Payable Purchased Power $40 million, $11 million held as Retainage on construction contracts, and Other $14 million.

Long-Term Debt balance outstanding at September 30, 2007, for FMPA's Agency Fund, Pooled Loan Fund and Projects was $1,162 million, an increase of $8 million during the current fiscal year.

Long-Term Bonds balance, less current portion, was $1,088 million, including All-Requirements balance of $605 million net of $15 million unamortized loss on refunding and premium.

Rates on the Agency's variable-rate debt ranged from .07% to 6.63% for fiscal year 2007. Interest expense (operating and non-operating) increased for the current fiscal year by $4 million and is attributable to a rise in overall interest rates.

Total Operating Revenue for Agency and all projects increased by $72 million for the current fiscal year, mainly due to All-Requirements, increase in billings to participants, and sales of natural gas not needed by the project. The primary source of revenue—sales of electricity to the participants—increased $26 million, followed by a decrease in amounts due to refund to participants of $14 million during this period and an increase of $32 million on sales to others.

The rising interest rate environment continued throughout fiscal year 2007 and contributed to higher earnings on the investment portfolios of FMPA's funds and projects. For fiscal year 2007, investment income increased by $14 million when compared to fiscal year 2006.

Comparative years' Assets, Liabilities and Net Assets, as well as Revenues, Expenses are summarized on the following pages.

FINANCIAL HIGHLIGHTS (CONTINUED)

Statement of Net Assets
Proprietary funds
For Fiscal Year Ended September 30, 2007
(000's US$)

	Business-Type Activities- Proprietary Funds							
	Agency	Pooled Loan Fund	St. Lucie Project	Stanton Project	All Requirements Project	Tri-City Project	Stanton II Project	Totals
Assets:								
Capital Assets, Net	$ 3,812	$ -	$ 89,581	$ 37,939	$ 410,448	$ 15,458	$ 120,192	$ 677,430
Current Unrestricted Assets	11,602		68,549	24,367	201,877	7,103	35,779	349,277
Current Restricted Assets	24,243	145,322	75,407	9,838	126,735	4,722	9,812	396,079
Other Non Current Assets	103		45,641	9,607	32,369	7,555	15,827	111,102
Total Assets	$ 39,760	$ 145,322	$ 279,178	$ 81,751	$ 771,429	$ 34,838	$ 181,610	$ 1,533,888
Liabilities:								
Long-Term Liabilities	$ 26,208	$ 142,865	$ 278,399	$ 71,677	$ 648,596	$ 30,120	$ 172,371	$ 1,370,236
Current Liabilities	1,212	2,457	779	10,074	122,833	4,718	9,239	151,312
Total Liabilities	$ 27,420	$ 145,322	$ 279,178	$ 81,751	$ 771,429	$ 34,838	$ 181,610	$ 1,521,548
Net Assets:								
Invested in capital assets, Net	$ 1,716	$ -	$ (145,711)	$ (36,739)	$ (112,042)	$ (16,574)	$ (53,233)	$ (362,583)
Restricted			33,836	12,968	25,957	6,797	14,172	93,730
Unrestricted	10,624		111,875	23,771	86,085	9,777	39,061	281,193
Total Net Assets	$ 12,340	$ -	$ -	$ -	$ -	$ -	$ -	$ 12,340

Statement of Net Assets
Proprietary funds
For Fiscal Year Ended September 30, 2006
(000's US$)

	Business-Type Activities- Proprietary Funds							
	Agency	Pooled Loan Fund	St. Lucie Project	Stanton Project	All Requirements Project	Tri-City Project	Stanton II Project	Totals
Assets:								
Capital Assets, Net	$ 4,051	$ -	$ 87,673	$ 38,714	$ 273,458	$ 15,834	$ 123,314	$ 543,044
Current Unrestricted Assets	10,091		54,308	25,639	215,735	7,717	36,403	349,893
Current Restricted Assets	21,393	56,969	62,776	5,197	259,698	3,183	6,707	415,923
Other Non Current Assets	650		55,858	12,769	38,294	8,925	18,469	134,965
Total Assets	$ 36,185	$ 56,969	$ 260,615	$ 82,319	$ 787,185	$ 35,659	$ 184,893	$ 1,443,825
Liabilities:								
Long-Term Liabilities	$ 23,493	$ 56,198	$ 258,097	$ 74,956	$ 648,982	$ 31,851	$ 175,848	$ 1,269,425
Current Liabilities	1,563	771	2,518	7,363	138,203	3,808	9,045	163,271
Total Liabilities	$ 25,056	$ 56,969	$ 260,615	$ 82,319	$ 787,185	$ 35,659	$ 184,893	$ 1,432,696
Net Assets:								
Invested in capital assets, Net	$ 1,825	$ -	$ (129,538)	$ (38,547)	$ (162,111)	$ (17,669)	$ (53,032)	$ (399,072)
Restricted			23,527	8,207	37,116	5,223	10,987	85,060
Unrestricted	9,304		106,011	30,340	124,995	12,446	42,045	325,141
Total Net Assets	$ 11,129	$ -	$ -	$ -	$ -	$ -	$ -	$ 11,129

MANAGEMENT'S DISCUSSION & ANALYSIS (CONTINUED)

For Fiscal Year Ended September 30, 2007

FINANCIAL HIGHLIGHTS (CONTINUED)

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

Proprietary Funds

For Fiscal Year Ended September 30, 2007

(000's US$)

	Business-Type Activities- Proprietary Funds							
	Agency	Pooled Loan Fund	St. Lucie Project	Stanton Project	All Requirements Project	Tri-City Project	Stanton II Project	Totals
Revenues:								
Billings to participants	$ -	$ 4,342	$ 34,329	$ 26,896	$ 554,066	$ 10,985	$ 41,267	$ 671,885
Amounts to be recovered from (refunded to) participants		(68)	(1,621)	(3,922)	(9,767)	(1,180)	(2,392)	(18,950)
Sales to others			2,011	350	48,777	125	548	51,811
Interest Income	550	259	17,530	2,431	7,848	506	2,621	31,745
Other	930							930
Total Revenue	$ 1,480	$ 4,533	$ 52,249	$ 25,755	$ 600,924	$ 10,436	$ 42,044	$ 737,421
Expenses:								
Operation, maintenance & Nuclear Fuel Amortization	$ -	$ -	$ 10,954	$ 3,738	$ 49,836	$ 1,340	$ 6,143	$ 72,011
Purchased power, Transmission & Fuel Costs			3,562	12,281	513,260	4,457	18,404	551,964
Administrative & General	8,739	614	2,346	868	12,149	491	1,204	26,411
Depreciation & Decommissioning	412		11,317	1,984	10,102	806	4,344	28,965
Interest & Amortization	93	3,919	13,955	3,817	17,286	2,023	9,563	50,656
Others	(8,975)				5,880			(3,095)
Total Expense	$ 269	$ 4,533	$ 42,134	$ 22,688	$ 608,513	$ 9,117	$ 39,658	$ 726,912
Change in net assets before regulatory asset adjustment	$ 1,211	$ -	$ 10,115	$ 3,067	$ (7,589)	$ 1,319	$ 2,386	$ 10,509
Regulatory asset adjustment			(10,115)	(3,067)	7,589	(1,319)	(2,386)	(9,298)
Change in net assets after regulatory asset adjustment	$ 1,211	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,211
Net assets at beginning of year	11,129							11,129
Net assets at end of year	$ 12,340	$ -	$ -	$ -	$ -	$ -	$ -	$ 12,340

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

Proprietary Funds

For Fiscal Year Ended September 30, 2006

(000's US$)

	Business-Type Activities- Proprietary Funds							
	Agency	Pooled Loan Fund	St. Lucie Project	Stanton Project	All Requirements Project	Tri-City Project	Stanton II Project	Totals
Revenues:								
Billings to participants	$ -	$ 4,139	$ 31,072	$ 23,953	$ 540,320	$ 10,006	$ 36,524	$ 646,014
Amounts to be recovered from (refunded to) participants		(86)	(1,223)	(1,724)	(31,385)	(524)	1,504	(33,438)
Sales to others			3,100	347	15,754	124	544	19,869
Interest Income	306	103	8,063	1,097	6,717	349	1,351	17,986
Other	940							940
Total Revenue	$ 1,246	$ 4,156	$ 41,012	$ 23,673	$ 531,406	$ 9,955	$ 39,923	$ 651,371
Expenses:								
Operation, maintenance & Nuclear Fuel Amortization	$ -	$ -	$ 14,090	$ 3,218	$ 37,722	$ 1,152	$ 5,015	$ 61,197
Purchased power, Transmission & Fuel Costs			3,308	12,285	463,112	4,435	19,590	502,730
Administrative & General	8,005	680	2,924	873	10,311	460	1,178	24,431
Depreciation & Decommissioning	410		9,700	1,921	10,213	783	4,309	27,336
Interest & Amortization	90	3,476	12,997	3,842	13,910	2,092	9,451	45,858
Others	(8,477)							(8,477)
Total Expense	$ 28	$ 4,156	$ 43,019	$ 22,139	$ 535,268	$ 8,922	$ 39,543	$ 653,075
Change in net assets before regulatory asset adjustment	$ 1,218	$ -	$ (2,007)	$ 1,534	$ (3,862)	$ 1,033	$ 380	$ (1,704)
Regulatory asset adjustment			2,007	(1,534)	3,862	(1,033)	(380)	2,922
Change in net assets after regulatory asset adjustment	$ 1,218	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,218
Net assets at beginning of year	9,911							9,911
Net assets at end of year	$ 11,129	$ -	$ -	$ -	$ -	$ -	$ -	$ 11,129

MANAGEMENT'S DISCUSSION & ANALYSIS (CONTINUED)

For Fiscal Year Ended September 30, 2007

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.

FMPA's **Entity-Wide 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 a decision by the governing body of FMPA, billings and revenues in excess (deficient) of actual costs are returned to (collected from) the participants in the form of billing credits (charges). The assets within the Agency Fund represent those required for staff operations, which coordinate all of the power projects described herein. On behalf of the Crystal River Unit 3 participants, Restricted Cash and Investments in the Agency Fund were held in 2007 as money held in trust for the Decommissioning Fund.

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 September 30, 2007. 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** provide 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 13 through 15 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.

MANAGEMENT'S DISCUSSION & ANALYSIS (CONTINUED)

For Fiscal Year Ended September 30, 2007

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. A summary of FMPA's activities for years 2007 and 2006 is shown on pages 5 and 6. A more detailed version of the major fund proprietary financial statements can be found on pages 13 through 15 of this report.

The **Notes to Financial Statements** provide additional information that is essential to understanding the data provided in both the government-wide and fund financial statements. The Notes to the Financial Statements can be found on pages 16 through 54 of this report.

In addition to the basic financial statements and accompanying notes, this report also presents other information, which consists of certain supplementary information concerning FMPA's budgetary compliance and bond resolution funds accounting. Compliance reports and the auditor's Management Letter can be found starting on page 70 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 among 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 increased during fiscal year 2007 due to the development and construction of three new power plants within the All-Requirements Project. The Agency Fund and other FMPA Projects' total Utility Plant increased during 2007 and is attributable to the difference between depreciation and any capital outlays required during the year. See additional information in the Notes to Financial Statements beginning on page 16.

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.

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. Total General and Administrative expenses increased $729,000 in fiscal year 2007 when compared to fiscal year 2006. This is attributable to an increase in Salaries and Benefits of $584,000, an increase in Outside Services of $64,000, an increase in other expenses of $16,000, and an increase in Liability Insurance Expense of $65,000.

FMPA has a Letter of Credit that supports the financing of 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**. On September 30, 2007, long-term commercial paper note debt was $143 million. Management is not aware of any pending non-payment of commercial paper notes, and no loans were in default at September 30, 2007.

FINANCIAL ANALYSIS OF FMPA'S FUNDS AND PROJECTS (CONTINUED)

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 (NRC) 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 581,598 Megawatt-hours (MWh) in fiscal year 2007. The average all-inclusive billing rate, which includes budgeted Demand, Energy and Transmission expenses, decreased 1.25% to $59.03 in fiscal year 2007. The cost of power production and delivery decreased from $50.84 to $44.41 per MWh in fiscal year 2007 (a decrease of 13% from the prior year). The major reduction in cost is related to a decrease of $4 million in production expenses partially offset by increased purchased power.

The **Stanton Project** derives its power from a 14.8193% ownership interest in Stanton Unit 1, a 425 Megawatt coal-fired power plant operated by its primary owner, Orlando Utilities Commission (OUC).

Operations and Maintenance expenses increased by $520,000 during fiscal year 2007 and are attributable to increased billings by OUC for Stanton Unit 1 operations.

The Project billed 475,138 MWh in fiscal year 2007. The average all-inclusive billing rate which includes budgeted Demand, Energy and Transmission expenses increased 15.3% to $56.61 per MWh in fiscal year 2007. This increase was primarily due to budget increases for future expenditures.

The cost of power production and delivery, which is calculated using actual Operating expenses excluding Administrative and General expenses, rose to $37.89 per MWh in fiscal year 2007, a increase of 6.1% in fiscal year 2007. This change is due to the rising cost of coal as well as boiler maintenance expenses. General and Administrative expenses decreased $5,000.

The **All-Requirements Project** (ARP) consists of 15 participants. The ARP energy resources are part of the Florida Municipal Power Pool (FMPP), 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 $84.08 per MWh in fiscal year 2007, which is all-inclusive of Energy, Demand and Transmission expenses. The billed Megawatt hours for fiscal year 2007 were 6,589,702.

Billings to ARP participants in fiscal year 2007 were 2.59% higher, increasing from $540 million to $554 million. This increase is primarily due to higher fuel costs.

The All-Requirements participant net cost of power increased to $82.60 per MWh in fiscal year 2007, an 8% increase from fiscal year 2006. This increase was primarily due to a rise in coal and natural gas prices and the Project's generation and contractual resource mix. General and Administrative expenses increased $1,838,000, a 17.8% increase from the prior year. The fuel supply mix was 47% for natural gas, 3% for fuel oils, 39% for coal and 11% for nuclear.

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 2007. The ARP bills an estimated rate during the year and then credits back (charges) participants the amounts in excess (deficit) 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 an addition or reduction to "Billings to Participants" and as "Participant Accounts Receivable" or "Net Costs Recoverable From Future Participant Billings" in the accompanying Statement of Net Assets.

MANAGEMENT'S DISCUSSION & ANALYSIS (CONTINUED)

For Fiscal Year Ended September 30, 2007

FINANCIAL ANALYSIS OF FMPA'S FUNDS AND PROJECTS (CONTINUED)

The **Tri-City Project** consists of a 5.3012% ownership interest in Stanton Unit 1. The Project billed 177,238 MWh in fiscal year 2007. The average all-inclusive billing rate, which includes budgeted Demand, Energy and Transmission expenses, increased 7.6% to $ 61.98 per MWh during fiscal year 2007. 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, which is calculated using actual Operating expenses excluding Administrative and General expenses, increased by 13%; the cost per MWh increased from $36.68 per MWh in fiscal year 2006 to $37.25 per MWh in fiscal year 2007. This change is due to the rising cost of coal as well as boiler maintenance expenses. General and administrative expenses increased by $31,000 or $.17 per MWh.

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 (OUC).The Project billed 726,163 MWh in fiscal year 2007. The average all-inclusive billing rate, which includes budgeted Demand, Energy and Transmission expenses, increased by $10.92 or 23.8% to $56.83 per MWh in fiscal year 2007. This increase was primarily due to a increased billing rates to cover future expenditures.

BUDGETARY HIGHLIGHTS

The FMPA Board of Directors approves the project budgets, establishing legal boundaries for expenditures. For fiscal year 2007, the amended budget authority was not exceeded. For more details, see the Schedule of Amounts Due (from) to Participants on pages 56 through 58 within the **Supplementary Information**.

CAPITAL ASSETS AND LONG-TERM DEBT

FMPA's investment in **Capital Assets** as of September 30, 2007 was $677 million, net of accumulated depreciation and inclusive of work-in-process and development projects. This investment in capital assets includes operational and construction projects in progress of generation facilities, distribution and transmission systems, land, buildings, improvements, and machinery and equipment.

FMPA's investment in capital assets for fiscal year 2007 increased by 24.7% or $134 million. This equates to a 50.1% increase in the All-Requirements utility plant while all other projects' net change decreased an average of 1%. 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.

Management's Discussion & Analysis (continued)

For Fiscal Year Ended September 30, 2007

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

At September 30, 2007, FMPA had **Long-Term Debt** of $1,303 million in notes, loans and bonds payable. The remaining principal payments on long-term debt, net of unamortized premium and discount, and unamortized loss on refunding are as follows:

Project	Amount (000's US$)
Agency Fund	$ 2,100
Pooled Loan Fund	142,865
St. Lucie Project	236,828
Stanton Project	75,288
All-Requirements Project	636,657
Tri-City Project	32,370
Stanton II Project	176,951
Total	$ 1,303,059

See **Note IX** to the Notes to Financial Statements for further information.

Economic Factors and Next Year's Budgets and Rates

Multi-year operational and financial modeling was conducted to arrive at the fiscal year 2008 budget. Expenses were estimated using current market conditions for fuel and estimated member loads which take into consideration the member cities' economies that have shown varying amounts of growth in both demand and energy. Rates are set in order to cover all costs based on the member loads.

Significant Events

FMPA has acquired land in Ft. Pierce, Florida for a future generation site of a natural gas power plant. The Treasure Coast Energy Center Unit 1 has a total budget not to exceed $274 million. Construction on this facility began in mid-2006, and construction is approximately 75% complete.

FMPA, along with three other utilities, negotiated a purchase option agreement for a 3,200 acre site in North Florida for a potential future location to build an 800 megawatt coal-fired power plant. Other utilities involved in the construction project, along with FMPA were JEA, the city of Tallahassee and Reedy Creek Improvement District. The project was suspended during the year due to energy policy changes within the state.

In Fiscal year 2005, FMPA joined with six other public gas and electric utilities in five different states forming 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. See **Note X** in the Notes to Financial Statements for more information on the current activities of this agency.

MANAGEMENT'S DISCUSSION & ANALYSIS (CONTINUED)

For Fiscal Year Ended September 30, 2007

INTEREST ARBITRAGE AND REBATE

As a result of lower interest rates on outstanding debt in contrast to higher yields on investments, the Agency has the following remaining potential arbitrage rebate liabilities as of September 30, 2007:

Project	Amount (000's US$)	
St. Lucie Project	$	366
All-Requirements Project		3,172
Tri-City Project		133
Stanton Project		2
Stanton II Project		556
Total	$	4,229

See **Note XV** 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, CFO and Risk Manager. Florida Municipal Power Agency, 8553 Commodity Circle, Orlando, FL 32819.*

FLORIDA MUNICIPAL POWER AGENCY

STATEMENTS OF NET ASSETS

PROPRIETARY FUNDS

YEAR ENDED SEPTEMBER 30, 2007

(000's US$)

	Business-Type Activities- Proprietary Funds							
ASSETS	**Agency Fund**	**Pooled Loan Fund**	**St. Lucie Project**	**Stanton Project**	**All Requirements Project**	**Tri-City Project**	**Stanton II Project**	**Totals**
Current Assets:								
Cash and cash equivalents	$ 1,390	$ -	$ 4,219	$ 3,414	$ 56,438	$ 1,419	$ 4,019	$ 70,899
Investments	7,984		64,349	13,885	21,802	1,889	22,412	132,321
Participant accounts receivable	1,576		(640)	2,049	50,171	854	1,206	55,216
Fuel stock and material inventory				405	26,632	144	1,184	28,365
Other current assets	652		407	247	33,220	60	448	35,034
Restricted assets available for current liabilities			214	4,367	13,614	2,737	6,510	27,442
Total Current Assets	$ 11,602	$	$ 68,549	$ 24,367	$ 201,877	$ 7,103	$ 35,779	$ 349,277
Non-Current Assets:								
Restricted Assets:								
Cash and cash equivalents	$ 828	$ 18,007	$ 1,349	$ 3,804	$ 30,845	$ 2,586	$ 6,415	$ 63,834
Investments	23,319	64,772	73,963	10,323	109,148	4,840	9,840	296,205
Accrued interest	96	250	309	78	356	33	67	1,189
Pooled loan from projects		20,447						20,447
Pooled loan from members		41,846						41,846
Less: Portion classified as current			(214)	(4,367)	(13,614)	(2,737)	(6,510)	(27,442)
Total Restricted Assets	$ 24,243	$ 145,322	$ 75,407	$ 9,838	$ 126,735	$ 4,722	$ 9,812	$ 396,079
Capital Assets:								
Electric plant	$ -	$ -	$ 204,748	$ 72,581	$ 286,225	$ 29,778	$ 171,181	$ 764,513
General plant	6,280		13,966	111	2,708	36	163	23,264
Less accumulated depreciation and amortization	(2,468)		(129,133)	(34,753)	(96,426)	(14,356)	(51,152)	(328,288)
Net Capital Assets	$ 3,812	$ -	$ 89,581	$ 37,939	$ 192,507	$ 15,458	$ 120,192	$ 459,489
Construction work in progress					217,941			217,941
Development projects in progress								
Total Capital Assets, Net	$ 3,812	$ -	$ 89,581	$ 37,939	$ 410,448	$ 15,458	$ 120,192	$ 677,430
Deferred Costs:								
Net costs recoverable from future participant billings	$ 99	$ -	$ 44,105	$ 8,997	$ 16,823	$ 7,217	$ 12,301	$ 89,542
Other	4		1,536	610	15,546	338	3,526	21,560
Total Deferred Costs	$ 103	$ -	$ 45,641	$ 9,607	$ 32,369	$ 7,555	$ 15,827	$ 111,102
Total Non-Current Assets	$ 28,158	$ 145,322	$ 210,629	$ 57,384	$ 569,552	$ 27,735	$ 145,831	$ 1,184,611
Total Assets	$ 39,760	$ 145,322	$ 279,178	$ 81,751	$ 771,429	$ 34,838	$ 181,610	$ 1,533,888
LIABILITIES AND NET ASSETS								
Current Liabilities:								
Payable from unrestricted assets:								
Current portion of Pooled Loan, Notes Payable, and Line of Credit	$ 135	$ -	$ -	$ 481	$ 1,158	$ 175	$ 220	$ 2,169
Accounts payable & Accrued Liabilities	1,077		565	5,226	108,061	1,806	2,509	119,244
Total Current liabilities from Unrestricted Assets	$ 1,212	$	$ 565	$ 5,707	$ 109,219	$ 1,981	$ 2,729	$ 121,413
Payable from restricted assets:								
Current portion of long-term revenue bonds	$ -	$ -	$ -	$ 3,130	$ 7,870	$ 2,075	$ 4,360	$ 17,435
Accrued interest on long-term debt		497	214	1,237	5,744	662	2,150	10,504
Other Liabilities		1,960						1,960
Total Current Liabilities Payable From Restricted Assets	$ -	$ 2,457	$ 214	$ 4,367	$ 13,614	$ 2,737	$ 6,510	$ 29,899
Total Current Liabilities	$ 1,212	$ 2,457	$ 779	$ 10,074	$ 122,833	$ 4,718	$ 9,239	$ 151,312
Liabilities Payable from Restricted Assets:								
Commercial paper notes	$ -	$ 142,865	$ -	$ -	$ -	$ -	$ -	$ 142,865
Accrued decommissioning expenses	24,243		41,571					65,814
Total Liabilities Payable From Restricted Assets	$ 24,243	$ 142,865	$ 41,571	$ -	$ -	$ -	$ -	$ 208,679
Long-Term Liabilities:								
Long-term revenue bonds, less current portion	$ -	$ -	$ 221,922	$ 64,163	$ 605,889	$ 27,431	$ 169,157	$ 1,088,562
Long-term loans - Taxable				7,514	4,658	2,689	3,214	18,075
Pooled loans notes payable	1,965		14,906		17,082			33,953
Advances from participants					20,967			20,967
Total Long-Term Liabilities	$ 1,965	$ -	$ 236,828	$ 71,677	$ 648,596	$ 30,120	$ 172,371	$ 1,161,557
Total Liabilities	$ 27,420	$ 145,322	$ 279,178	$ 81,751	$ 771,429	$ 34,838	$ 181,610	$ 1,521,548
Net Assets:								
Invested in capital assets, Net	$ 1,716	$	$ (145,711)	$ (36,739)	$ (112,042)	$ (16,574)	$ (53,233)	$ (362,583)
Restricted			33,836	12,968	25,957	6,797	14,172	93,730
Unrestricted	10,624		111,875	23,771	86,085	9,777	39,061	281,193
Total Net Assets	$ 12,340	$ -	$ -	$ -	$ -	$ -	$ -	$ 12,340

The accompanying notes are an integral part of these financial statements

FLORIDA MUNICIPAL POWER AGENCY

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

PROPRIETARY FUNDS

For the Year Ended September 30, 2007

(000's US$)

	Business-Type Activities- Proprietary Funds							
	Agency Fund	**Pooled Loan Fund**	**St. Lucie Project**	**Stanton Project**	**All Requirements Project**	**Tri-City Project**	**Stanton II Project**	**Totals**
Operating Revenue:								
Billings to participants	$ -	$ 4,342	$ 34,329	$ 26,896	$ 554,066	$ 10,985	$ 41,267	$ 671,885
Amounts to be recovered from (refunded to) participants		(68)	(1,621)	(3,922)	(9,767)	(1,180)	(2,392)	(18,950)
Sales to others			2,011	350	48,777	125	548	51,811
Total Operating Revenue	$	$ 4,274	$ 34,719	$ 23,324	$ 593,076	$ 9,930	$ 39,423	$ 704,746
Operating Expenses:								
Operation and maintenance	$ -	$ -	$ 8,220	$ 3,738	$ 49,836	$ 1,340	$ 6,143	$ 69,277
Fuel expense				11,573	258,185	4,168	17,345	291,271
Nuclear fuel amortization			2,375					2,375
Spent fuel fees			359					359
Purchased power			3,199		235,491			238,690
Transmission services			363	708	19,584	289	1,059	22,003
General and administrative	8,739	614	2,346	868	12,149	491	1,204	26,411
Interest expense		3,919						3,919
Depreciation	412		8,791	1,984	10,102	806	4,344	26,439
Decommissioning			2,526					2,526
Capitalized development projects and allocated costs	(8,975)							(8,975)
Total Operating Expense	$ 176	$ 4,533	$ 28,179	$ 18,871	$ 585,347	$ 7,094	$ 30,095	$ 674,295
Total Operating Income (Loss)	$ (176)	$ (259)	$ 6,540	$ 4,453	$ 7,729	$ 2,836	$ 9,328	$ 30,451
Non-Operating Income (Expense):								
Interest expense	$ (93)	$ -	$ (10,780)	$ (3,390)	$ (16,395)	$ (1,454)	$ (8,203)	$ (40,315)
Amortization of debt related costs			(3,175)	(427)	(891)	(569)	(1,360)	(6,422)
Investment income	550	259	17,530	2,431	7,848	506	2,621	31,745
Development fund fee	930							930
Write Off of Coal Project					(5,880)			(5,880)
Total Non-operating Income (Expenses)	$ 1,387	$ 259	$ 3,575	$ (1,386)	$ (15,318)	$ (1,517)	$ (6,942)	$ (19,942)
Change in net assets before regulatory asset adjustment	$ 1,211	$ -	$ 10,115	$ 3,067	$ (7,589)	$ 1,319	$ 2,386	$ 10,509
Regulatory asset adjustment			(10,115)	(3,067)	7,589	(1,319)	(2,386)	(9,298)
Change in net assets after regulatory asset adjustment	$ 1,211	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,211
Net assets at beginning of year	11,129							11,129
Net assets at end of year	$ 12,340	$ -	$ -	$ -	$ -	$ -	$ -	$ 12,340

The accompanying notes are an integral part of these financial statements

FLORIDA MUNICIPAL POWER AGENCY

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

For the Year Ended September 30, 2007

(000's US$)

	Business-Type Activities- Proprietary Funds							
	Agency Fund	**Pooled Loan Fund**	**St. Lucie Project**	**Stanton Project**	**All Requirements Project**	**Tri-City Project**	**Stanton II Project**	**Totals**
Cash Flows From Operating Activities:								
Cash Received From Customers	$ 9,302	$ 4,274	$ 37,259	$ 23,348	$ 576,575	$ 9,898	$ 42,871	$ 703,527
Cash Paid to Suppliers	(3,671)	(614)	(16,171)	(14,254)	(537,564)	(5,414)	(25,751)	(603,439)
Cash Paid to Employees	(5,522)							(5,522)
Cash Paid for Interest - Lending Activity		(3,702)						(3,702)
Net Cash Provided by (Used in) Operating Activities	$ 109	$ (42)	$ 21,088	$ 9,094	$ 39,011	$ 4,484	$ 17,120	$ 90,864
Cash Flows From Investing Activities:								
Proceeds From Sales and Maturities Of Investments	$ 40,450	$ 83,517	$ 339,064	$ 24,686	$ 515,747	$ 9,837	$ 38,408	$ 1,051,709
Crystal River 3 Decommissioning Deposits and Interest Earnings	2,850							2,850
Purchases of Investments	(46,181)	(129,786)	(366,987)	(26,121)	(361,429)	(9,081)	(41,186)	(980,771)
Pooled Loans - New Advances		(52,271)						(52,271)
Pooled Loans - Principal Payments received		11,314						11,314
Income received on Investments	553	259	17,635	2,443	16,407	517	2,629	40,443
Net Cash Provided by (Used in) Operating Activities	$ (2,328)	$ (86,967)	$ (10,288)	$ 1,008	$ 170,725	$ 1,273	$ (149)	$ 73,274
Cash Flows From Capital & Related Financing Activities:								
Proceeds from Issuance of Bonds & Loans	$ -	$ -	$ 14,906	$ -	$ 17,082	$ -	$ -	$ 31,988
Capital Expenditures - Utility Plant	(173)		(13,075)	(1,210)	(144,744)	(431)	(1,221)	(160,854)
Principal Payments - Long Term Debt	(2,095)	88,294	(237,132)	(74,782)	(662,938)	(32,210)	(176,908)	(1,097,771)
Letter of Credit Payments					(45,000)			(45,000)
Interest paid on Debt	(93)		(10,771)	(3,454)	(25,745)	(1,474)	(8,287)	(49,824)
Cash Received - Development Fund	930							930
Net Cash Provided (Used in) Capital & Related Financing Activities	$ (1,431)	$ 88,294	$ (246,072)	$ (79,446)	$ (861,345)	$ (34,115)	$ (186,416)	$ (1,320,531)
Net Increase (Decrease) in Cash and Cash Equivalents	$ (3,650)	$ 1,285	$ (235,272)	$ (69,344)	$ (651,609)	$ (28,358)	$ (169,445)	$ (1,156,393)
Cash and Cash Equivalents - Beginning	3,903	16,722	4,012	4,885	90,296	2,243	7,508	129,569
Cash and Cash Equivalents - Ending	$ 253	$ 18,007	$ (231,260)	$ (64,459)	$ (561,313)	$ (26,115)	$ (161,937)	$ (1,026,824)
Consisting of:								
Unrestricted	$ 1,390	$	$ 4,219	$ 3,414	$ 56,438	$ 1,419	$ 4,019	$ 70,899
Restricted	828	18,007	1,349	3,804	30,845	2,586	6,415	63,834
Total	$ 2,218	$ 18,007	$ 5,568	$ 7,218	$ 87,283	$ 4,005	$ 10,434	$ 134,733
	(1,965)		(236,828)	(71,677)	(648,596)	(30,120)	(172,371)	
Reconciliation of Operating Income to Net Cash Provided by (Used in) Operating Activities:								
Operating Income (Loss)	$ (176)	$ (259)	$ 6,540	$ 4,453	$ 7,729	$ 2,836	$ 9,328	$ 30,451
Adjustment to Reconcile Net Operating Income to Net Cash Provided by (Used In) Operating Activities:								
Depreciation and Decommissioning	412		11,317	1,984	10,102	806	4,344	28,965
Amortization of Nuclear Fuel			2,375					2,375
Changes in Assests and Liabilities Which Provided (Used) Cash:								
Inventory				317	(3,540)	114	(164)	(3,273)
Receivables From (Payable to) Participants	(220)		2,540	24	(16,501)	(32)	3,448	(10,741)
Prepaids	(98)		(37)	46	1,794	(10)	(70)	1,625
Accounts Payable and Accrued Expense	(356)	217	(1,748)	2,175	25,913	720	(22)	26,899
Other Deferred Costs	547		101	95	13,514	50	256	14,563
Net Cash Provided By (Used In) Operating Activities	$ 109	$ (42)	$ 21,088	$ 9,094	$ 39,011	$ 4,484	$ 17,120	$ 90,864

The accompanying notes are an integral part of these financial statements

NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2007

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 Florida Interlocal Cooperation Act and the Joint Power 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 Florida Interlocal Cooperation 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, 2007, FMPA has 30 members.

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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 economic resources measurement focus and the accrual basis of accounting. Application of the Statement of Financial Accounting 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, and Executive Committee, which is comprised of one representative from each of the All-Requirements Project members, are 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.

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.

I. Summary of Significant Accounting Policies (continued)

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

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 earned and expenses are recorded when a liability is incurred, following GAAP.

1. Fund Accounting

FMPA maintains its 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 a proprietary 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 Pooled Loan Fund, which accounts for operations of pooled financing of loans to other FMPA projects and members for utility-related 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 Stanton Energy Center Unit 1, Stanton Energy Center Unit 2, Stanton Unit 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 and 100% ownership of Key West Combustion Turbine Unit 4 and Treasure Coast Energy Center (a Combined Cycle currently under construction), and
- The Stanton II Project, which accounts for ownership interest in SEC Unit 2.

Certain accounts within these funds are grouped and classified in the manner established by respective bond resolutions and/or debt instruments.

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 or business fund's principal on-going operations. The principal operating revenues of FMPA's proprietary or business funds are charges to participants for sales and services. Operating expenses for proprietary or business 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 expenses.

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.

I. Summary of Significant Accounting Policies (continued)

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

2. 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 using the straight-line and declining balance methods and is amortized over the assets' respective estimated 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 include amortization of bond discount and bond premium, interest expense and interest income. The All-Requirements Project capitalized net interest cost of $2.3 million during Fiscal Year 2007. The cost of major replacements of assets in excess of $1,500 is capitalized to the utility plant accounts. The cost of maintenance, repairs and replacements of minor items are expensed as incurred.

3. Inventory

Coal and oil inventory is stated at weighted average cost for the All-Requirements Project's Stanton Energy Center Units 1 and 2, Cane Island Units 1, 2 and 3, and Key West Stock Island Unit 4. Parts inventory at Cane Island Units 1, 2 and 3, Key West Stock Island Unit 4, and Treasure Coast Energy Center is also stated at weighted average cost. Nuclear fuel is carried at cost and is amortized on the units of production basis.

4. 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

5. 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.

I. Summary of Significant Accounting Policies (continued)

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

6. 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 shorter, using the straight-line method.

7. 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, 2007, the liability for unused vacation was $336,212 and $243,963 for unused sick/personal leave.

8. Allocation of Agency Fund Expenses

General and administrative operating expenses of the Agency Fund are allocated based on direct labor hours and certain other minimum allocations to each of the projects.

9. Billing 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.

For the All-Requirements Project, energy rate adjustments are driven by the Project Operation and Maintenance (O & M) Fund month-end cash balance and the cash balance needed to meet the required balance of sixty days of cash within the O & M Fund. If it is determined that the O & M Fund balance is over the sixty days O & M Fund cash balance target amount, the energy rate adjustment will result in a lower billing rate relative to projected expenses and thereby reduce the future O & M Fund balance. Likewise, if the O & M Fund balance is below the sixty day cash requirement, the energy rate adjustment will result in a higher billing rate relative to projected expenses and thereby increase the future O & M Fund balance.

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 General Reserve Fund, as approved by the Board of Directors.

I. Summary of Significant Accounting Policies (continued)

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

9. Billing to Participants (continued)
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 the cost of operating the Pooled Loan Fund.

10. Income Taxes
FMPA is a governmental entity and therefore is exempt from federal and state income taxes.

11. Use of Estimates
The 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. Examples of major areas where estimates are used include the estimate for useful lives of property, plant and equipment and the estimate for the nuclear decommissioning liability. Actual results could differ from those estimates.

12. Derivative Financial Investments
FMPA uses commodity futures contracts and 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 Offered Rate (LIBOR), the Securities Industry and Financial Markets Association Municipal Swap Index (SIFMA) or the Consumer Price Index (CPI). 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 is 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 $20 million for FMPA-related undertakings and $42 million for loans receivable from member cities, net of Undistributed Proceeds of $80 million. Amounts for the FMPA-related undertakings are recoverable from each project and are identified in Note IX, Long-Term Debt, by project.

III. Nuclear Decommissioning Liability

1. St. Lucie Project
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. Funds deposited together with investment earnings in the Trust, are anticipated to result in sufficient funds in the Decommissioning Trust at the expiration of the license extension to meet the

III. Nuclear Decommissioning Liability (continued)

1. St. Lucie Project (continued)

project's share of the decommissioning costs. This is reflected in the St. Lucie Project's Statement of Net Assets as Restricted Cash and Investments ($44 million) and Accrued Decommissioning Expense ($42 million) at September 30, 2007. These amounts are to be used for the sole purpose of paying the St. Lucie nuclear decommissioning costs. Based on a 2005 site-specific study approved by the Florida Public Service Commission in 2005, Unit 2's decommissioning costs are estimated to be $3.779 billion (in 2004 dollars), and FMPA's share is estimated to be $331 million (in 2004 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.

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.

2. Crystal River Unit 3

As a service to six of the minority owners of the Crystal River Unit 3 (CR3) Power Plant, U.S. Bank acts as Trustee for their share of CR3's decommissioning liability. FMPA manages the investment of the monies collected from the participants in the Decommissioning Trust. This is reflected in the Agency Fund Balance Sheet as Restricted Cash and Investments and Accrued Decommissioning Expense, for the sole purpose of paying CR3's nuclear decommissioning costs for these owners. There is approximately $24 million in the accounts at September 30, 2007.

IV. Capital Assets

A description and summary as of September 30, 2007, of Capital Assets by fund and project, is as follows:

A. Agency Fund

The Agency Fund contains the general plant assets of the Agency that are not associated with specific projects. Depreciation of general plant 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:

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

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

IV. Capital Assets (continued)

A. Agency Fund (continued)

The activity for the Agency's general plant assets for the year ended September 30, 2007 was as follows:

	September 30, 2007			
	Beginning Balance	*Increases*	*Decreases*	*Ending Balance*
		(000's US$)		
General Plant	$ 6,107	$ 185	$ (12)	$ 6,280
				0
General Plant in Service	$ 6,107	$ 185	$ (12)	$ 6,280
Less Accumulated Depreciation	(2,056)	(412)		(2,468)
General Plant in Service, Net	$ 4,051	$ (227)	$ (12)	$ 3,812

B. 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 and declining balance methods 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 asset activity for the year ended September 30, 2007 was as follows:

	September 30, 2007			
	Beginning Balance	*Increases*	*Decreases*	*Ending Balance*
		(000's US$)		
Electric Plant	$ 195,878	$ 9,521	$ (651)	$ 204,748
General Plant	1,208			1,208
Nuclear Fuel	9,633	4,349	(1,224)	12,758
Electric Utility Plant in Service	$ 206,719	$ 13,870	$ (1,875)	$ 218,714
Less Accumulated Depreciation	(119,046)	(10,389)	302	(129,133)
Utility Plant in Service, Net	$ 87,673	$ 3,481	$ (1,573)	$ 89,581

C. 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.

IV. Capital Assets (continued)

C. Stanton Project (continued)

Depreciation of plant assets is computed using the straight-line and declining balance methods over the expected useful life of the different plant assets. Expected useful lives of the assets are:

- Electric Plant 40 years
- Computer Equipment 9 years
- Land is included in the electric plant component on a non-depreciable cost basis

Stanton Unit 1 plant asset activity for the year ended September 30, 2007, was as follows:

	September 30, 2007			
	Beginning Balance	*Increases*	*Decreases*	*Ending Balance*
		(000's US$)		
Electric Plant	$ 71,370	$ 1,727	$ (516)	$ 72,581
General Plant	112		(1)	111
Electric Utility Plant in Service	$ 71,482	$ 1,727	$ (517)	$ 72,692
Less Accumulated Depreciation	(32,768)	(1,985)		(34,753)
Utility Plant in Service, Net	$ 38,714	$ (258)	$ (517)	$ 37,939

D. All-Requirements Project

The All-Requirements Project's current utility plant assets include 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.

The All-Requirements Project's current utility plant assets also consist of 100% ownership in Key West Stock Island Unit 4 which accounts for $25.4 million of capital assets and the Treasure Coast Energy Center that is currently under construction.

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.

Depreciation of plant assets is computed using the straight-line and declining balance methods 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
- Key West Stock Island Unit 4 23 years
- Indian River Units A, B, C and D 23 years
- Computer Equipment 9 years

IV. Capital Assets (continued)

D. All-Requirements Project (continued)

All-Requirements plant asset activity for the year ended September 30, 2007 was as follows:

	September 30, 2007							
		Beginning Balance		*Increases*		*Decreases*		*Ending Balance*
				(000's US$)				
Electric Plant	$	284,563	$	3,088	$	(1,426)	$	286,225
General Plant		2,619		95		(6)		2,708
Construction Work in Progress		72,600		152,044		(6,703)		217,941
Electric Utility Plant in Service	$	359,782	$	155,227	$	(8,135)	$	506,874
Less Accumulated Depreciation		(86,324)				(10,102)		(96,426)
Utility Plant in Service, Net	$	273,458	$	155,227	$	(18,237)	$	410,448

E. 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 and declining balance methods over the expected useful life of the different assets. Expected useful lives of the assets are:

- Electric Plant 40 years
- Computer Equipment 9 years
- Land is included in the electric plant component on a non-depreciable cost basis

Tri-City Project plant asset activity for the year ended September 30, 2007 was as follows:

	September 30, 2007							
		Beginning Balance		*Increases*		*Decreases*		*Ending Balance*
				(000's US$)				
Electric Plant	$	29,347	$	631	$	(200)	$	29,778
General Plant		36						36
Electric Utility Plant in Service	$	29,383	$	631	$	(200)	$	29,814
Less Accumulated Depreciation		(13,549)		(807)				(14,356)
Utility Plant in Service, Net	$	15,834	$	(176)	$	(200)	$	15,458

F. 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.

IV. Capital Assets (continued)

F. Stanton II Project (continued)

Depreciation of plant assets is computed using the straight-line and declining balance methods over the expected useful life of the different assets. Expected useful lives of the assets are:

- Electric Plant 40 years
- Computer Equipment 9 years
- Land is included in the electric plant component on a non-depreciable cost basis

Stanton Unit 2 plant asset activity for the year ended September 30, 2007 was as follows:

	September 30, 2007			
	Beginning Balance	*Increases*	*Decreases*	*Ending Balance*
		(000's US$)		
Electric Plant	$ 169,964	$ 1,636	$ (419)	$ 171,181
General Plant	159	4		163
Electric Utility Plant in Service	$ 170,123	$ 1,640	$ (419)	$ 171,344
Less Accumulated Depreciation	(46,809)	(4,343)		(51,152)
Utility Plant in Service, Net	$ 123,314	$ (2,703)	$ (419)	$ 120,192

V. Cash, Cash Equivalents and Investments

FMPA assumes that its callable investments will be called for yield calculation purposes. Cash, cash equivalents and investments are discussed separately below.

A. Cash and Cash Equivalents

At September 30, 2007, FMPA's Cash and Cash Equivalents consisted of demand accounts, Florida State Board of Administration (SBA) money market accounts, two other 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, the State Board of Administration and with one commodity dealer. All of FMPA's demand deposits at September 30, 2007 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.

B. Investments

FMPA adheres to a Board adopted investment policy based on the requirements of the bond resolutions. The policy requires diversification based upon investment type and 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, 2007 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.

V. Cash, Cash Equivalents and Investments (continued)

B. Investments (continued)

Foreign Currency Risk

FMPA's Investments are not exposed to foreign currency risk.

Interest-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. All project funds and accounts are monitored using weighted average maturity analysis as well as maturity date restrictions.

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 the Agency's assets. For the last five years, FMPA has not invested more than 35% of any one project in commercial paper. All commercial paper must be rated in the highest rating category by a nationally recognized bond rating agency at the time of purchase. Money market funds rated in the highest rating category are allowed as well as those collateralized with specific high-quality instruments. These investments must not exceed 25% for any of FMPA's funds or projects. As of September 30, 2007, fixed income commercial paper investments, held by FMPA from any one issuer (investments issued or explicitly guaranteed by the US Government, investments in mutual funds, external investment pools and other pooled investments are excluded) that represent 5% or more of the projects' investment assets are listed below:

Agency Fund	
Centrestar Capital	8.68%
La Fayette Asset	10.41%
Thames Asset	8.68%
Pooled Loan Fund	
Natixi	5.50%
Romulus Funding	5.99%
UBS Financial	18.55%
St. Lucie Project	
None	
Stanton Project	
GECC	7.48%
All-Requirements Project:	
Belmont Funding	9.06%
Centrestar Corp	7.51%
TSL Inc.	6.44%
Stanton II Project	
GECC	7.48%
Tri-City Project	
GECC	7.19%

V. Cash, Cash Equivalents and Investments (continued)

B. Investments (continued)

FMPA maintains all assets other than demand deposit accounts within a trust department of a bank or with the State Board of Administration. 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, 2007 are as follows:

	September 30, 2007	Weighted Average Maturity (Days)	Credit Rating
Restricted (Crystal River 3)	*(000's US$)*		
Cash and Cash Equivalents	$ 828		
US Gov't/Agency Securities	13,053	1,923	Aaa/AAA/AAA
Commercial Paper	10,266	1	A1/P1/F1
Total Restricted	$ 24,147		
Unrestricted			
Cash and Cash Equivalents	$ 1,390		
US Gov't/Agency Securities	5,183	818	Aaa/AAA/AAA
Commercial Paper	2,801	60	A1/P1/F1
Total Unrestricted	$ 9,374		
Total	$ 33,521		

2. Pooled Loan Fund

The Pooled Loan Fund is invested in accordance with the Note Resolution provisions. The Fund invests in agencies, treasuries, commercial paper, bankers' acceptances, the SBA 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 one to 270-day time frame. Pooled Loan fund proceeds are invested at direction of the borrower or participant. 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 as indicated above for specific borrowers and are not exposed as uncollateralized or uninsured balances.

Cash, cash equivalents and investments on deposit for the Pooled Loan Fund at September 30, 2007, are as follows:

	September 30, 2007	Weighted Average Maturity (Days)	Credit Rating
Restricted	*(000's US$)*		
Cash and Cash Equivalents	$ 18,007		
US Gov't/Agency Securities	39,080	334	Aaa/AAA/AAA
Commercial Paper	25,692	122	A1/P1/F1
Total Restricted	$ 82,779		
Total	$ 82,779		

V. Cash, Cash Equivalents and Investments (continued)

B. Investments (continued)

3. St. Lucie Project

In addition to normal operational cash needs for the project, investments are being accumulated in order to pay-off the balloon maturity of the Project's debt in 2023. The primary investments being used for this are zero coupon municipal bonds. Cash, cash equivalents and investments for the St. Lucie Project at September 30, 2007, are as follows:

	September 30, 2007	Weighted Average Maturity (Days)	Credit Rating
Restricted	*(000's US$)*		
Cash and Cash Equivalents	$ 1,349		
US Gov't/Agency Securities	27,938	2,755	Aaa/AAA/AAA
Municipal Bonds	16,727	6,208	AAA
Commercial Paper	29,298	7	A1/P1/F1
Total Restricted	$ 75,312		
Unrestricted			
Cash and Cash Equivalents	$ 4,219		
US Gov't/Agency Securities	18,423	1,708	Aaa/AAA/AAA
Municipal Bonds	3,605	4,847	AAA
Commercial Paper	42,321	39	A1/P1/F1
Total Unrestricted	$ 68,568		
Total	$ 143,880		

4. Stanton Project

Cash, cash equivalents and investments for the Stanton Project at September 30, 2007, are as follows:

	September 30, 2007	Weighted Average Maturity (Days)	Credit Rating
Restricted	*(000's US$)*		
Cash and Cash Equivalents	$ 3,804		
US Gov't/Agency Securities	8,668	1,949	Aaa/AAA/AAA
Commercial Paper	1,655	52	A1/P1/F1
Total Restricted	$ 14,127		
Unrestricted			
Cash and Cash Equivalents	$ 3,414		
US Gov't/Agency Securities	12,873	1,927	Aaa/AAA/AAA
Commercial Paper	1,012	73	A1/P1/F1
Total Unrestricted	$ 17,299		
Total	$ 31,426		

V. Cash, Cash Equivalents and Investments (continued)

B. Investments (continued)

5. All-Requirements Project

Cash, cash equivalents and investments for the All-Requirements Project at September 30, 2007, are as follows:

	September 30, 2007	Weighted Average Maturity (Days)	Credit Rating
Restricted	*(000's US$)*		
Cash and Cash Equivalents	$ 30,845		
US Gov't/Agency Securities	63,234	270	Aaa/AAA/AAA
Commercial Paper	45,914	66	A1/P1/F1
Total Restricted	$ 139,993		
Unrestricted			
Cash and Cash Equivalents	$ 56,438		
US Gov't/Agency Securities	9,806	1,341	Aaa/AAA/AAA
Commercial Paper	19,974	17	A1/P1/F1
Options/Futures	(7,978)		Aa1/AA-/Aa
Total Unrestricted	$ 78,240		
Total	$ 218,233		

6. Tri-City Project

Cash, cash equivalents and investments for the Tri-City Project at September 30, 2007 are as follows:

	September 30, 2007	Weighted Average Maturity (Days)	Credit Rating
Restricted	*(000's US$)*		
Cash and Cash Equivalents	$ 2,586		
US Gov't/Agency Securities	4,148	662	Aaa/AAA/AAA
Commercial Paper	692	1	A1/P1/F1
Total Restricted	$ 7,426		
Unrestricted			
Cash and Cash Equivalents	$ 1,419		
US Gov't/Agency Securities	1,889	1,189	Aaa/AAA/AAA
Commercial Paper	-		A1/P1/F1
Total Unrestricted	$ 3,308		
Total	$ 10,734		

V. Cash, Cash Equivalents and Investments (continued)

B. Investments (continued)

7. Stanton II Project

Cash, cash equivalents and investments for the Stanton II Project at September 30, 2007 are as follows:

		September 30, 2007	Weighted Average Maturity (Days)	Credit Rating
Restricted		*(000's US$)*		
Cash and Cash Equivalents	$	6,415		
US Gov't/Agency Securities		7,989	787	Aaa/AAA/AAA
Commercial Paper		1,851	60	A1/P1/F1
Total Restricted	$	16,255		
Unrestricted				
Cash and Cash Equivalents	$	4,019		
US Gov't/Agency Securities		20,446	1,283	Aaa/AAA/AAA
Commercial Paper		1,966	77	A1/P1/F1
Total Unrestricted	$	26,431		
Total	$	42,686		

VI. Derivative Financial Instruments

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

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 Securities Industry and Financial Markets Municipal Swap Index (SIFMA) formerly 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.

Credit Risk

The swap agreements are subject to credit risk. All of the counterparties have credit ratings of at least A2/A/A by two or more nationally recognized credit rating organizations. The maximum loss due to credit risk as of September 30, 2007 is listed, by project, in the tables that follow. As part of the swap agreements, if the provider's 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 if the value of the termination payment exceeds certain threshold levels. Conversely, the Agency would have to post collateral for the same reason in some circumstances.

For the 2003 B-1 & 2003 B-2 and the 2004 issue, 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. Prior to 2003, the payment amounts are netted out on each payment date on a weekly basis on

VI. Derivative Financial Instruments (continued)

A. Swap Agreements (continued)

Credit Risk (continued)

the St. Lucie Project. On the All-Requirements Project the floating rate payments are paid to FMPA every 7 days, and FMPA pays the provider twice annually. The 2004, 2005, and 2006 swap agreements provide for monthly netted payments.

The Agency has approved a Debt Management Policy with regard to derivatives whereby approval is required of the appropriate project participants and our financial advisor, 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 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 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. Depending on the special terms of the swap agreement, collateral may have to be posted.

Basis Risk

Basis risk exists on the swap agreements other than those that are tied to the CPI Index. 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 following tables as of September 30, 2007. These amounts vary with changes in the market. The swaps 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. The Agency also has an optional right to terminate with certain notice requirements for swap agreements completed in 2005 and 2006.

Rollover Risk

The Agency is exposed to rollover risk on swaps that may be terminated prior to the maturity of the associated debt. If these swaps are terminated prior to the maturity of the bonds, the Agency will not realize the synthetic fixed rate offered by the swaps on the underlying debt issues. New swaps entered into at the time of termination of the old swaps will likely carry different rates and terms.

VI. Derivative Financial Instruments (continued)

A. Swap Agreements (continued)

1. St. Lucie Project

Swaps Currently Effective
(000's US$)

Notional Amount	Effective Date	Fixed Rate Paid	Variable Rate Received	Termination Date	Fair Value**	Counterparty	Counterparty Credit Rating
Series 2000							
$ 17,150	7/3/2006	3.444%	72% LIBOR*	10/1/2021	$ 532	Merrill Lynch	Aa3/AA-/AA-
Series 2002							
$ 27,200	7/1/2005	4.140%	SIFMA Swap*	7/1/2011	$ (596)	Morgan Stanley	Aa3/AA-/AA-
27,200	7/3/2006	4.240%	SIFMA Swap*	7/1/2010	(518)	Morgan Stanley	Aa3/AA-/AA-
27,200	7/2/2007	3.481%	72% LIBOR*	10/1/2021	742	Merrill Lynch	Aa3/AA-/AA-
27,200	7/1/2005	4.140%	SIFMA Swap*	7/1/2011	(605)	Citibank	Aa2/AA/AA+
27,200	7/1/2006	4.240%	SIFMA Swap*	7/1/2010	(508)	Citibank	Aa2/AA/AA+
27,200	7/2/2007	3.481%	72% LIBOR*	10/1/2021	742	Goldman Sachs	A1/AA-/AA-
8,525	7/3/2006	3.444%	72% LIBOR*	10/1/2021	264	Goldman Sachs	A1/AA-/AA-
73,125	7/3/2006	3.444%	72% LIBOR*	10/1/2021	2,267	Merrill Lynch	Aa3/AA-/AA-
$ 244,850					$ 1,788		

*floating to fixed
**() denotes that termination value payable to the dealer if swap had been terminated 9/30/07

Swaps to Become Effective at Future Dates

Notional Amount	Effective Date	Fixed Rate Paid	Variable Rate Received	Termination Date	Fair Value**	Counterparty	Counterparty Credit Rating
$ 27,200	7/1/2010	3.595%	72% LIBOR*	10/1/2021	$ 634	Merrill Lynch	Aa3/AA-/AA-
27,200	7/1/2011	3.632%	72% LIBOR*	10/1/2021	579	Merrill Lynch	Aa3/AA-/AA-
27,200	7/1/2010	3.595%	72% LIBOR*	10/1/2021	634	Goldman Sachs	A1/AA-/AA-
27,200	7/1/2011	3.632%	72% LIBOR*	10/1/2021	579	Goldman Sachs	A1/AA-/AA-
$ 108,800					$ 2,426		

*floating to fixed
** ( ) denotes that termination value payable to dealer if swap had been terminated 9/30/07.

2. Stanton Project

Swaps Currently Effective
(000's US$)

Notional Amount	Effective Date	Fixed Rate Paid	Variable Rate Received	Termination Date	Fair Value**	Counterparty	Counterparty Credit Rating
Series 1997							
$ 10,890	10/1/2006	4.003%	72% LIBOR*	10/1/2019	$ (292)	Bank of America	Aaa/AA/AA+
Series 2000							
$ 4,425	10/1/2006	4.022%	72% LIBOR*	10/1/2019	$ (126)	JP Morgan Chase	Aaa/AA/AA-
Series 2003							
$ 19,925	7/9/2003	3.478%	72% LIBOR*	10/1/2019	$ 374	JP Morgan Chase	Aaa/AA/AA-

*floating to fixed
**() denotes that termination value payable to the dealer if swap had been terminated 9/30/07

VI. Derivative Financial Instruments (continued)

A. Swap Agreements (continued)

3. All-Requirements Project

Swaps Currently Effective
(000's US$)

Notional Amount	*Effective Date*	*Fixed Rate Paid*	*Variable Rate Received*	*Termination Date*	*Fair Value***	*Counterparty*	*Counterparty Credit Rating*
Series 2000							
$ 20,125	10/1/2006	3.669%	72% LIBOR*	10/1/2025	$ 270	UBS	Aaa/AA+/AA+
Series 2000-1							
$ 30,000	10/1/2006	3.667%	72% LIBOR*	10/1/2030	$ 568	JP Morgan Chase	Aaa/AA/AA-
Series 2000-2							
$ 25,000	10/1/2006	3.709%	72% LIBOR*	10/1/2030	$ 341	Bear Stearns	A1/A+/A+
15,000	10/1/2006	3.667%	72% LIBOR*	10/1/2030	284	JP Morgan Chase	Aaa/AA/AA-
$ 40,000					$ 625		
Series 2003-B1							
$ 35,650	7/9/2003	3.581%	72% LIBOR*	10/1/2025	$ 111	JP Morgan Chase	Aaa/AA/AA-
Series 2003-B2							
$ 54,825	7/9/2003	4.077%	BMA Swap*	10/1/2025	$ (2,024)	Citibank	Aa2/AA/AA+
Series 2006A							
$ 6,250	3/30/2006	3.720%	CPI Rate + .63	10/1/2013	$ (229)	Merrill Lynch	Aa3/AA-/AA-
6,580	3/30/2006	3.790%	CPI Rate + .70	10/1/2014	(261)	Merrill Lynch	Aa3/AA-/AA-
7,935	3/30/2006	3.860%	CPI Rate + .77	10/1/2015	(318)	Merrill Lynch	Aa3/AA-/AA-
6,980	3/30/2006	3.910%	CPI Rate + .81	10/1/2016	(281)	Merrill Lynch	Aa3/AA-/AA-
6,245	3/30/2006	3.720%	CPI Rate + .63	10/1/2013	(232)	Morgan Stanley	Aa3/AA-/AA-
6,580	3/30/2006	3.790%	CPI Rate + .70	10/1/2014	(260)	Morgan Stanley	Aa3/AA-/AA-
7,930	3/30/2006	3.860%	CPI Rate + .77	10/1/2015	(317)	Morgan Stanley	Aa3/AA-/AA-
5,175	3/30/2006	3.910%	CPI Rate + .81	10/1/2016	(210)	Morgan Stanley	Aa3/AA-/AA-
$ 53,675					$ (2,108)		
Series 2006B-1							
$ 55,447	10/1/2006	3.698%	72% LIBOR*	10/1/2027	$ 405	Merrill Lynch	Aa3/AA-/AA-
Series 2006B-2							
$ 55,447	10/1/2006	3.701%	72% LIBOR*	10/1/2027	$ 385	Goldman Sachs	A1/AA-/AA-
Series 2006B-3							
$ 55,447	10/1/2006	3.649%	72% LIBOR*	10/1/2027	$ 690	Morgan Stanley	Aa3/AA-/AA-
Series 2006B-4							
$ 10,387	10/1/2006	3.656%	72% LIBOR*	10/1/2026	$ 79	Bear Stearns	A1/A+/A+
19,900	10/1/2006	3.665%	72% LIBOR*	10/1/2026	198	Bear Stearns	A1/A+/A+
868	10/1/2006	3.612%	72% LIBOR*	10/1/2026	10	JP Morgan Chase	Aaa/AA/AA-
23,300	10/1/2006	3.737%	72% LIBOR*	10/1/2035	199	Wachovia	Aa1/AA
$ 54,455					$ 486		
Series 2006C							
$ 45,000	10/1/2006	5.175%	100% LIBOR*	10/1/2025	$ 533	Wachovia	Aa1/AA

*floating to fixed
**() denotes that termination value payable to the dealer if swap had been terminated 9/30/07

VI. Derivative Financial Instruments (continued)

A. Swap Agreements (continued)

3. All Requirements Project (continued)

Swaps to Become Effective at Future Dates
(000's US$)

Notional Amount	Effective Date	Fixed Rate Paid	Variable Rate Received	Termination Date	Fair Value**	Counterparty	Counterparty Credit Rating
Bonds Authorized							
Series Not Yet Designated							
$ 55,000	10/1/2008	3.820%	72% LIBOR*	10/1/2026	$ 88	UBS	Aaa/AA+/AA+
50,000	10/1/2015	3.849%	72% LIBOR*	10/1/2045	612	Calyon	Aa1/AA-/Aa
50,000	10/1/2015	3.829%	72% LIBOR*	10/1/2045	684	Bank of America	Aaa/AA/AA+
50,000	10/1/2015	3.816%	72% LIBOR*	10/1/2045	731	Bank of New York	Aaa/AA-/AA-
50,000	10/1/2015	3.819%	72% LIBOR*	10/1/2045	721	Bear Stearns	A1/A+/A+
50,000	10/1/2015	3.800%	72% LIBOR*	10/1/2045	789	Citibank	Aa2/AA/AA+
50,000	10/1/2015	3.794%	72% LIBOR*	10/1/2045	811	Dexia	Aa1/AA/AA+
50,000	10/1/2015	3.714%	72% LIBOR*	10/1/2045	1,101	Goldman Sachs	A1/AA-/AA-
50,000	10/1/2015	3.690%	72% LIBOR*	10/1/2045	1,187	JP Morgan Chase	Aaa/AA/AA-
50,000	10/1/2015	3.788%	72% LIBOR*	10/1/2045	833	Lehman	A1/A+/Aa-
50,000	10/1/2015	3.846%	72% LIBOR*	10/1/2045	624	Merrill Lynch	Aa3/AA-/AA-
50,000	10/1/2015	3.805%	72% LIBOR*	10/1/2045	771	Morgan Stanley	Aa3/AA-/AA-
50,000	10/1/2015	3.793%	72% LIBOR*	10/1/2045	814	Sun Trust	Aa2/AA-/A+
50,000	10/1/2015	3.699%	72% LIBOR*	10/1/2045	1,155	Wachovia	Aa1/AA
50,000	10/1/2015	3.774%	72% LIBOR*	10/1/2045	883	Wells Fargo	Aa1/AA+/AA
$ 755,000					$ 11,804		

*floating to fixed
** ( ) denotes that termination value payable to dealer if swap had been terminated 9/30/07.

4. Stanton II Project

Swaps Currently Effective
(000's US$)

Notional Amount	Effective Date	Fixed Rate Paid	Variable Rate Received	Termination Date	Fair Value**	Counterparty	Counterparty Credit Rating
Series 2000							
$ 17,425	10/1/2006	4.041%	72% LIBOR*	10/1/2027	$ (498)	Bank of America	Aaa/AA/AA+
23,300	10/1/2006	4.071%	72% LIBOR*	10/1/2027	(746)	JP Morgan Chase	Aaa/AA/AA-
$ 40,725					$ (1,244)		
Series 2002							
$ 1,040	4/30/2002	3.770%	CPI Rate + 1.14	10/1/2008	$ 14	Morgan Stanley	Aa3/AA-/AA-
1,415	4/30/2002	3.940%	CPI Rate + 1.27	10/1/2009	13	Morgan Stanley	Aa3/AA-/AA-
1,490	4/30/2002	4.060%	CPI Rate + 1.35	10/1/2010	9	Morgan Stanley	Aa3/AA-/AA-
3,220	4/30/2002	4.170%	CPI Rate + 1.39	10/1/2011	12	Morgan Stanley	Aa3/AA-/AA-
1,730	4/30/2002	4.260%	CPI Rate + 1.40	10/1/2012	0	Morgan Stanley	Aa3/AA-/AA-
$ 8,895					$ 48		
Series 2004							
$ 29,350	8/5/2004	3.863%	72% LIBOR*	10/1/2027	$ (168)	Bank of America	Aaa/AA/AA+
29,350	8/5/2004	3.863%	72% LIBOR*	10/1/2027	(176)	UBS	Aaa/AA+/AA+
$ 58,700					$ (344)		

*floating to fixed
**() denotes that termination value payable to the dealer if swap had been terminated 9/30/07

VI. Derivative Financial Instruments (continued)

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, 2007, had futures and options contracts outstanding in the following amounts, covering the fiscal years 2007 through 2012.

Fiscal Year Ending	Futures	Thousands of mmBtu Put Options	Call Options	Net Contracts	Fair Market Value at 9/30/2007 *(000's US$)*
2008	1,547	(362)	362	1,547	$ (6,986)
2009	727			727	(394)
2010	57			57	(154)
2011	9			9	43
2012	3			3	17
	2,343	(362)	362	2,343	$ (7,474)

Although the Agency marks every position to market daily for management reporting purposes, it does not actively 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 2007, the Agency recorded a realized net loss of $36.5 million.

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.

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, 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.

VII. Regulatory Assets (Net Costs Recoverable Due From/Due To Future Participants)

FMPA is subject to the accounting requirements of FASB Statement No. 71, *Accounting for the Effects of Certain Types of Regulation.* Billing rates are established by the Board of Directors and are designed to fully recover each project's costs over the life of the project, but not necessarily in the same year that costs are recognized under generally accepted accounting principles (GAAP). Instead of GAAP costs, annual participant billing rates are structured to systematically recover current debt service requirements, operating costs and certain reserves that provide a level rate structure over the life of the project which is equal to the amortization period. Accordingly, certain project costs are classified as deferred on the accompanying Statement of Net Assets as a regulatory asset, titled "Net Costs Recoverable from Future Participant Billings", until such time as they are recovered in future rates. Types of deferred costs include depreciation and amortization in excess of bond principal payments, prior capital construction interest cost, bond issuance costs and gains/losses resulting from debt restructuring.

In addition, certain billings recovering costs of future periods have been recorded as a regulatory liability or as a reduction of deferred assets on the accompanying Statement of Net Assets. Types of deferred revenues include billings for certain reserve funds and related interest earnings in excess of expenditures from those funds, and billings for nuclear fuel purchases in advance of their use.

VIII. Restricted Net Assets

Bond resolutions require that certain designated amounts from bond proceeds and project revenues be deposited into designated funds. These funds are to be used for specific purposes and certain restrictions define the order in which available funds may be used. Other restrictions require minimum balances or accumulation of balances for specific purposes. At September 30, 2007, all FMPA projects were in compliance with requirements of the bond resolution.

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, 2007 are as follows:

(000's US$)

	Agency Fund	Pooled Loan Project	St. Lucie Project	Stanton Project	All-Req Project	Tri-City Project	Stanton II Project
Debt Service Funds	$ -	$ -	$ 17,866	$ 8,386	$ 25,236	$ 6,408	$ 11,081
Reserve & Contingency Funds			14,126	5,819	115,113	1,051	5,241
Decomissioning Fund	24,243		43,629				
Project Fund		81,622					
Revenue Fund		1,407					
Loans Receivable*		62,293					
Commercial Paper Notes		(142,865)					
Accrued Interest on Long-Term Debt		(497)	(214)	(1,237)	(5,744)	(662)	(2,150)
Other Liabilities		(1,960)					
Accrued Decommissioning Expenses	(24,243)		(41,571)				
Less Undistributed Proceeds					(108,648)		
Total Restricted Net Assets	$ -	$ -	$ 33,836	$ 12,968	$ 25,957	$ 6,797	$ 14,172

*2007 net of undistributed proceeds of $80,398 in Pooled Loan Project

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

VIII. Restricted Net Assets (continued)

principal and interest requirement of the fixed rate issues or 10% of the original bond proceeds.

- Reserve and Contingency Funds are restricted for payment of major renewals, replacements, repairs, additions, betterments and improvements for capital assets.

- If, at any time, the Debt Service Fund is below the current debt requirement and there are not adequate funds in the General Reserve Fund to resolve the deficiency, funds will be transferred from the Reserve and Contingency Fund to the Debt Service Fund.

- Decommissioning Funds are restricted and are funded for the payment of costs related to the decommissioning, removal and disposal of FMPA's ownership on nuclear power plants.

- Project Funds are restricted under the terms of the Pooled Loan agreements, and are used for the acquisition, construction and capitalized interest, as specified by the participants.

- Revenue Funds are restricted under the terms of outstanding Pooled Loan resolutions.

- Loans Receivable Funds are restricted under the terms of outstanding Pooled Loan agreements.

IX. 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, 2007, is as follows:

1. Agency Fund

	2007 (000's US$)				
Business-Type Activities	**Beginning Balance**	**Increases**	**Decreases**	**Ending Balance**	**Amounts Due Within One Year**
Pooled Loan 1999	$ 2,230	$	$ (130)	$ 2,100	$ 135

IX. Long-Term Debt (continued)

A. Debt (continued)

1. Agency Fund (continued)

Loans Payable to Pooled Loan Fund

The Agency Fund has one loan payable to the Pooled Loan Fund at September 30, 2007. Interest is payable monthly at a variable rate tied to the interest rates paid on the Pooled Loan Fund debt. Interest rate on the loan varied from 3.53% to 3.78% during fiscal year 2007. The loan is payable in 12 annual principal payments ranging from $135,000 to $220,000 with the final payments due July 1, 2019.

2. Pooled Loan Fund

FMPA is authorized to issue commercial paper notes with the credit support from Wachovia Bank N.A. The commercial paper is used to fund 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 issued.

At September 30, 2007, the outstanding commercial paper notes total $143 million. The commercial paper notes bear interest at a rate that varies periodically as determined by the dealer and remarketed at prevailing market rates.

	2007 (000's US$)				
Business-Type Activities	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year*
Commercial Paper Notes	$ 55,274	$ 100,312	$ (12,721)	$ 142,865	$ 0

*Amounts due within one year equals zero due to commercial paper being remarketed.

Interest is paid periodically, ranging from 1 to 270 days. During the fiscal year ended September 30, 2007, interest rates ranged from 3.49% to 3.82%.

The commercial paper notes are further collateralized by an irrevocable long-term letter of credit with Wachovia Bank N.A. in an amount sufficient to pay the outstanding principal plus 65 days accrued interest at an assumed rate of 10%. The letter of credit expires August 22, 2009, with an annual extension unless Wachovia Bank N.A. gives notice during the 60-day period prior to August 22, 2008. At September 30, 2007, 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, 2007.

IX. Long-Term Debt (continued)

A. Debt (continued)

3. St. Lucie Project

	2007 (000's US$)				
Business-Type Activities	**Beginning Balance**	**Increases**	**Decreases**	**Ending Balance**	**Amounts Due Within One Year**
Revenue Bonds					
Refunding 2000	$ 17,150	$ -	$ -	$ 17,150	$ -
Refunding 2002	244,850			244,850	
Less Deferred Refundings And Discounts	(43,152)	3,074		(40,078)	
Total Revenue Bonds	$ 218,848	$ 3,074	$ -	$ 221,922	$ -
Other Liabilities					
Pooled Loan		15,600		15,600	$ -
Less Undistributed Proceeds		(694)		(694)	
Pooled Loan	$ 0	$ 14,906	$ -	$ 14,906	$ -
Total Business-Type Activities	$ 218,848	$ 17,980	$ -	$ 236,828	$ -

The variable interest rates ranged between 3.25% and 3.85% for the year ended September 30, 2007.

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%.

Loans Payable to Pooled Loan Fund

The St. Lucie Project has one loan payable to the Pooled Loan Fund at September 30, 2007. 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 3.53% to 3.78% during the fiscal year. The balance is due in 20 annual principal payments ranging from $472,000 to $1,192,000, with the final payment due October 1, 2027. This loan is subordinate to the other debt of the project.

IX. Long-Term Debt (continued)

A. Debt (continued)

4. Stanton Project

Business-Type Activities	2007 (000's US$) Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year*
Revenue Bonds					
Refunding 1997	$ 10,890	$ -	$ -	$ 10,890	$ -
Refunding 2000	4,425			4,425	
Refunding 2002	37,500		(2,985)	34,515	3,105
Refunding 2003	19,950		(25)	19,925	25
Less Deferred Premiums					
And Discounts	(2,794)	332		(2,462)	
Total Revenue Bonds	$ 69,971	$ 332	$ (3,010)	$ 67,293	$ 3,130
Other Liabilities					
Pooled Loan #1	$ 5,805	$ -	$ -	$ 5,805	$ 340
Pooled Loan #2	752			752	50
Total Net Pooled Loans	$ 6,557	$ -	$ -	$ 6,557	$ 390
Wachovia Bank Taxable	1,438			1,438	91
Total Other Liabilities	$ 7,995	$ -	$ -	$ 7,995	$ 481
Total Business-Type Activities	$ 77,966	$ 332	$ (3,010)	$ 75,288	$ 3,611

*Amounts due within one year reflect payments due at October 1

The variable interest rates ranged from 3.42% to 3.95% for the year ended September 30, 2007.

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.

Loans Payable to Pooled Loan Fund

The Stanton Project has two loans payable to the Pooled Loan Fund at September 30, 2007. 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 3.53% to 3.78% during fiscal year ended September 30, 2007. The first loan payable balance is due in 12 annual principal payments ranging from $340,000 to $655,000, with the final payment due October 1, 2018. The second loan balance is due in 12 annual principal payments ranging from $50,000 to $80,000 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 entered into a taxable loan with Wachovia Bank to finance a partial interest in the brine plant facility at the Stanton Energy Center.

IX. Long-Term Debt (continued)

A. Debt (continued)

5. All-Requirements Project

Business-Type Activities	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year*
	2007 (000's US$)				
Revenue Bonds					
Refunding Jun 2000	$ 20,125	$ -	$ -	$ 20,125	$ -
Aug 2000	70,000			70,000	
Refunding Jul 2003A	52,535		(4,835)	47,700	5,080
Refunding Jul 2003B	90,650		(175)	90,475	150
Mar 2006A	125,020			125,020	2,640
Refunding Jul 2006B	225,825			225,825	
Mar 2006C	45,000			45,000	
Less Deferred Refundings And Discounts	(10,978)	592		(10,386)	
Total Revenue Bonds	$ 618,177	$ 592	$ (5,010)	$ 613,759	$ 7,870
Other Liabilities					
Pooled Loans					
Pooled Loan #1	$ -	$ 56,312	$ -	$ 56,312	$ -
Pooled Loan #2		8,400		8,400	
Less Undistributed Proceeds		(47,630)		(47,630)	
Total Net Pooled Loans	$ -	$ 17,082	$ -	$ 17,082	$ -
Taxable Loans					
Wachovia Taxable #1	$ 1,132	$ -	$ -	$ 1,132	71
Wachovia Taxable #2	4,683			4,683	1,087
Total Taxable Loans	$ 5,815	$ -	$ -	$ 5,815	$ 1,158
Total Other Liabilities	$ 5,815	$ 17,082	$ -	$ 22,897	$ 1,158
Total Business-Type Activities	$ 623,992	$ 17,674	$ (5,010)	$ 636,656	$ 9,028

*Amounts due within one year reflect payments due October 1, 2007.

The variable interest rates ranged from 3.30% to 5.30% for the year ended September 30, 2007.

The Series 2000, 2000-1, 2000-2, 2003B-1, 2003B-2, 2006B, and 2006C 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 2003A and 2007 A Bonds are not subject to redemption prior to maturity.

Loans Payable to Pooled Loan Fund

The All-Requirements Project completed two borrowings from the Pooled Loan Fund during the year. The first for $56 million was to finance the purchase of a Combustion Turbine to be installed on a site for commercial operation in 2011, and the second was to finance enhancements to the Treasure Coast Energy Center currently under construction. Interest is payable monthly using the variable rate tied to the interest rates paid on the Pooled Loan Fund debt. Interest rates on the loans varied from 3.53% to 3.78% during fiscal year ended September 30, 2007.The first loan payable balance is due in 25 annual principal payments ranging from $1,180,000 to $3,805,000, with the final payment due on October 1, 2034. The second loan payable balance is due in 25 annual principal payments ranging from $176,000 to 568,000, with the final payment due October 1, 2023. These loans are subordinate to the other debt of the project.

IX. Long-Term Debt (continued)

A. Debt (continued)

5. All-Requirements Project (continued)

Loans Payable to Wachovia Bank

In December 2003, the All-Requirements Project entered into a taxable loan with Wachovia Bank to finance a partial interest in the brine plant facility at the Stanton Energy Center. 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.

Line of Credit

The All-Requirements Project approved a total Line of Credit of $100 million with Wachovia Bank. At September 30, 2007, $1,000 was outstanding and classified as part of current portion of Pooled Loans and Notes Payable. Subsequent to year-end, Wachovia Bank extended the Line of Credit for an additional year. The Line of Credit will now mature in November 2008.

6. Tri-City Project

	2007 (000's US$)				
Business-Type Activities	**Beginning Balance**	**Increases**	**Decreases**	**Ending Balance**	**Amounts Due Within One Year***
Revenue Bonds					
Refunding Jun 2003	$ 34,935	$ -	$ (2,040)	$ 32,895	$ 2,075
Less Deferred Refundings					
And Discounts	(3,908)	519		(3,389)	
Total Revenue Bonds	$ 31,027	$ 519	$ (2,040)	$ 29,506	$ 2,075
Other Liabilities					
Pooled Loans					
Pooled Loan #1	$ 2,080	$ -	$ -	$ 2,080	$ 125
Pooled Loan #2	270			270	18
Total Net Pooled Loans	$ 2,350	$ -	$ -	$ 2,350	$ 143
Taxable Loans					
Wachovia Taxable	$ 514	$ -	$ -	$ 514	32
Total Taxable Loans	$ 514	$ -	$ -	$ 514	$ 32
Total Other Liabilities	$ 2,864	$ -	$ -	$ 2,864	$ 175
Total Business-Type Activities	$ 33,891	$ 519	$ (2,040)	$ 32,370	$ 2,250

*Amounts due within one year reflect payments due October 1, 2007. Pooled loans and Wachovia Bank taxable loans are due on or before October 1 and the current portion was paid September 29th 2007 and recorded during fiscal year 2007. As a result of this payment, the current portion for fiscal year 2007 annual statement is zero. The next scheduled payment is October 1, 2008.

IX. Long-Term Debt (continued)

A. Debt (continued)

6. Tri-City Project (continued)

Loans Payable to Pooled Loan Fund

The Tri-City Project has two loans payable to the Pooled Loan Fund at September 30, 2007. 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 3.53% to 3.78% during fiscal year 2007. The loans have payable balances due in 12 annual principal payments ranging from $125,000 to $235,000 and $18,000 to $29,000 respectively, with the final payments due October 1, 2018. These loans are subordinate to other debt of the project.

Loan Payable to Wachovia Bank

In December, 2003, the Tri-City Project entered into a taxable loan with Wachovia Bank to finance a partial interest in the brine plant facility at the Stanton Energy Center.

7. Stanton II Project

	2007 (000's US$)				
Business-Type Activities	**Beginning Balance**	**Increases**	**Decreases**	**Ending Balance**	**Amounts Due Within One Year***
Revenue Bonds					
Refunding 2000	$ 40,725	$ -	$ -	$ 40,725	$ -
Refunding 2002	76,215		(3,120)	73,095	3,230
Refunding 2003	16,060		(1,110)	14,950	1,130
Refunding 2004	58,700		(50)	58,650	
Less Deferred Premiums And Discounts	(15,007)	1,104		(13,903)	
Total Revenue Bonds	$ 176,693	$ 1,104	$ (4,280)	$ 173,517	$ 4,360
Other Liabilities					
Pooled Loans					
Pooled Loan	$ 1,180	$ -	$ -	$ 1,180	$ 78
Total Net Pooled Loans	$ 1,180	$ -	$ -	$ 1,180	$ 78
Taxable Loans					
Wachovia Taxable	$ 2,254	$	$	$ 2,254	$ 142
Total Taxable Loans	$ 2,254	$ 0	$ 0	$ 2,254	$ 142
Total Other Liabilities	$ 3,434	$ 0	$ 0	$ 3,434	$ 220
Total Business-Type Activities	$ 180,127	$ 1,104	$ (4,280)	$ 176,951	$ 4,580

*Amounts due within one year reflect payments due October 1. Long-term loans are due on or before October 1 and were paid September 29, 2007. The current portion was paid and recorded during fiscal year 2007. As a result of this payment, the current portion for fiscal year 2007 is zero. The next scheduled payment is October 1, 2008.

The variable interest rates on the bonds ranged from .07% to 6.63% for the year ended September 30, 2007.

The Series 2000 and 2004 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 whereas the series 2003A bonds are not subject to early redemption.

IX. Long-Term Debt (continued)

A. Debt (continued)

7. Stanton II Project (continued)

The Stanton II Project has one loan payable to the Pooled Loan Fund as of September 30, 2007, 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 3.53% to 3.78% during the fiscal year ended September 30, 2007.

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 Energy Center.

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.

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, 2007 are as follows:

Dated	Description	Defeased Portion Amount Originally Issued	Balance at September 30, 2007
		(000's US$)	
May 1983	St. Lucie Project Revenue Bonds, Series 1983	$280,075	$ 26,185

IX. Long-Term Debt (continued)

D. Annual Requirements

The annual cash flow debt service requirements to amortize the non-current portion of long-term bond debt outstanding as of September 30, 2007, are as follows:

(000's US$)

Fiscal Year Ending September	St. Lucie Project	Interest Rate Swaps, Net	Stanton Project	Interest Rate Swaps, Net	All-Req Project	Interest Rate Swaps, Net	Tri-City Project	Stanton II Project	Interest Rate Swaps, Net	Totals
2008	$ -	$ 10,018	$ 4,883	$ 1,307	$ 13,188	$ 19,520	$ 3,398	$ 8,178	$ 4,285	$ 64,777
2009		9,855	4,878	1,306	21,618	19,514	3,407	8,113	4,283	72,974
2010		9,855	4,881	1,305	21,768	19,510	3,397	8,188	4,241	73,145
2011		9,767	4,885	1,304	21,754	19,503	3,405	8,245	4,182	73,045
2012		9,435	4,885	1,303	21,867	19,495	3,401	8,307	4,119	72,812
2013		9,228	4,858	1,303	21,958	19,487	3,412	8,439	3,982	72,667
2014 - 2018		46,139	32,230	6,188	117,320	91,452	17,011	46,524	18,917	375,781
2019 - 2023	262,000	36,911	18,105	1,000	139,450	69,443	6,803	47,732	15,727	597,171
2024 - 2028					214,000	36,426		87,770	11,326	349,522
2029 - 2033					46,250	5,345				51,595
2034 - 2036					9,700	976				10,676
Total Principal & Interest	$ 262,000	$ 141,208	$ 79,605	$ 15,016	$ 648,873	$ 320,671	$ 44,234	$ 231,496	$ 71,062	$ 1,814,165
Less:										
Interest		141,208	9,850	15,016	24,728	320,671	11,339	44,076	71,062	637,950
Unamortized Loss on refunding	40,078		3,318		15,248		4,798	14,737		78,179
Add:										
Unamortized Premium (Discount), net			856		4,862		1,409	834		7,961
Total Net Debt Service Requirement at September 30, 2007	$ 221,922	$ -	$ 67,293	$ -	$ 613,759	$ -	$ 29,506	$ 173,517	$ -	$ 1,105,997

Variable rates for the Stanton CPI Bonds averaged 5.44%; the All-Requirements CPI Bonds averaged 4.559% in fiscal year 2007.

This table includes the long-term portion of the revenue bonds, the current portion has already been deposited in debt service sinking funds and accordingly excluded from the above table.

X. 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	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

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 2012 as shown below:

Project	2008	2009	2010	2011	2012
			(thousands of tons)		
Stanton Project	143	135	105	95	24
All-Requirements Project	159	150	116	105	26
Tri-City Project	51	51	37	34	8
Stanton II Project	224	224	164	148	37

X. Commitments and Contingencies (continued)

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 and Project Support 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-Requirements Project, a Power Supply Contract was entered into providing for the participant's total power requirements (except for certain excluded resources). 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. During 2006, the Price Anderson Act was extended for twenty years. 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 $100.59 million per reactor 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 $15 million per reactor and adjusts the payout for inflation in the future. FMPA is liable for its ownership interest of any assessment made against St. Lucie Unit 2 under this plan.

- On December 19, 1999, FMPA (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.

X. Commitments and Contingencies (continued)

B. Other Agreements (continued)

1. St. Lucie Project (continued)

- During 2003, nuclear utilities identified 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. 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 monitor and perform inspections during the scheduled refueling outages. Due to costs and outage impacts associated with potential leaks, FPL has repaired St. Lucie Unit 2's pressurizer heater sleeve penetrations and will replace the St. Lucie Unit 2's steam generator and reactor vessel head during the refueling outage scheduled for the fall of 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, 2007 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 (except for certain excluded resources). 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 (000's US$)
Progress Energy Florida	12/31/2010	$	8,831
Florida Power & Light	5/31/2013		11,412
Lakeland Electric	12/14/2007		757
Calpine Energy Services	12/31/2009		20,000
Southern Company-Florida	9/3/2013		37,475
Oleander 5 Purchase	12/16/2027		201,856
Total Minimum Liability		$	280,331

X. Commitments and Contingencies (continued)

B. Other Agreements (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 several commitments for natural gas transportation services to supply fuel to its owned and leased generation facilities. Below are the current commitments:

Pipeline	Daily Volume (mmBtu/day)	Annual Cost (000's US$)	Expiration	Primary Delivery Usage
Fl Gas Transmission	12,500	$ 3,508	2015	Cane Island
Fl Gas Transmission	12,500	3,508	2021	Cane Island
Fl Gas Transmission	7,300	1,024	2072	Treasure Coast
Fl Gas Transmission	15,324	2,996		Ft. Pierce/ Treasure Coast
Gulfstream Natural Gas	10,000	2,154	2013	Cane Island
Florida Public Utility		720	2033	Lake Worth
		$ 13,910		

- 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 entered into commitments for natural gas transportation with both Florida Gas Transmission (10,000 mmBtu/day with an annual cost of $2.8 million) and TECO-Peoples Gas (up to 20,000 mmBtu/day with an annual minimum bill charge of $.75 million) for additional transportation capacity to the planned Treasure Coast Energy Center. These commitments are not effective until May 2008.

- The All-Requirements Project has entered into two storage contracts with SG Resources Mississippi LLC, for 500,000 mmBtu of capacity in the Southern Pines Storage facility. These contracts will not be effective until August 1, 2008 and September 1, 2010, and have a term of 10 years. The total notional value of these contracts is $6.2 million at September 30, 2007.

X. Commitments and Contingencies (continued)

B. Other Agreements (continued)

2. All-Requirements Project (continued)

- The All-Requirements Project has entered into a take and pay contract with Florida Gas Utility for approximately 5,600 mmBtu per day or firm natural gas supply . This natural gas is priced at a first of the month discounted index price. This contract will not be effective until December 1, 2008 and has a term of 20 years with a notional value of $165 million at September 30, 2007.

- The All-Requirements Project has entered into a natural gas deal for physical gas purchases with Florida Gas Utility that extends through September 2010. Under this agreement, the All-Requirements Project will purchase a specific amount of gas with a total notional value of approximately $63.6 million as of September 30, 2007.

- 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 completed construction in Key West, Florida (Stock Island) of a 47 MW low sulfur oil-fired combustion turbine power plant. This plant is owned by FMPA and operated by Keys Energy Services, the municipal electric utility serving Key West and the lower Florida Keys.

- FMPA has acquired land in Ft. Pierce, Florida for a future generation site for a natural gas power plant. The Treasure Coast Energy Center Unit 1 has a total budget not to exceed $274 million. Permitting activities are complete and construction on this facility commenced in August 2006. As of September 30, 2007, $202 million has been spent. Commercial Operation is expected to begin in May of 2008

- The All-Requirements Project has extended a dispatching service contract with Orlando Utilities Commission (OUC) through March 2011. This contract provides the necessary services to balance load to generation and ensure a safe and reliable operation. FMPA's estimated cost for this service is estimated to be $725,900 per year, not adjusted for inflation.

- On January 30, 2007, the All-Requirements Project signed a contract service agreement with General Electric International, Inc. The service agreement obligation coincides with the declaration of commercial operation for Unit 1 at the Treasure Coast Energy Center. The term of the contract is the earlier of 15 years or first major inspection. The current termination payment is $2,445,000.

- The City of Starke and the City of Green Cove Springs have each given FMPA notice pursuant to Section 2 of the All-Requirements Power Supply Project Contract that the term of their respective contracts will not renew automatically each year after the initial contract term. The terms of their respective contracts are now fixed; Starke's contract terminates on October 1, 2036, and Green Cove Springs' contract terminates on October 1, 2037.

X. Commitments and Contingencies (continued)

B. Other Agreements (continued)

2. All-Requirements Project (continued)

- 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), a Georgia nonprofit corporation. 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. 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.

  FMPA has entered into two separate Production Sharing Agreements that obligate FMPA to pay as a component of gas operations expense its share of all costs incurred by the related PGP Pool until all related PGP or participant debt has been paid and the last volumes have been delivered. In addition, PGP has the option, with at least six months' notice, to require FMPA to prepay for its share of pool costs, which may be financed by FMPA through the issuance of bonds or some other form of long-term financing. The PSAs include a step-up provision that FMPA has entered into two separate Natural Gas Production Sharing Agreements could obligate FMPA to increase its participation share in the pool by up to 25% in the event of default of another member.

  On November 1, 2004 FMPA entered into a PSA as a 21.97% participant of PGP Gas Supply Pool No. 1 (PGP Pool #1). PGP Gas Supply Pool No. 1 was formed by all of the participants. PGP Pool No.1 has targeted an initial supply portfolio capable of producing 68,000 mmBtu per day of natural gas or 248 Bcf over a ten year period. In January 2006, PGP Pool #1 purchased natural gas reserves for $269 million. This acquisition was financed through the issuance of interim debt issued by PGP. FMPA's share of this transaction is approximately $60 million.

  As of October 2, 2007, PGP was authorized to bid $74 million (plus related contingency payments and closing costs) to purchase additional gas reserves for PGP Pool #1. If successful, FMPA's share of these would be approximately $16 million.

  On October 1, 2005, FMPA entered into a PSA as a 25.90% participant of PGP Gas Supply Pool No. 2 (PGP Pool #2). PGP Gas Supply Pool No. 2 was formed to participate in specific transactions that have different acquisition criteria than PGP Pool #1. PGP Pool #2 has a total expenditure limit of $200 million with FMPA's share being $52 million as authorized by the Board (before step-up provisions which would increase ARP's commitment to a maximum of $65 million). The other members of PGP Pool #2, along with FMPA, include Municipal Gas Authority of Georgia, Patriots Energy Group, Southeast Alabama Gas District and Tennessee Energy Acquisition Corporation.

  PGP Pool #2 completed several additional acquisitions of natural gas reserves in fiscal year 2007. Through September 30, 2007, PGP had entered into total investments (acquisition cost and capital development commitments) in these projects of approximately $120 million. FMPA's share of PGP #2 is approximately $31 million.

X. Commitments and Contingencies (continued)

B. Other Agreements (continued)

2. All-Requirements Project (continued)

As of October 2, 2007 PGP was authorized to submit bids totaling $29 million (plus related contingency payments and closing costs) to purchase additional gas reserves for PGP Pool #2. If successful, FMPA's share would be $7.5 million.

PGP filed an IRS Letter Ruling Request in September 2006. Once the IRS rules on the PGP request, it is anticipated that the participants will have the option to issue tax-exempt debt individually or as a group through PGP. A decision is anticipated to be made in 2008.

XI. Capacity and Energy Sales Contract

The All-Requirements Project has a contractual agreement with five member cities that own and operate generating facilities. These power plants are utilized by FMPA to meet the ARP power needs. The generating cities are compensated through capacity credits for power and reserves that they provide under the Capacity and Energy Sales Contracts between each city and FMPA.

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.

XII. Mutual Aid Agreement

The All-Requirements Project has agreed to extend its participation in a mutual aid agreement with seven other utilities for extended generator outages of a defined base-load generating unit. The participants include the city of Tallahassee, Gainesville Regional Utilities, JEA, Lakeland Electric, Orlando Utilities Commission, Municipal Electric Authority of Georgia, and Seminole Electric Cooperative, Inc. The All-Requirements Project has designated 120 MW's of Cane Island Unit 3 and 140 MW's of the Treasure Coast Energy Center. In the case of a qualifying failure, the All-Requirements Project will have the option to receive either 50% or 100% of the replacement of the designated MWs of the failed unit. The cost of replacement energy will be based on an identified gas index and heat rate in the agreement. In the event of any extended outage from any other participant, the All-Requirements Project would provide between 13 MW and 52 MW (based on the designation of the participant) for a maximum of nine months. This current agreement expires on October 7, 2012.

XIII. 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, excluding the General Manager and General Counsel, who become fully vested after six months of employment. FMPA's contribution is 10% of the individual's gross base salary

XIII. Employment Benefits (continued)

for the 401(a) plan. Total payroll for the year ended September 30, 2007 was $5.5 million, 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 $15,500 for 2007. Assets of both plans are held by ICMA Retirement Corporation, the Plan Administrator and Trustee.

Expenses for the Deferred Compensation Plan during fiscal years 2007 were $0 and expenses for the Defined Money Purchase Pension Plan were $450,757. 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.

FMPA also offers paid group health insurance to retired, full-time employees, with an employment start date prior to October 1, 2004 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 six retirees receiving this benefit. The cost to FMPA for fiscal year 2007 was approximately $54,957. Expenses for post- retirement health care benefits are recognized as premiums when due.

XIV. 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. FMPA elected to self-insure the Agency's risk for general liability. It is the opinion of general counsel that FMPA may enjoy sovereign immunity in the same manner as a municipality, as allowed by Florida Court of Appeals rulings. Under such rulings, Florida Statutes' limit of liability for claims or judgments by one person for general liability is $100,000 or a total of $200,000 for the same incident or occurrence. 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 Directors 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. The agency also has a Risk Management Department which reports to the CFO/Risk Manager. The objective of the Agency's risk management program is primarily to manage the impact of financial, operational and fuel price risks.

FMPA has created an Agency-Wide Risk Management Policy that addresses key risk areas including, but not limited to, energy, debt, investment, insurance, credit and contracts.

XV. 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, 2007 for each of the projects is as follows:

Project	Amount (000's US$)	
St. Lucie Project	$	366
All-Requirements Project		3,172
Tri-City Project		133
Stanton Project		2
Stanton II Project		556
Total	$	4,229

XVI. Related Party Transactions

A. Governing Members and Committees

Each of the 30 members of FMPA appoints a representative to FMPA's Board of Directors. The Board has responsibility for developing and approving FMPA's non All-Requirements Project budgets, 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 non-All-Requirements Project debt issued by FMPA. The Board elects a Chairman, Vice-Chairman, Secretary, and Treasurer. The Executive Committee consists of representatives from the fifteen members of the All-Requirements Project. The Executive Committee elects a Chariman, Vice-Chairman, Secretary and Treasurer. The Executive committee has sole responsibility for developing and approving FMPA's Agency Fund and All-Requirements budgets, and authorizes all debt issued by the Agency Fund and the All-Requirements Project.

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 Board of Directors.

B. Florida Gas Utility (FGU)

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

XVII. Subsequent Events

State of Florida SBA Fund

The Agency regularly invests money with the State of Florida SBA Investment Fund. On November 29, 2007, the SBA halted withdrawls from the fund. The total on deposit for all FMPA funds and projects at that time amounted to $11,700.

Supplementary Information
(unaudited)

SCHEDULE OF AMOUNTS DUE TO (FROM) PARTICIPANTS

RESULTING FROM BUDGET/ACTUAL VARIANCES
YEAR ENDED SEPTEMBER 30, 2007
(000's US$)

	Amended Budget	Actual	Variance Favorable (Unfavorable)
Agency Fund			
Received from projects	$ 10,356	$ 9,878	$ (478)
Received from member assessments	33	21	(12)
Interest income	60	551	491
Other income	-	6	6
	$ 10,449	$ 10,456	$ 7
General and administrative	$ 8,794	$ 8,736	$ 58
Interest expense	99	93	6
Depreciation & amortization expense	420	412	8
Contingency fund	75	4	71
	$ 9,388	$ 9,245	$ 143
Net Revenue	$ 1,061	$ 1,211	$ 150
St. Lucie Project			
Participant billing	$ 33,462	$ 34,329	$ 867
Reliability exchange contract sales	2,700	2,011	(689)
Interest income	5,725	6,956	1,231
	$ 41,887	$ 43,296	$ 1,409
Provision for purchase of future fuel core	$ 1,581	$ 3,354	$ (1,773)
Operation and maintenance, fuel	11,490	8,220	3,270
Spent fuel fees	706	359	347
Purchased power	2,275	3,199	(924)
Transmission service	380	363	17
General and administrative	2,746	2,346	400
Deposit to reserve and contingency fund	4,000	4,000	-
Deposit to decommissioning fund	2,225	2,526	(301)
Deposit to cost reduction fund	6,528	6,528	-
Deposit to debt service fund	9,956	10,780	(824)
	$ 41,887	$ 41,675	$ 212
Net Due to Participant Resulting from Budget/Actual Variances	$ -	$ 1,621	$ 1,621

Note: These schedules are prepared on budgetary basis and as such do not present the results of operations in accordance with generally accepted accounting principles.

SCHEDULE OF AMOUNTS DUE TO (FROM) PARTICIPANTS

RESULTING FROM BUDGET/ACTUAL VARIANCES
YEAR ENDED SEPTEMBER 30, 2007
(000's US$)

	Amended Budget	Actual	Variance Favorable (Unfavorable)
Stanton Project			
Participant billing & sales to others	$ 26,479	$ 27,246	$ 767
Interest income	870	1,256	386
	$ 27,349	$ 28,502	$ 1,153
Operation and maintenance, fuel	$ 14,875	$ 15,311	$ (436)
Transmission service	708	708	-
General and administrative	843	868	(25)
Deposit to debt service fund	7,040	6,520	520
Deposit to renewal and replacement fund	3,883	1,173	2,710
	$ 27,349	$ 24,580	$ 2,769
Net Due to Participant Resulting from Budget/Actual Variances	$ -	$ 3,922	$ 3,922
All-Requirements Project			
Participant billing & sales to others	$ 631,132	$ 602,843	$ (28,289)
Interest Income	4,500	6,659	2,159
	$ 635,632	$ 609,502	$ (26,130)
Operation and maintenance, fuel	$ 346,898	$ 308,021	$ 38,877
Purchased power	225,698	235,491	(9,793)
Transmission service	21,083	19,584	1,499
General and administrative	10,737	12,149	(1,412)
Deposit to reserve and contingency fund	2,990	1,048	1,942
Deposit to debt service fund	19,800	23,442	(3,642)
	$ 627,206	$ 599,735	$ 27,471
Net Due to Participant Resulting from Budget/Actual Variances	$ 8,426	$ 9,767	$ 1,341

Note: These schedules are prepared on budgetary basis and as such do not present the results of operations in accordance with generally accepted accounting principles.

SCHEDULE OF
AMOUNTS DUE TO (FROM) PARTICIPANTS
RESULTING FROM BUDGET/ACTUAL VARIANCES
YEAR ENDED SEPTEMBER 30, 2007
(*000's US$*)

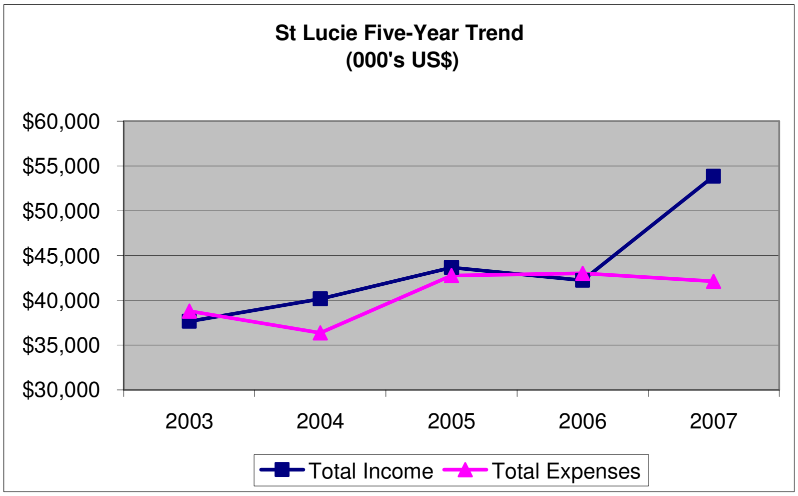
	Amended Budget	Actual	Variance Favorable (Unfavorable)
Tri-City Project			
Participant billing & sales to others	$ 10,800	$ 11,110	$ 310
Interest income	350	330	(20)
	$ 11,150	$ 11,440	$ 290
Operation and maintenance, fuel	$ 5,336	$ 5,508	$ (172)
Transmission service	294	289	5
General and administrative	473	491	(18)
Deposit to debt service fund	3,659	3,539	120
Deposit to renewal and replacement fund	1,388	433	955
	$ 11,150	$ 10,260	$ 890
Net Due to Participant Resulting from Budget/Actual Variances	$ -	$ 1,180	$ 1,180
Stanton II Project			
Participant billing & sales to others	$ 41,319	$ 41,815	$ 496
Interest income	1,070	1,680	610
	$ 42,389	$ 43,495	$ 1,106
Operation and maintenance, fuel	$ 23,096	$ 23,488	$ (392)
Transmission service	1,065	1,059	6
General and administrative	1,230	1,204	26
Deposit to debt service fund	12,867	12,613	254
Deposit to cost reduction fund	1,500	1,500	-
Deposit to renewal and replacement fund	2,631	1,239	1,392
	$ 42,389	$ 41,103	$ 1,286
Net Due to Participant Resulting from Budget/Actual Variances	$ -	$ 2,392	$ 2,392

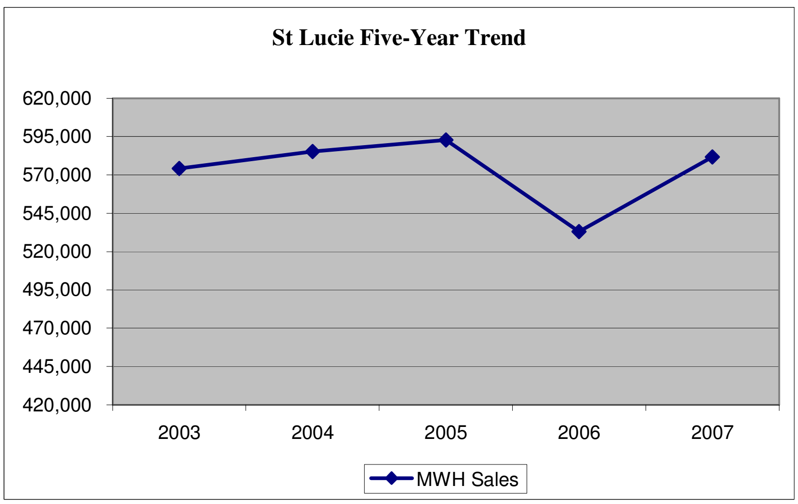
Note: These schedules are prepared on budgetary basis and as such do not present the results of operations in accordance with generally accepted accounting principles.

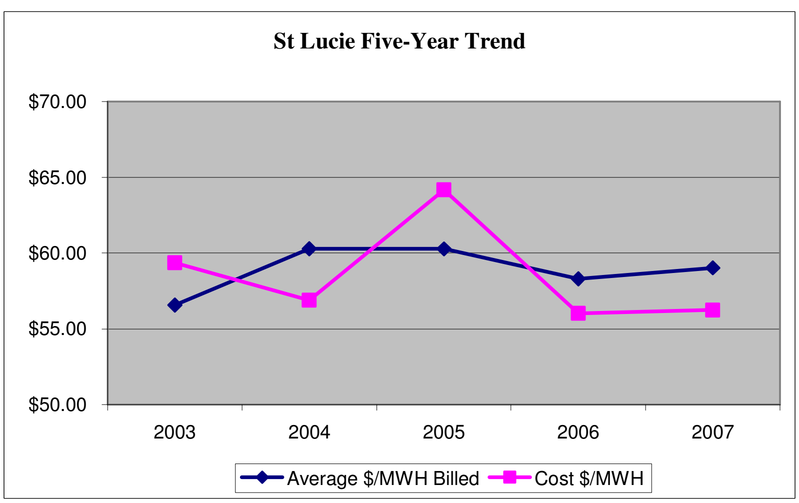
FIVE-YEAR TREND ANALYSIS BY PROJECT

	2003	2004	2005	2006	2007
(000's US$ except for MWH Sales and Average $/MWH)					
St. Lucie Project					
Capital Assets	$ 90,230	$ 87,715	$ 86,436	$ 87,673	$ 89,581
Total Assets	$ 240,167	$ 250,500	$ 255,464	$ 260,615	$ 279,178
Long-Term Debt	$ 209,628	$ 212,701	$ 215,775	$ 218,848	$ 236,828
Total Liabilities	$ 240,167	$ 250,500	$ 255,464	$ 260,615	$ 279,178
Billings to Participants	$ 32,481	$ 35,289	$ 35,726	$ 31,072	$ 34,329
Sales to Others	2,544	2,659	2,814	3,100	2,011
Total Operating Revenues	$ 35,025	$ 37,948	$ 38,540	$ 34,172	$ 36,340
Purchased Power	$ 2,517	$ 3,075	$ 2,370	$ 2,513	$ 3,199
Production-Nuclear	11,666	8,445	11,490	11,882	8,220
Nuclear Fuel Amortization	1,482	1,706	2,990	2,640	2,734
Transmission	409	380	371	363	363
General & Administrative	2,654	1,904	3,029	2,924	2,346
Depreciation & Decommissionin	9,438	10,251	10,947	9,700	11,317
Total Operating Expenses	$ 28,166	$ 25,761	$ 31,197	$ 30,022	$ 28,179
Net Operating Revenues	$ 6,859	$ 12,187	$ 7,343	$ 4,150	$ 8,161
Investment Income	$ 2,636	$ 2,205	$ 5,138	$ 8,063	$ 17,530
Total Other Income	$ 2,636	$ 2,205	$ 5,138	$ 8,063	$ 17,530
Interest Expense	$ 6,798	$ 6,757	$ 8,393	$ 9,822	$ 10,780
Amortization & Other Expense	3,820	3,841	3,175	3,175	3,175
Total Other Expenses	$ 10,618	$ 10,598	$ 11,568	$ 12,997	$ 13,955
Net Income (Loss)	$ (1,123)	$ 3,794	$ 913	$ (784)	$ 11,736
Net Cost Recovered (Credited) in the Future	(483)	(1,802)	(3,225)	2,007	(10,115)
Due from (to) Participants	1,606	(1,992)	2,312	(1,223)	(1,621)
Total Income	$ -	$ -	$ -	$ -	$ -
MWH Sales	574,206	585,329	592,719	532,970	581,598
Average $/MWH Billed	$ 56.57	$ 60.29	$ 60.27	$ 58.30	$ 59.03
Cost $/MWH	$ 59.36	$ 56.89	$ 64.18	$ 56.01	$ 56.24

FIVE-YEAR TREND ANALYSIS BY PROJECT



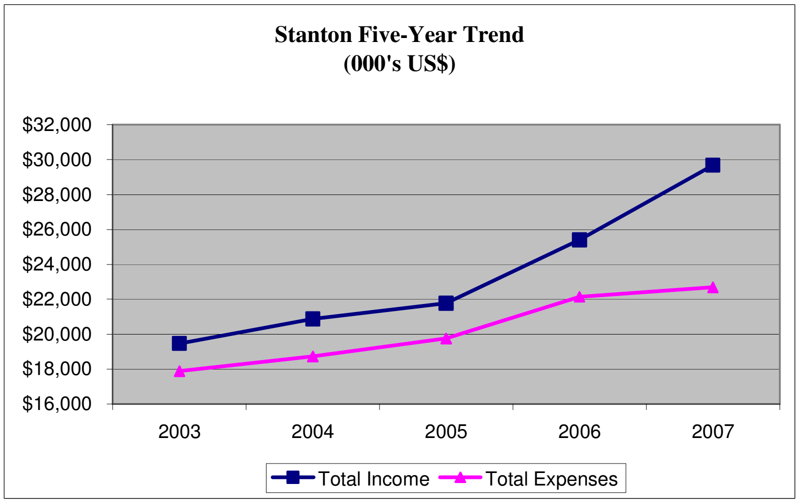


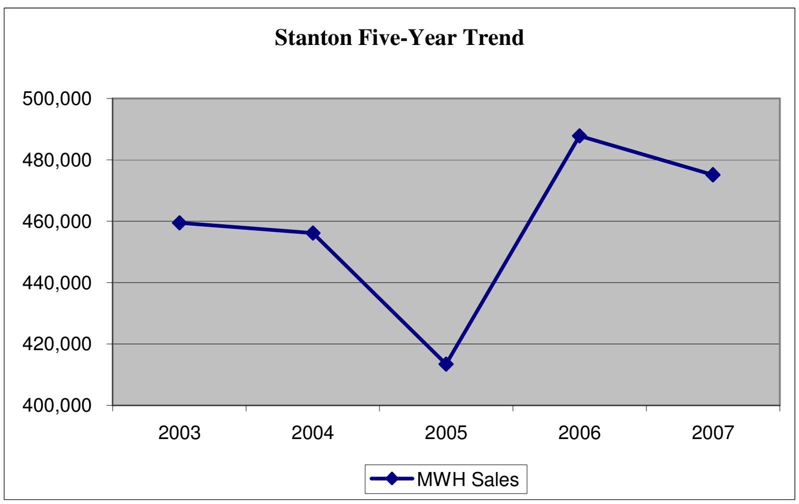


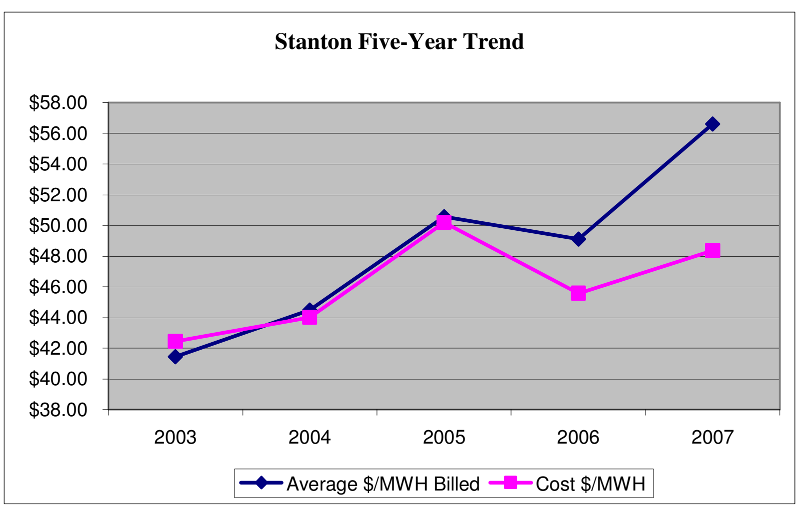
FIVE-YEAR TREND ANALYSIS BY PROJECT

	2003	2004	2005	2006	2007
(000's US$ except for MWH Sales and Average $/MWH)					
Stanton Project					
Capital Assets	$40,031	$40,490	$39,809	$38,714	$37,939
Total Assets	$86,277	$86,948	$83,749	$82,319	$81,751
Long-Term Debt	$74,572	$81,072	$78,074	$74,956	$71,677
Total Liabilities	$86,277	$86,948	$83,749	$82,319	$81,751
Billings to Participants	$19,041	$20,295	$20,906	$23,953	$26,896
Sales to Others	0	307	441	347	350
Total Operating Revenues	$19,041	$20,602	$21,347	$24,300	$27,246
Purchased Power					
Production-Steam	$ 3,372	$ 2,988	$ 4,035	$ 3,218	$ 3,738
Fuel Expense	7,715	8,483	8,725	11,577	11,573
Transmission	723	709	711	708	708
General & Administrative	610	835	629	873	868
Depreciation & Decommissionin	1,709	1,783	1,900	1,921	1,984
Total Operating Expenses	$14,129	$14,798	$16,000	$18,297	$18,871
Net Operating Revenues	$ 4,912	$ 5,804	$ 5,347	$ 6,003	$ 8,375
Investment Income	$ 433	$ 275	$ 416	$ 1,097	$ 2,431
Total Other Income	$ 433	$ 275	$ 416	$ 1,097	$ 2,431
Interest Expense	$ 3,206	$ 3,242	$ 3,284	$ 3,393	$ 3,390
Amortization & Other Expense	550	686	471	449	427
Total Other Expenses	$ 3,756	$ 3,928	$ 3,755	$ 3,842	$ 3,817
Net Income (Loss)	$ 1,589	$ 2,151	$ 2,008	$ 3,258	$ 6,989
Net Cost Recovered (Credited)					
in the Future	(2,055)	(1,933)	(1,853)	(1,534)	(3,067)
Due from (to) Participants	466	(218)	(155)	(1,724)	(3,922)
Total Income	$ -	$ -	$ -	$ -	$ -
MWH Sales	459,516	456,164	413,435	487,750	475,138
Average $/MWH Billed	$ 41.44	$ 44.49	$ 50.57	$ 49.11	$ 56.61
Cost $/MWH	$ 42.45	$ 44.01	$ 50.19	$ 45.57	$ 48.35

FIVE-YEAR TREND ANALYSIS BY PROJECT



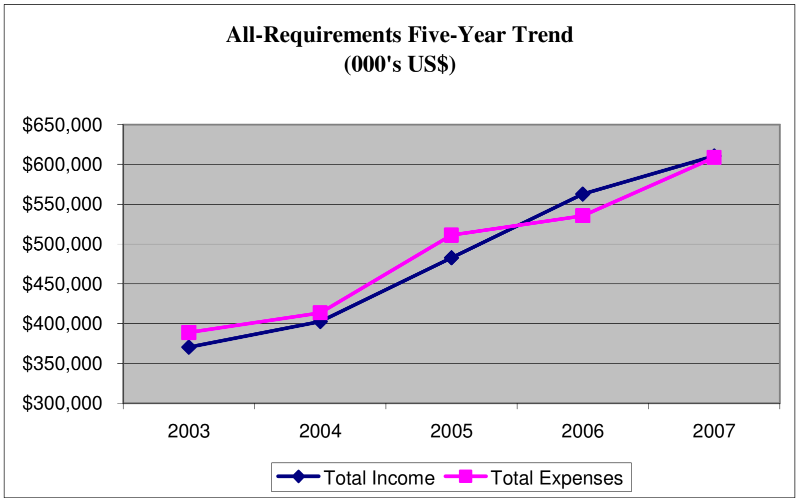


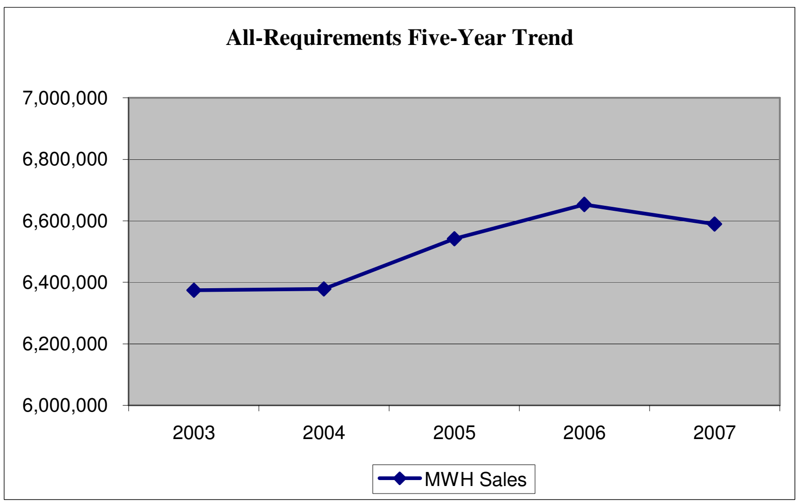


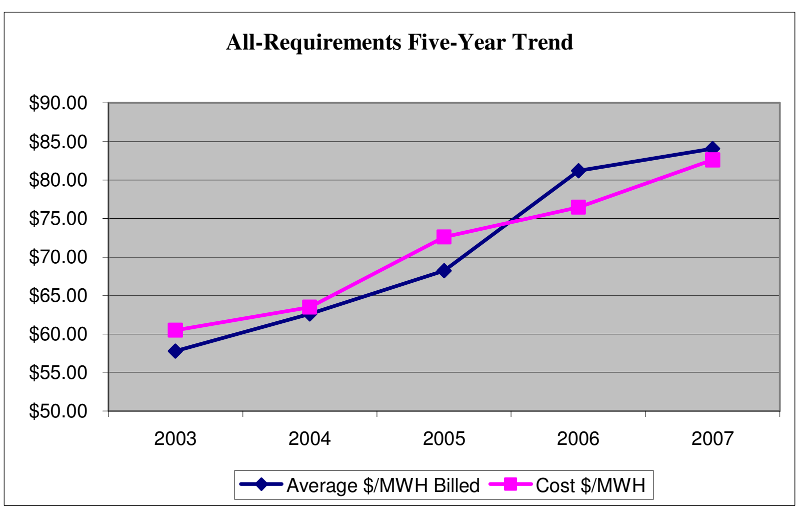
FIVE-YEAR TREND ANALYSIS BY PROJECT

	2003	2004	2005	2006	2007
(000's US$ except for MWH Sales and Average $/MWH)					
All-Requirements Project					
Capital Assets	$ 192,107	$ 185,788	$ 198,915	$ 273,458	$ 410,448
Total Assets	$ 316,958	$ 359,813	$ 448,656	$ 787,185	$ 771,429
Long-Term Debt	$ 228,275	$ 265,586	$ 270,756	$ 618,982	$ 627,629
Total Liabilities	$ 316,958	$ 359,813	$ 448,656	$ 787,185	$ 771,429
Billings to Participants	$ 368,157	$ 399,392	$ 446,433	$ 540,320	$ 554,066
Sales to Others	1,009	2,169	33,851	15,754	48,777
Total Operating Revenues	$ 369,166	$ 401,561	$ 480,284	$ 556,074	$ 602,843
Purchased Power	$ 164,552	$ 189,033	$ 243,497	$ 229,279	$ 235,491
Production-Steam	34,651	41,457	38,075	37,722	49,836
Fuel Expense	142,520	132,925	178,227	213,078	258,185
Transmission	18,908	21,428	20,832	20,755	19,584
General & Administrative	9,667	10,063	11,011	10,311	12,149
Depreciation & Decommissionin	8,633	9,353	9,360	10,213	10,102
Total Operating Expenses	$ 378,931	$ 404,259	$ 501,002	$ 521,358	$ 585,347
Net Operating Revenues	$ (9,765)	$ (2,698)	$ (20,718)	$ 34,716	$ 17,496
Investment Income	$ 1,176	$ 843	$ 2,322	$ 6,717	$ 7,848
Total Other Income	$ 1,176	$ 843	$ 2,322	$ 6,717	$ 7,848
Interest Expense	$ 8,413	$ 8,423	$ 9,384	$ 13,067	$ 16,395
Write-Off of Coal Project					$ 5,880
Amortization & Other Expense	1,468	988	793	843	891
Total Other Expenses	$ 9,881	$ 9,411	$ 10,177	$ 13,910	$ 23,166
Net Income (Loss)	$ (18,470)	$ (11,266)	$ (28,573)	$ 27,523	$ 2,178
Net Cost Recovered (Credited) in the Future	1,051	5,622	212	3,862	7,589
Due from (to) Participants	17,419	5,644	28,361	(31,385)	(9,767)
Total Income	$ -	$ -	$ -	$ -	$ -
MWH Sales	6,374,569	6,377,973	6,542,263	6,653,808	6,589,702
Average $/MWH Billed	$ 57.75	$ 62.62	$ 68.24	$ 81.20	$ 84.08
Cost $/MWH	$ 60.49	$ 63.51	$ 72.57	$ 76.49	$ 82.60

FIVE-YEAR TREND ANALYSIS BY PROJECT



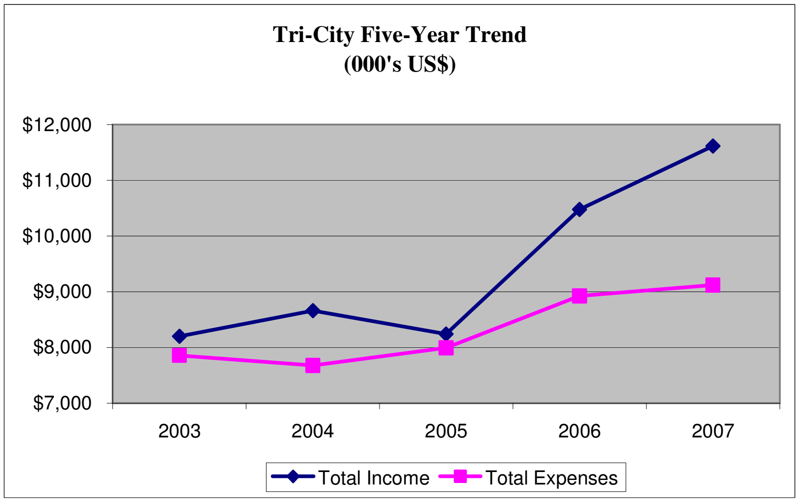


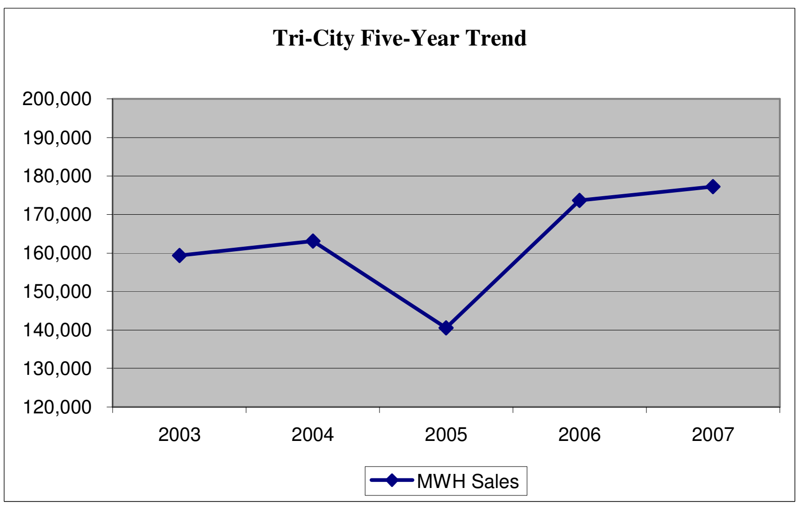


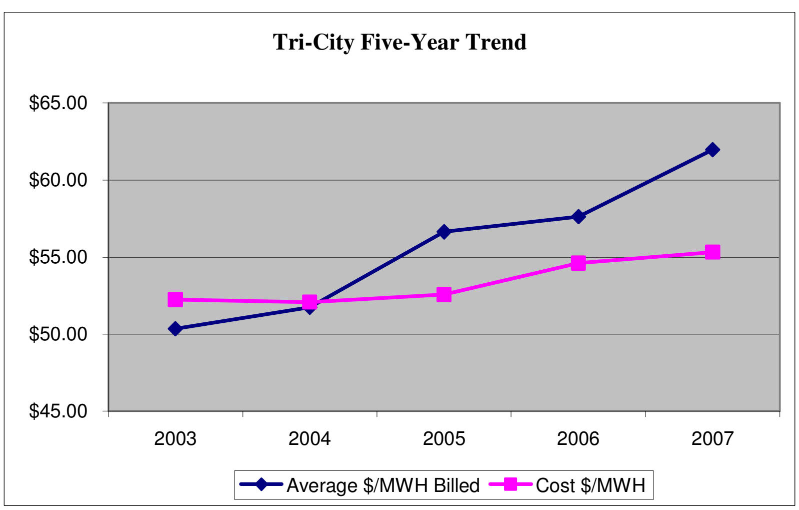
FIVE-YEAR TREND ANALYSIS BY PROJECT

	2003	2004	2005	2006	2007
(000's US$ except for MWH Sales and Average $/MWH)					
Tri-City Project					
Capital Assets	$ 16,595	$ 16,658	$ 16,324	$ 15,834	$ 15,458
Total Assets	$ 36,634	$ 38,302	$ 37,287	$ 35,659	$ 34,838
Long-Term Debt	$ 33,227	$ 35,080	$ 33,511	$ 31,851	$ 30,120
Total Liabilities	$ 36,634	$ 38,302	$ 37,287	$ 35,659	$ 34,838
Billings to Participants	$ 8,023	$ 8,439	$ 7,960	$ 10,006	$ 10,985
Sales to Others		110	158	124	125
Total Operating Revenues	$ 8,023	$ 8,549	$ 8,118	$ 10,130	$ 11,110
Purchased Power					
Production-Steam	$ 1,175	$ 1,107	$ 1,445	$ 1,152	$ 1,340
Fuel Expense	2,738	3,033	3,119	4,146	4,168
Transmission	291	290	290	289	289
General & Administrative	287	339	244	460	491
Depreciation & Decommissionin	706	731	767	783	806
Total Operating Expenses	$ 5,197	$ 5,500	$ 5,865	$ 6,830	$ 7,094
Net Operating Revenues	$ 2,826	$ 3,049	$ 2,253	$ 3,300	$ 4,016
Investment Income	$ 180	$ 110	$ 120	$ 349	$ 506
Total Other Income	$ 180	$ 110	$ 120	$ 349	$ 506
Interest Expense	$ 2,101	$ 1,503	$ 1,491	$ 1,488	$ 1,454
Amortization & Other Expense	556	672	638	604	569
Total Other Expenses	$ 2,657	$ 2,175	$ 2,129	$ 2,092	$ 2,023
Net Income (Loss)	$ 349	$ 984	$ 244	$ 1,557	$ 2,499
Net Cost Recovered (Credited) in the Future	(651)	(1,039)	329	(1,033)	(1,319)
Due from (to) Participants	302	55	(573)	(524)	(1,180)
Total Income	$ -	$ -	$ -	$ -	$ -
MWH Sales	159,373	163,082	140,549	173,668	177,238
Average $/MWH Billed	$ 50.34	$ 51.75	$ 56.64	$ 57.62	$ 61.98
Cost $/MWH	$ 52.24	$ 52.08	$ 52.56	$ 54.60	$ 55.32

FIVE-YEAR TREND ANALYSIS BY PROJECT



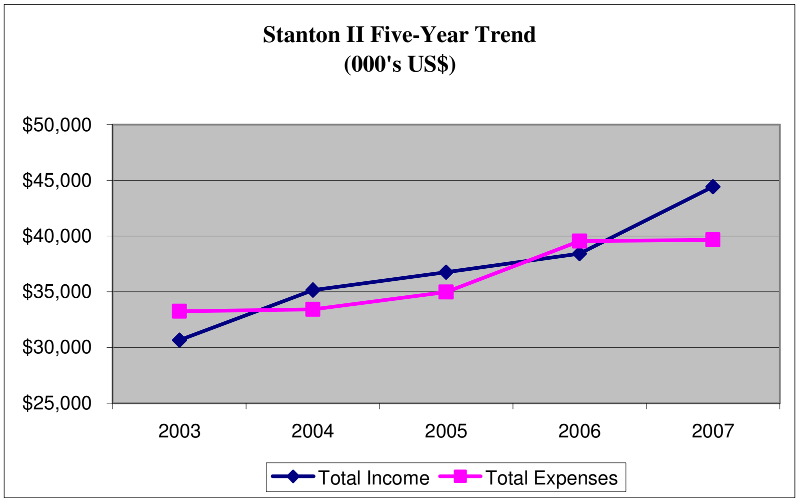


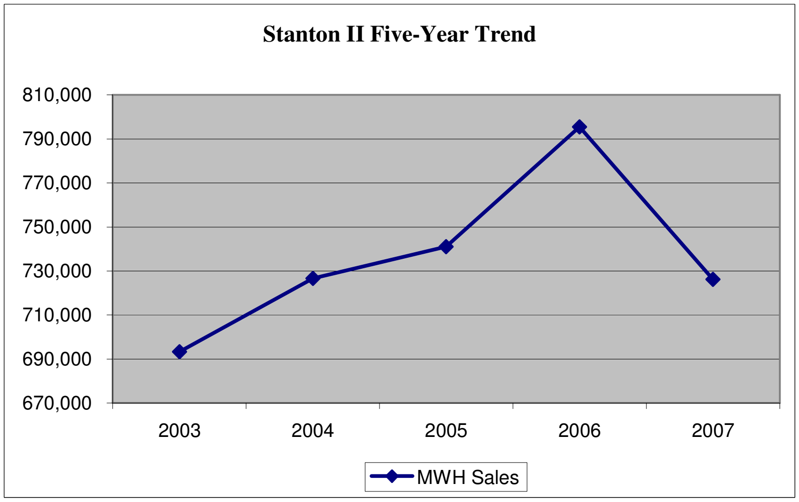


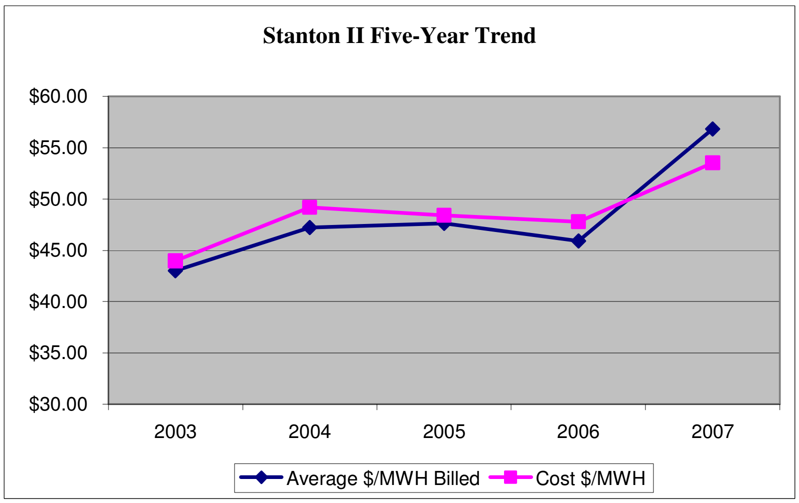
FIVE-YEAR TREND ANALYSIS BY PROJECT

	2003	2004	2005	2006	2007
(000's US$ except for MWH Sales and Average $/MWH)					
Stanton II Project					
Capital Assets	$ 127,559	$ 128,931	$ 127,357	$ 123,314	$ 120,192
Total Assets	$ 194,839	$ 197,764	$ 187,986	$ 184,893	$ 181,610
Long-Term Debt	$ 182,501	$ 183,383	$ 179,244	$ 175,848	$ 172,371
Total Liabilities	$ 194,839	$ 197,764	$ 187,986	$ 184,893	$ 181,610
Billings to Participants	$ 29,804	$ 34,324	$ 35,296	$ 36,524	$ 41,267
Sales to Others		481	691	544	548
Total Operating Revenues	$ 29,804	$ 34,805	$ 35,987	$ 37,068	$ 41,815
Production-Steam	$ 5,679	$ 4,517	$ 4,320	$ 5,015	$ 6,143
Fuel Expense	12,242	13,189	15,184	18,531	17,345
Transmission	1,065	1,060	1,062	1,059	1,059
General & Administrative	880	1,361	945	1,178	1,204
Depreciation & Decommissionin	4,057	4,124	4,343	4,309	4,344
Total Operating Expenses	$ 23,923	$ 24,251	$ 25,854	$ 30,092	$ 30,095
Net Operating Revenues	$ 5,881	$ 10,554	$ 10,133	$ 6,976	$ 11,720
Investment Income	$ 871	$ 359	$ 751	$ 1,351	$ 2,621
Total Other Income	$ 871	$ 359	$ 751	$ 1,351	$ 2,621
Interest Expense	$ 7,854	$ 7,509	$ 7,649	$ 8,044	$ 8,203
Amortization & Other Expense	1,485	1,656	1,454	1,407	1,360
Total Other Expenses	$ 9,339	$ 9,165	$ 9,103	$ 9,451	$ 9,563
Net Income (Loss)	$ (2,587)	$ 1,748	$ 1,781	$ (1,124)	$ 4,778
Net Cost Recovered (Credited) in the Future	1,915	(3,173)	(2,346)	(380)	(2,386)
Due from (to) Participants	672	1,425	565	1,504	(2,392)
Total Income	$ -	$ -	$ -	$ -	$ -
MWH Sales	693,272	726,604	740,975	795,551	726,163
Average $/MWH Billed	$ 42.99	$ 47.24	$ 47.63	$ 45.91	$ 56.83
Cost $/MWH	$ 43.96	$ 49.20	$ 48.40	$ 47.80	$ 53.53

FIVE-YEAR TREND ANALYSIS BY PROJECT







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Compliance Report

Purvis Gray & Company

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARD*

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

We have audited the financial statements of the business-type activities and each major fund of Florida Municipal Power Agency (the Agency) as of and for the year ended September 30, 2007, and have issued our report thereon dated January 11, 2008. 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.

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

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

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

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

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
2201 Cantu Court, Suite #100 • Sarasota, Florida 34232 • (941) 379-2800 • FAX (941) 379-2899
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

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARD*
(Concluded)

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

However, we noted certain matters that we report to the Agency's management in a separate letter dated January 11, 2008.

This report is intended solely for the information and use of the Board of Directors, management and the State of Florida Auditor General. It is not intended to be used, and should not be used by anyone other than these specified parties.

Purvis, Gray and Company, LLP

January 11, 2008
Ocala, Florida

Purvis Gray & Company

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON COMPLIANCE WITH BOND RESOLUTIONS

To the Executive Committee and the Board of Directors
of Florida Municipal Power Agency
Orlando, Florida

We have audited, 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, the financial statements of the business-type activities and each major fund of Florida Municipal Power Agency (the Agency) as of September 30, 2007, and have issued our report thereon dated January 11, 2008.

In connection with our audit, nothing came to our attention that caused us to believe that the Agency failed to comply with the terms, covenants, provisions or conditions contained in certain Bond Resolutions insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance.

This report is intended solely for the information and use of the Board of Directors and management of the Agency, and the financial institutions requiring compliance with the Bond Resolutions, and is not intended to be and should not be used by anyone other than these specified parties.

Purvis, Gray and Company, LLP

January 11, 2008
Ocala, Florida

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
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MEMBER OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS PRIVATE COMPANIES AND S.E.C. PRACTICE SECTIONS

Purvis Gray & Company

MANAGEMENT LETTER

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 (the Agency) as of and for the fiscal year ended September 30, 2007, and have issued our report thereon dated January 11, 2008.

We have issued our independent auditors' report on internal control over financial reporting and on compliance and other matters dated January 11, 2008. Disclosures in this report, if any, should be considered in conjunction with this management letter.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, *Rules of the Auditor General*, which govern the conduct of local governmental entity audits performed in the state of Florida and require that certain items be addressed in this letter.

The *Rules of the Auditor General* [Section 10.554(1)(i)1.] require that we comment as to whether or not corrective action has been taken to address significant findings and recommendations made in the preceding annual financial audit report. (See attached Management Letter Comments.)

The *Rules of the Auditor General* [Section 10.554(1)(i)2.], require that we determine whether the Agency complied with Section 218.415, Florida Statutes, regarding investment of public funds. Our audit disclosed no matters requiring comment as outlined in Section 218.415, Florida Statutes.

The *Rules of the Auditor General* [Section 10.554(1)(i)3.], require us to provide any recommendations to improve the Agency's financial management, accounting procedures and internal controls. (See attached Management Letter Comments.)

The *Rules of the Auditor General* [Section 10.554(1)(i)4.] require that we address violations of provisions of contracts and grant agreements or abuse that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.

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
2201 Cantu Court, Suite #100 • Sarasota, Florida 34232 • (941) 379-2800 • FAX (941) 379-2899
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

MANAGEMENT LETTER
(Concluded)

The *Rules of the Auditor General* [Section 10.554(1)(i)5.] requires, based on professional judgment, the reporting of the following matters that are inconsequential to the financial statements, considering both quantitative and qualitative factors: (1) violations of laws, rules, regulations and contractual provisions or abuse that have occurred, or were likely to have occurred, and would have an immaterial effect on the financial statements; (2) improper expenditures or illegal acts that would have an immaterial effect on the financial statements; (3) control deficiencies that are not significant deficiencies, including, but not limited to (a) improper or inadequate accounting procedures (e.g., the omission of required disclosures from the financial statements); (b) failures to properly record financial transactions; and (c) other inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of the auditor. In connection with our audit, we did not have any such findings.

The *Rules of the Auditor General* [Section 10.554(1)(i)6.] also require that the name or official title and legal authority for the government be disclosed in the management letter, unless disclosed in the notes to the financial statements. See note 1 of the September 30, 2007, the Agency financial statements for this information.

As required by the *Rules of the Auditor General* [Section 10.554(1)(i)7.(a)], the scope of our audit included a review of the provisions of Section 218.503(1)(a), Florida Statutes, "Determination of Financial Emergency." In connection with our audit, we determined that the Agency did not meet one or more of the financial emergency criteria described in Section 218.503(1), Florida Statutes.

As required by the *Rules of the Auditor General* [Section 10.554(1)(i)7.(b)], we determined that the annual financial report for the Agency for the year ended September 30, 2006, was filed with the Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes. This report is in agreement with the Agency's audited financial statements for the same period. The September 30, 2007 report will be filed when the form is received from the Department of Financial Services and will be reviewed by Purvis, Gray and Company, LLP for consistency with the financial statements during the audit for the fiscal year 2008.

As required by the *Rules of the Auditor General* [Section 10.554(1)(i)7.(c)], we applied financial condition assessment procedures pursuant to Rule 10.556(7). There were no findings of deteriorating financial condition, which were required to be reported.

This management letter is intended solely for the information and use of the Agency and the State of Florida Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

We wish to take this opportunity to thank you and your staff for the cooperation and courtesies extended to us during the course of our audit. Please let us know if you have any questions or comments concerning this letter, our accompanying reports, or other matters.

Purvis, Gray and Company, LLP

January 11, 2008
Ocala, Florida

Purvis Gray & Company

MANAGEMENT LETTER COMMENTS

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

As a part of our audit of the Florida Municipal Power Agency's (the Agency) September 30, 2007 financial statements, we offer the following recommendations to improve financial management, accounting procedures, and internal controls.

Prior Year Management Letter Comments

The Agency has generally addressed all of our prior year management letter comments. The item that remains in process as of the date of this report is the Agency's preparation for the implementation of Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which will be effective for the 2008 year.

Current Year Management Letter Comments

Line Loss
The Agency does not regularly compute line loss to ensure that KWh billed correlate well (within industry standards) with KWh purchased. As a part of the 2007 audit, an annual 2007 line loss calculation was prepared at our request that showed the Agency well within industry standards in this important area. We believe that a monthly line loss calculation is an important control to identify any metering problems that might affect the completeness of revenue billings or power cost payments. Accordingly, we recommend that the Agency make the line loss calculation a routine monthly computation to ensure that there is a constant predictable relationship between KWh sold and KWh purchased/generated.

Revenue Billing
The Agency has established a rate policy of billing to its members' rates that will maintain approximately 60 days operating cash on hand. Our analysis of the number of days of cash on hand that is computed in the monthly rate calculation spreadsheet indicates that for several months (April through July 2007), the number of days cash on hand dropped well below 60 days, as low as 39 days in June going into the summer peak season. This appears to be the result of differences between forecasted sales volume and actual sales and variances in gas prices from what was forecasted to actual cost. We also noted that the calculation of the billing rates was performed by only one individual with little or no documented review of the assumptions, variables, and calculations that are a part of the calculation spreadsheet. Accordingly, we recommend that the Agency develop a procedure to constantly review and revise all sales and fuel cost assumptions that are integral to the calculation and that someone other than the preparer that is knowledgeable of the process review the monthly rate calculation.

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

MANAGEMENT LETTER COMMENTS
(Continued)

<u>Current Year Management Letter Comments</u> ***(Continued)***

Revenue Billing ***(Concluded)***
Additionally, while we understand that the Board has approved the concept of rate structure to generate 60 days cash, the methodology employed by staff to arrive at this goal is complex and contains many assumptions. Accordingly, we recommend that the FAC and/or the ROC members review, in detail, the actual calculations, and data sources contained in a typical monthly spreadsheet that yields the 60 days of cash rate to ensure that the actual methodology and assumptions are understood by the members. As a part of such a review, we recommend that consideration be given to modifying the monthly calculation to allow adjustments to actual cash on hand for large or unusual cash flows that fall outside of the normal cash cycle so that rates will not be impacted intentionally or unintentionally by such items.

Coal Plant Bond Proceeds
The Agency borrowed approximately $25 million as a part of the 2006 Bond issue to fund costs associated with the Taylor County Coal Project. At the point where all project activity has ceased, the Agency should consult its Bond Counsel and determine if it is permissible to use the remaining unspent proceeds for other generation projects or if the unspent amounts should be used to redeem bonds at future call dates.

Public Gas Partnership (PGP)
The Agency was instrumental in forming PGP for the purpose of providing physical delivery of cost based gas to lower its natural gas fuel cost. PGP was organized during 2004 as a Georgia Not-For-Profit Corporation with seven other governmental public power entities throughout the southeast, including Florida Gas Utility. PGP is administered by the Municipal Gas Authority of Georgia (MGAG) (a member), pursuant to an operating agreement between PGP and MGAG.

PGP is organized by pool, which is similar to a project as used by the Agency. Each pool is set up as a Georgia LLC with PGP as the sole member. The purpose of each pool is acquired through bid, based upon consulting engineer research and recommended pricing, working interests in proven gas wells or proven reserves, through the issuance of tax-exempt debt by PGP that is collateralized by member contracts, to pay for the gas output. Member contracts are in the form of a Natural Gas Production Sharing Agreement for each pool. It was originally anticipated that all PGP project acquisition debt would be refinanced by the proceeds of member issued debt. This is still a pending issue which effects the distribution of profits to members as discussed below.

Due to the fact that most working interests acquired by the PGP pools are geographically remote and there are no exchange agreements with the many buyers of the well fields' output, taking physical delivery of gas output is not economically feasible, resulting in the sale of all gas output by each pool. Because of no physical delivery, the Agency's membership in PGP can now be viewed primarily as a financial/economic hedge for the Agency's actual gas purchases, which is a substantial change from the original intention of joining PGP. Accordingly, we recommend that the Agency continue its efforts in reevaluating what PGP's new role with the Agency will be given that physical delivery of gas does not appear likely. Areas to consider might include, but not be limited to, the following:

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

MANAGEMENT LETTER COMMENTS
(Continued)

__Current Year Management Letter Comments__ ***(Continued)***

Public Gas Partnership (PGP) ***(Concluded)***

- For the Agency to recognize an economic benefit, PGP must operate at a profit (net of all Agency hedging activities) and be able to distribute its profit to members. This will in effect reduce the cost of gas that each member is required to purchase from other sources for physical delivery. At the current time, the Agency has very little of the future production (gas sales) of the PGP pools hedged, leaving both pools vulnerable to price volatility which could affect profit available for distribution. Accordingly, we recommend that the Agency develop a hedging policy for PGP gas sales to help to ensure a more predictable net revenue stream from the pools at least equal to the amounts contemplated at the time of purchase.

- During 2006 and 2007, PGP distributed less than all profits (and for pool one required significant payments from the Agency) as the result of internal funding of well-field development and PGP debt covenants which limit such distributions to members in favor of funding debt reserves. The temporary PGP financing for project acquisition will mature around the end of 2008 and a decision will need to be made soon if it will be refinanced by permanent PGP issued debt or member issued debt, an issue with significant impact to the distribution of profit from the pools. If the PGP debt is refinanced from member issued debt as originally designed, the current debt covenants that limit the distribution of profits to members could be eliminated and allow the pools to distribute profits in excess of operating needs, which could benefit the Agency. This would however require the Agency to issue its own debt which should be evaluated closely to determine the economic effect to the Agency and its members, especially now that physical delivery of gas is unlikely making PGP a financial investment rather than a cost based gas supplier.

- Our review of the PGP 2007 audited Financial Statements indicates that both pools continue to have negative working capital (current liabilities exceeding current assets) as was noted in our 2006 comments. This could be warning sign of declining financial condition that would need to be made up through increased member billings. We recommend that the Agency continue to monitor the financial position of PGP closely, with the continued involvement of key Agency staff.

Florida Municipal Power Pool (FMPP)

The Agency is a member of FMPP, a power pool made up of the Agency, OUC and Lakeland Utilities for the purpose of lowest cost dispatch of mutual and external generation for the benefit of all three members. Currently, the Agency power purchases clearing through FMPP accounts for a significant portion of all power provided by the Agency to its members. The Agency has two employees that are dedicated to the FMPP; one marketer responsible for economic dispatch and a chipper (Clearing House Price) that verifies the clearing-house price based upon the cost and load data of all power sources available. The pricing and billing for this process is extremely complex and detailed between the three members of the pool, involving numerous transactions during the month, usage data from the OUC SCADA system and reliance on a few key people for review. We are aware of the external audit/review over FMPP that the Agency initiated a year or two ago and generally support the recommendations made in that report, however given that the power pool is not a separate legal entity that is audited annually, we recommend that the Agency increase its administrative monitoring over this inherently complex and high dollar area on an ongoing basis to ensure that it's interests are properly represented, which might include regular internal audit, finance and power resource department review of transactions and activities and other similar procedures.

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

MANAGEMENT LETTER COMMENTS
(Concluded)

Current Year Management Letter Comments ***(Concluded)***

Agency Fund Reserves
The Agency fund has approximately $10 million of unrestricted working capital reserves comprised mostly of the development fund. We recommend that the Agency review the anticipated needs of the development fund to determine the appropriate level of the fund with consideration given to the Agency's relatively easy access to temporary project financing through the Pooled Loan Fund and other sources.

These management letter comments are intended solely for the information and use of the Board of Directors, management, the State of Florida and other governmental agencies and is not intended to be and should not be used by anyone other than these specified parties.

We would like to take this opportunity to express our appreciation for the courtesies that have been extended to our staff. If you have any questions or comments about the contents of this letter, please do not hesitate to contact us.

Purvis, Gray and Company, LLP

January 11, 2008
Ocala, Florida

Florida Municipal Power Agency

January 17, 2008

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

RE: Management Letter Comment Responses

The purpose of this letter is to address the Management Letter comments made by FMPA's 2007 auditors, Purvis Gray & Company (a copy precedes this document). We wish to thank Purvis Gray & Company for their comments and offer the following responses:

Prior Year Comments:

Agree. Staff is working to implement Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions,* effective for the year ended September 30, 2008.

Current Year Comments:

Line Loss:

Agree. Although individuals within the Power Resources division may have reviewed this relationship, Finance or the current Power Resources staff, were unable to provide written evidence of such reviews and believe that such a suggestion is a good one. Currently as part of the monthly All-Requirements billing process, Kwh billed to members is being compared to Kwh inputs into the system. We will develop a report for distribution to appropriate staff documenting the line loss for each billing month. For example, for the billing month of November, 2007 the line loss percentage was 3.05%.

Revenue Billing:

Agree, Agree, Disagree**.** There are three recommendations included within this comment topic. First, we agree that more than one person should have knowledge and oversight of the rate adjustment calculation. The rate function has, up until recently, resided within Power Resources. Within Power Resources a staff person and their supervisor were involved. (In fact, a wholesale revision of the methodology was being studied by RW Beck at their request.) The recent transfer of the monthly rate calculation to the Accounting department will allow for better tracking of costs and billing data to projections for purposes of setting rates. Additionally, with the different individuals involved in the build up of the cost data a review process will be developed to assure that the entire department is in agreement as to the appropriate rate for each month.

The second recommendation was to present to the FAC and/or the ROC the method and calculations of the adjustment process. Recall that each bill is sent along with a "PDF" of the calculation spreadsheet. We agree with Purvis, Gray that a much better understanding of the calculations and methods could be achieved through a presentation/discussion on the subject by staff and will be do such at the March Finance Advisory Committee meeting. We will gladly discuss with anyone or any Committee the details of our work.

The third recommendation by Purvis, Gray is to modify the calculation to take into consideration unusual cash events. Staff had already discussed this topic among itself prior to this comment, as such type of transaction has already been part of the ARP cash landscape. The reason we say "disagree" is that we want the Participants to have absolute confidence that the figure reported as the current cash position, be the current cash position, and we know that the bond covenants that are primarily behind this cash target concept, make no special provision to "adjust" the measurement. Cash is cash; not "near cash." Staff understands the importance of providing rate stability and works to support that goal. Sufficient flexibility exists within the rate adjustment calculation process to provide some amount of relief from wild movements. However, "wild/unusual" cash movements make working towards a dependable 60-day balance all the more important. "Adjusting out" unusual cash events might unintentionally mask a cash situation that would be of concern to a Project Participant.

Coal Plant Bond Proceeds:

Agree**.** FMPA staff and advisors would do this in the normal course. Our only advice, from experience, is to not be too quick to assume all project expenses are accounted for until the project is completely wound-down. It is currently our intention to use the unspent coal plant bond proceeds to redeem bonds as soon as we are certain that all costs related to the project have been paid.

Public Gas Partners:

Agree**.** Staff will continue its detailed monitoring and active involvement with Public Gas Partners. The hedging policy suggested had already been discussed among key staff. Staff expects to take action on these two points, with a policy recommendation developed consistent with FMPA risk management policy and practice.

Florida Municipal Power Pool (FMPP):

Agree. The asset management efforts have and will continue to highlight the importance, both financially and operationally, of the Power Pool. Evidence of this understanding and commitment to action include the action taken by the Executive Committee in FY 2007 that resulted the hiring of a FMPP executive. More recently, heightened asset/risk management review as part of the FY2009 budget process will identify strengths and weaknesses in the asset & risks management of FMPP. The ultimate goal is to make the necessary realignment or improvement of oversight responsibilities as appropriate for the administrative and financial monitoring of FMPA assets and risks.

Agency Fund Reserves:

Agree. Staff will develop an analysis of reserves in the Agency fund for consideration by the FAC and Executive Committee. The analysis will consider the Development Fund Balance and possible future uses of the fund, as well as the working capital needs of the Agency Fund absent the Development Fund. The current consideration of nuclear and solar power projects will be included in the analysis.