FLORIDA MUNICIPAL POWER AGENCY

Financial Statements
Supplementary Information and Compliance Reports

For The Fiscal Year Ended September 30, 2008

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Member Cities

- Alachua
- Bartow
- Bushnell
- Blountstown
- Chattahoochee
- Clewiston
- Fort Meade
- Fort Pierce
- Gainesville
- Green Cove Springs
- Havana
- Homestead
- Jacksonville Beach
- Key West
- Kissimmee
- Lake Worth
- Lakeland
- Leesburg
- Moore Haven
- Mount Dora
- New Smyrna Beach
- Newberry
- Ocala
- Orlando
- Quincy
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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 activity and the major funds of Florida Municipal Power Agency (the Agency) as of and for the year ended September 30, 2008, 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 activity and the major funds of the Agency as of September 30, 2008, and the respective changes in financial position and 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 9, 2009, 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.

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.

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

INDEPENDENT AUDITORS' REPORT
(Concluded)

Our audit was conducted for the purpose of forming an opinion on the Agency's basic financial statements. The accompanying supplementary information, listed in the table of contents, is presented for purposes of additional analysis and is 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.

Purvis, Gray and Company, LLP

January 9, 2009
Ocala, Florida

MANAGEMENT'S DISCUSSION & ANALYSIS

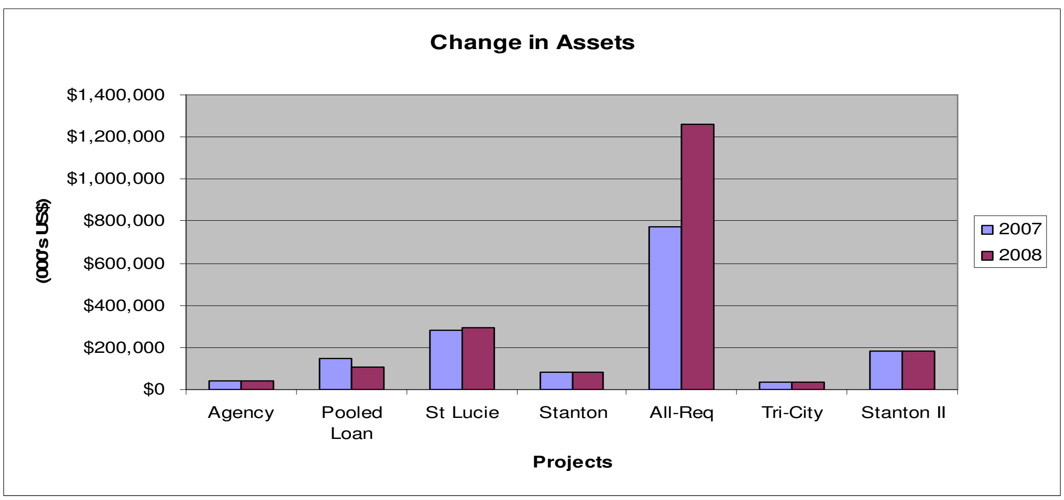
For Fiscal Year Ended September 30, 2008

This discussion and analysis is intended to serve as an introduction to Florida Municipal Power Agency's (FMPA's) 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, 2008, of FMPA's Agency Fund, Pooled Loan Fund and other projects increased $459 million from the prior year. The significant assets changes are as follows: increase of $488 million in assets of the All-Requirements Project primarily due to: the completion and successful start-up of Treasure Coast Energy Center (TCEC) on May 31, 2008. TCEC is a $273 million natural gas-fueled electric plant near Ft. Pierce, FL that generates 300 megawatts and is capable of serving approximately 60,000 homes; closing on $584 million of All-Requirements Project fixed rate bonds for financing new construction and as part of the restructuring of a $1.3 billion debt portfolio to increase the percentage of fixed-rate debt and eliminate the use of auction-rate securities; decrease of $42 million in the Pooled Loan Fund due to refinancing activities; an increase of $14 million for the St. Lucie Project due to increased borrowing in order to support capital expenditures for upgrades to the reactor head and steam generator at the plant; increase of $3 million in the Agency Fund 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
2007	$39,760	$145,322	$279,178	$81,751	$771,429	$34,838	$181,610	$1,533,888
2008	43,168	103,645	293,608	79,744	1,259,627	33,641	179,442	1,992,875
Variance	$3,408	($41,677)	$14,430	($2,007)	$488,198	($1,197)	($2,168)	$458,987

FINANCIAL HIGHLIGHTS (CONTINUED)

Total Liabilities at September 30, 2008, for FMPA's Agency Fund, Pooled Loan Fund and other projects increased by $458 million during the current fiscal year. This value includes $161 million increase in long-term debt, $124 million increase in current liabilities, and $64 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 $46 million. Total Accounts Payable balance was $172 million or an increase of $54 million compared with 2007. The All-Requirements Project accounted for $220 million of this total as follows: Short-Term Due to Participants balance $65 million, Accounts Payable Purchased Power $56 million, $65 million held as Retainage on construction contracts, and Other $34 million.

Long-Term Debt balance outstanding at September 30, 2008, for FMPA's Agency Fund, Pooled Loan Fund and Projects was $1.6 billion, an increase of $370 million during the current fiscal year.

Long-Term Bonds balance, less current portion, was $1.5 billion, including All-Requirements balance of $993 million net of $30 million unamortized loss on refunding and premium.

Rates on the Agency's variable-rate debt ranged from 1.00% to 12.00% for fiscal year 2008. Interest expense (operating and non-operating) increased for the current fiscal year by $14 million and is attributable mainly to the impact of the interest rate reset mechanism for failed auctions of auction rate debt.

Total Operating Revenue for Agency and all projects increased by $144 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 $112 million, followed by an increase in amounts due to refund to participants of $22 million during this period and an increase of $15 million on sales to others.

The declining interest rate environment, coupled with the freezing of capital markets and negative mark to market adjustments resulted in a decrease of $32 million in investment income between fiscal years 2008 and 2007.

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

MANAGEMENT'S DISCUSSION & ANALYSIS (CONTINUED)

For Fiscal Year Ended September 30, 2008

FINANCIAL HIGHLIGHTS (CONTINUED)

Statement of Net Assets

Proprietary funds

For Fiscal Year Ended September 30, 2008

(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	$ 3,509	$ -	$ 96,431	$ 37,587	$ 497,430	$ 15,237	$ 120,495	$ 770,689
Current Unrestricted Assets	12,249		62,279	22,902	280,797	6,109	36,648	420,984
Current Restricted Assets	26,921	103,645	77,023	13,300	450,512	6,822	11,327	689,550
Other Non Current Assets	489		57,875	5,955	30,888	5,473	10,972	111,652
Total Assets	$ 43,168	$ 103,645	$ 293,608	$ 79,744	$ 1,259,627	$ 33,641	$ 179,442	$ 1,992,875
Liabilities:								
Long-Term Liabilities	$ 28,741	$ 102,154	$ 291,774	$ 68,231	$ 1,017,114	$ 28,217	$ 168,541	$ 1,704,772
Current Liabilities	1,194	1,491	1,834	11,513	242,513	5,424	10,901	274,870
Total Liabilities	$ 29,935	$ 103,645	$ 293,608	$ 79,744	$ 1,259,627	$ 33,641	$ 179,442	$ 1,979,642
Net Assets:								
Invested in capital assets, Net	$ 1,547	$ -	$ (149,997)	$ (33,884)	$ (146,642)	$ (14,955)	$ (49,295)	$ (393,226)
Restricted			32,618	13,300	94,201	6,822	11,252	158,193
Unrestricted	11,686		117,379	20,584	52,441	8,133	38,043	248,266
Total Net Assets	$ 13,233	$ -	$ -	$ -	$ -	$ -	$ -	$ 13,233

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

MANAGEMENT'S DISCUSSION & ANALYSIS (CONTINUED)

For Fiscal Year Ended September 30, 2008

FINANCIAL HIGHLIGHTS (CONTINUED)

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

Proprietary Funds

For Fiscal Year Ended September 30, 2008

(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	$ -	$ 4,332	$ 43,588	$ 30,478	$ 649,114	$ 12,284	$ 43,626	$ 783,422
Amounts to be recovered from (refunded to) participants		(199)	(3,346)	(1,779)	(1,590)	(666)	5,786	(1,794)
Sales to others			2,532	348	63,720	125	570	67,295
Investment Income	257	87	(6,381)	528	3,449	291	1,269	(500)
Other								
Total Revenue	$ 257	$ 4,220	$ 36,393	$ 29,575	$ 714,693	$ 12,034	$ 51,251	$ 848,423
Expenses:								
Operation, maintenance & Nuclear Fuel Amortization	$ -	$ -	$ 13,344	$ 4,643	$ 48,724	$ 1,662	$ 8,355	$ 76,728
Purchased power, Transmission & Fuel Costs			3,588	14,302	595,090	5,203	21,325	639,508
Administrative & General	9,324	904	3,141	959	11,988	497	1,391	28,204
Depreciation & Decommissioning	347		11,776	2,065	15,351	835	4,456	34,830
Interest & Amortization	45	3,316	16,659	4,042	26,371	1,793	11,076	63,302
Others	(10,352)							(10,352)
Total Expense	$ (636)	$ 4,220	$ 48,508	$ 26,011	$ 697,524	$ 9,990	$ 46,603	$ 832,220
Change in net assets before regulatory asset adjustment	$ 893	$ -	$ (12,115)	$ 3,564	$ 17,169	$ 2,044	$ 4,648	$ 16,203
Regulatory asset adjustment			12,115	(3,564)	(17,169)	(2,044)	(4,648)	(15,310)
Change in net assets after regulatory asset adjustment	$ 893	$ -	$ -	$ -	$	$	$	$ 893
Net assets at beginning of year	12,340							12,340
Net assets at end of year	$ 13,233	$ -	$ -	$ -	$ -	$ -	$ -	$ 13,233

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
Investment 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

Management's Discussion & Analysis (continued)

For Fiscal Year Ended September 30, 2008

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 2008 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, 2008. 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, 2008

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 2008 and 2007 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 55 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 2008 due to the development and construction of two new power plants within the All-Requirements Project. The Agency Fund and other FMPA Projects' total Utility Plant increased during 2008 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 $583,000 in fiscal year 2008 when compared to fiscal year 2007. This is attributable to an increase in Salaries and Benefits of $157,000, an increase in Outside Services of $311,000 and an increase in other expenses of $115,000.

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, 2008, long-term commercial paper note debt was $102 million. Management is not aware of any pending non-payment of commercial paper notes, and no loans were in default at September 30, 2008.

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 552,222 Megawatt-hours (MWh) in fiscal year 2008. The average all-inclusive billing rate, which includes budgeted Demand, Energy and Transmission expenses, increased 33.71% to $78.93 in fiscal year 2008. The cost of power production and delivery decreased from $56.24 to $44.33 per MWh in fiscal year 2008 (a decrease of 21% 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 $905,000 during fiscal year 2008 and are attributable to increased billings by OUC for Stanton Unit 1 operations.

The Project billed 442,478 MWh in fiscal year 2008. The average all-inclusive billing rate which includes budgeted Demand, Energy and Transmission expenses increased 21.7% to $68.88 per MWh in fiscal year 2008. 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 $56.86 per MWh in fiscal year 2008, a increase of 17.6% in fiscal year 2008. This change is due to the rising cost of coal as well as boiler maintenance expenses. General and Administrative expenses increased $91,000.

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 $99.92 per MWh in fiscal year 2008, which is all-inclusive of Energy, Demand and Transmission expenses. The billed Megawatt hours for fiscal year 2008 were 6,496,441.

Billings to ARP participants in fiscal year 2008 were 17.15% higher, increasing from $554 million to $649 million. This increase is primarily due to higher fuel costs.

The All-Requirements participant net cost of power increased to $96.47 per MWh in fiscal year 2008, a 17% increase from fiscal year 2007. 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 decreased $161,000, a 1.3% decrease 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 2008. 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.

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 160,417 MWh in fiscal year 2008. The average all-inclusive billing rate, which includes budgeted Demand, Energy and Transmission expenses, increased 23.6% to $76.58 per MWh during fiscal year 2008. 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 16%; the cost per MWh increased from $55.32 per MWh in fiscal year 2007 to $64.43 per MWh in fiscal year 2008. This change is due to the rising cost of coal as well as boiler maintenance expenses. General and administrative expenses increased by $6,000 or $.04 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 700,792 MWh in fiscal year 2008. The average all-inclusive billing rate, which includes budgeted Demand, Energy and Transmission expenses, increased by $5.42 or 9.5% to $62.25 per MWh in fiscal year 2008. This increase was primarily due to a increased billing rates to cover future expenditures.

BUDGETARY HIGHLIGHTS

The FMPA Board of Directors approves the non All-Requirements project budgets, and the Executive Committee approves the Agency and All-Requirements project budgets, establishing legal boundaries for expenditures. For fiscal year 2008, the All-Requirements budget was amended to increase sales revenues and expenditures for natural gas by $40 million due to the dramatic rise in natural gas prices over the summer. The amended budget authority was not exceeded for any project.

CAPITAL ASSETS AND LONG-TERM DEBT

FMPA's investment in **Capital Assets** as of September 30, 2008 was $771 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 2008 increased by 13.9% or $94 million. This equates to a 21.2% increase in the All-Requirements utility plant and a 7.7% or $7 million increase in the St. Lucie project 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, 2008

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

At September 30, 2008, FMPA had **Long-Term Debt** of $1.6 billion 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	$ 1,820
Pooled Loan Fund	102,154
St. Lucie Project	247,369
Stanton Project	68,231
All-Requirements Project	1,017,114
Tri-City Project	28,217
Stanton II Project	168,541
Total	$ 1,633,446

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 and based on the member loads. Additionally, All-Requirements rates are adjusted monthly to maintain cash at a 60 day target as approved by the Executive Committee.

SIGNIFICANT EVENTS

FMPA acquired land in Ft. Pierce, Florida for a generation site of a natural gas power plant. The Treasure Coast Energy Center (TCEC) Unit 1 had a total budget not to exceed $274 million. Construction on this facility began in mid-2006 and was completed Spring, 2008. Start-up was May 31, 2008.

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.

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, 2008:

Project	Amount (000's US$)	
St. Lucie Project	$	482
All-Requirements Project		1,556
Tri-City Project		25
Stanton Project		39
Stanton II Project		371
Total	$	2,473

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, 2008
(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	$ 5,701	$ -	$ 10,520	$ 3,159	$ 107,038	$ 1,706	$ 4,647	$ 132,771
Investments	4,987		51,183	12,391	37,067	1,450	18,673	125,751
Participant accounts receivable	853		(636)	5,867	77,997	971	3,716	88,768
Fuel stock and material inventory				38	28,369	1,296	6,652	36,355
Other current assets	708		706	221	24,577	45	525	26,782
Restricted assets available for current liabilities			506	1,226	5,749	641	2,435	10,557
Total Current Assets	$ 12,249	$	$ 62,279	$ 22,902	$ 280,797	$ 6,109	$ 36,648	$ 420,984
Non-Current Assets:								
Restricted Assets:								
Cash and cash equivalents	$ 8,210	$ 25,652	$ 4,071	$ 4,896	$ 51,189	$ 2,488	$ 7,149	$ 103,655
Investments	18,670	1,089	73,134	9,520	380,674	4,939	6,569	494,595
Accrued interest	41	20	324	110	641	36	44	1,216
Pooled loan from projects		51,685						51,685
Due (to) from other projects		(23,757)			23,757			
Pooled loan from members		48,956						48,956
Less: Portion classified as current			(506)	(1,226)	(5,749)	(641)	(2,435)	(10,557)
Total Restricted Assets	$ 26,921	$ 103,645	$ 77,023	$ 13,300	$ 450,512	$ 6,822	$ 11,327	$ 689,550
Capital Assets:								
Electric plant	$ -	$ -	$ 213,794	$ 74,294	$ 535,274	$ 30,391	$ 175,941	$ 1,029,694
General plant	6,324		15,598	111	2,726	36	163	24,958
Less accumulated depreciation and amortization	(2,815)		(132,961)	(36,818)	(111,777)	(15,190)	(55,609)	(355,170)
Net Capital Assets	$ 3,509	$ -	$ 96,431	$ 37,587	$ 426,223	$ 15,237	$ 120,495	$ 699,482
Construction work in progress					71,207			71,207
Development projects in progress								
Total Capital Assets, Net	$ 3,509	$ -	$ 96,431	$ 37,587	$ 497,430	$ 15,237	$ 120,495	$ 770,689
Deferred Costs:								
Net costs recoverable from future participant billings	$ 486	$ -	$ 56,220	$ 5,433	$ 719	$ 5,174	$ 7,654	$ 75,686
Other	3		1,655	522	30,169	299	3,318	35,966
Total Deferred Costs	$ 489	$ -	$ 57,875	$ 5,955	$ 30,888	$ 5,473	$ 10,972	$ 111,652
Total Non-Current Assets	$ 30,919	$ 103,645	$ 231,329	$ 56,842	$ 978,830	$ 27,532	$ 142,794	$ 1,571,891
Total Assets	$ 43,168	$ 103,645	$ 293,608	$ 79,744	$ 1,259,627	$ 33,641	$ 179,442	$ 1,992,875
LIABILITIES AND NET ASSETS								
Current Liabilities:								
Payable from unrestricted assets:								
Current portion of Pooled Loans	$ 145	$ -	$ 714	$ 417	$ 16,644	$ 149	$ 82	$ 18,151
Current portion of Taxable Loans				95	1,216	34	149	1,494
Line of Credit Payable					45,000			45,000
Accounts payable & Accrued Liabilities	1,049		614	6,525	157,359	2,475	3,675	171,697
Total Current liabilities from Unrestricted Assets	$ 1,194	$	$ 1,328	$ 7,037	$ 220,219	$ 2,658	$ 3,906	$ 236,342
Payable from restricted assets:								
Current portion of long-term revenue bonds	$ -	$ -	$ -	$ 3,250	$ 16,545	$ 2,125	$ 4,485	$ 26,405
Accrued interest on long-term debt		260	506	1,226	5,749	641	2,510	10,892
Other Liabilities		1,231						1,231
Total Current Liabilities Payable From Restricted Assets	$ -	$ 1,491	$ 506	$ 4,476	$ 22,294	$ 2,766	$ 6,995	$ 38,528
Total Current Liabilities	$ 1,194	$ 1,491	$ 1,834	$ 11,513	$ 242,513	$ 5,424	$ 10,901	$ 274,870
Liabilities Payable from Restricted Assets:								
Commercial paper notes	$ -	$ 102,154	$ -	$ -	$ -	$ -	$ -	$ 102,154
Held in trust for decommissioning	26,921							26,921
Accrued decommissioning expenses			44,405					44,405
Total Liabilities Payable From Restricted Assets	$ 26,921	$ 102,154	$ 44,405	$ -	$ -	$ -	$ -	$ 173,480
Long-Term Liabilities Less Current Portion:								
Long-term revenue bonds,	$ -	$ -	$ 224,483	$ 61,229	$ 992,705	$ 25,711	$ 165,558	$ 1,469,686
Long-term loans - Taxable				1,252	3,442	448	1,963	7,105
Pooled loan notes payable	1,820		22,886	5,750		2,058	1,020	33,534
Advances from participants					20,967			20,967
Total Long-Term Liabilities	$ 1,820	$ -	$ 247,369	$ 68,231	$ 1,017,114	$ 28,217	$ 168,541	$ 1,531,292
Total Liabilities	$ 29,935	$ 103,645	$ 293,608	$ 79,744	$ 1,259,627	$ 33,641	$ 179,442	$ 1,979,642
Net Assets:								
Invested in capital assets, Net	$ 1,547	$ -	$ (149,997)	$ (33,884)	$ (146,642)	$ (14,955)	$ (49,295)	$ (393,226)
Restricted			32,618	13,300	94,201	6,822	11,252	158,193
Unrestricted	11,686		117,379	20,584	52,441	8,133	38,043	248,266
Total Net Assets	$ 13,233	$ -	$ -	$ -	$ -	$ -	$ -	$ 13,233

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, 2008

(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	$ -	$ 4,332	$ 43,588	$ 30,478	$ 649,114	$ 12,284	$ 43,626	$ 783,422
Amounts to be recovered from (refunded to) participants		(199)	(3,346)	(1,779)	(1,590)	(666)	5,786	(1,794)
Sales to others			2,532	348	63,720	125	570	67,295
Total Operating Revenue	$	$ 4,133	$ 42,774	$ 29,047	$ 711,244	$ 11,743	$ 49,982	$ 848,923
Operating Expenses:								
Operation and maintenance	$ -	$ -	$ 11,642	$ 4,643	$ 48,724	$ 1,662	$ 8,355	$ 75,026
Fuel expense				13,522	337,409	4,893	20,144	375,968
Nuclear fuel amortization			1,702					1,702
Spent fuel fees			348					348
Purchased power			2,836		241,264			244,100
Transmission services			404	780	16,417	310	1,181	19,092
General and administrative	9,324	904	3,141	959	11,988	497	1,391	28,204
Interest expense		3,316						3,316
Depreciation	347		8,942	2,065	15,351	835	4,456	31,996
Decommissioning			2,834					2,834
Capitalized development projects and allocated costs	(9,435)							(9,435)
Total Operating Expense	$ 236	$ 4,220	$ 31,849	$ 21,969	$ 671,153	$ 8,197	$ 35,527	$ 773,151
Total Operating Income (Loss)	$ (236)	$ (87)	$ 10,925	$ 7,078	$ 40,091	$ 3,546	$ 14,455	$ 75,772
Non-Operating Income (Expense):								
Interest expense	$ (45)	$ -	$ (14,013)	$ (3,639)	$ (25,582)	$ (1,349)	$ (9,982)	$ (54,610)
Amortization of debt related costs			(2,646)	(403)	(789)	(444)	(1,094)	(5,376)
Investment income	257	87	(6,381)	528	3,449	291	1,269	(500)
Development fund fee	917							917
Write Off of Coal Project								
Total Non-operating Income (Expenses)	$ 1,129	$ 87	$ (23,040)	$ (3,514)	$ (22,922)	$ (1,502)	$ (9,807)	$ (59,569)
Change in net assets before regulatory asset adjustment	$ 893	$ -	$ (12,115)	$ 3,564	$ 17,169	$ 2,044	$ 4,648	$ 16,203
Regulatory asset adjustment			12,115	(3,564)	(17,169)	(2,044)	(4,648)	(15,310)
Change in net assets after regulatory asset adjustment	$ 893	$ -	$ -	$ -	$ -	$ -	$ -	$ 893
Net assets at beginning of year	12,340							12,340
Net assets at end of year	$ 13,233	$ -	$ -	$ -	$ -	$ -	$ -	$ 13,233

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, 2008

(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	$ 9,771	$ 4,133	$ 42,770	$ 25,229	$ 682,353	$ 11,625	$ 47,471	$ 823,352
Cash Paid to Suppliers	(14,785)	(904)	(18,740)	(18,124)	(614,221)	(7,791)	(35,242)	(709,807)
Cash Paid to Employees	5,377							5,377
Cash Paid for Interest - Lending Activity		(3,553)						(3,553)
Net Cash Provided by (Used in) Operating Activities	$ 363	$ (324)	$ 24,030	$ 7,105	$ 68,132	$ 3,834	$ 12,229	$ 115,369
Cash Flows From Investing Activities:								
Proceeds From Sales and Maturities Of Investments	$ 26,804	$ 82,247	$ 133,695	$ 7,103	$ (127,121)	$ 2,823	$ 17,476	$ 143,027
Crystal River 3 Decommissioning Deposits and Interest Earnings	2,678							2,678
Purchases of Investments	(19,158)	(18,564)	(119,700)	(4,806)	(159,670)	(2,483)	(10,466)	(334,847)
Pooled Loans - New Advances		(72,796)						(72,796)
Pooled Loans - Principal Payments received		58,205						58,205
Income received on Investments	314	317	(6,396)	496	(1,592)	288	1,292	(5,281)
Net Cash Provided by (Used in) Operating Activities	$ 10,638	$ 49,409	$ 7,599	$ 2,793	$ (288,383)	$ 628	$ 8,302	$ (209,014)
Cash Flows From Capital & Related Financing Activities:								
Proceeds from Issuance of Bonds & Loans	$ -	$ -	$ 8,000	$ -	$ 591,664	$ -	$ -	$ 599,664
Capital Expenditures - Utility Plant	(44)		(17,494)	(1,713)	(107,569)	(614)	(4,759)	(132,193)
Principal Payments - Long Term Debt	(135)	(41,440)	609	(3,698)	(221,315)	(2,289)	(4,788)	(273,056)
Letter of Credit (Payments) Draws - Net					44,000			44,000
Interest paid on Debt	(45)		(13,721)	(3,650)	(15,585)	(1,370)	(9,622)	(43,993)
Cash Received - Development Fund	917							917
Net Cash Provided by (Used in) Capital & Related Financing Activities	$ 693	$ (41,440)	$ (22,606)	$ (9,061)	$ 291,195	$ (4,273)	$ (19,169)	$ 195,339
Net Increase (Decrease) in Cash and Cash Equivalents	$ 11,694	$ 7,645	$ 9,023	$ 837	$ 70,944	$ 189	$ 1,362	$ 101,694
Cash and Cash Equivalents - Beginning	2,218	18,007	5,568	7,218	87,283	4,005	10,434	134,733
Cash and Cash Equivalents - Ending	$ 13,912	$ 25,652	$ 14,591	$ 8,055	$ 158,227	$ 4,194	$ 11,796	$ 236,427
Consisting of:								
Unrestricted	$ 5,701	$	$ 10,520	$ 3,159	$ 107,038	$ 1,706	$ 4,647	$ 132,771
Restricted	8,210	25,652	4,071	4,896	51,189	2,488	7,149	103,655
Total	$ 13,911	$ 25,652	$ 14,591	$ 8,055	$ 158,227	$ 4,194	$ 11,796	$ 236,426
	1							
Reconciliation of Operating Income to Net Cash Provided by (Used in) Operating Activities:								
Operating Income (Loss)	$ (236)	$ (87)	$ 10,925	$ 7,078	$ 40,091	$ 3,546	$ 14,455	$ 75,772
Adjustment to Reconcile Net Operating Income to Net Cash Provided by (Used In) Operating Activities:								
Depreciation and Decommissioning	347		11,776	2,065	15,351	835	4,456	34,830
Amortization of Nuclear Fuel			1,702					1,702
Changes in Assests and Liabilities Which Provided (Used) Cash:								
Inventory				367	(1,737)	(1,152)	(5,468)	(7,990)
Receivables From (Payable to) Participants	723		(4)	(3,818)	(21,946)	(117)	(2,510)	(27,672)
Prepaids	(56)		(299)	26	8,643	15	(77)	8,252
Accounts Payable and Accrued Expense	(28)	(237)	49	1,299	49,298	669	1,166	52,216
Other Deferred Costs	(387)		(119)	88	(21,568)	38	207	(21,741)
Net Cash Provided By (Used In) Operating Activities	$ 363	$ (324)	$ 24,030	$ 7,105	$ 68,132	$ 3,834	$ 12,229	$ 115,369

The accompanying notes are an integral part of these financial statements

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, 2008, 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, which is governed by the Executive Committee and the Board of Directors.

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, 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 20 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 $5.2 million during Fiscal Year 2008. 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 pay, and if hired prior to October 1, 2004, sick/personal pay. At September 30, 2008, the liability for unused vacation was $386,636 and $249,104 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 $51 million for FMPA-related undertakings and $49 million for loans receivable from member cities, net of Undistributed Proceeds of $25 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

A. 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)

A. 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 ($45 million) and Accrued Decommissioning Expense ($44 million) at September 30, 2008. 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.

B. Crystal River Unit 3

As a service to six of the minority owners of the Crystal River Unit 3 (CR3) Power Plant, Suntrust 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 Held in trust for decommissioning, for the sole purpose of paying CR3's nuclear decommissioning costs for these owners. There is approximately $27 million in the accounts at September 30, 2008.

IV. Capital Assets

A description and summary as of September 30, 2008, 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, 2008 was as follows:

	September 30, 2008			
	Beginning Balance	*Increases*	*Decreases*	*Ending Balance*
	(000's US$)			
General Plant	$ 6,280	$ 44	$ 0	$ 6,324
				0
General Plant in Service	$ 6,280	$ 44	$ 0	$ 6,324
Less Accumulated Depreciation	(2,468)	(347)		(2,815)
General Plant in Service, Net	$ 3,812	$ (303)	$ 0	$ 3,509

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, 2008 was as follows:

	September 30, 2008			
	Beginning Balance	*Increases*	*Decreases*	*Ending Balance*
	(000's US$)			
Electric Plant	$ 204,748	$ 20,814	$ (11,768)	$ 213,794
General Plant	1,208			1,208
Nuclear Fuel	12,758	3,853	(2,221)	14,390
Electric Utility Plant in Service	$ 218,714	$ 24,667	$ (13,989)	$ 229,392
Less Accumulated Depreciation	(129,133)	(10,250)	6,422	(132,961)
Utility Plant in Service, Net	$ 89,581	$ 14,417	$ (7,567)	$ 96,431

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, 2008, was as follows:

			September 30, 2008					
		Beginning Balance		*Increases*		*Decreases*		*Ending Balance*
				(000's US$)				
Electric Plant	$	72,581	$	1,959	$	(246)	$	74,294
General Plant		111						111
Electric Utility Plant in Service	$	72,692	$	1,959	$	(246)	$	74,405
Less Accumulated Depreciation		(34,753)		(2,065)				(36,818)
Utility Plant in Service, Net	$	37,939	$	(106)	$	(246)	$	37,587

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.

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
- Treasure Coast Energy Center 20 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, 2008 was as follows:

	September 30, 2008			
	Beginning Balance	Increases*	Decreases*	Ending Balance
	(000's US$)			
Electric Plant	$ 286,225	$ 249,490	$ (441)	$ 535,274
General Plant	2,708	19	(1)	2,726
Construction Work in Progress	217,941	100,355	(247,089)	71,207
Electric Utility Plant in Service	$ 506,874	$ 349,864	$ (247,531)	$ 609,207
Less Accumulated Depreciation	(96,426)	(15,351)		(111,777)
Utility Plant in Service, Net	$ 410,448	$ 334,513	$ (247,531)	$ 497,430

* Includes transfer from Construction Work in Progress to Electric Plant of $247,089 for Treasure Coast Energy Center, which commenced commercial operation May 31, 2008

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, 2008 was as follows:

	September 30, 2008			
	Beginning Balance	Increases	Decreases	Ending Balance
	(000's US$)			
Electric Plant	$ 29,778	$ 701	$ (88)	$ 30,391
General Plant	36			36
Electric Utility Plant in Service	$ 29,814	$ 701	$ (88)	$ 30,427
Less Accumulated Depreciation	(14,356)	(834)		(15,190)
Utility Plant in Service, Net	$ 15,458	$ (133)	$ (88)	$ 15,237

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, 2008 was as follows:

	September 30, 2008			
	Beginning Balance	*Increases*	*Decreases*	*Ending Balance*
		(000's US$)		
Electric Plant	$ 171,181	$ 5,285	$ (525)	$ 175,941
General Plant	163			163
Electric Utility Plant in Service	$ 171,344	$ 5,285	$ (525)	$ 176,104
Less Accumulated Depreciation	(51,152)	(4,457)		(55,609)
Utility Plant in Service, Net	$ 120,192	$ 828	$ (525)	$ 120,495

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, 2008, FMPA's Cash and Cash Equivalents consisted of demand deposit accounts, Florida State Board of Administration (SBA) investment pool accounts, three 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, 2008 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. Total cash on deposit with the Florida State Board of Administration was less than $500 at September 30, 2008.

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, 2008 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. 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 projects. As of September 30, 2008, 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		
	General Electric Credit Corporation	48.43%
	Held for Crystal River 3 decommissioning, which has different investment limits.	
Pooled Loan Fund		
	None	
St. Lucie Project		
	American General	23.78%
Stanton Project		
	None	
All-Requirements Project:		
	General Electric Credit Corporation	8.89%
Stanton II Project		
	General Electric Credit Corporation	2.21%
Tri-City Project		
	General Electric Credit Corporation	9.34%

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, 2008 are as follows:

	September 30, 2008	Weighted Average Maturity (Days)	Credit Rating
Restricted (Crystal River 3)	*(000's US$)*		
Cash and Cash Equivalents	$ 8,210		
US Gov't/Agency Securities	7,214	2,315	Aaa/AAA/AAA
Commercial Paper	11,456	182	A1/P1/F1
Total Restricted	$ 26,880		
Unrestricted			
Cash and Cash Equivalents	$ 5,701		
US Gov't/Agency Securities	4,987	1,010	Aaa/AAA/AAA
Commercial Paper	-		A1/P1/F1
Total Unrestricted	$ 10,688		
Total	$ 37,568		

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, 2008, are as follows:

	September 30, 2008	Weighted Average Maturity (Days)	Credit Rating
Restricted	*(000's US$)*		
Cash and Cash Equivalents	$ 25,652		
US Gov't/Agency Securities	1,089	110	Aaa/AAA/AAA
Commercial Paper	-		A1/P1/F1
Total Restricted	$ 26,741		
Total	$ 26,741		

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, 2008, are as follows:

	September 30, 2008	Weighted Average Maturity (Days)	Credit Rating
Restricted	*(000's US$)*		
Cash and Cash Equivalents	$ 4,071		
US Gov't/Agency Securities	27,837	1,817	Aaa/AAA/AAA
Municipal Bonds	15,736	6,500	
Commercial Paper	29,561	1	A1/P1/F1
Total Restricted	$ 77,205		
Unrestricted			
Cash and Cash Equivalents	$ 10,520		
US Gov't/Agency Securities	13,839	1,566	Aaa/AAA/AAA
Municipal Bonds	37,344	4,620	
Commercial Paper	-		A1/P1/F1
Total Unrestricted	$ 61,703		
Total	$ 138,908		

4. Stanton Project

Cash, cash equivalents and investments for the Stanton Project at September 30, 2008, are as follows:

	September 30, 2008	Weighted Average Maturity (Days)	Credit Rating
Restricted	*(000's US$)*		
Cash and Cash Equivalents	$ 4,896		
US Gov't/Agency Securities	9,520	1,561	Aaa/AAA/AAA
Commercial Paper	-		A1/P1/F1
Total Restricted	$ 14,416		
Unrestricted			
Cash and Cash Equivalents	$ 3,159		
US Gov't/Agency Securities	12,391	1,951	Aaa/AAA/AAA
Commercial Paper	-		A1/P1/F1
Total Unrestricted	$ 15,550		
Total	$ 29,966		

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, 2008, are as follows:

		September 30, 2008	Weighted Average Maturity (Days)	Credit Rating
Restricted		*(000's US$)*		
Cash and Cash Equivalents	$	51,189		
US Gov't/Agency Securities		350,674	358	Aaa/AAA/AAA
Commercial Paper		30,000	16	A1/P1/F1
Total Restricted	$	431,863		
Unrestricted				
Cash and Cash Equivalents	$	107,038		
US Gov't/Agency Securities		37,067	1,410	Aaa/AAA/AAA
Commercial Paper		-		A1/P1/F1
				Aa1/AA-/Aa
Total Unrestricted	$	144,105		
Total	$	575,968		

6. Tri-City Project

Cash, cash equivalents and investments for the Tri-City Project at September 30, 2008 are as follows:

		September 30, 2008	Weighted Average Maturity (Days)	Credit Rating
Restricted		*(000's US$)*		
Cash and Cash Equivalents	$	2,488		
US Gov't/Agency Securities		4,342	1,060	Aaa/AAA/AAA
Commercial Paper		597	1	A1/P1/F1
Total Restricted	$	7,427		
Unrestricted				
Cash and Cash Equivalents	$	1,706		
US Gov't/Agency Securities		1,450	1,246	Aaa/AAA/AAA
Commercial Paper		-		A1/P1/F1
Total Unrestricted	$	3,156		
Total	$	10,583		

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, 2008 are as follows:

		September 30, 2008	Weighted Average Maturity (Days)	Credit Rating
Restricted		*(000's US$)*		
Cash and Cash Equivalents	$	7,149		
US Gov't/Agency Securities		6,010	1,056	Aaa/AAA/AAA
Commercial Paper		559	1	A1/P1/F1
Total Restricted	$	13,718		
Unrestricted				
Cash and Cash Equivalents	$	4,647		
US Gov't/Agency Securities		18,673	1,205	Aaa/AAA/AAA
Commercial Paper		-		A1/P1/F1
Total Unrestricted	$	23,320		
Total	$	37,038		

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. Counterparty credit ratings and the maximum loss due to credit risk as of September 30, 2008 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 Stanton II 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

VI. Derivative Financial Instruments (continued)

A. Swap Agreements (continued)

Credit Risk (continued)

Agency would be required to reimburse the insurance company over a period of time. 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.

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, 2008. 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	$ (445)	Merrill Lynch	A2/A/A+
Series 2002							
$ 27,200	7/1/2005	4.140%	SIFMA Swap*	7/1/2011	$ (988)	Morgan Stanley	A1/A+/A
27,200	7/3/2006	4.240%	SIFMA Swap*	7/1/2010	(763)	Morgan Stanley	A1/A+/A
27,200	7/2/2007	3.481%	72% LIBOR*	10/1/2021	(807)	Merrill Lynch	A2/A/A+
27,200	7/1/2005	4.140%	SIFMA Swap*	7/1/2011	(753)	Citibank	Aa1/AA/A+
27,200	7/1/2006	4.240%	SIFMA Swap*	7/1/2010	(967)	Citibank	Aa1/AA/A+
27,200	7/2/2007	3.481%	72% LIBOR*	10/1/2021	(449)	Goldman Sachs	Aa3/AA-/AA-
8,525	7/3/2006	3.444%	72% LIBOR*	10/1/2021	(221)	Goldman Sachs	Aa3/AA-/AA-
73,125	7/3/2006	3.444%	72% LIBOR*	10/1/2021	(1,900)	Merrill Lynch	A2/A/A+
$ 244,850					$ (6,848)		

*floating to fixed
**() denotes that termination value payable to the dealer if swap had been terminated 9/30/08

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	$ (610)	Merrill Lynch	A2/A/A+
27,200	7/1/2011	3.632%	72% LIBOR*	10/1/2021	(449)	Merrill Lynch	A2/A/A+
27,200	7/1/2010	3.595%	72% LIBOR*	10/1/2021	(807)	Goldman Sachs	Aa3/AA-/AA-
27,200	7/1/2011	3.632%	72% LIBOR*	10/1/2021	(610)	Goldman Sachs	Aa3/AA-/AA-
$ 108,800					$ (2,476)		

*floating to fixed
** ( ) denotes that termination value payable to dealer if swap had been terminated 9/30/08

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	$ (783)	Bank of America	Aa2/AA-/A+
Series 2000							
$ 4,425	10/1/2006	4.022%	72% LIBOR*	10/1/2019	$ (325)	JP Morgan Chase	Aa2/AA-/AA-
Series 2003							
$ 19,900	7/9/2003	3.478%	72% LIBOR*	10/1/2019	$ (562)	JP Morgan Chase	Aa2/AA-/AA-

*floating to fixed
**() denotes that termination value payable to the dealer if swap had been terminated 9/30/08
All Stanton Project Swaps were terminated effective 10/31/2008. See Note XVII Subsequent Events - Bond Refinancing

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	$ (902)	UBS	Aa2/AA-/A+
Series 2000-1							
$ 30,000	10/1/2006	3.667%	72% LIBOR*	10/1/2030	$ (1,652)	JP Morgan Chase	Aa2/AA-/AA-
Series 2000-2							
$ 25,000	10/1/2006	3.709%	72% LIBOR*	10/1/2030	$ (1,547)	JP Morgan Chase	Aa2/AA-/AA-
15,000	10/1/2006	3.667%	72% LIBOR*	10/1/2030	(846)	JP Morgan Chase	Aa2/AA-/AA-
$ 40,000					$ (2,393)		
Series 2006A							
$ 6,250	3/30/2006	3.720%	CPI Rate + .63	10/1/2013	$ (238)	Merrill Lynch	A2/A/A+
6,580	3/30/2006	3.790%	CPI Rate + .70	10/1/2014	(295)	Merrill Lynch	A2/A/A+
7,935	3/30/2006	3.860%	CPI Rate + .77	10/1/2015	(387)	Merrill Lynch	A2/A/A+
6,980	3/30/2006	3.910%	CPI Rate + .81	10/1/2016	(382)	Merrill Lynch	A2/A/A+
6,245	3/30/2006	3.720%	CPI Rate + .63	10/1/2013	(220)	Morgan Stanley	A1/A+/A
6,580	3/30/2006	3.790%	CPI Rate + .70	10/1/2014	(261)	Morgan Stanley	A1/A+/A
7,930	3/30/2006	3.860%	CPI Rate + .77	10/1/2015	(349)	Morgan Stanley	A1/A+/A
5,175	3/30/2006	3.910%	CPI Rate + .81	10/1/2016	(251)	Morgan Stanley	A1/A+/A
$ 53,675					$ (2,383)		
Series 2006B-1							
$ 33,180	10/1/2006	3.698%	72% LIBOR*	10/1/2027	$ (1,828)	Merrill Lynch	A2/A/A+
Series 2006B-2							
$ 33,180	10/1/2006	3.701%	72% LIBOR*	10/1/2027	$ (1,841)	Goldman Sachs	Aa3/AA-/AA-
Series 2006B-3							
$ 33,180	10/1/2006	3.649%	72% LIBOR*	10/1/2027	$ (1,639)	Morgan Stanley	A1/A+/A
Series 2006B-4							
$ 2,684	10/1/2006	3.656%	72% LIBOR*	10/1/2026	$ (133)	JP Morgan Chase	Aa2/AA-/AA-
11,050	10/1/2006	3.665%	72% LIBOR*	10/1/2026	(561)	JP Morgan Chase	Aa2/AA-/AA-
224	10/1/2006	3.612%	72% LIBOR*	10/1/2026	(10)	JP Morgan Chase	Aa2/AA-/AA-
19,050	10/1/2006	3.737%	72% LIBOR*	10/1/2035	(1,303)	Wachovia	A1/A+/A+
$ 33,008					$ (2,007)		
Series 2006C							
$ 42,000	10/1/2006	5.175%	100% LIBOR*	10/1/2025	$ (3,435)	Wachovia	A1/A+/A+

*floating to fixed
**() denotes that termination value payable to the dealer if swap had been terminated 9/30/08

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							
$							
50,000	10/1/2015	3.849%	72% LIBOR*	10/1/2045	(1,774)	Calyon	WR\WR\WR
50,000	10/1/2015	3.829%	72% LIBOR*	10/1/2045	(1,687)	Bank of America	Aa2/AA-/A+
50,000	10/1/2015	3.816%	72% LIBOR*	10/1/2045	(1,631)	Bank of New York	Aa2/AA-/AA-
50,000	10/1/2015	3.819%	72% LIBOR*	10/1/2045	(1,643)	JP Morgan Chase	Aa2/AA-/AA-
50,000	10/1/2015	3.800%	72% LIBOR*	10/1/2045	(1,561)	Citibank	Aa1/AA/A+
50,000	10/1/2015	3.794%	72% LIBOR*	10/1/2045	(1,535)	Dexia	Aa3/A+/AA-
50,000	10/1/2015	3.714%	72% LIBOR*	10/1/2045	(1,188)	Goldman Sachs	Aa3/AA-/AA-
50,000	10/1/2015	3.690%	72% LIBOR*	10/1/2045	(1,084)	JP Morgan Chase	Aa2/AA-/AA-
50,000	10/1/2015	3.788%	72% LIBOR*	10/1/2045	(1,509)	Lehman	B3/NR/NR-
50,000	10/1/2015	3.846%	72% LIBOR*	10/1/2045	(1,759)	Merrill Lynch	A2/A/A+
50,000	10/1/2015	3.805%	72% LIBOR*	10/1/2045	(1,583)	Morgan Stanley	A1/A+/A
50,000	10/1/2015	3.793%	72% LIBOR*	10/1/2045	(1,531)	Sun Trust	A1/A+/A+
50,000	10/1/2015	3.699%	72% LIBOR*	10/1/2045	(1,123)	Wachovia	A1/A+/A+
50,000	10/1/2015	3.774%	72% LIBOR*	10/1/2045	(1,448)	Wells Fargo	Aa1/AA+/AA
$ 700,000					$ (21,056)		

*floating to fixed
** ( ) denotes that termination value payable to dealer if swap had been terminated 9/30/08

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	$ (1,799)	Bank of America	Aa2/AA-/A+
23,300	10/1/2006	4.071%	72% LIBOR*	10/1/2027	(2,490)	JP Morgan Chase	Aa2/AA-/AA-
$ 40,725					$ (4,289)		
Series 2002							
$ 1,040	4/30/2002	3.770%	CPI Rate + 1.14	10/1/2008	$ 30	Morgan Stanley	A1/A+/A
1,415	4/30/2002	3.940%	CPI Rate + 1.27	10/1/2009	20	Morgan Stanley	A1/A+/A
1,490	4/30/2002	4.060%	CPI Rate + 1.35	10/1/2010	11	Morgan Stanley	A1/A+/A
3,220	4/30/2002	4.170%	CPI Rate + 1.39	10/1/2011	8	Morgan Stanley	A1/A+/A
1,730	4/30/2002	4.260%	CPI Rate + 1.40	10/1/2012	(5)	Morgan Stanley	A1/A+/A
$ 8,895					$ 64		
Series 2004							
$ 29,325	8/5/2004	3.863%	72% LIBOR*	10/1/2027	$ (1,876)	Bank of America	Aa2/AA-/A+
29,325	8/5/2004	3.863%	72% LIBOR*	10/1/2027	(1,874)	UBS	Aa2/AA-/A+
$ 58,650					$ (3,750)		

*floating to fixed
**() denotes that termination value payable to the dealer if swap had been terminated 9/30/08

VI. Derivative Financial Instruments (continued)

B. Natural Gas Futures, Contracts and Options

FMPA uses New York Mercantile Exchange (NYMEX) and over the counter, 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 and over the counter 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 transactions are entered into as hedges against the volatility of natural gas prices. The Agency at September 30, 2008, had futures and options contracts outstanding in the following amounts, covering the fiscal years 2009 through 2014.

Fiscal Year Ending	Futures	Thousands of mmBtu Net Put Options	Net Call Options	Net Contracts	Fair Market Value at 9/30/2008 (000's US$)
2009	1,256	1,503	(56)	2,703	$ (53,110)
2010	391	323		714	(12,233)
2011	49	490		539	322
2012	3	537		540	1,338
2013		537		537	(346)
2014		78		78	(101)
	1,699	3,468	(56)	5,111	$ (64,130)

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 and over the counter counterparties. 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 2008, the Agency recorded a realized net loss of $7.4 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 New Edge 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 costs.

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.

Other deferred costs are summarized as follows:

(000's US$)

	Agency Fund	Pooled Loan Project	St. Lucie Project	Stanton Project	All-Req Project	Tri-City Project	Stanton II Project
Unamortized Bond Issue Costs	$ 3	$ -	$ 1,249	$ 522	$ 24,672	$ 299	$ 3,318
Nuclear Fuel Enrichment Facilities			406				
Unamortized Option Premiums					5,497		
Deferred Hedging Expense					64,130		
Unrealized Gain (Loss) on Natural Gas Hedges					(64,130)		
Total Restricted Net Assets	$ 3	$ -	$ 1,655	$ 522	$ 30,169	$ 299	$ 3,318

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, 2008, all FMPA projects were in compliance with requirements of the bond resolution.

VIII. Restricted Net Assets (continued)

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, 2008 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	$ -	$ -	$ 18,784	$ 7,449	$ 64,157	$ 4,503	$ 11,498
Reserve & Contingency Funds			13,182	7,077	35,793	2,960	2,264
Decomissioning Fund	26,921		45,563				
Project Fund		25,342					
Revenue Fund		1,418					
Loans Receivable*		76,885					
Commercial Paper Notes		(102,154)					
Accrued Interest on Long-Term Debt		(260)	(506)	(1,226)	(5,749)	(641)	(2,510)
Other Liabilities		(1,231)					
Accrued Decommissioning Expenses	(26,921)		(44,405)				
Total Restricted Net Assets	$ -	$ -	$ 32,618	$ 13,300	$ 94,201	$ 6,822	$ 11,252

Restrictions of the various bank funds are as follows:

- Debt service funds include the Debt Service Account, which is restricted for payment of the current portion of the bond principal and interest and Debt Service Reserve Account, which includes sufficient funds to cover one half of the maximum annual principal and interest requirement of the 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, 2008, is as follows:

1. Agency Fund

Business-Type Activities	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
	2008 (000's US$)				
Pooled Loan 1999	$ 2,100	$ -	$ (135)	$ 1,965	$ 145

Loans Payable to Pooled Loan Fund

The Agency Fund has one loan payable to the Pooled Loan Fund at September 30, 2008. 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 2.12% to 4.26% during fiscal year 2008. The loan is payable in 11 annual principal payments ranging from $145,000 to $220,000 with the final payment 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, 2008, the outstanding commercial paper notes total $102 million. The commercial paper notes bear interest at a rate that varies periodically as determined by the dealer and remarketed at prevailing market rates.

Business-Type Activities	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year*
	2008 (000's US$)				
Commercial Paper Notes	$ 142,865	$ 16,724	$ (57,435)	$ 102,154	$ -

*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, 2008, interest rates ranged from 1.00% to 3.75%.

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, 2010, with an annual extension unless Wachovia Bank N.A. gives notice during the 60-day period prior to August 22, 2009. At September 30, 2008, 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, 2008.

IX. Long-Term Debt (continued)

A. Debt (continued)

3. St. Lucie Project

Business-Type Activities	2008 (000's US$) 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 Premiums And Discounts	(40,078)	2,561		(37,517)	
Total Revenue Bonds	$ 221,922	$ 2,561	$ -	$ 224,483	$ -
Other Liabilities					
Pooled Loan #1	$ 15,600	$ -	$ -	$ 15,600	$ 472
Pooled Loan #2		8,000		8,000	242
Less Undistributed Proceeds	(694)	694			
Pooled Loan	$ 14,906	$ 8,694	$ -	$ 23,600	$ 714
Total Business-Type Activities	$ 236,828	$ 11,255	$ -	$ 248,083	$ 714

The variable interest rates ranged between 2.62% and 10.00% for the year ended September 30, 2008.

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 completed one borrowing from the Pooled Loan Fund during the year. The loan for $8 million was used to finance a portion of the Project's share of the reactor head and steam generator replacement at the plant. The project now has two loans payable to the Pooled Loan Fund at September 30, 2008. 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, including fees varied from 2.12% to 4.26% during the fiscal year. The first loan payable is due in 20 annual principal payments ranging from $472,000 to $1,192,000, with the final payment due October 1, 2027. The second loan payable is due in 20 annual principal payments ranging from $242,000 to $611,000, with the final payment due October 1, 2027. Both loans are subordinate to the other debt of the project.

IX. Long-Term Debt (continued)

A. Debt (continued)

4. Stanton Project

Business-Type Activities	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year*
	2008 (000's US$)				
Revenue Bonds					
Refunding 1997	$ 10,890	$ -	$ -	$ 10,890	$ -
Refunding 2000	4,425			4,425	
Refunding 2002	34,515		(3,105)	31,410	3,225
Refunding 2003	19,925		(25)	19,900	25
Less Deferred Premiums And Discounts	(2,462)	515	(199)	(2,146)	
Total Revenue Bonds	$ 67,293	$ 515	$ (3,329)	$ 64,479	$ 3,250
Other Liabilities					
Pooled Loan #1	$ 5,805	$ -	$ (705)	$ 5,465	$ 365
Pooled Loan #2	752		(50)	702	52
Total Net Pooled Loans	$ 6,557	$ -	$ (755)	$ 6,167	$ 417
Wachovia Bank Taxable	1,438		(91)	1,347	95
Total Other Liabilities	$ 7,995	$ -	$ (846)	$ 7,514	$ 512
Total Business-Type Activities	$ 75,288	$ 515	$ (4,175)	$ 71,993	$ 3,762

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

The variable interest rates ranged from 2.50% to 9.01% for the year ended September 30, 2008.

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, 2008. 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 2.12% to 4.26% during fiscal year ended September 30, 2008. The first loan payable balance is due in 11 annual principal payments ranging from $365,000 to $655,000, with the final payment due October 1, 2018. The second loan balance is due in 11 annual principal payments ranging from $52,000 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

The All-Requirements issued two series of revenue bonds, 2008A and 2008B, during the year ended September 30, 2008 totaling $584 million. The purpose of the bonds was as follows; $246 million for the initial funding of a 300 MW power plant (Cane Island #4), $75 million to finance an interest in Public Gas Partners Pool #1, $75 million to refinance outstanding pooled loans and $188 million to refund outstanding revenue bonds. The reacquisition price of the refunded bonds exceeded the net carrying amount of the old debt by $13 million. This amount is being netted against the new debt and amortized over the remaining life of the new debt which is shorter than the life of the refunded debt. This refunding was undertaken to eliminate bonds bearing interest at auction rates, and will reduce debt service payments over the next 16 years by $21 million and resulted in an economic gain of $13 million. This refunding was partially completed during the year ended September 30, 2008. The resources for the portion of the refunding that was completed during October 2008 was placed into an irrevocable escrow, therefore, these bonds were considered to be defeased and the liability has been removed from the statement of net assets.

	2008 (000's US$)				
Business-Type Activities	**Beginning Balance**	**Increases**	**Decreases**	**Ending Balance**	**Amounts Due Within One Year***
Revenue Bonds					
Refunding Jun 2000	$ 20,125	$ -	$ -	$ 20,125	$ -
Aug 2000	70,000			70,000	
Refunding Jul 2003A	47,700		(5,080)	42,620	5,235
Refunding Jul 2003B	90,475		(90,375)	100	100
Mar 2006A	125,020		(2,640)	122,380	11,210
Refunding Jul 2006B	225,825		(88,200)	137,625	
Mar 2006C	45,000		(3,000)	42,000	
Bonds 2008A		509,555		509,555	
Bonds 2008B		74,885		74,885	
Less Deferred Premiums And Discounts	(10,386)	1,308	(962)	(10,040)	
Total Revenue Bonds	$ 613,759	$ 585,748	$ (190,257)	$ 1,009,250	$ 16,545
Other Liabilities					
Pooled Loans					
Pooled Loan #1	$ 56,312	$ -	$ (55,292)	$ 1,020	$ 1,020
Pooled Loan #2	8,400			8,400	8,400
Pooled Loan #3		7,224		7,224	7,224
Less Undistributed Proceeds	(47,630)	47,630			
Total Net Pooled Loans	$ 17,082	$ 54,854	$ (55,292)	$ 16,644	$ 16,644
Taxable Loans					
Wachovia Taxable #1	$ 1,132	$ -	$ (71)	$ 1,061	75
Wachovia Taxable #2	4,683		(1,086)	3,597	1,141
Total Taxable Loans	$ 5,815	$ -	$ (1,157)	$ 4,658	$ 1,216
Total Other Liabilities	$ 22,897	$ 54,854	$ (56,449)	$ 21,302	$ 17,860
Total Business-Type Activities	$ 636,656	$ 640,602	$ (246,706)	$ 1,030,552	$ 34,405

* Includes Pooled Loan Notes to be retired from the proceeds of the 2008 bond issue.

The variable interest rates ranged from 2.57% to 12.00% for the year ended September 30, 2008.

IX. Long-Term Debt (continued)

A. Debt (continued)

5. All-Requirements Project (continued)

The Series 2000, 2000-1, 2000-2, 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 2006 A Bonds are not subject to redemption prior to maturity.

Loans Payable to Pooled Loan Fund

The All-Requirements Project completed one borrowing from the Pooled Loan Fund during the year. The loan for $7.2 million was to finance the purchase of spare parts for the Treasure Coast Energy Center. 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 2.12% to 4.26% during fiscal year ended September 30, 2008. As part of the All-Requirements refinancing these loans will be paid off during October 2008.

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 $7.6 million to finance the purchase of a seven year service contract from General Electric for the Cane Island Unit 3. As part of the All-Requirements refinancing these loans will be paid off during October 2008.

Line of Credit

The All-Requirements Project approved a total Line of Credit of $100 million with Wachovia Bank. At September 30, 2008, $45 million was outstanding and is separately identified on the Statement of Net Assets. Subsequent to year-end, Wachovia Bank extended the Line of Credit for an additional year, and increased the amount of the Line of Credit to $125 million. The Line of Credit will now mature in November 2009.

6. Tri-City Project

	2008 (000's US$)				
Business-Type Activities	**Beginning Balance**	**Increases**	**Decreases**	**Ending Balance**	**Amounts Due Within One Year***
Revenue Bonds					
Refunding Jun 2003	$ 32,895	$ -	$ (2,075)	$ 30,820	$ 2,125
Less Deferred Premiums And Discounts	(3,389)	573	(168)	(2,984)	
Total Revenue Bonds	$ 29,506	$ 573	$ (2,243)	$ 27,836	$ 2,125
Other Liabilities					
Pooled Loans					
Pooled Loan #1	$ 2,080	$ -	$ (125)	$ 1,955	$ 130
Pooled Loan #2	270		(18)	252	19
Total Net Pooled Loans	$ 2,350	$ -	$ (143)	$ 2,207	$ 149
Taxable Loans					
Wachovia Taxable	$ 514	$ -	$ (32)	$ 482	34
Total Taxable Loans	$ 514	$ -	$ (32)	$ 482	$ 34
Total Other Liabilities	$ 2,864	$ -	$ (175)	$ 2,689	$ 183
Total Business-Type Activities	$ 32,370	$ 573	$ (2,418)	$ 30,525	$ 2,308

*Amounts due within one year reflect payments due October 1

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, 2008. 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 2.12% to 4.26% during fiscal year 2008. The loans have payable balances due in 11 annual principal payments ranging from $130,000 to $235,000 and $19,000 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

	2008 (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	73,095		(3,230)	69,865	3,255
Refunding 2003	14,950		(1,130)	13,820	1,155
Refunding 2004	58,650			58,650	75
Less Deferred Premiums					
And Discounts	(13,903)	1,007	(121)	(13,017)	
Total Revenue Bonds	$ 173,517	$ 1,007	$ (4,481)	$ 170,043	$ 4,485
Other Liabilities					
Pooled Loans					
Pooled Loan	$ 1,180	$ -	$ (78)	$ 1,102	$ 82
Total Net Pooled Loans	$ 1,180	$ -	$ (78)	$ 1,102	$ 82
Taxable Loans					
Wachovia Taxable	$ 2,254	$	$ (142)	$ 2,112	$ 149
Total Taxable Loans	$ 2,254	$ -	$ (142)	$ 2,112	$ 149
Total Other Liabilities	$ 3,434	$ -	$ (220)	$ 3,214	$ 231
Total Business-Type Activities	$ 176,951	$ 1,007	$ (4,701)	$ 173,257	$ 4,716

*Amounts due within one year reflect payments due October 1

The variable interest rates on the bonds ranged from 2.62% to 10.00% for the year ended September 30, 2008.

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)

Loan Payable to Pooled Loan Fund

The Stanton II Project has one loan payable to the Pooled Loan Fund as of September 30, 2008, 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 2.12% to 4.26% during the fiscal year ended September 30, 2008. The loan has payable balances due in 11 annual principal payments ranging from $78,000 to $126,000, with the final payment due October 1, 2018.

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, 2008 are as follows:

Dated	Description	Defeased Portion Amount Originally Issued	Balance at September 30, 2008
		(000's US$)	
May 1983	St. Lucie Project Revenue Bonds, Series 1993	$280,075	$26,185
March 2006	All-Requirements Project Revenue Bonds, Series 2006B	$22,250	$22,250
March 2006	All-Requirements Project Revenue Bonds, Series 2006C	$3,000	$3,000

IX. Long-Term Debt (continued)

D. Annual Requirements

The annual cash flow debt service requirements to amortize the long term bonded debt outstanding as of September 30, 2008, are as follows:

(000's US$)

Fiscal Year Ending September	St. Lucie Project Principal	St. Lucie Project Interest Including Swaps, Net	Stanton Project Principal	Stanton Project Interest Including Swaps, Net	All-Req Project Principal	All-Req Project Interest Including Swaps, Net	Tri-City Project Principal	Tri-City Project Interest	Stanton II Project Principal	Stanton II Project Interest Including Swaps, Net
2009	$ -	$ 9,855	$ 3,250	$ 2,934	$ 16,545	$ 17,678	$ 2,125	$ 1,282	$ 4,485	$ 7,910
2010		9,855	3,405	2,782	18,830	47,726	2,160	1,237	4,670	7,759
2011		9,767	3,565	2,625	26,435	45,737	2,220	1,185	4,835	7,592
2012		9,435	3,750	2,439	27,590	44,587	2,275	1,126	5,015	7,410
2013		9,228	3,915	2,245	28,840	43,334	2,355	1,057	5,205	7,215
2014		9,228	4,145	2,044	30,200	41,974	2,415	984	7,840	7,007
2015 - 2019		46,139	35,505	6,402	168,495	187,823	14,030	2,983	33,080	30,203
2020 - 2024	262,000	27,683	9,090	337	203,605	142,406	3,240	162	41,715	21,779
2025 - 2029					263,010	87,338			76,215	10,157
2030 - 2034					156,890	31,278				
2035 - 2036					78,850	5,772				
Total Principal & Interest	$ 262,000	$ 131,190	$ 66,625	$ 21,808	$ 1,019,290	$ 695,653	$ 30,820	$ 10,016	$ 183,060	$ 107,032
Less:										
Interest		(131,190)		(21,808)		(695,653)		(10,016)		(107,032)
Unamortized Loss on refunding	(37,517)		(2,803)		(14,304)		(4,225)		(13,729)	
Add:										
Unamortized Premium (Discount), net			657		4,264		1,241		712	
Total Net Debt Service Requirement at September 30, 2008	$ 224,483	$ -	$ 64,479	$ -	$ 1,009,250	$ -	$ 27,836	$ -	$ 170,043	$ -

The annual cash flow debt service requirements to amortize all long term debt outstanding as of September 30, 2008, are as follows:

(000's US$)

Fiscal Year Ending September	Agency Project Principal	Agency Project Interest Including Swaps, Net	St. Lucie Project Principal	St. Lucie Project Interest Including Swaps, Net	Stanton Project Stanton Project	Stanton Project Interest Including Swaps, Net	All-Req Project Principal	All-Req Project Interest Including Swaps, Net	Tri-City Project Principal	Tri-City Project Interest	Stanton II Project Principal	Stanton II Project Interest Including Swaps, Net	Totals
2009	$ 145	$ 98	714	$ 10,799	$ 3,762	$ 3,310	$ 34,405	$ 17,902	$ 2,308	$ 1,416	$ 4,716	$ 8,071	$ 87,646
2010	150	91	749	10,770	3,950	3,132	20,107	47,867	2,356	1,363	4,912	7,908	103,355
2011	155	83	787	10,653	4,137	2,947	27,775	45,791	2,423	1,301	5,089	7,729	108,870
2012	165	76	826	10,289	4,355	2,733	27,676	44,635	2,490	1,231	5,281	7,535	107,292
2013	170	68	868	10,049	4,553	2,509	28,931	43,377	2,584	1,152	5,485	7,326	107,072
2014	175	59	911	10,014	4,817	2,276	30,295	42,010	2,657	1,067	8,134	7,104	109,519
2015 - 2019	1,005	155	5,285	49,486	39,475	7,016	169,048	187,898	15,451	3,203	34,727	30,453	543,202
2020 - 2024			268,746	29,862	9,090	337	203,605	142,406	3,240	162	41,715	21,779	720,942
2025 - 2029			6,714	688			263,010	87,338			76,215	10,157	444,122
2030 - 2034							156,890	31,278					188,168
2035 - 2036							78,850	5,772					84,622
Total Principal & Interest	$ 1,965	$ 630	$ 285,600	$ 142,610	$ 74,139	$ 24,260	$ 1,040,592	$ 696,274	$ 33,509	$ 10,895	$ 186,274	$ 108,062	$ 2,604,810

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 2013 as shown below:

Project	2009	2010	2011	2012	2013
			(thousands of tons)		
Stanton Project	135	105	95	24	None
All-Requirements Project	150	116	105	26	None
Tri-City Project	51	37	34	8	None
Stanton II Project	224	164	148	37	None

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 20 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 replaced the St. Lucie Unit 2's steam generator and reactor vessel head during the refueling outage 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	$	6,155
Florida Power & Light	5/31/2013		9,432
Calpine Energy Services	12/31/2009		11,252
Southern Company-Florida	9/3/2013		31,247
Oleander 5	12/16/2027		192,016
Total Minimum Liability		$	250,102

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 FTS-1	30,500	$ 4,528	Various	Cane Island Treasure Coast
Fl Gas Transmission FTS-2	72,100	20,232	Various	Cane Island Treasure Coast
TECO-Peoples Gas	20,000	750		Treasure Coast
Gulfstream Natural Gas	10,000	2,154	2013	Cane Island
Florida Public Utility		720	2033	Lake Worth
		$ 28,384		

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

- The All-Requirements Project has entered into two storage contracts with SG Resources Mississippi LLC, for 500,000 mmBtu of capacity in the Southern Pines Storage facility. The first contract was effective August 1, 2008 and the second contract will become effective September 1, 2010. Both contracts have a term of 10 years from their effective date. The total notional value of these contracts is $6.1 million at September 30, 2008.

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, 2008.

- 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, 2008.

- The All-Requirements Project has entered into a natural gas deal for physical gas purchased with Florida Gas Utility that extends through July 2012. Under this agreement the All-Requirements Project will purchase a specific amount of gas with a total notional value of approximately $151.0 million as of September 30, 2008.

- 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.

- 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 million.

- On March 26, 2007, the All Requirements Project signed a contract with General Electric Company for the purchase of a Combustion Turbine and Steam Turbine to be used in the construction of the Cane Island #4 power plant for $46 million. At September 30, 2008 $35 million had been paid to General Electric Company on this contract.

X. Commitments and Contingencies (continued)

B. Other Agreements (continued)

2. All-Requirements Project (continued)

- 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. The City of Vero Beach Beach has notified FMPA that it will limit its All-Requirements Service, as permitted in Section 3 of the All-Requirements Power Supply Contract. The limitations will commence January 1, 2010 and continue for the term of the ARP Contract.

- 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. Florida Gas Utility has left the organization and their interest was acquired by all members, except for FMPA and the Tennessee Energy Acquisition Corporation, as of May 2008.

  FMPA has entered into two separate Production Sharing Agreements (PSAs) 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 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 22.04% 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 had targeted an initial supply portfolio capable of producing 68,000 mmBtu per day of natural gas or 493 Bcf over a twenty year period. The acquisition period for PGP Pool #1 has closed after acquiring a supply currently estimated to be 133 Bcf. Current production from Pool #1 is 25,000 mmBtu per day. FMPA's share of this amounts to 5,510 mmBtu per day.

  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 had a total expenditure limit of $200 million, with FMPA's share being $52 million as authorized by the Board (before step-up provisions which

X. Commitments and Contingencies (continued)

B. Other Agreements (continued)

2. All-Requirements Project (continued)

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. FMPA entered into a separate agreement with Fort Pierce Utility District whereby FMPA agreed to sell to FPUA 3.474903% of the benefits that FMPA receives form its participation in PGP Pool #2. The acquisition period for PGP Pool #2 has closed after acquiring a supply currently estimated to be 43 Bcf. Current production for Pool #2 is 7,500 mmBtu per day. FMPA's share of this amounts to 1,943 mmBtu per day.

FMPA's share of the total investment costs (acquisition cost and capital development commitments) amounts to approximately $73.1 million for PGP Pool #1, and $28.5 million for PGP Pool #2.

XI. Capacity and Energy Sales Contract

The All-Requirements Project has a contractual agreement with three 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 units. 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 for the 401(a) plan. Total payroll for the year ended September 30, 2008 was $5.4 million, which approximates covered payroll.

XIII. Employment Benefits (continued)

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 2008. Assets of both plans are held by ICMA Retirement Corporation, the Plan Administrator and Trustee.

Expenses for the Deferred Compensation Plan during fiscal year 2008 were $14,306 and expenses for the Defined Money Purchase Pension Plan were $550,862. 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 five retirees receiving this benefit. The cost to FMPA for fiscal year 2008 was approximately $47,156. 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. 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, 2008 for each of the projects is as follows:

Project	Amount (000's US$)	
St. Lucie Project	$	482
All-Requirements Project		1,556
Tri-City Project		25
Stanton Project		39
Stanton II Project		371
Total	$	2,473

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

KUA Revised, Amended and Restated Capacity and Energy Sales Contract

The Capacity and Energy Sales Contract with KUA was revised effective October 1, 2008. Under the revised contract, KUA will receive agreed upon fixed payments over preset periods relating to each of their generating units. FMPA will assume all cost liability and operational management of the generating units. FMPA will account for this transaction as a capital lease. Total minimum payments under the agreement amount to $342 million and the present value of these payments is $221 million.

XVII. Subsequent Events (continued)

Bond Refinancing

Due to changes in the market for Auction Rate Bonds, FMPA began a process during 2008 to refinance its Auction Rate Bonds and generally simplify its debt portfolio. Prior to September 30, 2008 the All-Requirements project had issued $584 million in series 2008 bonds, some of which was used to retire portions of the 2003 and 2006 bonds as well as Pooled Loan notes. During November, 2008 the All-Requirements Project issued another $272 million of series 2008 bonds and retired additional portions of the 2003 and 2006 bonds as well as the series 2000 bonds. During November 2008, the Stanton project issued $38 million of series 2008 bonds which were used to retire the series 1997, 2000 and 2003 auction rate bonds. Refinancing of auction rate bonds issued by the St. Lucie Project and the Stanton II projects will be completed when market conditions allow.

City of Lake Worth Notice to Convert to Contract Rate of Delivery

On December 17, 2008, the City of Lake Worth notified FMPA's All-Requirements project, that effective January 1, 2014 pursuant to its All-Requirements Contract, the City would limit the maximum amount of electric capacity and energy that it would receive so as not to exceed their Contract Rate of Delivery. Additionally, effective January 1, 2014 the Capacity and Energy Sales contract between the City and FMPA will terminate. The amount of capacity and energy the City will eventually purchase under this conversion of their contract will be determined based on the City's usage during calendar year 2013.

FPL Billing for Unreserved Transmission Use

On December 17, 2008, Florida Power & Light (FPL) billed FMPA $6 million for Unreserved Transmission use for the period from July 2007 to November 2008. FPL believes the billings are a result of Florida Municipal Power Pool (FMPP) not properly reserving secondary transmission requirements. FMPA is formally protesting this billing and discussing payment responsibility with FMPP. Accordingly, no provision has been made in these statements for this billing.

Change in market value of Derivative Financial Instruments

Since September 30, 2008, declines in natural gas prices have reduced the market value of natural gas futures and options contracts to a negative $99.6 million at December 31, 2008. Additionally, the decline in interest rates due to the financial market dislocation has increased the Interest Rate Swap termination value from $59 million to $287 million. As a result additional collateral postings have been made for both natural gas futures and options contracts as well as Interest Rate Swap agreements. At December 31, 2008 total collateral postings required amounted to $89 million. At December 31, 2008 a total of $76 million had been drawn on the line of credit in order to fund these collateral postings.

Supplementary Information
(unaudited)

SCHEDULE OF AMOUNTS DUE TO (FROM) PARTICIPANTS

RESULTING FROM BUDGET/ACTUAL VARIANCES
YEAR ENDED SEPTEMBER 30, 2008
(000's US$)

	Amended Budget	Actual	Variance Favorable (Unfavorable)
Agency Fund			
Received from projects	$ 12,449	$ 10,329	$ (2,120)
Received from member assessments	33	21	(12)
Interest income	300	259	(41)
Other income	-	1	1
	$ 12,782	$ 10,610	$ (2,172)
General and administrative	$ 10,408	$ 9,318	$ 1,090
Interest expense	103	45	58
Depreciation & amortization expense	425	347	78
Contingency fund	73	0	73
	$ 11,009	$ 9,710	$ 1,299
Net Revenue	$ 1,773	$ 900	$ (873)
St. Lucie Project			
Participant billing	$ 43,173	$ 43,588	$ 415
Reliability exchange contract sales	0	2,532	2,532
Interest income	6,000	8,207	2,207
	$ 49,173	$ 54,327	$ 5,154
Provision for purchase of future fuel core			$ -
Operation and maintenance, fuel	16,624	11,644	4,980
Spent fuel fees	465	348	117
Purchased power	7,568	2,836	4,732
Transmission service	364	404	(40)
General and administrative	2,279	3,141	(862)
Deposit to renewal and replacement fund	4,553	0	4,553
Deposit to decommissioning fund	2,500	2,834	(334)
Deposit to cost reduction fund	3,320	3,320	0
Deposit to debt service fund	11,500	26,455	(14,955)
	$ 49,173	$ 50,981	$ (1,808)
Net Due to Participant Resulting from Budget/Actual Variances	$ -	$ 3,346	$ 3,346

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, 2008
(000's US$)

	Amended Budget	Actual	Variance Favorable (Unfavorable)
Stanton Project			
Participant billing & sales to others	$ 27,938	$ 30,826	$ 2,888
Interest income	1,100	1,286	186
	$ 29,038	$ 32,112	$ 3,074
Operation and maintenance, fuel	$ 15,526	$ 18,165	$ (2,639)
Transmission service	715	780	(65.00)
General and administrative	842	959	(117)
Deposit to debt service fund	7,077	10,429	(3,352)
Deposit to renewal and replacement fund	4,879	0	4,879
	$ 29,039	$ 30,333	$ (1,294)
Net Due to Participant Resulting from Budget/Actual Variances	$ -	$ 1,779	$ 1,780
All-Requirements Project			
Participant billing & sales to others	$ 687,142	$ 712,834	$ 25,692
Interest Income	0	7,484	7,484
	$ 687,142	$ 720,318	$ 33,176
Operation and maintenance, fuel	$ 372,849	$ 386,133	$ (13,284)
Purchased power	240,952	241,264	(312)
Transmission service	21,397	16,417	4,980
General and administrative	12,401	11,988	413
Deposit to reserve and contingency fund	5,572	0	5,572
Deposit to debt service fund	39,590	62,927	(23,337)
	$ 692,761	$ 718,729	$ (25,968)
Net Due to Participant Resulting from Budget/Actual Variances	$ (5,619)	$ 1,590	$ 7,208

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, 2008

(000's US$)

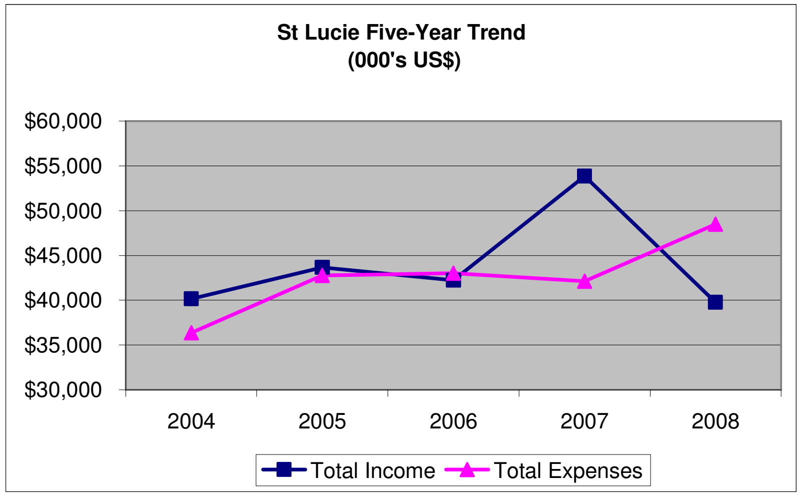
	Amended Budget	Actual	Variance Favorable (Unfavorable)
Tri-City Project			
Participant billing & sales to others	$ 11,603	$ 12,408	$ 805
Interest income	303	376	73
	$ 11,906	$ 12,784	$ 878
Operation and maintenance, fuel	$ 5,684	$ 6,555	$ (871)
Transmission service	294	310	(16)
General and administrative	456	497	(41)
Deposit to debt service fund	3,726	4,756	(1,030)
Deposit to renewal and replacement fund	1,744	0	1,744
	$ 11,906	$ 12,118	$ (212)
Net Due to Participant Resulting from Budget/Actual Variances	$ -	$ 666	$ 666
Stanton II Project			
Participant billing & sales to others	$ 41,220	$ 44,196	$ 2,976
Interest income	1,299	1,572	273
	$ 42,519	$ 45,768	$ 3,249
Operation and maintenance, fuel	$ 24,658	$ 28,499	$ (3,841)
Transmission service	1,065	1,181	(116)
General and administrative	1,129	1,391	(262)
Deposit to debt service fund	10,455	15,479	(5,024)
Deposit to cost reduction fund	0	0	-
Deposit to renewal and replacement fund	5,212	5,004	208
	$ 42,519	$ 51,554	$ (9,035)
Net Due to Participant Resulting from Budget/Actual Variances	$ -	$ (5,786)	$ (5,786)

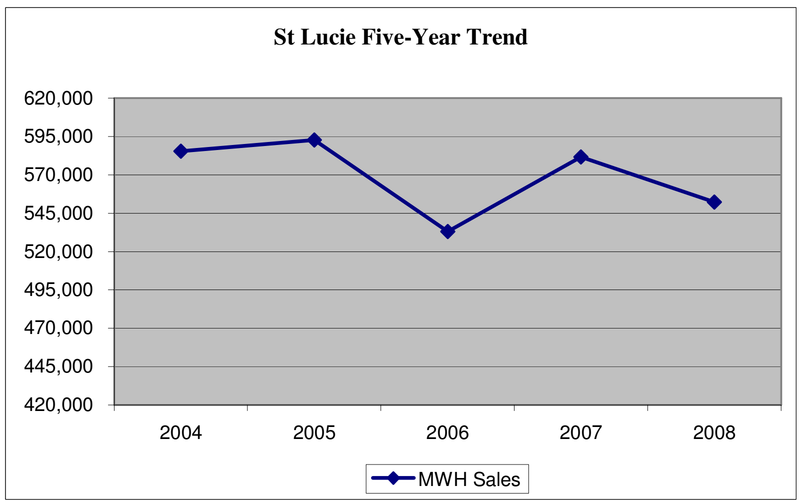
Note: These schedules are prepared on budgetary basis and as such do not present the results of operations in accordance with generally accepted accounting principles.

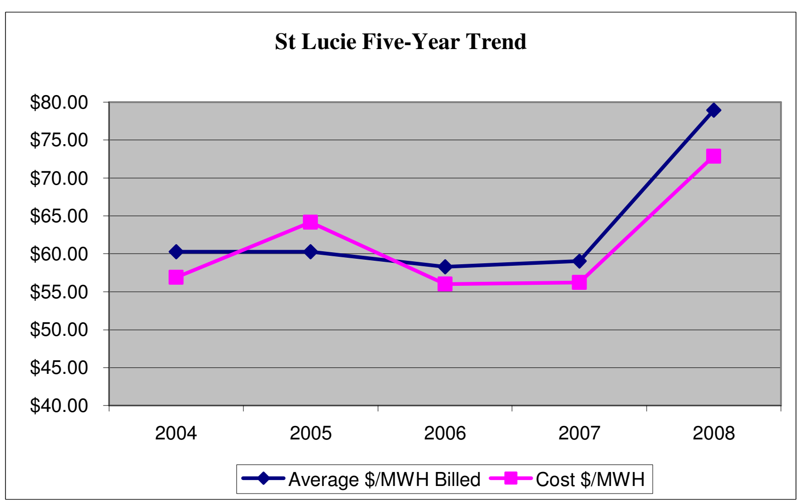
Five-Year Trend Analysis by Project

	2004	2005	2006	2007	2008
(000's US$ except for MWH Sales and Average $/MWH)					
St. Lucie Project					
Capital Assets	$ 87,715	$ 86,436	$ 87,673	$ 89,581	$ 96,431
Total Assets	$ 250,500	$ 255,464	$ 260,615	$ 279,178	$ 293,608
Long-Term Debt	$ 212,701	$ 215,775	$ 218,848	$ 236,828	$ 247,369
Total Liabilities	$ 250,500	$ 255,464	$ 260,615	$ 279,178	$ 293,608
Billings to Participants	$ 35,289	$ 35,726	$ 31,072	$ 34,329	$ 43,588
Sales to Others	2,659	2,814	3,100	2,011	2,532
Total Operating Revenues	$ 37,948	$ 38,540	$ 34,172	$ 36,340	$ 46,120
Purchased Power	$ 3,075	$ 2,370	$ 2,513	$ 3,199	$ 2,836
Production-Nuclear	8,445	11,490	11,882	8,220	11,642
Nuclear Fuel Amortization	1,706	2,990	2,640	2,734	2,050
Transmission	380	371	363	363	404
General & Administrative	1,904	3,029	2,924	2,346	3,141
Depreciation & Decommissionin	10,251	10,947	9,700	11,317	11,776
Total Operating Expenses	$ 25,761	$ 31,197	$ 30,022	$ 28,179	$ 31,849
Net Operating Revenues	$ 12,187	$ 7,343	$ 4,150	$ 8,161	$ 14,271
Investment Income	$ 2,205	$ 5,138	$ 8,063	$ 17,530	$ (6,381)
Total Other Income	$ 2,205	$ 5,138	$ 8,063	$ 17,530	$ (6,381)
Interest Expense	$ 6,757	$ 8,393	$ 9,822	$ 10,780	$ 14,013
Amortization & Other Expense	3,841	3,175	3,175	3,175	2,646
Total Other Expenses	$ 10,598	$ 11,568	$ 12,997	$ 13,955	$ 16,659
Net Income (Loss)	$ 3,794	$ 913	$ (784)	$ 11,736	$ (8,769)
Net Cost Recovered (Credited) in the Future	(1,802)	(3,225)	2,007	(10,115)	12,115
Due from (to) Participants	(1,992)	2,312	(1,223)	(1,621)	(3,346)
Total Income	$ -	$ -	$ -	$ -	$ -
MWH Sales	585,329	592,719	532,970	581,598	552,222
Average $/MWH Billed	$ 60.29	$ 60.27	$ 58.30	$ 59.03	$ 78.93
Cost $/MWH	$ 56.89	$ 64.18	$ 56.01	$ 56.24	$ 72.87

Five-Year Trend Analysis by Project



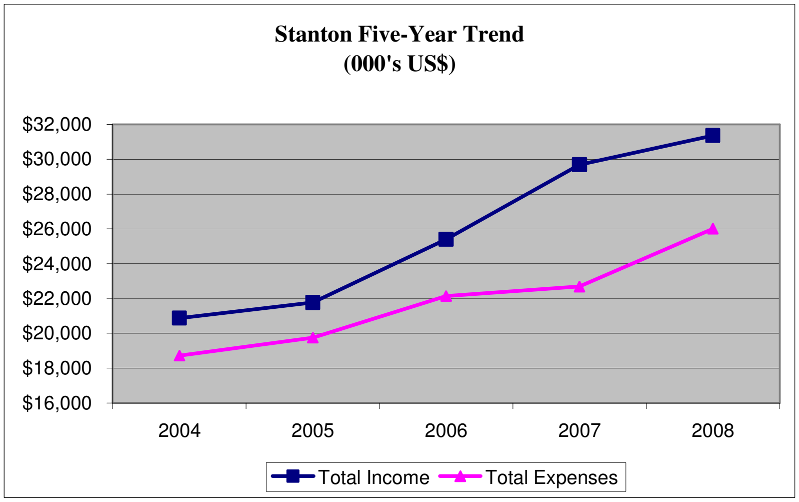


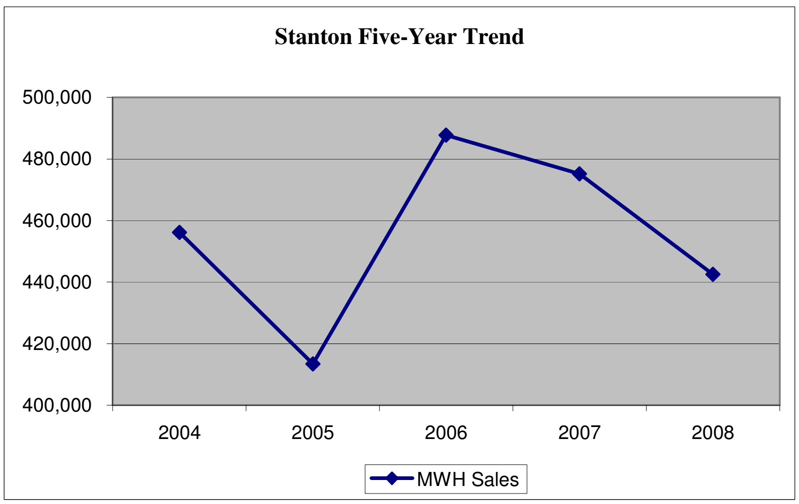


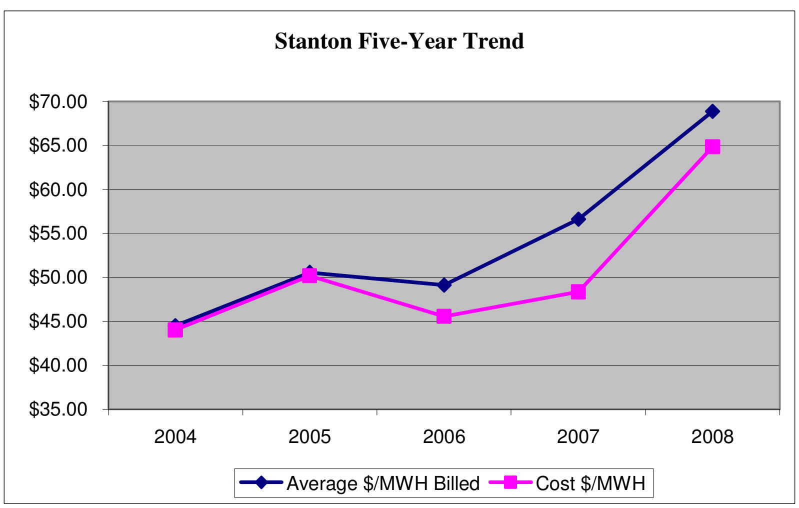
FIVE-YEAR TREND ANALYSIS BY PROJECT

	2004	2005	2006	2007	2008
(000's US$ except for MWH Sales and Average $/MWH)					
Stanton Project					
Capital Assets	$ 40,490	$ 39,809	$ 38,714	$ 37,939	$ 37,587
Total Assets	$ 86,948	$ 83,749	$ 82,319	$ 81,751	$ 79,744
Long-Term Debt	$ 81,072	$ 78,074	$ 74,956	$ 71,677	$ 71,628
Total Liabilities	$ 86,948	$ 83,749	$ 82,319	$ 81,751	$ 79,744
Billings to Participants	$ 20,295	$ 20,906	$ 23,953	$ 26,896	$ 30,478
Sales to Others	307	441	347	350	348
Total Operating Revenues	$ 20,602	$ 21,347	$ 24,300	$ 27,246	$ 30,826
Purchased Power					
Production-Steam	$ 2,988	$ 4,035	$ 3,218	$ 3,738	$ 4,643
Fuel Expense	8,483	8,725	11,577	11,573	13,522
Transmission	709	711	708	708	780
General & Administrative	835	629	873	868	959
Depreciation & Decommissionin	1,783	1,900	1,921	1,984	2,065
Total Operating Expenses	$ 14,798	$ 16,000	$ 18,297	$ 18,871	$ 21,969
Net Operating Revenues	$ 5,804	$ 5,347	$ 6,003	$ 8,375	$ 8,857
Investment Income	$ 275	$ 416	$ 1,097	$ 2,431	$ 528
Total Other Income	$ 275	$ 416	$ 1,097	$ 2,431	$ 528
Interest Expense	$ 3,242	$ 3,284	$ 3,393	$ 3,390	$ 3,639
Amortization & Other Expense	686	471	449	427	403
Total Other Expenses	$ 3,928	$ 3,755	$ 3,842	$ 3,817	$ 4,042
Net Income (Loss)	$ 2,151	$ 2,008	$ 3,258	$ 6,989	$ 5,343
Net Cost Recovered (Credited)					
in the Future	(1,933)	(1,853)	(1,534)	(3,067)	(3,564)
Due from (to) Participants	(218)	(155)	(1,724)	(3,922)	(1,779)
Total Income	$ -	$ -	$ -	$ -	$ -
MWH Sales	456,164	413,435	487,750	475,138	442,478
Average $/MWH Billed	$ 44.49	$ 50.57	$ 49.11	$ 56.61	$ 68.88
Cost $/MWH	$ 44.01	$ 50.19	$ 45.57	$ 48.35	$ 64.86

Five-Year Trend Analysis by Project



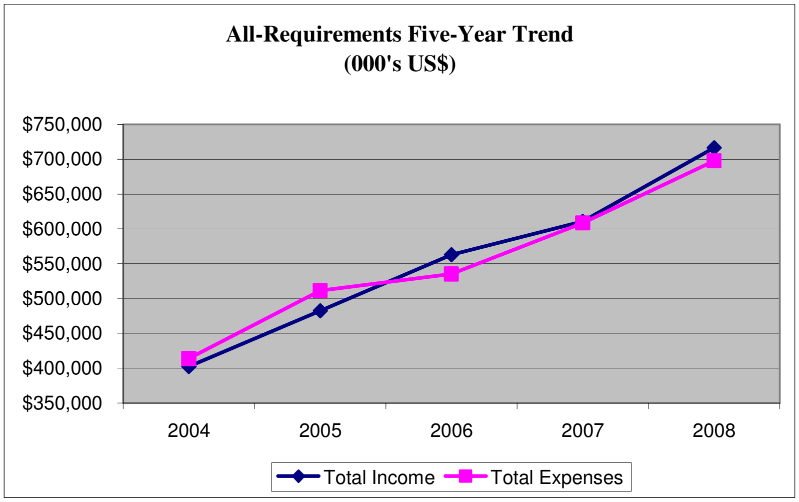


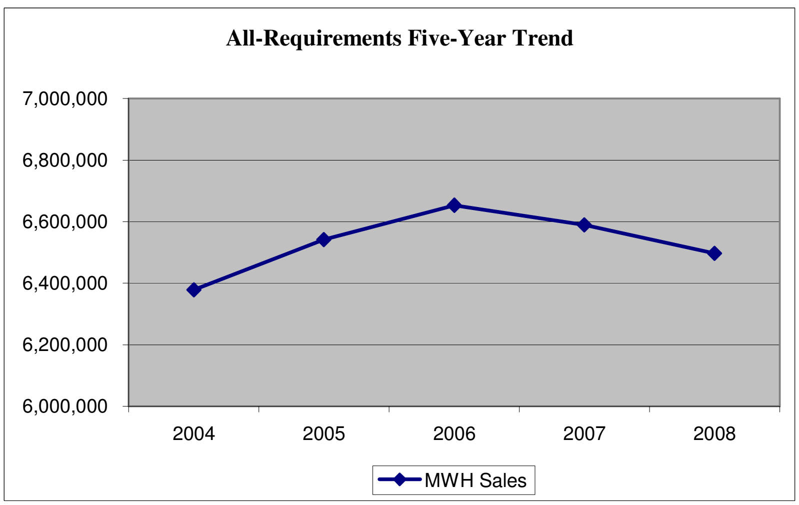


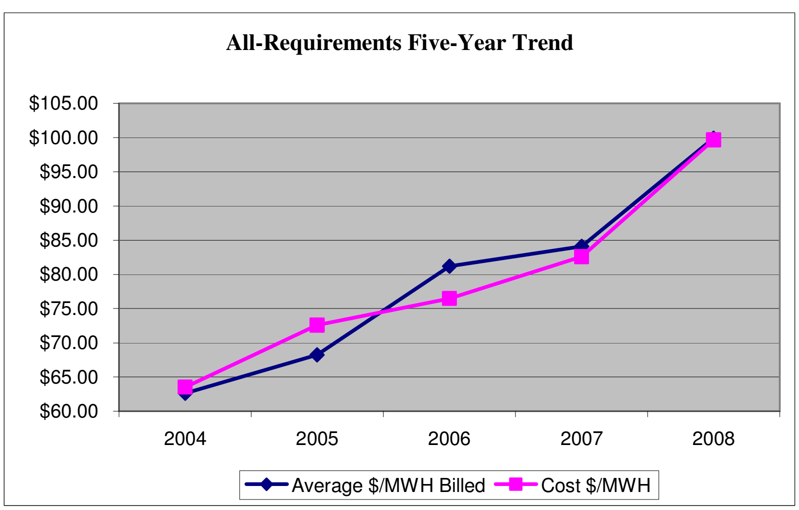
FIVE-YEAR TREND ANALYSIS BY PROJECT

	2004	2005	2006	2007	2008
(000's US$ except for MWH Sales and Average $/MWH)					
All-Requirements Project					
Capital Assets	$ 185,788	$ 198,915	$ 273,458	$ 410,448	$ 497,430
Total Assets	$ 359,813	$ 448,656	$ 787,185	$ 771,429	$ 1,261,120
Long-Term Debt	$ 265,586	$ 270,756	$ 618,982	$ 627,629	$ 1,032,045
Total Liabilities	$ 359,813	$ 448,656	$ 787,185	$ 771,429	$ 1,261,120
Billings to Participants	$ 399,392	$ 446,433	$ 540,320	$ 554,066	$ 649,114
Sales to Others	2,169	33,851	15,754	48,777	63,720
Total Operating Revenues	$ 401,561	$ 480,284	$ 556,074	$ 602,843	$ 712,834
Purchased Power	$ 189,033	$ 243,497	$ 229,279	$ 235,491	$ 241,264
Production-Steam	41,457	38,075	37,722	49,836	48,724
Fuel Expense	132,925	178,227	213,078	258,185	337,409
Transmission	21,428	20,832	20,755	19,584	16,417
General & Administrative	10,063	11,011	10,311	12,149	11,988
Depreciation & Decommissionin	9,353	9,360	10,213	10,102	15,351
Total Operating Expenses	$ 404,259	$ 501,002	$ 521,358	$ 585,347	$ 671,153
Net Operating Revenues	$ (2,698)	$ (20,718)	$ 34,716	$ 17,496	$ 41,681
Investment Income	$ 843	$ 2,322	$ 6,717	$ 7,848	$ 3,449
Total Other Income	$ 843	$ 2,322	$ 6,717	$ 7,848	$ 3,449
Interest Expense	$ 8,423	$ 9,384	$ 13,067	$ 16,395	$ 25,582
Write-Off of Coal Project				$ 5,880	
Amortization & Other Expense	988	793	843	891	789
Total Other Expenses	$ 9,411	$ 10,177	$ 13,910	$ 23,166	$ 26,371
Net Income (Loss)	$ (11,266)	$ (28,573)	$ 27,523	$ 2,178	$ 18,759
Net Cost Recovered (Credited) in the Future	5,622	212	3,862	7,589	(17,169)
Due from (to) Participants	5,644	28,361	(31,385)	(9,767)	(1,590)
Total Income	$ -	$ -	$ -	$ -	$ -
MWH Sales	6,377,973	6,542,263	6,653,808	6,589,702	6,496,441
Average $/MWH Billed	$ 62.62	$ 68.24	$ 81.20	$ 84.08	$ 99.92
Cost $/MWH	$ 63.51	$ 72.57	$ 76.49	$ 82.60	$ 99.67

Five-Year Trend Analysis by Project



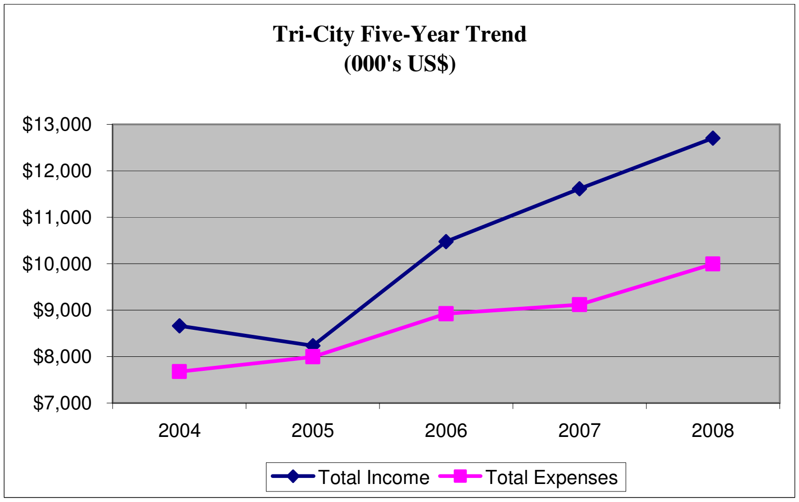


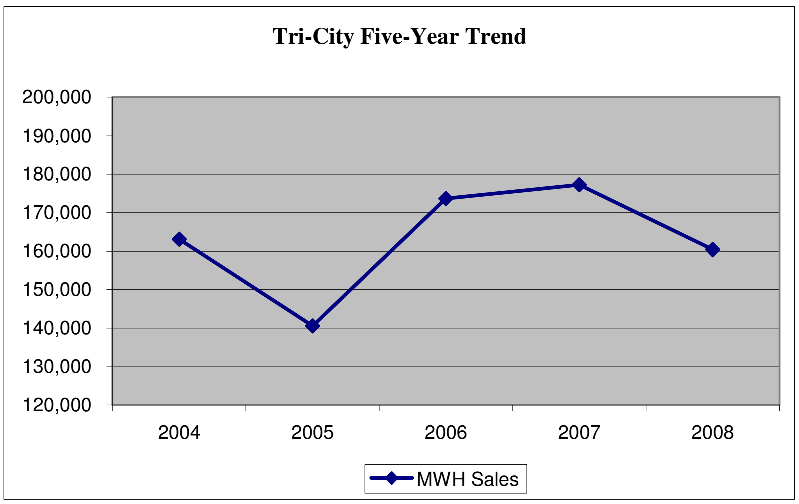


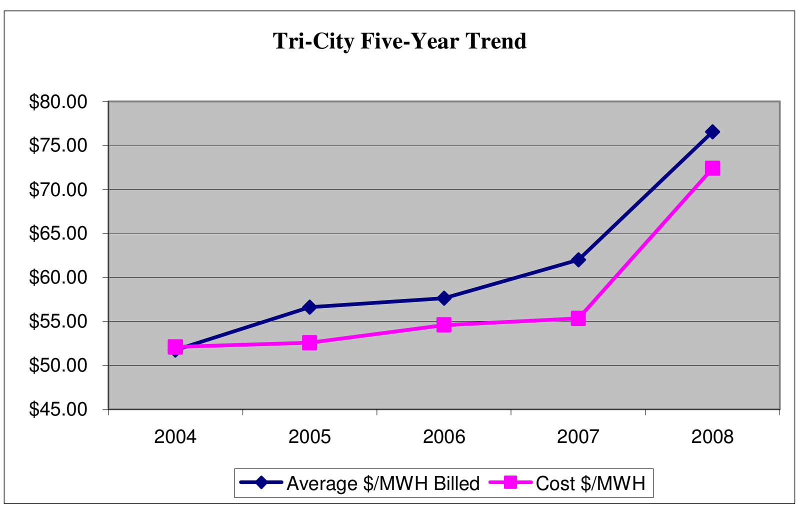
Five-Year Trend Analysis by Project

	2004	2005	2006	2007	2008
(000's US$ except for MWH Sales and Average $/MWH)					
Tri-City Project					
Capital Assets	$ 16,658	$ 16,324	$ 15,834	$ 15,458	$ 15,237
Total Assets	$ 38,302	$ 37,287	$ 35,659	$ 34,838	$ 33,641
Long-Term Debt	$ 35,080	$ 33,511	$ 31,851	$ 30,120	$ 30,395
Total Liabilities	$ 38,302	$ 37,287	$ 35,659	$ 34,838	$ 33,641
Billings to Participants	$ 8,439	$ 7,960	$ 10,006	$ 10,985	$ 12,284
Sales to Others	110	158	124	125	125
Total Operating Revenues	$ 8,549	$ 8,118	$ 10,130	$ 11,110	$ 12,409
Purchased Power					
Production-Steam	$ 1,107	$ 1,445	$ 1,152	$ 1,340	$ 1,662
Fuel Expense	3,033	3,119	4,146	4,168	4,893
Transmission	290	290	289	289	310
General & Administrative	339	244	460	491	497
Depreciation & Decommissionin	731	767	783	806	835
Total Operating Expenses	$ 5,500	$ 5,865	$ 6,830	$ 7,094	$ 8,197
Net Operating Revenues	$ 3,049	$ 2,253	$ 3,300	$ 4,016	$ 4,212
Investment Income	$ 110	$ 120	$ 349	$ 506	$ 291
Total Other Income	$ 110	$ 120	$ 349	$ 506	$ 291
Interest Expense	$ 1,503	$ 1,491	$ 1,488	$ 1,454	$ 1,349
Amortization & Other Expense	672	638	604	569	444
Total Other Expenses	$ 2,175	$ 2,129	$ 2,092	$ 2,023	$ 1,793
Net Income (Loss)	$ 984	$ 244	$ 1,557	$ 2,499	$ 2,710
Net Cost Recovered (Credited) in the Future	(1,039)	329	(1,033)	(1,319)	(2,044)
Due from (to) Participants	55	(573)	(524)	(1,180)	(666)
Total Income	$ -	$ -	$ -	$ -	$ -
MWH Sales	163,082	140,549	173,668	177,238	160,417
Average $/MWH Billed	$ 51.75	$ 56.64	$ 57.62	$ 61.98	$ 76.58
Cost $/MWH	$ 52.08	$ 52.56	$ 54.60	$ 55.32	$ 72.42

FIVE-YEAR TREND ANALYSIS BY PROJECT



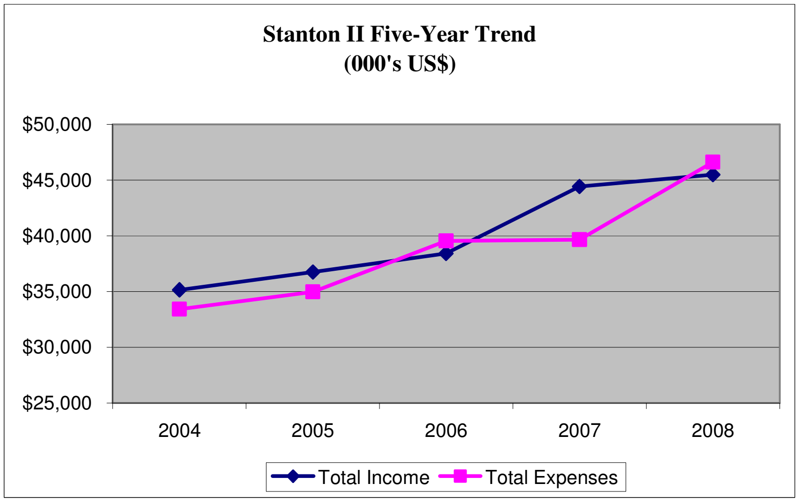


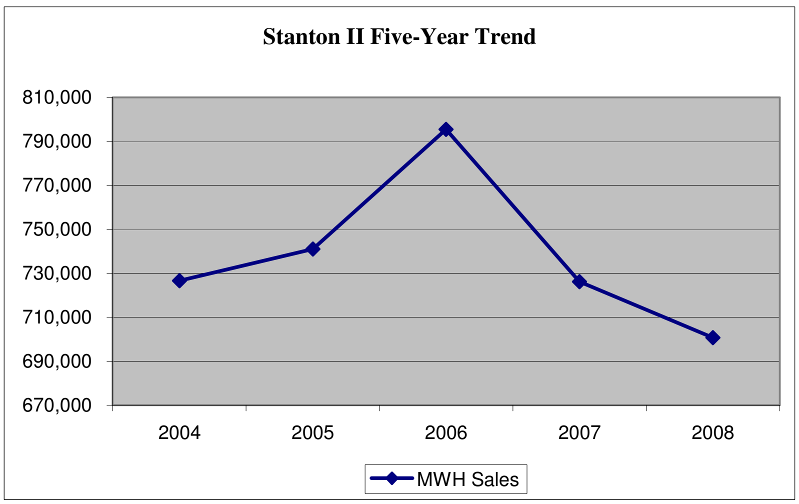


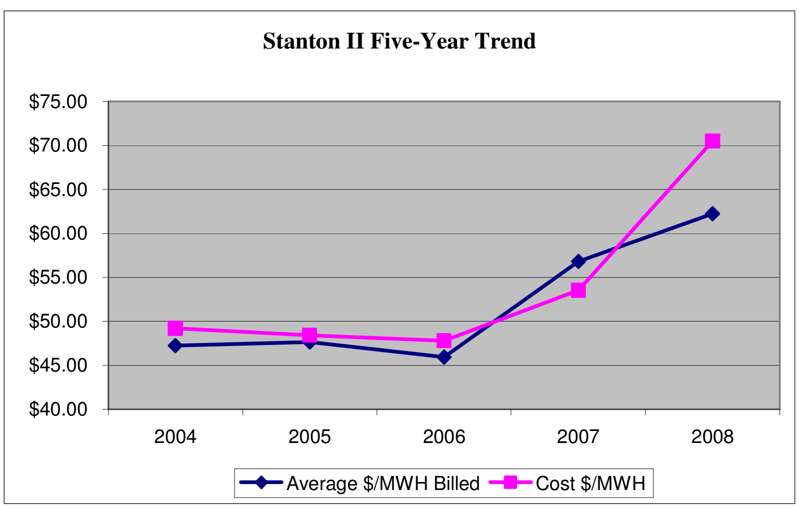
FIVE-YEAR TREND ANALYSIS BY PROJECT

	2004	2005	2006	2007	2008
(000's US$ except for MWH Sales and Average $/MWH)					
Stanton II Project					
Capital Assets	$ 128,931	$ 127,357	$ 123,314	$ 120,192	$ 120,495
Total Assets	$ 197,764	$ 187,986	$ 184,893	$ 181,610	$ 179,442
Long-Term Debt	$ 183,383	$ 179,244	$ 175,848	$ 172,371	$ 173,257
Total Liabilities	$ 197,764	$ 187,986	$ 184,893	$ 181,610	$ 179,442
Billings to Participants	$ 34,324	$ 35,296	$ 36,524	$ 41,267	$ 43,626
Sales to Others	481	691	544	548	570
Total Operating Revenues	$ 34,805	$ 35,987	$ 37,068	$ 41,815	$ 44,196
Production-Steam	$ 4,517	$ 4,320	$ 5,015	$ 6,143	$ 8,355
Fuel Expense	13,189	15,184	18,531	17,345	20,144
Transmission	1,060	1,062	1,059	1,059	1,181
General & Administrative	1,361	945	1,178	1,204	1,391
Depreciation & Decommissionin	4,124	4,343	4,309	4,344	4,456
Total Operating Expenses	$ 24,251	$ 25,854	$ 30,092	$ 30,095	$ 35,527
Net Operating Revenues	$ 10,554	$ 10,133	$ 6,976	$ 11,720	$ 8,669
Investment Income	$ 359	$ 751	$ 1,351	$ 2,621	$ 1,269
Total Other Income	$ 359	$ 751	$ 1,351	$ 2,621	$ 1,269
Interest Expense	$ 7,509	$ 7,649	$ 8,044	$ 8,203	$ 9,982
Amortization & Other Expense	1,656	1,454	1,407	1,360	1,094
Total Other Expenses	$ 9,165	$ 9,103	$ 9,451	$ 9,563	$ 11,076
Net Income (Loss)	$ 1,748	$ 1,781	$ (1,124)	$ 4,778	$ (1,138)
Net Cost Recovered (Credited) in the Future	(3,173)	(2,346)	(380)	(2,386)	(4,648)
Due from (to) Participants	1,425	565	1,504	(2,392)	5,786
Total Income	$ -	$ -	$ -	$ -	$ -
MWH Sales	726,604	740,975	795,551	726,163	700,792
Average $/MWH Billed	$ 47.24	$ 47.63	$ 45.91	$ 56.83	$ 62.25
Cost $/MWH	$ 49.20	$ 48.40	$ 47.80	$ 53.53	$ 70.51

FIVE-YEAR TREND ANALYSIS BY PROJECT







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 activity and the major funds of Florida Municipal Power Agency (the Agency) as of and for the year ended September 30, 2008, and have issued our report thereon dated January 9, 2009. 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control over financial reporting that we consider to be significant deficiency.

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. We consider the deficiency described below to be a significant deficiency in the Agency's internal control over financial reporting:

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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*
(Continued)

Internal Control Over Financial Reporting *(Concluded)*

- **Period End Closing Routine for Financial Reporting**
  The Agency does not utilize a well documented, functioning month or year-end closing routine to clearly identify and assign to staff all accounting tasks that are necessary for a timely month or year-end close and preparation of year-end financial statements for audit. As a result, the Agency's year-end financial reporting process has been unnecessarily difficult and time consuming requiring numerous client and audit adjusting entries to close out the books for financial statement preparation. To remedy this situation and improve the Agency's year-end closing routine and financial reporting process, we believe that specific attention should be given to the following items:

  - Creation of closing routines and timetables with appropriate staff commitment and departmental follow up.
  - Appropriate delegation of work among accounting staff to avoid undue dependence on any one individual.
  - Consideration of the need for additional higher level accounting staff in the accounting function.
  - Improved training and skills of all accounting department employees.
  - Improved timeliness of balance sheet account reconciliations and general ledger review for accounts payable, pooled loan, receivables and inter-fund payables, interest accruals, investment valuations and other key accounts throughout the year.

  If a documented period-end closing routine is utilized on a monthly basis, the interim and year-end closing process will be easier and quicker to complete with little or no adjustments required, which will improve the quality and timeliness of the financial reporting process.

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 Agency's internal controls over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the Agency's internal controls that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described above is not a material weakness.

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.*

Board of Directors and Members
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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 *(Concluded)*

However, we noted certain matters that we report to the Agency's management in a separate letter dated January 9, 2009.

This report is intended solely for the information and use of the Board of Directors, management and applicable regulatory agencies. 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 9, 2009
Ocala, Florida

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 activity and the major funds of Florida Municipal Power Agency (the Agency) as of and for the fiscal year ended September 30, 2008, and have issued our report thereon dated January 9, 2009.

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. We have issued our auditors' report on internal control over financial reporting and on compliance and other matters dated January 9, 2009. Disclosures in this report, if any, should be considered in conjunction with this management letter.

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. This letter includes the following information, which is not included in the aforementioned auditors' reports:

- Section 10.554(1)(i)1., *Rules of the Auditor General*, requires that we determine whether or not corrective actions have been taken to address significant findings and recommendations made in the preceding annual financial audit report not otherwise addressed in the auditor report. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report except as noted in the attached management letter comments letter under the heading Prior Year Findings and Recommendations.

- Section 10.554(1)(i)2., *Rules of the Auditor General*, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding investment of public funds. In connection with our audit, we noted no violations of Section 218.415, Florida Statutes.

- Section 10.554(1)(i)3., *Rules of the Auditor General*, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we provided these recommendations in the attached management letter comments letter.

- Section 10.554(1)(i)4., *Rules of the Auditor General*, requires that we address violations of laws, regulations, contracts or grant agreements or abuse that have occurred, or are likely to have occurred, that have an effect on the determination of financial statement amounts that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.

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

MANAGEMENT LETTER
(Concluded)

- Section 10.554(1)(i)5., *Rules of the Auditor General*, provides that the auditor may, based on professional judgment, report the following matters that are inconsequential to the determination of financial statement amounts, considering both quantitative and qualitative factors: (1) violations of laws, regulations, contracts or grant agreements, or abuse that have occurred, or were likely to have occurred; (2) 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 annual financial statements); (b) failures to properly record financial transactions; and (c) 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.

- Section 10.554(1)(i)6., *Rules of the Auditor General*, also requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. This information has been disclosed in note I of the Agency's September 30, 2008, financial statements.

- Section 10.554(1)(i)7.(a), *Rules of the Auditor General*, requires a statement be included as to whether or not the local governmental entity has met one or more of the conditions described in Section 218.503(1)(a), Florida Statutes, "Determination of Financial Emergency", and identification of the specific condition(s) met. 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.

- Section 10.554(1)(i)7.(b), *Rules of the Auditor General*, requires that we determine whether the annual financial report for the Agency for the fiscal year ended September 30, 2008, has been filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2008. In connection with our audit, we determined that these two reports were in agreement.

- Pursuant to Sections 10.554(1)(i)7.(c) and 10.556(7), *Rules of the Auditor General*, we applied financial condition assessment procedures. It is management's responsibility to monitor the Agency's financial condition, and our financial condition assessment was based in part on representations made by management and review of financial information provided by the same. There were no findings of deteriorating financial condition, which were required to be reported.

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information and use of management, and the 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 9, 2009
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, 2008 financial statements, we offer the following recommendations to improve financial management, accounting procedures, and internal controls.

Prior Year Management Letter Comments

The Agency has addressed all prior year audit recommendations; however the following items have not been fully completed:

Agency Fund Reserves

The Agency fund has over $11 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 including future rates to be charged and also consider adopting a formal policy with regards to allowable uses of the fund.

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 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, with appropriate reports prepared to document the review procedures.

Cost Accounting - Operations Reporting

During the course of our audit we noted that there were little or no standard cost accounting or operating reports generated for each project identifying the cost per MWh of each generation source. We believe that such data would be helpful in monitoring, managing and communicating the financial activity of each project. Such reports would likely involve collaboration of multiple departments but should be tied to actual costs as recorded in the Agency's general ledger.

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

MANAGEMENT LETTER COMMENTS
(Continued)

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

Cost Accounting - Operations Reporting ***(Concluded)***
We recommend that the Agency continue its efforts to complete these items by the end of the 2009 fiscal year.

Current Year Management Letter Comments

Natural Gas Hedging Program
The Agency is heavily exposed to natural gas prices with the majority of its generation resources relying on natural gas for fuel. As a result of this dependency, the Agency's All Requirements Project (ARP) began its gas hedging program in 2002 using primarily NYMEX hedge contracts, recently adding significant amounts of option contracts (puts & calls) to the NYMEX hedge contracts.

Additionally several fixed price physical delivery contracts have been added, one of which extends out for four years and is currently significantly priced outside of the current market, locking the Agency into higher price gas even though market prices remain low.

A small group, primarily within the Operations Department of the Agency has been responsible for making all hedge decisions and executing all trades with limited Agency-wide agreed upon trading strategy. Additionally, because the hedging activity was performed by the Operations Department, there does not appear to have been adequate consideration of the relationship between the volumes of hedge contracts to the amount of liquidity that would be needed for posting cash collateral in the event of significant natural gas price drops.

The recent precipitous price decline in natural gas has put virtually all of the Agency's hedges "out of the money", requiring large cash collateral postings to the hedge accounts, using nearly all available LOC funds, counterparty account credit and internal working capital. Additionally, due to the lack of available liquidity, the Agency was forced to close out and early recognize significant hedge losses in September and October of 2008, to reduce cash collateral requirements from the Hedge Accounts. The gas price decline also triggered many option contracts to be "put" to the Agency resulting in the sum of all fixed priced delivery contracts, NYMEX hedge contracts and option contracts that were "put" to the Agency, to exceed the Agency's total exposure to gas for much of the upcoming year. This condition although unintentional, does not appear to conform to the intention of the energy risk management policy of having a variable percentage of gas exposure hedged.

Further, if gas prices remain in the current low range, the "out of the money" hedge values will filter into gas cost over the remaining months, increasing the energy rate to be charged to members, nullifying the expected rate relief from falling gas prices. The current hedge strategy of reducing rate volatility by keeping gas prices within a hedged range does not provide rate relief when the market price of gas is lower than the hedged price.

To address this situation, subsequent to the 2008 fiscal year-end, Agency management established an informal committee made up of individuals in the Operations, Finance and Executive Departments to review and approve all proposed hedge transactions for both strategy and available liquidity. Additionally, the energy risk management policy governing hedge transactions has been rewritten to formalize and specify the authority and responsibility of the committee and link hedging activity to available liquidity resources. The new policy also addresses measurement and reporting

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Orlando, Florida

MANAGEMENT LETTER COMMENTS
(Continued)

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

Natural Gas Hedging Program ***(Concluded)***
guidelines for option contracts to ensure that the Agency does not exceed its total gas exposure from the sum of its fixed price delivery contracts, NYMEX and option contracts. We recommend that this new policy be reviewed by both the Risk Oversight and Executive Committees and adopted after any needed revisions are made.

The Agency recently held a hedge workshop to educate and inform members of the status of the program and sought input as to the future direction. The primary strategy of the current hedge program has been to keep prices within an acceptable price band, which provides wholesale electric rate predictability but does not allow rates to decline when gas prices fall. We recommend that the Agency review this strategy with the members for possible change to one that would protect against the upside in the event of price spikes, yet allow participation when prices decline. This type of strategy will likely have significant option premium cost, and therefore will require a careful cost-benefit analysis.

Also, because this is such a highly complex area, we recommend that the Agency consider augmenting its staff resources with third party consultants ("experts") in this field with the goal of providing the new committee with increased technical assistance and advice to assist in decision making.

Meter Reading for Billing
The agency has not completely converted to the automated MV90 meter reading process for revenue billings for all members, which means that the meter reading part of the billing process is part manual and part automated. We recommend that the Agency fully implement the MV90 automated billing system as soon as possible so that all meter reading is in the same form for billing purposes. It is our understanding that Kissimmee Utility Authority tie points are the only remaining items to be automated.

Purchasing Cards
The Agency's cardholders do not have the ability to see the charges on their accounts nor do they code their own expenditures. Consequently, the possibility of fraudulent charges being detected are minimized and legitimate charges may not be coded correctly. Additionally, timely documentation of expenditures is impaired due to receipts being attached to travel reimbursement forms. Since travel reimbursements are not submitted until after the travel, it could be months before the receipts for credit card charges are received by Accounting but the credit card bills are paid when received. Currently, there is not a system in place to track documentation for credit cards charges paid but undocumented due to uncompleted travel.

Investment Policy
The current investment policy contains a diversification policy for security type and institution. Considering the recent turmoil in the financial markets due to the subprime mortgage crisis, we recommend that the Agency review the policy to determine if it should also address the Agency's use of Collateralized Debt Obligations.

Payroll
A recent internal audit report on the Agency's payroll function identified several areas for process improvement with which we agree, including updating payroll policies and procedures, improved employee file documentation, obtaining and reviewing ADP SAS No. 70 reports annually and consideration of segregating HR from payroll processing or increased review of payroll reports after the fact. Accordingly, we recommend that the Agency review these areas for improvement to the payroll process.

MANAGEMENT LETTER COMMENTS
(Continued)

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

Governmental Accounting Standards Board (GASB) Statement No. 45 - Other Postemployment Benefits (OPEB)
GASB Statement No. 45 regarding postemployment benefits other than pensions became effective to the Agency's 2008 fiscal year-end and requires the Agency to record a liability for future retiree health insurance benefits, which includes implicit rate subsidy. The Agency believes that the liability from this statement will be immaterial to its financial statements and has not computed and recorded an OPEB liability in the 2008 financial statements. We recommend that the Agency compute and record its OPEB liability during 2009. Because there are under 100 current employees of the Agency, there is an abbreviated in-house methodology allowed by the standard to avoid incurring actuarial costs, which should be considered by the Agency.

Information Technology (IT) General Controls
As part of our audit of the financial statements of the Agency, we performed procedures to provide reasonable assurance that we have obtained an understanding of the design and implementation of key IT general controls to plan our audit.

■ Key IT general controls include:

- The Agency has an IT strategic planning and risk management process in place to support its financial reporting requirements.
- The Agency's data backup and recovery processes are managed to provide reasonable assurance that systems and data are maintained.
- Physical security and access to programs and data are controlled to provide reasonable assurance that unauthorized use, disclosure, modification, damage, or loss of data is prevented and/or detected.
- Program changes and systems acquisition and development are managed to provide reasonable assurance that the application software supports financial reporting objectives.

■ During our procedures, we became aware of opportunities for the Agency to improve and strengthen its IT general controls. We recommend the Agency consider:

- Implementing a formal IT Steering Committee that incorporates the IT Director and other Managers or Directors from other critical Agency Departments.
- Having an IT Risk Assessment performed.
- Developing a formal IT Policies and Procedures document that describes the Agency's policies and procedures around the above mentioned IT general controls, as well as any other policies and procedures that the Agency has in place related to IT.
- Testing its disaster/recovery plan on an annual basis.
- Documenting the level of access user's are granted when user access is requested or changed and supervisor approval for such access; Performing a periodic review of user access to confirm that user access is appropriate.
- Documenting that program change testing protocols, particularly user acceptance testing, have been followed prior to implementation of program changes on to production servers.

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

MANAGEMENT LETTER COMMENTS
(Concluded)

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information and use of management, and the Florida Auditor General 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 9, 2009
Ocala, Florida

Florida Municipal Power Agency

Mark Larson
Assistant General Manager, CFO and Risk Manager

Staff Response to the Fiscal Year 2008 Management Letter And Report on Internal Control over Financial Reporting

Purvis Gray & Company prepared Management Letter Comments (MLCs) associated with their audit for the fiscal year ended September 30, 2008. These comments have been prepared by the Finance Division using information and comments provided by several staff members that are more closely associated/familiar with several of the topics mentioned in the Auditor's MLCs. The format of this response follows the associated report, which should be read in concert.

Management Letter Comments

Follow-up to Prior Year Comments

1. Agency Fund Reserves – Agree

FMPA Board members and Executive Committee members will hold a Strategic Planning meeting in early February. An outcome stemming from that effort may provide direction on this matter. Having these funds available is not "hurtful," but to the extent the monies are not needed, then they should be returned to the members or used in a member-approved manner. As noted in prior years to the Finance Advisory Committee, the Development Fund has acted as pseudo-working capital for the Agency Fund.

2. Florida Municipal Power Pool (FMPP) – Agree

There is no question that the FMPP is an important tool in the current business model for FMPA and especially the All-Requirements Project (ARP). For this reason, efforts have been made over the past years to create a more permanent structure, one with legal standing. An Executive Director position was created, funded and staffed. Also important to the ARP's asset management efforts is the contract for dispatch services with OUC. As is every funding decision, a risk/return balance must be decided upon by the members. Although current staffing levels may support some additional oversight and follow-ups, a special review will be necessary to determine what activities will likely be the most useful and beneficial and at what cost in additional resources – money and personnel. This recommendation can be considered in the coming budget cycle and during the Strategic Planning session(s).

3. Cost Accounting – Operations Reporting – Agree

The Asset Management efforts started many months ago saw reporting as an important element in improving outcomes. Although numerous informal reports and information is available generally, and over time efforts have been made at constructing various non-financial operations reports, formal monthly standard operations reports that get wide dissemination are not currently the norm. This suggestion also coincides with suggestions made by staff, as part of our Asset Management efforts, to revise the chart of accounts to facilitate operational reporting. Staff will

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put together a formal packet of performance reports monthly and work together with all necessary divisions within FMPA to make them useful and informative. This request of staff has already been made as of this writing.

Current Year Comments

1. Natural Gas Hedging Program –

FMPA's natural gas hedging program has received extensive review and evaluation over the past several months. Based on the results of this review and member input, revisions to the existing natural gas hedging policy have been developed and will be put forward to the members. These changes and others that may be suggested by the members will address the areas of current concern.

2. Meter Reading for Billing – Just Completed!

As of January 8th, the last of the meters have now been connected to phone lines which will allow for automated reading.

3. Purchasing Cards – Agree

FMPA's experience with the credit card services end of banking services has been mixed over the years, culminating with a transfer of that business to SunTrust just over a year or two ago. Since that time, we have resolved many issues, but improvements, several of which noted, remained. In the Spring of 2008, staff from IT and Accounting met with SunTrust representatives and outlined an in-house "front-end" program that when implemented would resolve all of the issues noted in this comment. Due to various factors, this project has been delayed and now waits until budgetary constraints are lifted. Currently, documentation for charges is sought if not already received when reconciliation of the credit card charges clearing account is performed. Dollar limits are controlled to limit exposure to fraudulent charges. To improve oversight of charges on all cards, staff will seek the least costly approach to giving access or credit card charge histories to all cardholders until such time as the new system will provide such or its equivalent.

4. Investment Policy – Agree

Although Collaterized Debt Obligations are not currently listed in any controlling statutes or resolutions as authorized, we certainly don't think it would hurt to prohibit the purchase of this investment product in FMPA's Investment Policy and will do so when the Policy comes next up for review and update, which is expected to be July 2009.

5. Payroll – Agree

The staffs of Human Resources and Risk Management worked cooperatively to engage a third party consultant to review FMPA's payroll process and related functions. as an "asset management" self-improvement effort. Management already has implemented nearly all the action plans from the report and will follow through with the remainder. The IT department is next to use this "self-review" approach.

6. GASB No. 45, Other Postemployment Benefits (OPEB) – Agree
Although the Agency's liability and future liability is very small given current policy and retirees, the recommendation will be implemented prior to fiscal year 2009's close.

7. Information Technology (IT) General Controls – Agree
Two efforts are current underway which, taken together are aligned with the recommendations made. First as part of the budget process, monies were approved for the development of what I call an IT Horizon's Plan – or an IT plan that complements the Agency's Strategic Plan. Development of the RFP for this is currently in process. Second, working with Risk Management, we are planning a review by a third party consultant. Staff sees the IT function as both a key business asset and a unique risk area. As the Agency has grown, the IT function has developed to meet the increasing needs. We all see it prudent to step back and take stock, using a qualified, third party IT professionals to assist in this review.

Report on Internal Control over Financial Reporting

1. Financial Reporting – Agree
Over the past six years, FMPA has had three Controllers and has experienced a complete turnover in its Accounting Staff. Through these changes, reliance on common systems and methods has meant that the accounting function can continue to meet the informational needs of its many customers. Through these years, different staff with different skill sets have also been part of the FMPA Accounting function.

All of the suggestions made in the Management Letter are good suggestions and will be implemented. Additional staffing will be reviewed and discussed, as always during the budget process.

Several of them were already underway prior to note by our Auditors. For example, the Accounting staff and upper management had already begun a renewed look at performance standards and expectations. Also, a current staff member was promoted to Assistant Controller to assist the Controller in several areas needing additional attention and oversight. Lastly, upper management had begun weekly planning meetings with the Controller and Assistant Controller, focused on performance improvements, work management and staff development.