

Point of Balance

Florida Municipal Power Agency
2007 Annual Report



In All Things, Balance

TOGETHER WE CAN FIND BALANCED SOLUTIONS IN A CHANGING AND CHALLENGING WORLD

Systems in nature—from the cellular level to an entire ecosystem—seek balance naturally. Competing forces may push and pull. Their environments may be swept by change. Yet these systems always find their way back to a point of equilibrium.

An electric utility is also a system that seeks balance. But forces in our world and our industry are changing where that point of balance lies. In fact, we may be at the dawn of a new era.

The issue of global climate change is impacting many facets of our lives, and the production and use of energy in all its forms is at the heart of these changes.

FMPA members recognize that the ability to understand and adapt to the changes in our world is critical to our communities' success in the years to come. In 2007, we looked closely at changes on the horizon and took actions that will move us closer to a balanced solution.

BALANCING



Supply and Demand

WE PROVIDE THE ELECTRIC POWER OUR CUSTOMERS NEED EVERY
MINUTE, EVERY HOUR, EVERY DAY

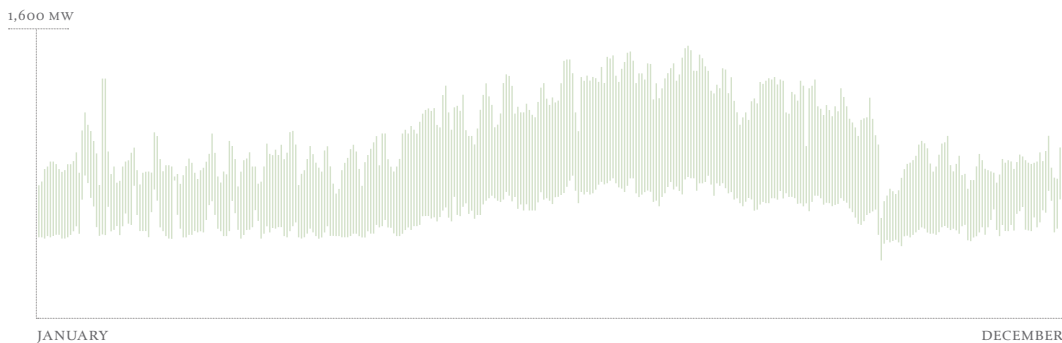


The electric system never stands still. With every flip of a light switch, the point of balance between power supply and power demand shifts again. Behind the scenes of everyday life, FMPA and its members are always there, keeping the power flowing.

Providing reliable, low-cost power isn't just our job, it's our reason for being. Florida's municipal utilities created FMPA almost 30 years ago to ensure their communities would always receive the reliable, affordable power they've come to depend on.

Our job never ends. We work day by day, hour by hour, even minute by minute to make sure our power resources are always ready to serve our customers' power needs. At the same time, we're also planning a decade into the future, so that, as our communities grow, we're there to support them.

Florida is among the fastest growing states in the nation, so keeping up with increasing demand for power is an added challenge for all our state's utilities. FMPA members' power needs are projected to increase almost 30 percent by 2021. Even with an intense focus on energy efficiency and conservation, our state is likely to need substantial new power facilities in the coming decades. Fulfilling these needs won't be an easy task, but it's part of the balancing act utilities perform all the time.



DEMAND FOR POWER This graph depicts All-Requirements members' power needs by hour charted over the course of one year. Increases and decreases in power use can be observed by day and by season. System dispatchers and plant operators work together to economically and reliably match the power supply to the demand.



BALANCING



Risk and Opportunity

WE CAN'T PREDICT THE FUTURE, BUT WE CAN PREPARE FOR IT



Risk management isn't about eliminating risk. It's about identifying risk, understanding it and making informed choices. Challenges, changes and uncertainty are unavoidable in any business, but good risk managers react more quickly and more nimbly when the winds of change push them off balance.

This risk management philosophy has become part of the culture at FMPA. During the past several years, our initial success in fuel price hedging has encouraged us to broaden our focus to extend the concept of risk management to all areas of FMPA's business.

Agency-wide risk management has enhanced both the members' and staff's understanding of our business, has made us better decision makers, and has positioned us well to face the challenges the future will bring. And now, our risk management practices might serve as a model for other municipal risk managers.

FMPA was named by *Risk* magazine as "Municipal Risk Manager of the Year" for 2007. The magazine described FMPA's risk management program as

"conservative but sophisticated" and recognized FMPA's ability to "tactically hedge when markets are favorable." Other risk management highlights include the successful implementation of a program to hedge interest rates on \$700 million to finance future power generation projects and a strategic portfolio of natural gas hedges.

Building on the success of our risk management plan, FMPA is also poised to introduce an asset management program. By both maximizing our asset management opportunities and minimizing our risks, FMPA will provide the best financial results to the communities we serve.



BALANCING



Global Issues and Local Solutions

ACTIONS TODAY DETERMINE TOMORROW



We find ourselves at the start of a new era, as our society begins to address global climate change. In 2007, the state of Florida joined the nation's environmental leaders in unveiling a bold climate change initiative.

Florida Governor Charlie Crist signed three executive orders in July that call for Florida to move toward greater use of renewable energy, energy efficiency and conservation and lower greenhouse gas emissions. For utilities, the orders contained two main provisions:

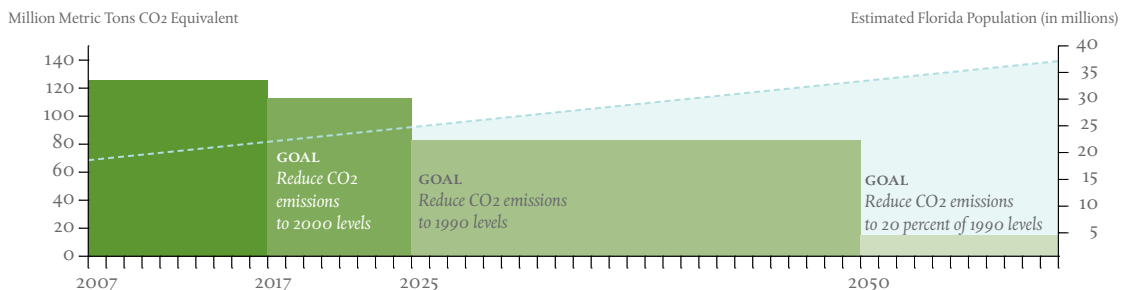
- 1) Setting a series of greenhouse gas reduction goals designed to reach an emission level in 2050 equivalent to only 20 percent of 1990 levels.
- 2) Initiating a rulemaking that would require utilities to produce at least 20 percent of their electricity from renewable sources.

Undertaking this major shift in generation methods will require significant investment by utilities and, ultimately, their customers.

To determine how FMPA can balance environmental goals with reliable, affordable

power supply, we are undertaking two important planning initiatives. The first is an update of FMPA's long-term power supply plan, the Integrated Resource Plan. The updated plan will describe how to provide reliable power at an affordable price in an environmentally responsible manner. The second is a comprehensive study of the Agency's past environmental performance to help members develop strategies for future carbon reductions.

Although the challenge of climate change is global, we know the solutions begin with us. From the way we use energy in our homes and businesses to the way we generate electricity in our communities, each of us has the power to make good choices. Alone our efforts seem small, but together we can make a real difference in our world.



ENVIRONMENTAL GOALS Florida's governor proposed a series of ambitious goals for the reduction of greenhouse gas emissions. To achieve the state's ultimate goal, per capita emissions must be reduced more than 90 percent by 2050.

Sources: Florida Department of Environmental Protection "Preliminary Inventory of Florida Greenhouse Gas Emissions: 1990-2004" and 1,000 Friends of Florida "Florida 2060" report



BALANCING



Tradition and Innovation

WE'RE COMBINING THE TRIED-AND-TRUE
WITH THE BRAND-NEW



Meeting the power needs of a growing population while achieving our environmental goals requires more than a one-size-fits-all answer. FMPA members are looking at every option with a fresh perspective and an open mind to discover the perfect mix of power solutions.

Renewable energy will certainly be an ingredient in that mix. FMPA members currently receive power from two renewable resources, and renewable technologies will play an even greater role in our future.

For example, FMPA is exploring the development of a solar photovoltaic project, which could supply up to 100 megawatts of zero-emission power generation. FMPA is also investigating other renewable technologies and power purchase opportunities from renewable sources.

Of course, the cleanest kilowatt is the one that's never generated, so we're also moving to increase our demand-side management activities. FMPA members stepped up efforts this year to educate consumers about reducing energy consumption. FMPA introduced an online energy audit program, continued a partnership with the federal ENERGY STAR program and sought proposals for other conservation tools.

Renewable technologies and conservation are important parts of our plans, but we must also balance innovation with reliability. Proven, clean-burning natural gas generation will serve as a bridge to the future, meeting today's energy needs as we develop and deploy the solutions of tomorrow. Long-overlooked nuclear technology is also receiving a fresh look by Florida's utilities, including FMPA. We are in discussions with three potential utility partners that are investigating new nuclear resources.

Although the way we do business is changing, our purpose is not. No matter where our power comes from, the places it goes are the same—the homes and businesses in our communities. We'll make sure they receive reliable, affordable power today, tomorrow and well into the future.

BALANCING



Community Power and Statewide Strength

FMPA MEMBERS HAVE THE BEST OF BOTH WORLDS





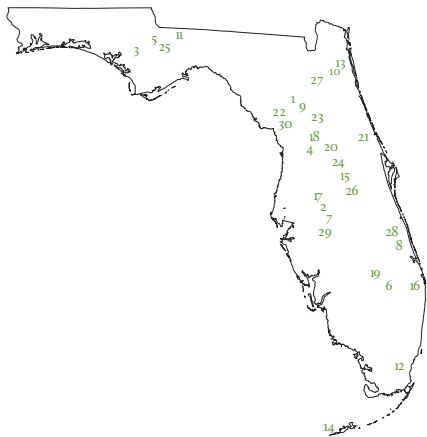
The municipal electric utilities that own FMPA are the legacy of local citizens working together to meet their communities' needs.

More than a century ago, Florida's first municipal electric utilities were founded to bring the marvel of electricity to cities and towns of all sizes. Through the years, these utilities have proven to be valuable community assets, providing reliable service, not-for-profit operations and local control. Moreover, these utilities are proud to offer the personal touch that's become a rarity in today's business world.

When these utilities created FMPA almost three decades ago, they realized they could enjoy the best of both worlds: the personal service of a local utility, backed by the resources of a

statewide organization. Joint action provides economies of scale, access to resources and strength in numbers, which have served Florida's municipal utilities well in both good times and bad.

As we search for ways to care for our growing communities while preserving our natural resources, our founding principles will be our guide. When neighbors help neighbors, when communities come together, when we all give our best to support the common good, then, and only then, do we reach our point of balance.



- | | |
|------------------------|----------------------|
| 1. Alachua | 16. Lake Worth |
| 2. Bartow | 17. Lakeland |
| 3. Blountstown | 18. Leesburg |
| 4. Bushnell | 19. Moore Haven |
| 5. Chattahoochee | 20. Mount Dora |
| 6. Clewiston | 21. New Smyrna Beach |
| 7. Fort Meade | 22. Newberry |
| 8. Fort Pierce | 23. Ocala |
| 9. Gainesville | 24. Orlando |
| 10. Green Cove Springs | 25. Quincy |
| 11. Havana | 26. St. Cloud |
| 12. Homestead | 27. Starke |
| 13. Jacksonville Beach | 28. Vero Beach |
| 14. Key West | 29. Wauchula |
| 15. Kissimmee | 30. Williston |

FMPA MEMBERS AND LOCATIONS



REPORT FROM MANAGEMENT

2007 was a year of transformation, not just for FMPPA, but for all those in our business.

The issue of global climate change moved to the forefront of the public agenda this year. Addressing this challenge is likely to fundamentally change the ways we generate power and increase costs to all consumers. Other changes, including new mandatory national electric reliability standards, added to the mood of uncertainty in our industry.

Fortunately, times like these are when the power of joint action is at its finest. Our members know that when we unite the collective knowledge, skills and abilities of all our communities, we can find answers to any questions our industry or our society may pose.



RELIABLE PARTNERS One of the biggest changes this year was largely invisible to consumers. This June, electric utilities throughout the country were introduced to the nation's first-ever mandatory reliability standards.

Inspired by the August 2003 blackout that impacted 50 million people in the Ohio River Valley and Canada, the federal government granted power to the North American Electric Reliability Corporation and the Federal Energy Regulatory Commission to monitor and enforce 83 standards designed to enhance the reliability of the North American bulk power system. Compliance with the standards is mandatory and enforceable with fines of up to \$1 million a day.

Reliability is a top priority for FMPA's members, who worked together to proactively study the new rules, perform detailed assessments and create plans to achieve compliance. The process would have been challenging and expensive for each individual utility, but by working together, FMPA members shared expertise and resources to achieve a common goal in a cost-effective manner. Those efforts are already proving fruitful, as FMPA's members are performing well in reliability audits under the new system.

MODERN RESOURCES Florida's new greenhouse-gas reduction initiative also promises major change in our industry. Although an exact plan to achieve the state's challenging emission targets is still under development, FMPA's members took several steps this year that will move us toward Florida's environmental goals without losing focus on our mission of providing reliable electricity at a reasonable cost.

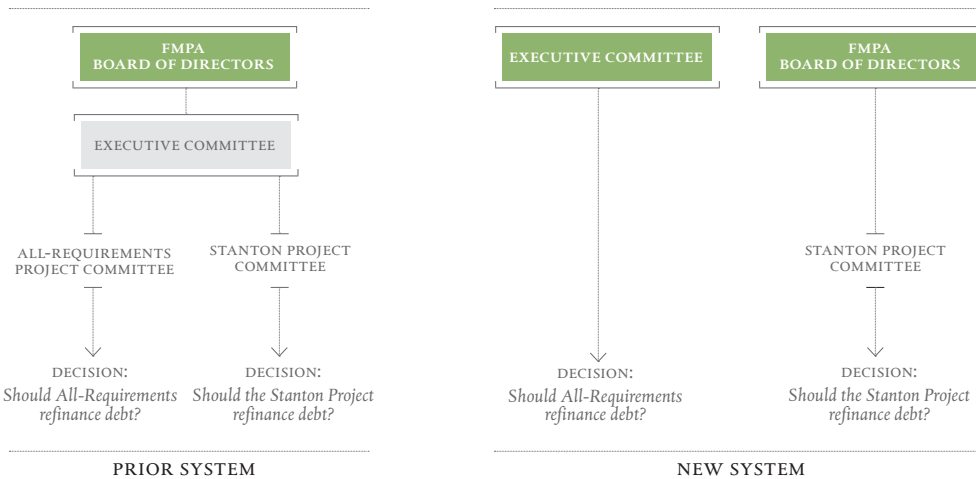
In July, FMPA and three other municipal utilities developing an 800 megawatt coal-fired power plant decided to suspend permitting activities. We believe the state-of-the-art technology we proposed would have been environmentally

responsible, as well as reliable and affordable. However, the growing concern about climate change raises questions that must be addressed. Our most important duties right now are to participate in the dialogue on our state's energy future, while making sure our members' near-term energy needs can be met.

FMPA members are pursuing a mix of innovative renewable power and energy conservation technologies while improving both the affordability and the environmental performance of our existing fleet with clean, efficient new natural gas generation.

In fact, FMPA is involved in the development of three new natural gas generators that will be among the cleanest and most efficient power plants in all of Florida. Construction of FMPA's Treasure Coast Energy Center Unit 1, a 300 megawatt combined cycle unit, is progressing toward a spring 2008 commercial operation date. This unit will be 40 percent more efficient than the older generation it is replacing. Oleander Unit 5, a natural gas-fueled combustion turbine, was constructed this year by Southern Company to serve FMPA through a power purchase contract beginning December 2007. FMPA members also began studying the potential development of another natural gas-fueled combined cycle unit to begin operation in 2011.

STREAMLINED GOVERNANCE Adapting to the changes in our business requires an electric utility to be more agile and flexible than ever before. Recognizing this fact, FMPA's members moved to modernize the Agency's governance structure to enhance the speed and efficiency of its decision-making process. The most significant of these changes are associated with giving FMPA's largest power supply project, All-Requirements, greater self-governance through the reorganization of the Executive Committee.



STREAMLINED GOVERNANCE FMPA members modernized the Agency's structure to streamline the decision-making process. The All-Requirements Project was given greater self-governance.

Under the new system, the Executive Committee, composed of appointed representatives from each All-Requirements member, has the power to independently govern and manage the business affairs of the All-Requirements Project. The Board of Directors will continue to oversee FMPA's other power supply projects and all Agency business not directly related to All-Requirements.

POINT OF BALANCE An electric utility is a complex system. It constantly reacts to competing influences and makes adjustments

to move toward an ever-changing point of balance. Whether it's the minute by minute ups and downs in supply and demand or a shift in power generation methods that may take decades to complete, FMPA members adjust to change so the service they supply to customers can stay the same.

Our shared commitment to those we serve is the center of everything we do. In an ever-changing world, the spirit of community is what guides us always toward equilibrium.



James C. Welsh

James C. Welsh
CHAIRMAN, BOARD OF DIRECTORS



Roger A. Fontes

Roger A. Fontes
GENERAL MANAGER AND CEO



FINANCIAL HIGHLIGHTS

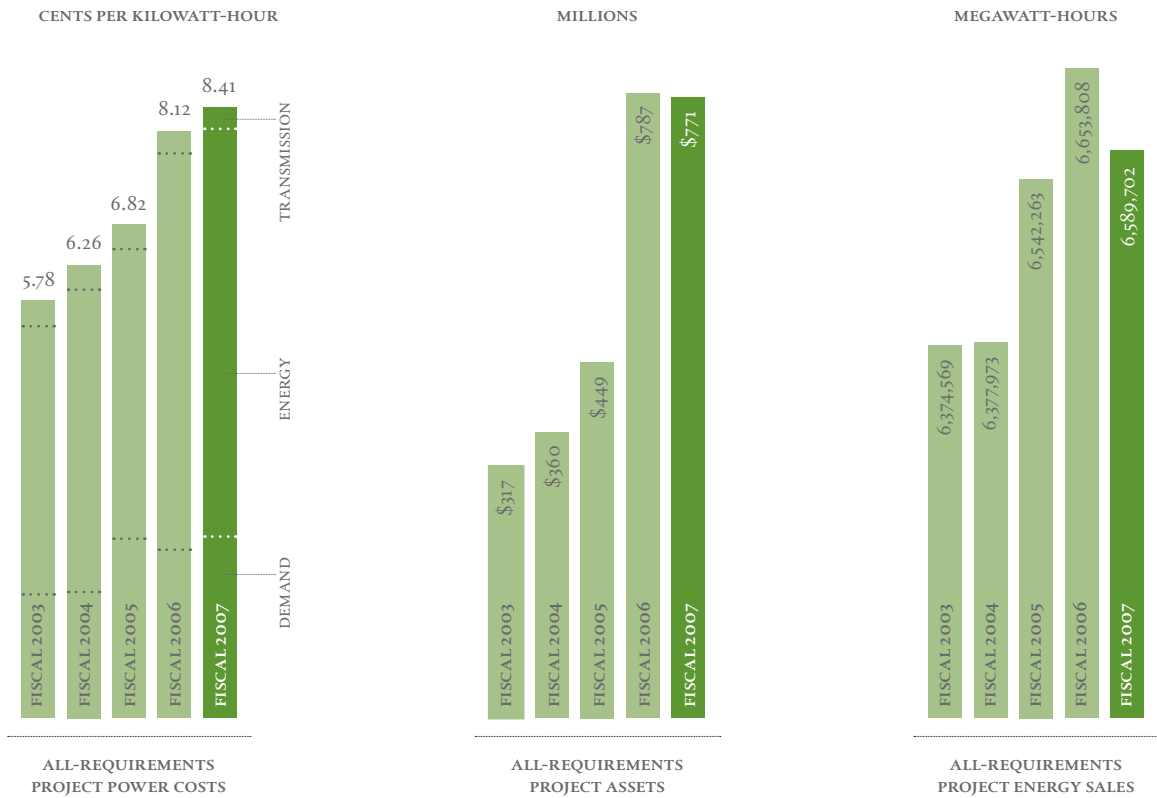
	FISCAL 2007	FISCAL 2006	CHANGE	PROJECT DESCRIPTION
ALL-REQUIREMENTS PROJECT				
Net Utility Plant	\$410,448,000	\$273,458,000	33.4%	All-Requirements Project provides all the wholesale power needs for 15 members.
Total Assets	\$771,429,000	\$787,185,000	-2.0%	
Kilowatt-Hours Sold	6,589,702,000	6,653,808,000	-1.0%	
Sales to Participants	\$554,066,293	\$540,320,000	2.5%	
Cost per Kilowatt-Hour Sold in Cents	8.41	8.12	3.5%	
ST. LUCIE PROJECT				
Net Utility Plant	\$89,581,000	\$87,673,000	2.1%	St. Lucie Project is an 8.8% ownership interest in St. Lucie Unit 2, an 838 megawatt nuclear power plant.
Total Assets	\$279,178,000	\$260,615,000	6.6%	
Kilowatt-Hours at Plant	581,598,000	532,970,000	8.4%	
Sales to Participants	\$34,329,260	\$31,071,569	9.5%	
Cost per Kilowatt-Hour Billed in Cents	5.90	5.83	1.2%	
STANTON PROJECT				
Net Utility Plant	\$37,939,000	\$38,714,000	-2.0%	Stanton Project is a 14.8% ownership interest in Stanton Unit 1, a 425 megawatt coal-fired power plant.
Total Assets	\$81,751,000	\$82,319,000	-0.7%	
Kilowatt-Hours at Plant	475,138,000	487,750,000	-2.7%	
Sales to Participants	\$26,895,981	\$23,952,700	10.9%	
Cost per Kilowatt-Hour Billed in Cents	5.66	4.91	13.2%	
TRI-CITY PROJECT				
Net Utility Plant	\$15,458,000	\$15,834,000	-2.4%	Tri-City Project is a 5.3% ownership interest in Stanton Unit 1, a 425 megawatt coal-fired power plant.
Total Assets	\$34,838,000	\$35,659,000	-2.4%	
Kilowatt-Hours at Plant	177,238,000	173,668,000	2.0%	
Sales to Participants	\$10,984,758	\$10,006,236	8.9%	
Cost per Kilowatt-Hour Billed in Cents	6.20	5.76	7.0%	
STANTON II PROJECT				
Net Utility Plant	\$120,192,000	\$123,314,000	-2.6%	Stanton II Project is a 23.2% ownership interest in Stanton Unit 2, a 429 megawatt coal-fired power plant.
Total Assets	\$181,610,000	\$184,893,000	-1.8%	
Kilowatt-Hours at Plant	726,163,000	795,551,000	-9.6%	
Sales to Participants	\$41,266,789	\$36,523,920	11.5%	
Cost per Kilowatt-Hour Billed in Cents	5.68	4.59	19.2%	
POOLED LOAN FUND				
Outstanding Commercial Paper	\$142,865,000	\$55,274,000	61.3%	Pooled Loan Fund is a financing program that makes low-cost loans for utility-related needs.



ALL-REQUIREMENTS PROJECT

19th largest public power utility in the United States

(by electric revenues) Source: APPA 2007–2008 Directory

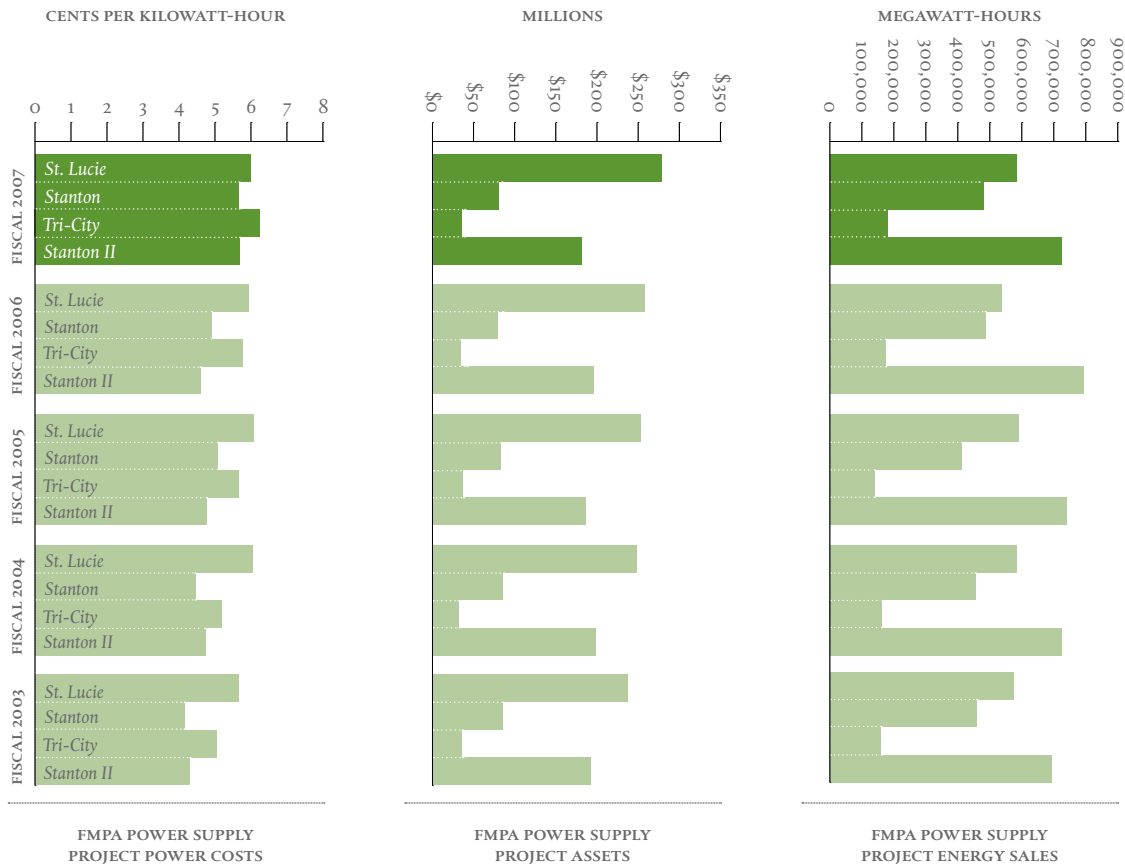


\$771 million Total All-Requirements Project assets in fiscal 2007



ST. LUCIE, STANTON, TRI-CITY AND STANTON II PROJECTS

2 million Floridians served by FMPA's members



\$1.5 billion Total FMPA assets in fiscal 2007



FMPA AT A GLANCE

Florida Municipal Power Agency (FMPA) is a wholesale power company owned by municipal electric utilities. FMPA provides economies of scale in power generation and related services to support community-owned electric utilities.

JOINT ACTION Each utility is locally owned and operated; however, municipal utilities share common concerns that can best be solved by working together. For example, by coordinating the power supply needs of several municipals, a larger, more efficient plant can be built, and other economies of scale help reduce the cost of power. In addition, through joint action, municipal utilities can obtain power from several power plants rather than depend on the operation and cost of fewer plants.

AUTHORITY Local governments are authorized by Florida Statutes to enter together into mutually advantageous agreements that create a separate legal entity. FMPA was formed in 1978 as one such governmental legal entity. FMPA is specifically authorized under Florida law to undertake specific joint projects for its members and to issue tax-exempt bonds and other obligations to finance the costs of such projects. FMPA is also authorized to implement a pooled financing program for utility-related projects of FMPA and its members.

MEMBERSHIP Thirty municipal electric systems, serving approximately 2 million Floridians, are members of FMPA. Each member appoints one

representative to FMPA's Board of Directors, which governs the Agency's activities. Additionally, each member of FMPA's largest power supply project, the All-Requirements Project, appoints a representative to FMPA's Executive Committee. The Executive Committee independently governs and manages the business affairs of the All-Requirements Project.

FINANCES Due to the diverse needs of municipal electric systems, FMPA was established as a project-oriented agency. Under this structure, each member has the option whether or not to participate in a project. Members may join more than one project; however, each project is independent from the others, so no revenues or funds available from one project can be used to pay the costs of another project.

PROJECTS FMPA has five power supply projects and one pooled financing project. As of Sept. 30, 2007, the Agency supplied all the power needs for 15 of its members and some of the power needs for five of its members. Some members do not currently participate in a project. FMPA supplies nearly 50 percent of its members' power needs.



MEMBER LISTING BY PROJECT

MEMBER CITIES	POOLED LOAN	ALL- REQUIREMENTS	ST. LUCIE	STANTON	TRI-CITY	STANTON II
1. Alachua			0.3 MW			
2. Bartow						
3. Bushnell	*	6 MW				
4. Blountstown						
5. Chattahoochee						
6. Clewiston	*	28	1.6			
7. Fort Meade		11	0.2			
8. Fort Pierce	*	119	11.2	15.4 MW	5.1 MW	16.4 MW
9. Gainesville						
10. Green Cove Springs		28	1.3			
11. Havana		7				
12. Homestead			6.1	7.7	5.1	8.2
13. Jacksonville Beach		182	5.4			
14. Key West		150			12.3	9.9
15. Kissimmee		326	6.9	7.7		32.9
16. Lake Worth		91	18.3	10.2		
17. Lakeland						
18. Leesburg	*	117	1.7			
19. Moore Haven			0.3			
20. Mount Dora						
21. New Smyrna Beach	*		7.3			
22. Newberry		8	0.1			
23. Ocala		315				
24. Orlando						
25. Quincy						
26. St. Cloud						14.6
27. Starke		17	1.6	1.5		1.2
28. Vero Beach		200	11.2	20.5		16.4
29. Wauchula						
30. Williston						
Total Megawatts		1,605 MW ¹	73.5 MW	63.0 MW ²	22.5 MW ²	99.6 MW ²

* Members with loans outstanding as of Sept. 30, 2007, not including loans to some FMPA projects.

¹ Participants' noncoincident peak demand in fiscal 2007. Includes demand served by: 1) Entitlement shares of St. Lucie, Stanton, Tri-City and Stanton II projects for All-Requirements members that are also in these projects, and 2) Portions of Crystal River Unit 3 individually owned by some members.

² Participants' capacity entitlements, based on normal high dispatch limit, also known as maximum long-term rating.

BOARD OF DIRECTORS¹

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Kissimmee Utility Authority

Vince Ruano *
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Bushnell

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Fort Pierce Utilities Authority

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Blountstown

Elmon Lee Garner
Chattahoochee

Rick Cochrane *
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Ken Konkol
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Utility Board,
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Lake Worth

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Harry H. Ogletree
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Rohan Berry
Quincy

Michael Turner
St. Cloud

Ricky Thompson *
Starke

John Lee *
Vero Beach

Richard Giroux
Wauchula

Jim Coleman
Williston

FMPA MANAGEMENT

Roger A. Fontes
General Manager and CEO

Frederick M. Bryant
General Counsel and CLO

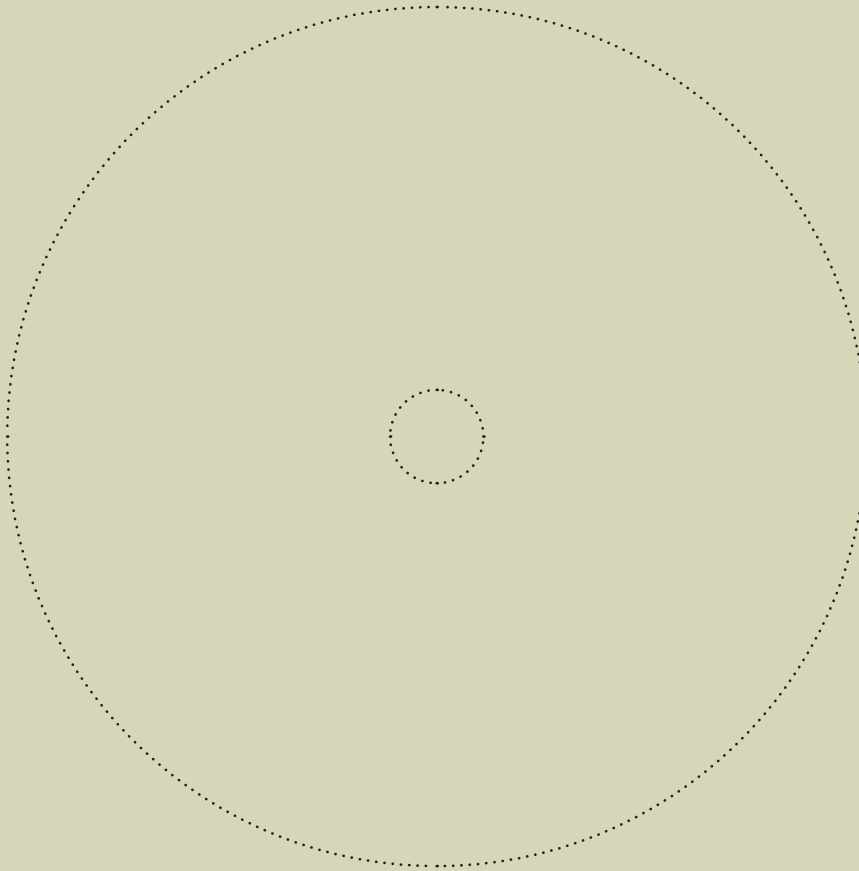
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Services and Information Systems,
and Acting Assistant General
Manager, Power Resources

* Executive Committee Member

¹As of Sept. 30, 2007



GENERAL INFORMATION

Internet Address

Current information about FMPA is available on the Internet at www.fmpa.com.

Electronic Delivery of Financial Documents

If you wish to receive future annual reports or quarterly financial reports via e-mail in Adobe® Portable Document Format (PDF), please send your request to pr@fmpa.com. The FMPA 2007 Annual Report and quarterly financial information are available on FMPA's Web site at www.fmpa.com in the "News" section. If you wish to receive FMPA's financial statements in printed form rather than CD, please send your request to pr@fmpa.com or call the Public Relations Department at (407) 355-7767.

Investor Relations

Requests for financial information may be directed to FMPA's spokesperson at its Orlando office or pr@fmpa.com.

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Media or other inquiries may be directed to FMPA's spokesperson at its Orlando office or pr@fmpa.com.

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Caution Concerning Forward-Looking Statements

This document may include certain forward-looking statements. These statements are based on management's current expectations and are subject to uncertainty and changes in circumstances that may have a material affect on actual results.

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