

**PRELIMINARY OFFICIAL STATEMENT DATED APRIL 23, 2010**

**NEW ISSUE – BOOK-ENTRY ONLY**

*In the opinion of Rogers Towers, P.A., Bond Counsel to JEA, (a) interest on the Series Four Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (collectively, the “Code”) and (b) based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series Five Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code. In the further opinion of Bond Counsel, interest on the Series Five Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes nor is it included in adjusted current earnings when calculating federal corporate alternative minimum taxable income. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Series Four and Five Bonds. See “TAX MATTERS” herein.*



(www.jea.com)

**\$32,825,000\***

**St. Johns River Power Park System  
Revenue Bonds  
Issue Three, Series Four  
(Federally Taxable – Issuer  
Subsidy – Build America Bonds)**

**St. Johns River Power Park System  
Revenue Bonds  
Issue Three, Series Five**

**Dated: Date of Delivery**

**Due: October 1, as shown on the inside front cover**

The St. Johns River Power Park System Revenue Bonds, Issue Three, Series Four (the “Series Four Bonds”) and the St. Johns River Power Park System Revenue Bonds, Issue Three, Series Five (the “Series Five Bonds”) and together with the Series Four Bonds, the “Series Four and Five Bonds”) will be issued as fully registered bonds and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). DTC will act as securities depository for the Series Four and Five Bonds. Individual purchases of the Series Four and Five Bonds will be made in book-entry form only, in principal amounts of \$5,000 or any integral multiple thereof. See “BOOK-ENTRY ONLY SYSTEM” in APPENDIX A hereto. Interest on the Series Four and Five Bonds are payable commencing on October 1, 2010 and semiannually thereafter on April 1 and October 1 of each year. Payments of principal of, redemption price, if applicable, and interest on the Series Four and Five Bonds are to be made to purchasers by DTC through its participants. Purchasers will not receive physical delivery of the Series Four and Five Bonds purchased by them.

The Series Four and Five Bonds are subject to redemption prior to maturity as set forth herein.

The Series Four and Five Bonds are being issued to (a) pay the cost of certain Additional Facilities (as defined in the Second Power Park Resolution), including the repayment of certain short-term borrowings with respect thereto, (b) capitalize interest on the Series Four and Five Bonds, (c) pay the cost of funding the Initial Subaccount in the Debt Service Reserve Account and (d) pay costs of issuance of the Series Four and Five Bonds. See “PURPOSE OF ISSUE AND PLAN OF FINANCE” herein.

The Series Four and Five Bonds, together with any outstanding Issue Three Bonds and any additional bonds which may be issued under the Second Power Park Resolution (as defined herein), and the interest thereon, are payable solely from and are secured by a pledge of and lien on all payments made from JEA from its Electric System into the Revenue Fund 2d and other available funds pledged under the Second Power Park Resolution. Payments from JEA’s Electric System for the debt service on the Issue Three Bonds issued under the Second Power Park Resolution will be made as “Contract Debts” which are payable as a “Cost of Operation and Maintenance” of the Electric System.

**The Series Four and Five Bonds shall not constitute general obligations of either JEA or the City of Jacksonville, Florida within the meaning of any constitutional, statutory or charter provision or limitation. JEA has no power to levy taxes for any purpose. The City of Jacksonville shall never be required to levy ad valorem taxes on any property of JEA or property of or in the City of Jacksonville to pay the principal or redemption price of, or interest on, any such Bonds.**

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**MATURITY SCHEDULE – See Inside Front Cover**

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*The Series Four and Five Bonds are offered when, as and if issued and received by the Underwriters, subject to the approval of legality by Rogers Towers, P.A. Jacksonville, Florida, Bond Counsel to JEA. Certain legal matters will be passed upon for JEA by JEA’s counsel, the Office of General Counsel of the City of Jacksonville, Florida. It is expected that the Series Four and Five Bonds in definitive form will be available for delivery to DTC in New York, New York on or about May 19, 2010.*

May \_\_, 2010

\* Preliminary, subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. The Series Four and Five Bonds may not be sold and offers to buy may not be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Series Four and Five Bonds in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

**MATURITIES, AMOUNTS, INTEREST RATES,  
PRICES OR YIELDS AND CUSIP NUMBERS<sup>†</sup>**

**\$ \_\_,000,000 St. Johns River Power Park System  
Revenue Bonds, Issue Three, Series Four  
(Federally Taxable - Issuer Subsidy - Build America Bonds)**

| <u>Amount</u> | <u>Maturity<br/>(October 1)*</u> | <u>Interest<br/>Rate</u> | <u>Price or<br/>Yield</u> | <u>CUSIP</u> |
|---------------|----------------------------------|--------------------------|---------------------------|--------------|
| \$            | 2012                             | %                        | %                         |              |
|               | 2013                             |                          |                           |              |
|               | 2014                             |                          |                           |              |
|               | 2015                             |                          |                           |              |
|               | 2016                             |                          |                           |              |
|               | 2017                             |                          |                           |              |
|               | 2018                             |                          |                           |              |
|               | 2019                             |                          |                           |              |
|               | 2020                             |                          |                           |              |
|               | 2021                             |                          |                           |              |
|               | 2022                             |                          |                           |              |
|               | 2023                             |                          |                           |              |
|               | 2024                             |                          |                           |              |
|               | 2025                             |                          |                           |              |
|               | 2026                             |                          |                           |              |
|               | 2027                             |                          |                           |              |
|               | 2028                             |                          |                           |              |

**\$ \_\_,000,000 St. Johns River Power Park System  
Revenue Bonds, Issue Three, Series Five**

| <u>Amount</u> | <u>Maturity<br/>(October 1)*</u> | <u>Interest<br/>Rate</u> | <u>Price or<br/>Yield</u> | <u>CUSIP</u> |
|---------------|----------------------------------|--------------------------|---------------------------|--------------|
| \$            | 2012                             | %                        | %                         |              |
|               | 2013                             |                          |                           |              |
|               | 2014                             |                          |                           |              |
|               | 2015                             |                          |                           |              |
|               | 2016                             |                          |                           |              |
|               | 2017                             |                          |                           |              |
|               | 2018                             |                          |                           |              |
|               | 2019                             |                          |                           |              |
|               | 2020                             |                          |                           |              |
|               | 2021                             |                          |                           |              |
|               | 2022                             |                          |                           |              |
|               | 2023                             |                          |                           |              |
|               | 2024                             |                          |                           |              |
|               | 2025                             |                          |                           |              |
|               | 2026                             |                          |                           |              |
|               | 2027                             |                          |                           |              |
|               | 2028                             |                          |                           |              |

**(Without Accrued Interest)**

**The CUSIP numbers listed herein are provided for the convenience of bondholders.  
JEA is not responsible for the accuracy or completeness of such numbers.**

**BIDS FOR THE SERIES FOUR BONDS AND BIDS FOR THE SERIES FIVE BONDS  
WILL BE RECEIVED AS PROVIDED IN THE RESPECTIVE NOTICES OF BOND SALE**

<sup>†</sup> Preliminary, subject to change.

\* Subject to Term Bonds options, pursuant to which the successful bidder may designate Term Bonds, in which case the amounts will be subject to retirement by mandatory redemption. See “DESCRIPTION OF THE SERIES FOUR AND FIVE BONDS — Redemption — *Series Four Bonds Mandatory Redemption*” and “— *Series Five Bonds Mandatory Redemption*” herein.

**JEA**  
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**(www.jea.com)**

**JEA OFFICIALS**

**MEMBERSHIP**

|                     |                       |
|---------------------|-----------------------|
| Chair               | Ronald Townsend       |
| Vice Chair          | Ashton Hudson         |
| Secretary           | James H. Gilmore, Jr. |
| Assistant Secretary | Michael R. Hightower  |
|                     | Cynthia B. Austin     |
|                     | Katherine E. Bowling  |
|                     | Julian E. Fant        |

**MANAGEMENT**

|   |                      |
|---|----------------------|
| Managing Director and Chief Executive Officer | James A. Dickenson   |
| Chief Operating Officer                       | James M. Chansler    |
| Chief Financial Officer                       | Paul E. McElroy      |
| Chief Information Officer                     | Wanyonyi J. Kendrick |
| Chief Public Affairs Officer                  | Teala A. Milton      |
| Chief Human Resources Officer                 | Susan N. Hughes      |
| Director, Treasury Services                   | Helen M. Kehrt       |

**GENERAL COUNSEL**

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General Counsel of the City of Jacksonville  
Jacksonville, Florida

**INDEPENDENT AUDITORS**

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Jacksonville, Florida

**BOND COUNSEL**

Rogers Towers, P.A.  
Jacksonville, Florida

**FINANCIAL ADVISOR**

Public Financial Management, Inc.  
Philadelphia, Pennsylvania

**BOND REGISTRAR AND PAYING AGENT**

U.S. Bank National Association  
Ft. Lauderdale, Florida

No dealer, broker, salesman or any other person has been authorized by JEA to give any information or to make any representations, other than as contained in this Official Statement or included herein by specific reference, and if given or made, such other information or representations must not be relied upon as having been authorized by JEA or the Underwriters. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Series Four and Five Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale in such jurisdiction.

**THE SERIES FOUR AND FIVE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 NOR HAS THE SECOND POWER PARK RESOLUTION BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939 IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS.**

The Underwriter has provided the following sentence for inclusion in this Official Statement: The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibility to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

The information set forth herein or included herein by specific reference has been furnished by JEA and includes information obtained from other sources which are believed to be reliable. The information and expressions of opinion set forth herein or included herein by specific reference are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create the implication that there has been no change in the affairs of JEA since the date hereof.

This Official Statement contains statements which, to the extent they are not recitations of historical fact, constitute “forward-looking statements.” In this respect, the words “estimate,” “project,” “anticipate,” “expect,” “intent,” “believe” and similar expressions are intended to identify forward-looking statements. A number of factors affecting JEA’s business and financial results could cause actual results to differ materially from those stated in the forward-looking statements.

**IN CONNECTION WITH THIS OFFERING OF THE SERIES FOUR AND FIVE BONDS, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF SUCH BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.**

Except as specifically provided herein, none of the information on JEA’s website is included by reference herein.

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# OFFICIAL STATEMENT

*Relating to*



\$32,825,000\*

|                                   |                                   |
|-----------------------------------|-----------------------------------|
| St. Johns River Power Park System | St. Johns River Power Park System |
| Revenue Bonds                     | Revenue Bonds                     |
| Issue Three, Series Four          | Issue Three, Series Five          |
| (Federally Taxable – Issuer       |                                   |
| Subsidy – Build America Bonds)    |                                   |

May \_\_, 2010

## INTRODUCTION

### General

The purpose of this Official Statement, including the cover page and inside cover page hereof, the appendices hereto and the information included by reference herein, is to provide information concerning the proposed issuance by JEA of \$\_\_,000,000 aggregate principal amount of JEA's St. Johns River Power Park System Revenue Bonds, Issue Three, Series Four (Federally Taxable - Issuer Subsidy - Build America Bonds ) (the "Series Four Bonds") and \$\_\_,000,000 aggregate principal amount of JEA's St. Johns River Power Park System Revenue Bonds, Issue Three, Series Five (the "Series Five Bonds" and, together with the Series Four Bonds, the "Series Four and Five Bonds").

The Series Four and Five Bonds are being issued to provide funds to (a) pay the cost of certain Additional Facilities (as defined in the Second Power Park Resolution (as defined herein)), including the repayment of certain short-term borrowings with respect thereto, (b) capitalize interest on the Series Four and Five Bonds, (c) pay costs of issuance of the Series Four and Five Bonds and (d) pay the cost of funding the Initial Subaccount in the Debt Service Reserve Account. See "PURPOSE OF ISSUE AND PLAN OF FINANCE" herein. See "SUMMARY OF CERTAIN PROVISIONS OF THE SECOND POWER PARK RESOLUTION - Establishment of Initial Subaccount in the Debt Service Reserve Account and Application Thereof" in Appendix E to the Annual Disclosure Report.

Pursuant to the respective Notices of Bond Sale relating to the Series Four Bonds and to the Series Five Bonds available from JEA, JEA shall elect at least 18 hours prior to the time bids are to be received which maturities of the bonds offered hereby will be (i) issued as "Build America Bonds" for purposes of the Recovery Act (as defined herein) and (ii) issued as tax-exempt bonds. If all of the bonds offered hereby are elected to be issued as tax-exempt bonds, such bonds will be re-designated as "Issue Three, Series Four" with the attributes described in this Official Statement for the Series Five Bonds.

On March 30, 1982, JEA adopted a resolution entitled "St. Johns River Power Park System Revenue Bond Resolution" (as amended and supplemented, the "First Power Park Resolution") for the purpose of authorizing the issuance of bonds in order to finance and refinance the cost of acquisition and construction of the Power Park (as defined herein). The First Power Park Resolution remains in effect,

\* Preliminary, subject to change.

and JEA expects to continue to issue bonds thereunder. On February 20, 2007, JEA adopted a resolution entitled “St. Johns River Power Park System Second Revenue Bond Resolution” (as supplemented and amended, the “Second Power Park Resolution”) for the purpose of authorizing the issuance of bonds in order to finance the acquisition and construction of additional capital improvements to the Power Park.

As of the date of this Official Statement, \$339,305,000 aggregate principal amount of Issue Three Bonds (as defined herein) are outstanding. As of the date of this Official Statement, \$841,864,225.65 aggregate principal amount of the Issue Two Bonds issued pursuant to the First Power Park Resolution (the “Issue Two Bonds”) are outstanding. As more fully described under the caption “INDEBTEDNESS OF JEA--Debt Relating to Electric Utility Functions - Power Park Issue Two Bonds” and - Power Park Issue Three Bonds” in the Annual Disclosure Report referred to herein, JEA’s obligation to make payments from the Electric System (as defined herein) with respect to the Power Park, including its share of debt service on the Issue Two Bonds and debt service on the Issue Three Bonds, is a “Contract Debt” payable as a “Cost of Operation and Maintenance” of the Electric System. Florida Power & Light Company (“FPL”) is also obligated to pay a share of the debt service on the Issue Two Bonds. FPL has no obligation to make payments on debt service on the Issue Three Bonds.

Additionally, as of the date of this Official Statement, \$126,085,000 aggregate principal amount of BPSS Bonds (hereinafter defined) are outstanding. As more fully described under the caption “INDEBTEDNESS OF JEA--Debt Relating to Electric Utility Functions--Bulk Power Supply System Bonds” in the Annual Disclosure Report referred to herein, JEA’s obligation to make payments from the Electric System with respect to Scherer Unit 4 (hereinafter defined), including its share of debt service on the BPSS Bonds, is a “Contract Debt” payable as a “Cost of Operation and Maintenance” of the Electric System. All Contract Debt payments are payable on a parity basis.

The description herein of the Series Four and Five Bonds and the descriptions herein and in the Annual Disclosure Report referred to under “Inclusion of Information” below of the documents authorizing and securing the same and of the other debt of JEA and of the documents authorizing, securing and relating to the same do not purport to be comprehensive or definitive. All references herein and in the Annual Disclosure Report to such documents are qualified in their entirety by reference to such documents.

Unless otherwise defined herein, all capitalized terms in this Official Statement shall have the same meanings as given to them in the Second Power Park Resolution referred to below or, if not defined therein, in the Annual Disclosure Report.

## **JE A**

**General.** JEA is a body politic and corporate organized and existing under the laws of the State of Florida and is an independent agency of the City of Jacksonville, Florida (the “City”). JEA was established in 1968 to own and manage the electric utility which had been owned by the City since 1895 (as more particularly defined in the Annual Disclosure Report, the “Electric System”). In 1997, the City transferred to JEA the City’s combined water and wastewater (sewer) utilities system (the “Water and Sewer System”). In 2004, the City authorized JEA to create a local district energy system and JEA established such a system (the “District Energy System”) and transferred to it the chilled water production and distribution assets formerly held as part of the Electric System.

**Electric System.** In 2008, the latest year for which such information is available, JEA was the seventh largest municipally-owned electric utility in the United States in terms of number of customers. During its Fiscal Year ended September 30, 2009, the Electric System served an average of 417,226 customer accounts in a service area which covers virtually the entire City and parts of neighboring counties. JEA’s total energy sales in its Fiscal Year ended September 30, 2009, net of off-system sales and the energy sold by JEA to FPL, pursuant to the FPL-Power Park Sale (see “INDEBTEDNESS OF JEA – Debt Relating to Electric Utility Functions – *Power Park Issue Two Bonds*” and “ELECTRIC

UTILITY FUNCTIONS – St. Johns River Power Park – *Ownership*” in the Annual Disclosure Report), were approximately 12.7 billion kWh. Total revenues, including investment income, for the Electric System for its Fiscal Year ended September 30, 2009, net of the revenues received by JEA from the FPL-Power Park Sale, were approximately \$1,336,350,000.

***Bulk Power Supply System.*** Pursuant to Chapter 80-513, Laws of Florida, Special Acts of 1980 (as amended and supplemented, the “Bulk Power Act”), JEA is authorized to acquire, own and operate as a separate bulk power supply utility or system, electric generating plants and transmission lines within the City and within and outside of the State of Florida. In accordance with that Act, JEA has acquired a 23.64 percent interest in Unit 4 of the Robert W. Scherer Electric Generating Plant (“Scherer Unit 4”), a coal-fired steam electric generating unit currently rated at 846MW, net, located near Forsyth, Georgia and proportionate ownership interests in associated common facilities and an associated coal stockpile (such ownership interests are referred to herein as the “Scherer 4 Project”). See “ELECTRIC UTILITY FUNCTIONS – The Scherer 4 Project” in the Annual Disclosure Report.

***St. Johns River Power Park System.*** Pursuant to the Bulk Power Act, JEA has also acquired and constructed, and operates, an 80 percent undivided ownership interest in the St. Johns River Power Park (the “Power Park”), a two-unit, coal- and pet coke-fired, steam electric generating station currently rated at 1,276 MW, net, located in the northeast section of the City that is jointly-owned by JEA and FPL. See “ST. JOHNS RIVER POWER PARK” herein and “ELECTRIC UTILITY FUNCTIONS – St. Johns River Power Park” in the Annual Disclosure Report.

***Water and Sewer System.*** The Water and Sewer System is owned and operated by JEA as a combined utilities system, separate and apart from JEA’s Electric Utility Functions (as defined in the Annual Disclosure Report). Accordingly, information relating to the Water and Sewer System is not relevant to the debt of JEA relating to JEA’s Electric Utility Functions.

***District Energy System.*** The District Energy System is owned and operated by JEA as a distinct utilities system, separate and apart from the Electric System and the Water and Sewer System. Accordingly, information relating to the District Energy System is not relevant to the debt of JEA relating to the Power Park.

***Inclusion of Information.*** JEA previously has prepared a document entitled “Annual Disclosure Report for Fiscal Year Ended September 30, 2008” (the “Annual Disclosure Report”). The Annual Disclosure Report sets forth certain information concerning JEA, its outstanding debt, the Electric System, its interest in the Power Park and the Scherer 4 Project. ***As more fully described under the caption “Inclusion of Information” below, certain information contained in the Annual Disclosure Report is included by reference in this Official Statement.*** Copies of the Annual Disclosure Report may be obtained in the manner and from the sources described under the caption “Inclusion of Information” below.

## **The Series Four and Five Bonds**

The Series Four and Five Bonds are being issued under the authority of and in full compliance with the Constitution and laws of the State of Florida, particularly the Bulk Power Act, Article 21 of the Charter of the City, as amended, and readopted by Chapter 80-515, Laws of Florida, Special Acts of 1980, as subsequently amended by Chapter 92-341, Laws of Florida, Special Acts of 1992 and as thereafter amended in accordance with the terms thereof prior to the date hereof and other applicable provisions of law and the Second Power Park Resolution. A summary of certain provisions of the Second Power Park Resolution is attached as Appendix E to the Annual Disclosure Report. As of the date of this Official Statement, there are outstanding under the Second Power Park Resolution \$339,305,000 in aggregate principal amount of St. Johns River Power Park System Revenue Bonds, Issue Three of various series (collectively, the “Prior Series Issue Three Bonds”). The Prior Series Issue Three Bonds and the

Series Four and Five Bonds and any additional bonds hereafter issued pursuant to the Second Power Park Resolution are referred to herein collectively as the "Issue Three Bonds." The Series Four and Five Bonds, and any additional Issue Three Bonds will be entitled to a lien on the Revenues (as defined in the Second Power Park Resolution) and other funds pledged pursuant to the Second Power Park Resolution equal to the lien on the outstanding Issue Three Bonds, including the Series One Bonds and the Series Two Bonds. Pursuant to the Second Power Park Resolution and the laws of Florida, the amount of Issue Three Bonds that may be issued by JEA is not limited. See "INDEBTEDNESS OF JEA – Debt Relating to Electric Utility Functions – *Power Park Issue Three Bonds*" in the Annual Disclosure Report. The Second Power Park Resolution is available for viewing and downloading on JEA's website (<http://www.jea.com>) by selecting "News" then selecting "JEA Bond Investor," and then selecting "St. Johns River Power Park System Second Revenue Bond Resolution" under the heading "Bond Resolutions."

### **Inclusion of Information**

In accordance with the provisions of Rule 15c2-12, as amended ("Rule 15c2-12"), promulgated by the United States Securities and Exchange Commission (the "SEC") pursuant to the Securities Exchange Act of 1934, as amended, on May 28, 2009, JEA caused the Annual Disclosure Report to be filed with DisclosureUSA. In addition, on July 16, 2009, JEA caused the Annual Disclosure Report to be filed with the Municipal Securities Rulemaking Board (the "MSRB"), through the MSRB's Electronic Municipal Market Access ("EMMA") website, currently located at <http://emma.msrb.org>. The Annual Disclosure Report sets forth certain information concerning JEA, its outstanding debt, the Electric System, its interest in the Power Park and the Scherer 4 Project.

As more fully described in the Annual Disclosure Report, certain of the information set forth in the Annual Disclosure Report relates to the Water and Sewer System and the District Energy System and the debt of JEA issued with respect thereto.

***There is hereby included in this Official Statement by this reference the information contained in the Annual Disclosure Report (other than the information therein relating to the Water and Sewer System and the District Energy System), which information should be read in its entirety in conjunction with this Official Statement. In addition, reference is made to the information in this Official Statement under the caption "RECENT DEVELOPMENTS," which information updates and supplements certain of the information contained in the Annual Disclosure Report.***

Copies of the Annual Disclosure Report may be obtained from the MSRB's EMMA website (<http://emma.msrb.org>). Copies of the Annual Disclosure Report also may be obtained via the Internet from JEA's website as described below.

The Annual Disclosure Report is available for viewing and downloading from JEA's website (<http://www.jea.com>) by selecting "News," then selecting "JEA Bond Investor," and then selecting "2008 Annual Disclosure Report as filed with DisclosureUSA" under the heading "Annual Report." (Please note that there also is available from JEA's website a separate document entitled "2008 Annual Report"; **this document is not the Annual Disclosure Report included by reference herein, and is not included by reference herein.**) Furthermore, except for the Annual Disclosure Report to the extent set forth herein, none of the other information contained on JEA's website is included by reference in this Official Statement.

Except as described under the caption "INTRODUCTION – General" in the Annual Disclosure Report, for financing purposes, the debt of JEA relating to its Electric Utility Functions, the debt of JEA relating to the Water and Sewer System and the debt of JEA relating to the District Energy System are payable from and secured by separate revenue sources (*i.e.*, (a) the debt of JEA relating to its Electric Utility Functions is payable from and secured by the revenues derived by the Electric System from the

sale of electricity and related services; (b) the debt of JEA relating to the Water and Sewer System is payable from and secured by the revenues derived by the Water and Sewer System from the sale of water and the provision of wastewater treatment and related services; and (c) except as described under the caption “INDEBTEDNESS OF JEA — Debt Relating to Electric Utility Functions — Electric System Obligations Supporting the District Energy System” in the Annual Disclosure Report, the debt of JEA relating to the District Energy System is payable from and secured by the revenues derived by the District Energy System from the sale of chilled water and related services). **Accordingly, potential purchasers of the Series Four and Five Bonds are advised that, except as described under the section heading “INDEBTEDNESS OF JEA — Debt Relating to Electric Utility Functions — Electric System Obligations Supporting the District Energy System” in the Annual Disclosure Report, the information in the Annual Disclosure Report relating to the Water and Sewer System and the District Energy System is not relevant to a decision to purchase the Series Four and Five Bonds and should not be taken into account with respect thereto.**

### **Continuing Disclosure Undertaking**

Pursuant to a Continuing Disclosure Agreement to be executed by JEA simultaneously with the issuance of the Series Four and Five Bonds (the “Continuing Disclosure Agreement”), JEA will covenant for the benefit of the holders and beneficial owners of the Series Four and Five Bonds to provide certain financial information and operating data relating to JEA by not later than the June 1 following the end of each of JEA’s fiscal years, commencing with the report for the fiscal year ending September 30, 2010 (the “JEA Annual Information”), and to provide notices of the occurrence of certain enumerated events with respect to the Series Four and Five Bonds, if material. The JEA Annual Information and the notices of such material events will be filed by or on behalf of JEA with the MSRB. Until otherwise designated by the MSRB or the SEC, filings with the MSRB are to be made through the MSRB’s EMMA website, currently located at <http://emma.msrb.org>. The specific nature of the information to be contained in the JEA Annual Information or the notices of material events is set forth in the form of the Continuing Disclosure Agreement attached hereto as APPENDIX D.

The covenants described in the preceding paragraph have been made in order to assist the Underwriter in complying with paragraph (b)(5) of Rule 15c2-12.

As provided in the Continuing Disclosure Agreement, if JEA fails to make a filing required under the Continuing Disclosure Agreement, any holder or beneficial owner of the Series Four and Five Bonds may institute and maintain, or cause to be instituted and maintained, such proceedings as may be authorized at law or in equity to obtain the specific performance by JEA of such obligation. In addition, as provided in the Continuing Disclosure Agreement, if JEA fails to perform any other obligation under the Continuing Disclosure Agreement, the holders or beneficial owners of not less than 10 percent in principal amount of the applicable Series of the Series Four and Five Bonds then outstanding or a trustee appointed by the holders or beneficial owners of not less than 25 percent in principal amount of the Series Four and Five Bonds then outstanding may institute and maintain, or cause to be instituted and maintained, such proceedings (including any proceedings that contest the sufficiency of any pertinent filing) as may be authorized at law or in equity to obtain the specific performance by JEA of such obligation. **IF ANY PERSON SEEKS TO CAUSE JEA TO COMPLY WITH ITS OBLIGATIONS UNDER THE CONTINUING DISCLOSURE AGREEMENT, IT IS THE RESPONSIBILITY OF SUCH PERSON TO DEMONSTRATE THAT IT IS A BENEFICIAL OWNER WITHIN THE MEANING OF THE CONTINUING DISCLOSURE AGREEMENT.** A failure by JEA to comply with the provisions of the Continuing Disclosure Agreement does not constitute a default under the Second Power Park Resolution.

As of the date of this Official Statement, JEA has not failed to comply, in any material respect, with any previous continuing disclosure undertaking made by it pursuant to the provisions of Rule 15c2-12.

As described under “BOOK-ENTRY ONLY SYSTEM” in APPENDIX A hereto, upon initial issuance, the Series Four and Five Bonds will be issued in book-entry only form through the facilities of The Depository Trust Company, New York, New York (“DTC”), and the ownership of one or more fully registered Series Four and Five Bonds for each maturity, in the aggregate principal amount thereof, will be registered in the name of Cede & Co., as nominee for DTC. For a description of DTC’s procedures with respect to the enforcement of bondholders’ rights, see “BOOK-ENTRY ONLY SYSTEM” in APPENDIX A hereto.

## **PURPOSE OF ISSUE AND PLAN OF FINANCE**

The Series Four and Five Bonds are being issued for the purpose of providing funds to (a) pay the cost of certain Additional Facilities, including the repayment of certain short-term borrowings with respect thereto, (b) capitalize interest on the Series Four and Five Bonds, (c) pay the cost of funding the Initial Subaccount in the Debt Service Reserve Account and (d) pay costs of issuance of the Series Four and Five Bonds. For a description of JEA’s capital program relating to the Power Park, see “ELECTRIC UTILITY FUNCTIONS – St. Johns River Power Park – Capital Improvements” in the Annual Disclosure Report and “RECENT DEVELOPMENTS – Power Park Capital Improvements” in this Official Statement.

## **ESTIMATED SOURCES AND USES OF FUNDS**

The sources and uses of funds in connection with the issuance of the Series Four and Five Bonds are estimated to be as follows:

|  | <u>Series Four Bonds</u> | <u>Series Five Bonds</u> | <u>TOTAL</u> |
|--|--------------------------|--------------------------|--------------|
| Sources:   |                          |                          |              |
| Principal Amount.....  | \$                       | \$                       | \$           |
| Original Issue Premium (Discount).....                             |                          |                          |              |
| TOTAL .....  | \$                       | \$                       | \$           |
| Uses:  |                          |                          |              |
| Deposit to Construction Fund <sup>(1)</sup> .....                  | \$                       | \$                       | \$           |
| Deposit to Initial Subaccount of Debt Service Reserve Account..... |                          |                          |              |
| Underwriter’s Discount and Costs of Issuance.....                  |                          |                          |              |
| TOTAL.....   | \$                       | \$                       | \$           |

<sup>(1)</sup> Includes \$ \_\_\_\_\_ for capitalized interest for a portion of interest to accrue through April 1, 2012.

## **ST. JOHNS RIVER POWER PARK**

### **General**

The Power Park, a coal- and pet coke-fired steam electric generating station, consists of two units, each having a current average net capability of 638 MW (1,276 MW total). The Power Park is jointly owned and operated by JEA and FPL pursuant to the provisions of the Joint Ownership Agreement (hereinafter defined). JEA owns an undivided 80 percent interest in the Power Park and FPL owns the other 20 percent interest. JEA and FPL each fund a corresponding share of ongoing costs and are entitled to a corresponding share of the generating capacity of the Power Park and related energy.

Under the terms of the Joint Ownership Agreement:

FPL is contractually obligated to purchase 37.5 percent of JEA’s 80 percent share of the generating capacity of the Power Park and related energy (resulting in each utility receiving 50 percent of the Power Park’s generating capacity and related energy) until the Joint Ownership Agreement expires in

2022, subject to the limitation on FPL's right to receive such capacity and related energy described under the caption "Joint Ownership Agreement" below.

After expiration of the Joint Ownership Agreement, JEA will be entitled to receive the generating capacity and related energy produced from its full 80 percent ownership interest in the Power Park, while FPL will be entitled to receive the generating capacity and related energy produced from its 20 percent ownership interest.

For further information regarding the Power Park, see "ELECTRIC UTILITY FUNCTIONS – St. Johns River Power Park" in the Annual Disclosure Report.

### **Power Park Operations**

Recent Power Park operating highlights include:

Calendar year 2009 availability factor: 88.10 percent v. U.S. average of 82.91 percent.

Calendar year forced outage rate: Under 2.30 percent v. U.S. average of 6.65 percent.

(Note: the statistics shown regarding U.S. averages are for coal units between 600 and 799 MW in size as reported in the Generating Availability Report published by the North American Electric Reliability Council, for the calendar years 2004-2008.)

For further information regarding the operating history of the Power Park, see "ELECTRIC UTILITY FUNCTIONS – St. Johns River Power Park – *Operation*" in the Annual Disclosure Report.

### **Joint Ownership Agreement**

Pursuant to the Agreement for Joint Ownership, Construction and Operation of the St. Johns River Power Park Coal Units #1 and #2, dated as of April 2, 1982, between JEA and FPL, as amended (the "Joint Ownership Agreement"), JEA has agreed to sell, and FPL has agreed to purchase, on a "take-or-pay" basis (that is, whether or not the Power Park is operable or operating and notwithstanding the suspension, interruption, interference, reduction or curtailment of the output of the Power Park for any reason), 37.5 percent of JEA's 80 percent share of the generating capacity of the Power Park and related energy until the Joint Ownership Agreement expires in 2022, subject to the limitation that FPL's right to receive such capacity and related energy shall be suspended if and when the receipt by FPL of any additional amount of energy from such sale would result in FPL having received energy from such sale in excess of 25 percent of the product of (a) the nameplate capacity of JEA's ownership interest in the Power Park, without any reduction for reserves or other unutilized capacity, and (b) the number of years (including fractions) from the date FPL first took energy pursuant to such sale until the latest maturity date of the Issue Two Bonds (such sale is referred to herein as the "FPL-Power Park Sale"). In April 1983, FPL obtained a ruling from the Internal Revenue Service that permitted JEA to finance its entire ownership interest in the Power Park (including the capacity sold to FPL pursuant to the FPL-Power Park Sale) with the proceeds of tax-exempt bonds so long as the foregoing limitation is not exceeded.

Pursuant to the Joint Ownership Agreement, both JEA and FPL must make payments for the output, capacity, use and service of JEA's interest in the Power Park which payments are due on such dates and in such aggregate amounts as shall be sufficient to provide "Net Revenues" (as defined in the First Power Park Resolution) in each Bond Year sufficient to comply with the rate covenant referred to in the First Power Park Resolution; *provided, however*, that during any suspension of FPL's right to receive the capacity and related energy being sold to it pursuant to the FPL-Power Park Sale, as described in the preceding paragraph, FPL shall be obligated only to pay its share of the debt service on the Issue Two Bonds and the administrative fees and expenses incurred under the First Power Park Resolution. See

APPENDIX C hereto for JEA's audited Schedules of Debt Service Coverage for the Power Park for the Fiscal Years ended September 30, 2009 and 2008.

As of September 30, 2009, approximately 65.51 percent of the term of the FPL-Power Park Sale had passed. JEA has computed that FPL has received as of September 30, 2009 approximately 75.76 percent of the capacity and related energy to which it is entitled over the entire term of such sale.

JEA can make no predictions as to the manner in which FPL will schedule its right to receive the capacity and related energy being sold to it pursuant to the FPL-Power Park Sale over the remaining term of such sale. In the event that FPL continues to schedule such capacity and energy in the same manner as it has through September 30, 2009, FPL's right to receive such capacity and energy would be suspended on a date that is earlier than the date on which the term of such sale expires, with the effect that FPL no longer would be entitled to receive such capacity and energy but still would remain obligated to pay its share of the debt service on the bonds issued pursuant to the First Power Park Resolution and the administrative fees and expenses incurred under the First Power Park Resolution.

The respective obligations of FPL and of JEA with respect to the Electric System are several and not joint. Thus, JEA's ability to provide for the operation of its interest in the Power Park is dependent upon the financial ability of JEA and FPL to provide the necessary funds to pay the costs thereof. Accordingly, JEA's ability to collect revenues sufficient to enable it to cause all of the obligations with respect to the Power Park, including debt service on the Power Park Bonds, to be paid is dependent, in part, on the ability of FPL to make the payments due under its "take-or-pay" contract for the purchase of part of the generating capacity of JEA's interest in the Power Park. See "FLORIDA POWER & LIGHT COMPANY" herein for a discussion of certain publicly available reports and information with respect to FPL and the means by which such reports and information may be obtained. JEA cannot give any assurance as to the ability of FPL to abide by its obligation under its "take-or-pay" contract for the purchase of part of the generating capacity of JEA's interest in the Power Park. However, JEA currently has no knowledge of any facts or events that would cause FPL to be unable, or to fail, to comply with its obligations under the Joint Ownership Agreement.

Payments required to be made by FPL according to the Joint Ownership Agreement are not subject to any increase to make up for any deficiency in the payments made by JEA from the Electric System into the Revenue Fund established under the First Power Park Resolution. In the event of any failure by FPL to make when due any payment required by the Joint Ownership Agreement, JEA shall make available to the Electric System the energy and capacity of the Power Park which FPL was entitled to receive prior to its default, and JEA shall use its best efforts to sell to other utilities such Power Park output previously available to FPL and not taken for the account of the Electric System. Payments required to be made by JEA from the Electric System are not subject to any increase to make up for any deficiency in the payments to be made by FPL, except to the extent that the Electric System shall be able to use and shall take a portion of the energy and capacity of the Power Park which FPL was entitled to receive prior to its failure to make any payment.

In the event of a default by either JEA or FPL in any of their obligations under the Joint Ownership Agreement, the defaulting party has no right to take any of the capacity and associated energy of the Power Park. The non-defaulting party may take all of the Power Park's capacity and associated energy to which the defaulting party would otherwise be entitled; such a taking by the non-defaulting party will not relieve the defaulting party of its liability for such default, except in minor part as described in the Joint Ownership Agreement. If either JEA or FPL remains in default for a period of 365 days, the non-defaulting party has, among other rights, the right to purchase in full or in part the defaulting party's ownership interest in the Power Park at a price determined according to the Joint Ownership Agreement.

After expiration of the Joint Ownership Agreement or the earlier expiration of FPL's right to capacity related energy pursuant to the FPL-Power Park Sale, JEA will be entitled to receive the capacity

and related energy produced from its full 80 percent ownership interest in the Power Park, while FPL will be entitled to receive the capacity and related energy produced from its 20 percent ownership interest.

As more fully described under “SECURITY AND SOURCE OF PAYMENT FOR THE SERIES FOUR AND FIVE BONDS – Source of Payment” herein, all payments made by FPL to JEA under the provisions of the Joint Ownership Agreement shall not be included in the calculation of “Revenues” as defined in the Second Power Park Resolution. FPL has no obligation to make payments on debt service in respect of the Issue Three Bonds.

For a more complete description of the Joint Ownership Agreement, see “SUMMARY OF CERTAIN PROVISIONS OF THE POWER PARK JOINT OWNERSHIP AGREEMENT” in Appendix H to the Annual Disclosure Report.

### **Power Park Capital Improvements**

For a discussion of JEA’s projected capital expenditures at the Power Park for the five-year period ending the Fiscal Year ending September 30, 2014 see “RECENT DEVELOPMENTS — Power Park Capital Improvements” herein.

## **SECURITY AND SOURCE OF PAYMENT FOR THE SERIES FOUR AND FIVE BONDS**

### **General**

The Series Four and Five Bonds will be issued pursuant to the Constitution and laws of the State of Florida, particularly the Bulk Power Act, other applicable provisions of law and the Second Power Park Resolution. For a more extensive discussion of the terms and provisions of the Second Power Park Resolution, the levels at which the funds and accounts established thereby are to be maintained, the flow of funds under the Second Power Park Resolution and the purposes to which moneys in such funds and accounts may be applied, see “SUMMARY OF CERTAIN PROVISIONS OF THE SECOND POWER PARK RESOLUTION” in Appendix E to the Annual Disclosure Report.

### **Source of Payment**

The payment of the principal or redemption price of, and interest on the Issue Three Bonds will be secured by a pledge of and a lien on (a) the proceeds of sale of the Issue Three Bonds, (b) the Revenues (as defined in the Second Power Park Resolution) and (c) all funds and accounts established by the Second Power Park Resolution (other than the Debt Service Reserve Account and the Renewal and Replacement Fund 2d). The term “Revenues” is defined in the Second Power Park Resolution to mean (i) so long as the First Power Park Resolution has not been satisfied and discharged, (a) all payments made by JEA from its Electric System into the Revenue Fund 2d (x) pursuant to subsection 1 of Section 712 in the Second Power Park Resolution and (y) as may be required to comply with the requirements of subsection 1 of Section 710 of the Second Power Park Resolution (the rate covenant) and (b) amounts received or to be received as described in sub-clause (z) of clause (ii) below and (ii) after the First Power Park Resolution has been satisfied and discharged, in addition to the payment received pursuant to the sub-sub-clause (x) and (y) of sub-clause (a) of clause (i) above, (x) all revenues, income, rents and receipts derived or to be derived by JEA from or attributable or relating to the ownership and operation of the Power Park, including all revenues attributable or relating to the Power Park or to the payment of the costs thereof received or to be received by JEA from FPL under Section Eight of the Joint Ownership Agreement (relating to the sale of electric capability to FPL) or otherwise payable to it for the sale of the output, capacity, use of service of the Power Park or any part thereof or otherwise with respect to the Power Park, including all payments made by JEA from its Electric System into the Revenue Fund 2d pursuant to subsection 1 of Section 712 of the Second Power Park Resolution, (y) the proceeds of any

insurance covering business interruption loss relating to the Power Park derived or to be derived by JEA and (z) (A) interest received or to be received on any moneys or securities (other than moneys or securities in the Construction Fund 2d) held pursuant to the Second Power Park Resolution and required to be paid into the Revenue Fund 2d and (B) any amounts received under any hedging instrument transaction (including a Designated Swap Obligation) entered into relating to indebtedness issued pursuant to the Second Power Park Resolution. Revenues do not include (I) any income, fees, charges, receipts, profits or other moneys derived by JEA from its ownership or operation of the Electric System (except that payments made by JEA into the Revenue Fund 2d from the Electric System pursuant to Section 712 of the Second Power Park Resolution, as referred to in the preceding sentence, shall become Revenues when and to the extent such payments are actually made) or of any other separate bulk power supply utility or system (including the Scherer 4 Project) of the nature referred to in the last sentence of the definition of System in the Second Power Park Resolution, or (II) any payments by FPL to JEA for transmission service under Section 6.17 of the Joint Ownership Agreement. JEA owns a 23.64 percent interest in Scherer Unit 4.

Subsection 1 of Section 712 of the Second Power Park Resolution provides that JEA will allocate to and make available for the account of the Electric System in each year that portion of the output, capacity, use and service of the Power Park which is in excess of the output, capacity, use and service of the Power Park sold to FPL pursuant to Section Eight of the Joint Ownership Agreement. Subsection 1 of Section 712 also provides that JEA will make payments from the Electric System which will provide: (i) in each month, Revenues equal to: (a) Operation and Maintenance Expenses due and payable during such month (but with no duplication for amounts paid therefor pursuant to the First Power Park Resolution); (b) the amount, if any, to be set aside in the Revenue Fund 2d (other than amounts required to be paid into such Fund out of the proceeds of Issue Three Bonds) as a general reserve for Operation and Maintenance Expenses or as a reserve for the acquisition of fuel in accordance with the then current Annual Budget, (c) the Monthly Debt Service Deposit for such month, (d) the amount, if any, to be paid during such month into the Debt Service Reserve Account in the Debt Service Fund 2d (other than amounts required to be paid into such Account out of the proceeds of Issue Three Bonds), (e) to the extent not paid into the revenue fund established pursuant to the First Power Park Resolution, all other direct and indirect costs of operating and maintaining the Power Park, if any, which are not payable under subsection 1(i)(a) of Section 712 of the Second Power Park Resolution, but which are required to be paid by JEA under the Joint Ownership Agreement, including but not limited to (X) all costs, expenses, liabilities and charges which constitute “Costs of Operation” under the Joint Ownership Agreement and (Y) all losses, costs, damages and expenses payable to FPL under Section 13.6 of the Joint Ownership Agreement, and (f) all other charges or liens (other than Costs of Acquisition and Construction of Initial Facilities or any Additional Facilities) whatsoever payable out of Revenues during such month including payment of damages awarded pursuant to judgment of any court; and (ii) in each 12-month period ending September 30, the Renewal and Replacement Requirement for such period.

For a discussion of JEA’s payment obligations with respect to the use by the Electric System of the output, capacity, use or service of the Power Park, see “SUMMARY OF CERTAIN PROVISIONS OF THE SECOND POWER PARK RESOLUTION” in Appendix E to the Annual Disclosure Report.

The payments from the Electric System in respect of the Power Park are “Contract Debts” payable as a “Cost of Operation and Maintenance” (both terms as defined in the Electric System Resolution) of the Electric System. Debt service on the Issue Three Bonds is a Contract Debt of the Electric System. Such Contract Debt payments are payable from the revenues of the Electric System prior to any payments from such revenues for indebtedness not constituting a Contract Debt issued for the Electric System, including the Electric System Bonds and the Subordinated Electric System Bonds, and are payable on a parity with Contract Debt payments from the Electric System made with respect to the Issue Two Bonds and the BPSS Bonds, any other separate bulk power supply utilities or systems that JEA may establish in the future and any other Contract Debt payments including bulk electric power purchase agreements. See “Contract Debts” below and “INDEBTEDNESS OF JEA – Debt Relating to Electric

Utility Functions – *Electric System Contract Debts*” in the Annual Disclosure Report. See also “SUMMARY OF CERTAIN PROVISIONS OF THE ELECTRIC SYSTEM RESOLUTION” in Appendix B to the Annual Disclosure Report.

The lien of the Issue Three Bonds on the Revenues and other funds pledged therefor is prior and superior to all other liens or encumbrances on such Revenues and funds, subject only to the provisions of the Second Power Park Resolution permitting the application thereof for the purposes and on the terms and conditions set forth in the Second Power Park Resolution.

### **Debt Service Reserve Account**

There is created within the Debt Service Reserve Account in the Debt Service Fund 2d established pursuant to the Second Power Park Resolution a subaccount designated as the “Initial Subaccount” for the benefit of the Series One Bonds, the Series Two Bonds, the Series Three Bonds, the Series Four and other Issue Three Bonds designated to be secured thereby. JEA’s Resolution No. 2010-2 and Resolution No. 2009-35 authorizing the Series Four Bonds and the Series Five Bonds, respectively, specifies that the Series Four Bonds and the Series Five Bonds, respectively, shall be additionally secured by amounts on deposit in the Initial Subaccount.

If on any day on which the principal or sinking fund Redemption Price of or interest on the Issue Three Bonds shall be due, the amount on deposit in the Debt Service Account in the Debt Service Fund 2d (exclusive of amounts, if any, set aside in said Account from the proceeds of the Issue Three Bonds, Subordinated Indebtedness or other evidences of indebtedness of JEA (including amounts, if any, transferred thereto from the Construction Fund 2d) for the payment of interest on the Issue Three Bonds on a future date) shall be less than the amount required to pay such principal, Redemption Price or interest, then JEA shall apply amounts from each separate subaccount in the Debt Service Reserve Account to the extent necessary to cure the deficiency that exists with respect to the Additionally Secured Series (as defined in the Second Power Park Resolution) secured thereby.

Pursuant to the Second Power Park Resolution, JEA is required to maintain on deposit in the Initial Subaccount in the Debt Service Reserve Account in the Debt Service Fund 2d an amount equal to the Debt Service Reserve Requirement related thereto. The term “Debt Service Reserve Requirement” is defined in the Second Power Park Resolution to mean, with respect to each separate subaccount in the Debt Service Reserve Account in the Debt Service Fund 2d, unless otherwise specified in the Supplemental Resolution establishing such subaccount, as of any date of calculation, an amount equal to the maximum amount of interest to accrue on the Additionally Secured Series secured thereby during the then current, or any future, Fiscal Year (assuming, for this purpose, that all Additionally Secured Series secured thereby that bear interest at a variable or floating rate shall bear interest during such period at the greater of (i) the actual rate of interest then borne by such Bonds or (ii) the Certified Interest Rate applicable thereto).

In lieu of maintaining moneys or investments in the Initial Subaccount, JEA at any time may cause to be deposited into the Initial Subaccount for the benefit of the Holders of the Initial Subaccount Additionally Secured Bonds (including the Series Four and Five Bonds) an irrevocable surety bond, an insurance policy or a letter of credit (referred to herein as a “reserve fund credit instrument”) satisfying the requirements set forth below in an amount equal to the difference between the Debt Service Reserve Requirement for the Initial Subaccount and the sums of moneys or value of Investment Securities on deposit in the Initial Subaccount, if any, upon provision of such reserve fund credit instrument.

- (i) A surety bond or insurance policy issued by a company licensed to issue an insurance policy guaranteeing the timely payment of debt service on the Initial Subaccount Additionally Secured Bonds (a “municipal bond insurer”) may be deposited in the Initial Subaccount to meet the Debt

Service Reserve Requirement for the Initial Subaccount if the claims paying ability of the issuer thereof shall be rated in the Highest Rating Category by each Rating Agency.

- (ii) A surety bond or insurance policy issued by an entity other than a municipal bond insurer may be deposited in the Initial Subaccount to meet the Debt Service Reserve Requirement for the Initial Subaccount; *provided*, that such entity or its claims paying ability is rated in the Highest Rating Category by each Rating Agency.
- (iii) An unconditional irrevocable letter of credit issued by a bank may be deposited in the Initial Subaccount to meet the Debt Service Reserve Requirement for the Initial Subaccount if the issuer thereof is rated at least the Second Highest Rating Category by each Rating Agency. The letter of credit shall be payable in one or more draws upon presentation by the beneficiary thereof of a sight draft accompanied by its certificate that it then holds insufficient funds to make a required payment of principal or interest on the Initial Subaccount Additionally Secured Bonds. The draws shall be payable within two days of presentation of the sight draft. The letter of credit shall be for a term of not less than three years. The issuer of the letter of credit shall be required to notify JEA and the beneficiary thereof, not later than 30 months prior to the stated expiration date of the letter of credit, as to whether such expiration date shall be extended, and if so, shall indicate the new expiration date.
- (iv) If such notice indicates that the expiration date shall not be extended, JEA shall deposit in the Initial Subaccount an amount sufficient to cause the cash or Investment Securities on deposit in the Initial Subaccount, together with any other qualifying reserve fund credit instruments, to equal the Debt Service Reserve Requirement for the Initial Subaccount, such deposit to be paid in equal installments on at least a semiannual basis over the remaining term of the letter of credit, unless the reserve fund credit instrument is replaced by a reserve fund credit instrument meeting the requirements in any of clauses (i) through (iii) above. The letter of credit shall permit a draw in full not less than two weeks prior to the expiration or termination of such letter of credit if the letter of credit has not been replaced or renewed. The beneficiary of the letter of credit shall draw upon the letter of credit prior to its expiration or termination unless an acceptable replacement is in place or the Initial Subaccount is fully funded in its required amount.
- (v) The use of any reserve fund credit instrument pursuant to this subsection shall be subject to receipt of an opinion of counsel acceptable to JEA as to the due authorization, execution, delivery and enforceability of such instrument in accordance with its terms, subject to applicable laws affecting creditors' rights generally, and, in the event the issuer of such credit instrument is not a domestic entity, an opinion of foreign counsel. In addition, the use of an irrevocable letter of credit shall be subject to receipt of an opinion of counsel acceptable to JEA and the Credit Enhancer, if any, for the Initial Subaccount Additionally Secured Bonds and in form and substance satisfactory to JEA and the Credit Enhancer, if any, for the Initial Subaccount Additionally Secured Bonds to the effect that payments under such letter of credit would not constitute avoidable

preferences under Section 547 of the U.S. Bankruptcy Code or similar state laws with avoidable preference provisions in the event of the filing of a petition for relief under the U.S. Bankruptcy Code or similar state laws by or against JEA.

- (vi) The obligation to reimburse the issuer of a reserve fund credit instrument for any fees, expenses, claim or draws upon such reserve fund credit instrument shall be subordinate to the payment of debt service on the Issue Three Bonds. Subject to the second and third succeeding sentences, the right of the issuer of a reserve fund credit instrument to payment or reimbursement for claims or draws under such reserve fund credit instrument and to payment or reimbursement of its fees and expenses shall be on a parity with the cash replenishment of the Initial Subaccount. The reserve fund credit instrument shall provide for a revolving feature under which the amount available thereunder will be reinstated to the extent of any reimbursement of draws or claims paid. If the revolving feature is suspended or terminated for any reason, the right of the issuer of the reserve fund credit instrument to reimbursement will be subordinated to cash replenishment of the Initial Subaccount to an amount equal to the difference between the full original amount available under the reserve fund credit instrument and the amount then available for further draws or claims. If (a) the issuer of a reserve fund credit instrument becomes insolvent or (b) the issuer of a reserve fund credit instrument defaults in its payment obligations thereunder or (c) the claims-paying ability of the issuer of the insurance policy or surety bond falls below the Highest Rating Category (as rated by any Rating Agency) or (d) the rating of the issuer of the letter of credit falls below the Second Highest Rating Category (as rated by any Rating Agency), the obligation to reimburse the issuer of the reserve fund credit instrument shall be subordinate to the cash replenishment of the Initial Subaccount.
- (vii) If (a) the revolving reinstatement feature described in the preceding clause (vi) is suspended or terminated or (b) the rating of the claims paying ability of the issuer of the surety bond or insurance policy falls below the Highest Rating Category (as rated by any Rating Agency) or (c) the rating of the issuer of the letter of credit falls below the Second Highest Rating Category (as rated by any Rating Agency), JEA shall either (X) deposit into the Initial Subaccount an amount sufficient to cause the cash or Investment Securities and any other reserve fund credit instruments then on deposit in the Initial Subaccount to equal the Debt Service Reserve Requirement for the Initial Subaccount, such amount to be paid over the ensuing five years in equal installments deposited at least semiannually or (Y) replace such instrument with a surety bond, insurance policy or letter of credit meeting the requirements in any of clauses (i) through (iii) above within six months of such occurrence. In the event (1) the rating of the claims-paying ability of the issuer of the surety bond or insurance policy falls below "A" or (2) the rating of the issuer of the letter of credit falls below "A" or (3) the issuer of the reserve fund credit instrument defaults in its payment obligations or (4) the issuer of the reserve fund credit instrument becomes insolvent, JEA shall either (X) deposit into the Initial Subaccount an amount sufficient to cause the cash or Investment Securities and any other reserve credit

instruments on deposit in the Initial Subaccount to equal to Debt Service Reserve Requirement for the Initial Subaccount, such amount to be paid over the ensuing year in equal installments on at least a monthly basis or (Y) replace such instrument with a surety bond, insurance policy or letter of credit meeting the requirements in any of clauses (i) through (iii) above within six months of such occurrence.

- (viii) Where applicable, the amount available for draws or claims under the reserve fund credit instrument may be reduced by the amount of cash or value of Investment Securities deposited in the Initial Subaccount pursuant to clause (X) of the final sentence of the preceding clause (vii).
- (ix) In the event that a reserve fund credit instrument shall be deposited into the Initial Subaccount as aforesaid, any amounts owed by JEA to the issuer of such reserve fund credit instrument as a result of a draw thereon or a claim thereunder, as appropriate, shall be included in any calculation of debt service requirements required to be made pursuant to the Second Power Park Resolution for purposes of clause (1) of subsection 1 of Section 203 and subsection 1 of Section 710 of the Second Power Park Resolution.
- (x) The beneficiary of any reserve fund credit instrument shall ascertain the necessity for a claim or draw upon such reserve fund credit instrument and provide timely notice to the issuer of the reserve fund credit instrument in accordance with its terms in order to receive proceeds thereunder prior to each interest payment date for any Initial Subaccount Additionally Secured Bonds.
- (xi) Cash on deposit in the Initial Subaccount shall be used (or investments purchased with such cash shall be liquidated and the proceeds applied as required) prior to any drawing on any reserve fund credit instrument. If and to the extent that more than one reserve fund credit instrument is deposited in the Initial Subaccount, drawings thereunder and repayments of costs associated therewith shall be made on a pro rata basis, calculated by reference to the maximum amounts available thereunder.

Among other things, the Second Power Park Resolution provides that:

(a) A surety bond or insurance policy issued by a company licensed to issue an insurance policy guaranteeing the timely payment of debt service on the Initial Subaccount Additionally Secured Bonds (a "municipal bond insurer") may be deposited in the Initial Subaccount to meet the Debt Service Reserve Requirement for the Initial Subaccount if the claims paying ability of the issuer thereof shall be rated in the "AAA," "Aaa" or "AAA" by Standard & Poor's, a division of the McGraw-Hill Companies, Inc. ("S&P"); Moody's Investors Service ("Moody's") and Fitch Ratings ("Fitch"), respectively; and

(b) if the rating of the claims paying ability of the issuer of the surety bond or insurance policy falls below a "AAA" by S&P, a "Aaa" by Moody's or a "AAA" by Fitch, JEA shall either (i) deposit into the Initial Subaccount an amount sufficient to cause the cash or Investment Securities and any other reserve fund credit instruments then on deposit in the Initial Subaccount to equal the Debt Service Reserve Requirement for the Initial Subaccount, such amount to be paid over the ensuing five years in equal installments deposited at least semiannually or (ii) replace such instrument with a surety bond, insurance policy or letter of credit meeting the applicable requirements in the Second Power Park Resolution within six months of such occurrence; and

(c) if the rating of the claims-paying ability of the issuer of the surety bond or insurance policy falls below "A," JEA shall either (i) deposit into the Initial Subaccount an amount sufficient to cause the cash or Investment Securities and any other reserve fund credit instruments on deposit in the Initial Subaccount to equal to Debt Service Reserve Requirement for the Initial Subaccount, such amount to be paid over the ensuing year in equal installments on at least a monthly basis or (ii) replace such instrument with a surety bond, insurance policy or letter of credit meeting the applicable requirements in the Second Power Park Resolution within six months of such occurrence.

On April 3, 2007, simultaneously with the issuance of JEA's St. Johns River Power Park System Revenue Bonds, Issue Three, Series One, JEA caused Syncora Guarantee Inc., previously known as XL Capital Assurance Inc. ("XL") to issue a debt service reserve policy surety bond (the "XL Debt Service Reserve Policy") for deposit to the credit of the Initial Subaccount in the Debt Service Reserve Account.

Any insurer that provides any surety bond held in the Debt Service Reserve Account is required by the Second Power Park Resolution to be in the highest rating category by Moody's, S&P and Fitch. If the rating of the claims-paying ability of the issuer of the surety bond falls below "A," JEA is required to (i) deposit into the Initial Subaccount an amount sufficient to cause the cash or Investment Securities and any other reserve fund credit instruments on deposit in the Initial Subaccount (without regard to the XL Debt Service Reserve Policy) to equal to Debt Service Reserve Requirement for the Initial Subaccount, such amount to be paid over the ensuing year in equal installments on at least a monthly basis or (ii) replace such instrument with a surety bond, insurance policy or letter of credit meeting the applicable requirements in the Second Power Park Resolution within six months of such occurrence. Because the current ratings of XL are below the highest rating by Moody's and S&P, JEA has deposited cash in the amount of \$6,396,976.26 in the Initial Subaccount, the amount required so that the amount on deposit in the Initial Subaccount equals the Debt Service Reserve Requirement. If XL is once again rated in the highest rating category by Moody's, S&P and Fitch and if the amount on deposit in the Initial Subaccount equals the Debt Service Reserve Requirement, JEA could withdraw from the Initial Subaccount an amount equal to the amount of the XL Debt Service Reserve Policy.

As of the date of this Official Statement, the Debt Service Reserve Requirement for the Initial Subaccount in the Debt Service Reserve Account is \$15,484,787.50. As a result of the issuance of the Series Four and Five Bonds, the Debt Service Reserve Requirement for the Initial Subaccount in the Debt Service Reserve Account will be increase by \$ \_\_\_\_\_, to \$ \_\_\_\_\_. JEA expects to make a deposit in the Initial Subaccount in the Debt Service Reserve Account in an amount equal to such increase in the Debt Service Reserve Requirement.

JEA may, by resolution supplemental to the Second Power Park Resolution, create within the Debt Service Reserve Account one or more additional subaccounts, for the benefit of such series of Issue Three Bonds as may be specified in, or determined pursuant to, such supplemental resolution. In lieu of maintaining moneys or investments in any such subaccount, JEA at any time may cause to be deposited into such subaccount for the benefit of the Holders of bonds of the Additionally Secured Series secured thereby an irrevocable surety bond, an insurance policy or a letter of credit satisfying the requirements set forth in such supplemental resolution in an amount equal to the difference between the Debt Service Reserve Requirement for such subaccount and the sum of moneys or value of Authorized Investments then on deposit therein, if any. Any such additional subaccount hereafter established will not additionally secure the Series Four and Five Bonds.

#### **No Pledge of Credit or Taxing Power**

The Series Four and Five Bonds shall not constitute general obligations of either JEA or the City within the meaning of any constitutional, statutory or charter provision or limitation. The City shall never be required or compelled to levy ad valorem taxes on any property of JEA or property of or in the City to pay the principal or redemption price of, and interest on, the Series Four and Five Bonds, or to make any

of the sinking fund, reserve or other payments required under the Second Power Park Resolution. JEA has no power to levy taxes for any purpose. The Series Four and Five Bonds shall not constitute a lien upon any of the property of JEA or the property of or in the City but shall constitute a lien only upon special funds created by the Second Power Park Resolution in the manner provided therein.

### **Contract Debts**

Contract Debts, a component of the Electric System's Cost of Operation and Maintenance, is defined in the Electric System Resolution to mean any obligations of JEA under a contract, lease, installment sale agreement, bulk electric power purchase agreement or otherwise to make payments out of Revenues for property, services or commodities whether or not the same are made available, furnished or received, but shall not include (a) payments required to be made in respect of (i) debt service on any obligations incurred by JEA in connection with the financing of any separate bulk power supply utility or system undertaken by JEA and any additional amounts relating to "debt service coverage" with respect thereto and (ii) deposits into any renewal and replacement or other similar fund or account established with respect to any such separate bulk power supply utility or system (in each such case, other than (X) the Power Park and (Y) the Bulk Power Supply System Projects (as such term is defined in the Electric System Resolution)) and (b) payments required to be made in respect of any other arrangement(s) for the supply of power and/or energy to the Electric System for resale as may be determined by JEA to be payable on a parity with Subordinated Bonds that may be issued in accordance with the provisions of the Electric System Resolution. All Contract Debt payments are payable on a parity basis. For a further discussion of Contract Debts, see "INDEBTEDNESS OF JEA – Debt Relating to Electric Utility Functions – *Electric System Contract Debts*" in the Annual Disclosure Report. See also "SUMMARY OF CERTAIN PROVISIONS OF THE ELECTRIC SYSTEM RESOLUTION" in Appendix B to the Annual Disclosure Report.

On November 18, 2008, the JEA Board adopted a resolution that readopted and amended and restated the Bulk Power Supply System Resolution (the Bulk Power Supply System Resolution, as so readopted, amended and restated, is referred to herein as the "BPSS Resolution"). Pursuant to the BPSS Resolution, at such time, if any, as any BPSS Bonds shall be issued and outstanding, JEA will be obligated to make the output and capacity of the Scherer 4 Project (and any other projects that may be financed under the BPSS Resolution) available to the Electric System and will be obligated to make payments from the Electric System on a "take-or-pay" basis to provide revenues to pay operating and maintenance expenses of the Scherer 4 Project (and such other projects), debt service on the BPSS Bonds, renewal and replacement costs relating to the Scherer 4 Project (and such other projects) and all other costs relating to the Scherer 4 Project (and such other projects), and such payments will constitute a Contract Debt of the Electric System, payable as a Cost of Operation and Maintenance of the Electric System. See "Contract Debts" above. As of the date of this Official Statement, \$126,085,000 in aggregate principal amount of bonds (the "BPSS Bonds") are outstanding under the BPSS Resolution.

### **Rate Covenants**

***Power Park Rate Covenant.*** For a description of the rate covenant made by JEA in the First Power Park Resolution, see "SUMMARY OF CERTAIN PROVISIONS OF THE FIRST POWER PARK RESOLUTION – Particular Covenants of JEA – *Rate Covenant*" in Appendix D to the Annual Disclosure Report. For a description of the rate covenant made by JEA in the Second Power Park Resolution, see "SUMMARY OF CERTAIN PROVISIONS OF THE SECOND POWER PARK RESOLUTION – Covenants as to Rates, Fees and Charges" in Appendix E to the Annual Disclosure Report.

***Electric System Rate Covenant.*** For a description of the rate covenant made by JEA in the Electric System Resolution, see "SUMMARY OF CERTAIN PROVISIONS OF THE ELECTRIC SYSTEM RESOLUTION – Rate Covenant" in Appendix B to the Annual Disclosure Report. Pursuant to the Second Power Park Resolution, the rate covenant made by JEA in the Electric System Resolution will

remain in force and effect after the payment of all the Electric System Bonds so that the rates established by JEA for the Electric System must remain at a level sufficient to pay the Contract Debts of the Electric System, including JEA's debt service on the Issue Three Bonds. See "SUMMARY OF CERTAIN PROVISIONS OF THE SECOND POWER PARK RESOLUTION – Particular Covenants of JEA – Rate Covenant" in Appendix E to the Annual Disclosure Report.

***Bulk Power Supply System Rate Covenant.*** The BPSS Resolution contains a covenant on the part of JEA to collect rates and charges during each bond year for the use or the sale of output, capacity and use of the Scherer 4 Project (and other projects that may be financed thereunder) which shall be at least equal to the greater of (i) 115 percent of the Aggregate Debt Service (as defined in the BPSS Resolution) for such bond year; *provided, however*, that any Principal Installment (as defined in the BPSS Resolution) which is a Refundable Principal Installment (as defined in the BPSS Resolution) may be excluded from Aggregate Debt Service for purposes of the foregoing but only to the extent that JEA intends to pay such principal installment from sources other than Revenues (as defined in the BPSS Resolution), and (ii) the amount which, together with other available funds, shall be sufficient for the payment of: (a) the amount to be paid during such bond year into the Debt Service Account in the Debt Service Fund established pursuant to the BPSS Resolution (other than amounts required to be paid into such account out of the proceeds of bonds, subordinated indebtedness or other evidences of indebtedness of JEA); (b) the amount, if any, to be paid during such bond year into each separate subaccount in the Debt Service Reserve Account in the Debt Service Fund (other than amounts required to be paid into any such subaccount out of the proceeds of bonds, subordinated indebtedness or other evidences of indebtedness of JEA); (c) the amount, if any, to be paid during such bond year into the Subordinated Indebtedness Fund established pursuant to the BPSS Resolution (other than amounts required to be paid into such fund out of the proceeds of bonds, subordinated indebtedness or other evidences of indebtedness of JEA); (d) the amount, if any, to be paid during such bond year into the Renewal and Replacement Fund established pursuant to the BPSS Resolution (other than amounts required to be paid into such fund out of the proceeds of bonds, subordinated indebtedness or other evidences of indebtedness of JEA); (e) if any decommissioning funds shall have been established pursuant to the BPSS Resolution, the amount, if any, to be paid during such bond year into each decommissioning fund (other than amounts required to be paid into any such fund out of the proceeds of bonds, subordinated indebtedness or other evidences of indebtedness of JEA); and (f) all other charges and liens whatsoever payable out of Revenues (as defined in the BPSS Resolution) during such bond year.

The BPSS Resolution is available for viewing and downloading on JEA's website (<http://www.jea.com>) by selecting "News," then selecting "JEA Bond Investor" and then selecting "Restated and Amended Bulk Power Supply System Revenue Bond Resolution" under the heading "Bond Resolutions."

## **Additional Bonds**

***Additional Issue Three Bonds.*** JEA may issue one or more issues of additional Issue Three Bonds for the purpose of providing funds to pay for Additional Facilities thereof. JEA may also issue refunding Issue Three Bonds to refund outstanding Issue Three Bonds, Subordinated Indebtedness or bonds issued under the First Power Park Resolution. Any additional Issue Three Bonds or refunding Issue Three Bonds will be entitled to a lien on the Revenues (as defined in the Second Power Park Resolution) and other funds pledged pursuant to the Second Power Park Resolution equal to the lien of the outstanding Issue Three Bonds. For a description of the provisions of the Second Power Park Resolution relating to the issuance of additional Issue Three Bonds, see "SUMMARY OF CERTAIN PROVISIONS OF THE SECOND POWER PARK RESOLUTION" in Appendix E to the Annual Disclosure Report.

***Additional Issue Two Bonds.*** JEA may issue one or more issues of additional Issue Two Bonds for the purpose of providing funds to pay all or a portion of the Cost of Acquisition and Construction of any Additional Facilities. JEA may also issue refunding Issue Two Bonds to refund outstanding Issue Two Bonds. Any additional Issue Two Bonds or refunding Issue Two Bonds will be Contract Debts of the Electric System, entitled to a lien on the Revenues (as defined in the First Power Park Resolution) and other funds pledged pursuant to the First Power Park Resolution equal to the lien of the outstanding Issue Two Bonds. For a description of the provisions of the First Power Park Resolution relating to the issuance of additional Issue Two Bonds, see “SUMMARY OF CERTAIN PROVISIONS OF THE POWER PARK RESOLUTION - Additional Power Park Bonds” in Appendix C to the Annual Disclosure Report. JEA does not currently anticipate that additional Issue Two Bonds will be required to provide additional funds for JEA’s interest in the initial facilities of the Power Park or any Additional Facilities of the Power Park. JEA may issue additional Issue Two Bonds to refund outstanding Issue Two Bonds from time to time as it deems economical or advantageous.

***Additional Bulk Power Supply System Bonds.*** The BPSS Resolution permits JEA to issue one or more series of BPSS Bonds for any lawful purpose of JEA related to the Scherer 4 Project (and any other projects that may be financed thereunder). The BPSS Resolution also permits JEA to issue refunding BPSS Bonds to refund any outstanding BPSS Bonds from time to time as it deems economical or advantageous.

***Additional Electric System Bonds.*** Except for Contract Debts, JEA has covenanted in the Electric System Resolution to issue no obligations payable from the Revenues of the Electric System, nor to create voluntarily or cause to be created any debt, lien, pledge, assignment, encumbrance or other charge having priority to or being on a parity with the lien of the Electric System Bonds except as provided in the Electric System Resolution. For a description of the provisions of the Electric System Resolution relating to the issuance of additional Electric System Bonds, see “SUMMARY OF CERTAIN PROVISIONS OF THE ELECTRIC SYSTEM RESOLUTION – Issuance of Additional Electric System Bonds” in Appendix B to the Annual Disclosure Report.

## **Amendments to the Second Power Park Resolution**

In April 2010, JEA adopted Resolution No. 2010-7 which, upon the consent thereto of the holders of a majority in principal amount of the Outstanding Power Park Issue Three Bonds or the date on which no Power Park Issue Three Bonds Outstanding on the date of adoption of Resolution No. 2010-7 are Outstanding, provides for the amendment of certain provisions of the Second Power Park Resolution relating to the computation of the Debt Service Reserve Requirement for Power Park Issue Three Bonds and relating to Bonds issued by JEA and designated as “Build America Bonds” for purposes of the American Recovery and Reinvestment Act of 2009 so as to receive a cash subsidy from the United States Treasury (or any party designated by the federal government to issue cash subsidy payments on Build America Bonds) in connection therewith.

Should the amendments become effective, they will:

(a) Require that the Debt Service Reserve Requirement be calculated assuming that all Additionally Secured Series secured by the Debt Service Reserve Account that bear interest at a variable or floating rate bear interest at the applicable Certified Interest Rate;

(b) Require the deposit of the cash subsidy upon receipt by JEA in the Revenue Fund 2d and provide that the cash subsidy is not treated as Revenues for any purpose of the Second Power Park Resolution;

(c) Revise the definition of “Debt Service” to net out the cash subsidy from the computation of Debt Service during the period JEA is entitled to receive the cash subsidy, which amendment affects the

Second Power Park rate covenant (see “SUMMARY OF CERTAIN PROVISIONS OF THE SECOND POWER PARK RESOLUTION - Covenant as to Rates, Fees and Charges” in APPENDIX E attached hereto);

(d) Revise the definition of “Debt Service Reserve Requirement” to require the calculation of interest on Build America Bonds be net of the cash subsidy and to provide that, if JEA no longer receives the cash subsidy or the cash subsidy is reduced, the Debt Service Reserve Requirement be increased to take into account such elimination or reduction and the amount of such increase be required to be funded generally in equal semiannual installments over a five-year period commencing on the first April 1 or October 1 that is at least six months after the date of such elimination or reduction, subject to periodic recomputation attributable to any reduction in the Debt Service Reserve Requirement for any reason; and

(e) Require that, during any period in which Debt Service is computed by netting out the cash subsidy payment, JEA must transfer an amount equal to the amount of the cash subsidy payment payable in respect of the interest payable on such Build America Bonds no later than the interest payment date from the Revenue Fund 2d to the Debt Service Account, without regard to any reduction in the cash subsidy payment.

As of the date of this Official Statement, there are \$339,305,000 in aggregate principal amount of Outstanding Issue Three Bonds, and JEA has not obtained the consent to such amendments of the holders any Outstanding Issue Three Bonds. The Underwriters will be required to consent to the amendments to be made to the Second Power Park Resolution by Resolution No. 2010-7 following the purchase by them of the Series Four and Five Bonds. Such consent will be binding on all subsequent holders of the Series Four and Five Bonds. Upon the issuance of the Series Four and Five and the giving of such consent by the Underwriters, there will be \$ \_\_\_\_\_ in aggregate principal amount of Outstanding Issue Three Bonds, and JEA will have obtained the consent to such amendments of the holders of \$ \_\_\_\_\_ in aggregate principal amount of such Outstanding Issue Three Bonds, which amount will constitute approximately \_\_\_\_\_ percent in aggregate principal amount of Outstanding Issue Three Bonds. In addition, JEA intends to obtain additional consents to these amendments each time it issues Issue Three Bonds. JEA also may seek consents to these amendments from the holders of Outstanding Issue Three Bonds. Whether or when such amendments become effective is dependent upon the amount of Issue Three Bonds that may be issued by JEA in the future, the timing of such issuances and whether or not JEA decides to seek consents to these amendments from the holders of the Outstanding Issue Three Bonds.

#### **Additional Provisions Relating to the Series Five Bonds**

With respect to the requirements of the Internal Revenue Code of 1986 relating to the Series Five Bonds, JEA has covenanted in Resolution No. 2009-35 authorizing the issuance of the Series Five Bonds as follows:

**“Tax Covenants.** (a) JEA covenants that it shall not take any action or inaction, or fail to take any action, or permit any action to be taken on its behalf or cause or permit any circumstance within its control to arise or continue, if any such action or inaction would adversely affect the exclusion from gross income for federal income tax purposes of the interest on the [Series Five] Bonds under Section 103 of the Internal Revenue Code of 1986, as amended, and the applicable Treasury Regulations promulgated thereunder. Without limiting the generality of the foregoing, JEA covenants that it will comply with the instructions and requirements of the Tax Certificate to be executed and delivered on the Date of Issuance of the [Series Five] Bonds concerning certain matters pertaining to the use of proceeds of the [Series Five] Bonds, including any and all exhibits attached

thereto (the 'Tax Certificate'). This covenant shall survive payment in full or defeasance of the [Series Five] Bonds.

(b) Notwithstanding any provisions of this Section, if JEA shall obtain an opinion of nationally recognized municipal bond attorneys to the effect that any specified action required under this Section is no longer required or that some further or different action is required to maintain the exclusion from gross income for federal income tax purposes of interest on the [Series Five] Bonds, JEA may conclusively rely on such opinion in complying with the requirements of this Section and of the Tax Certificate, and the covenants hereunder shall be deemed to be modified to that extent.

(c) Notwithstanding any other provision of the Second [Power Park] Bond Resolution to the contrary, (i) upon JEA's failure to observe or refusal to comply with the above covenants, the holders of the [Series Five] Bonds shall be entitled to the rights and remedies provided to Bondholders under the Second [Power Park] Bond Resolution, other than the right (which is hereby abrogated solely in regard to JEA's failure to observe or refusal to comply with the covenants of this Section) to declare the principal of all [Series Five] Bonds then outstanding, and the interest accrued thereon, to be due and payable and (ii) the holders of any Issue Three Bonds other than the [Series Five] Bonds shall not be entitled to exercise any right or remedy provided to Bondholders under the Second [Power Park] Bond Resolution based upon JEA's failure to observe, or refusal to comply with, the above covenants."

## **DESCRIPTION OF THE SERIES FOUR AND FIVE BONDS**

### **General**

The Series Four Bonds will be issued in the aggregate principal amount of \$\_\_,000,000. The Series Five Bonds will be issued in the aggregate principal amount of \$\_\_,000,000. The Series Four and Five Bonds will be dated and bear interest at the rates and mature on the dates and in the amounts set forth on the inside cover page of this Official Statement. Interest on the Series Four and Five Bonds will be payable commencing on October 1, 2010 and semiannually on each April 1 and October 1 thereafter by U.S. Bank National Association, Bond Registrar and Paying Agent. The Series Four and Five Bonds will be issuable only in fully registered form in the principal amount of \$5,000 or any integral multiple thereof. The Series Four and Five Bonds will be available only in book-entry form. DTC will act as the initial securities depository for the Series Four and Five Bonds and the ownership of one or more fully registered Series Four and Five Bonds for each maturity (and, if applicable, each interest rate within a maturity) as set forth on the inside cover page of this Official Statement, in the aggregate principal amount thereof, will be registered in the name of Cede & Co., as nominee for DTC. See "BOOK-ENTRY ONLY SYSTEM" in APPENDIX A hereto.

Pursuant to the respective Notices of Bond Sale relating to the Series Four Bonds and to the Series Five Bonds available from JEA, JEA shall elect at least 18 hours prior to the time bids are to be received which maturities of the bonds offered hereby will be (i) issued as "Build America Bonds" for purposes of the Recovery Act and (ii) issued as tax-exempt bonds. If all of the bonds offered hereby are elected to be issued as tax-exempt bonds, such bonds will be re-designated as "Issue Three, Series Four" with the attributes described in this Official Statement for the Series Five Bonds.

### **Registration and Transfer**

Payment of the semiannual interest on the Series Four and Five Bonds shall be made by check or draft mailed to the person in whose name the Series Four and Five Bond is registered at the person's

address as it appears on the registration books maintained by the Bond Registrar on behalf of JEA at the close of business on the 15th day of the month (whether or not a business day) next preceding each interest payment date (the “Record Date”), irrespective of any transfer or exchange of such Series Four or Five Bond subsequent to the Record Date and prior to such interest payment date, unless JEA shall default in payment of interest due on such interest payment date. In the event of any such default, such defaulted interest shall be payable to the person in whose name such Series Four or Five Bond is registered at the close of business on a special record date for the payment of such defaulted interest established by notice mailed by the Bond Registrar on behalf of JEA to the registered owners of the Series Four and Five Bonds not less than 15 calendar days preceding such special record date. Such notice shall be mailed to the persons in whose names the Series Four and Five Bonds are registered at the close of business on the fifth calendar day preceding the date of mailing.

For so long as a book-entry system is used for determining beneficial ownership of the Series Four and Five Bonds, such interest shall be payable to DTC or its nominee. Disbursement of such payments to the Direct Participants (as defined in APPENDIX A hereto) is the responsibility of DTC and disbursement of such payments to the Beneficial Owners (as defined in APPENDIX A hereto) of the Series Four and Five Bonds is the responsibility of the Direct Participants or the Indirect Participants (as defined in APPENDIX A hereto).

The Series Four and Five Bonds may be exchanged or transferred without charge to the owners thereof, except for any tax, fee or other governmental charge imposed in connection with said exchange or transfer.

#### **Designation of the Series Four Bonds as “Build America Bonds”**

JEA currently intends to designate the Series Four Bonds as “Build America Bonds” for purposes of the American Recovery and Reinvestment Act of 2009 (the “Recovery Act”) and to receive a cash subsidy from the United States Treasury in connection therewith. Pursuant to the Recovery Act, JEA is entitled to receive cash subsidy payments rebating a portion of the interest on the Build America Bonds from the United States Treasury equal to 35 percent of the interest payable on the Series Four Bonds. Such cash subsidy payments received by JEA will constitute Revenues for purposes of the Second Power Park Resolution, subject to the provisions of the Second Power Park Resolution permitting the application thereof for the purposes and on the terms and conditions set forth in the Second Power Park Resolution. No assurance can be given by JEA of the receipt of such cash subsidy payments. JEA is obligated to make payments of the principal of and interest on the Series Four Bonds whether or not it receives such cash subsidy payments.

#### **Redemption**

***Series Four Bonds Make-Whole Optional Redemption.*** The Series Four Bonds will be subject to redemption prior to maturity by written direction at the option of JEA, in whole or in part, on any date, at the “Series Four Redemption Price.” The “Series Four Redemption Price” is the amount equal to the greater of: (i) 100 percent of the principal amount of such Series Four Bonds to be redeemed, plus accrued and unpaid interest on such Series Four Bonds being redeemed to the date fixed for redemption or (ii) the sum of the present values of the remaining scheduled payments of principal and interest on such Series Four Bonds to be redeemed discounted to the date of redemption on a semiannual basis (assuming a 360-day year consisting of 12 30-day months) at the Treasury Rate (defined below) plus 25 basis points. The term “Treasury Rate” is defined in Resolution No. 2010-2 authorizing the Series Four Bonds to mean, with respect to any redemption date for a particular Series Four Bond, the rate per annum equal to the semiannual equivalent yield to maturity or interpolated maturity of the Comparable Treasury Issue, assuming that the Comparable Treasury Issue is purchased on the redemption date for a price equal to the Comparable Treasury Price. Additional relevant terms are defined as follows:

“Comparable Treasury Issue” means the U.S. Treasury security or securities selected by the Independent Investment Banker that has an actual or interpolated maturity comparable to the remaining weighted average life of the applicable Series Four Bonds to be redeemed, and that would be utilized in accordance with customary financial practice in pricing new issues of debt securities of comparable maturity to the remaining weighted average life of such Series Four Bonds to be redeemed.

“Comparable Treasury Price” means, with respect to any redemption date for a particular Series Four Bond, (a) the average of the Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest Reference Treasury Dealer Quotations, or (b) if the Independent Investment Banker obtains fewer than four such Reference Treasury Dealer Quotations, the average of all such quotations.

“Independent Investment Banker” means one of the Reference Treasury Dealers appointed by JEA.

“Reference Treasury Dealer” means J.P. Morgan Securities Inc., Goldman, Sachs & Co. and Morgan Stanley & Co. Incorporated, and their respective successors; *provided, however*, that if any of them ceases to be a Primary U.S. Government securities dealer in the City of New York (a “Primary Treasury Dealer”), JEA will substitute another Primary Treasury Dealer.

“Reference Treasury Dealer Quotations” means, with respect to each Reference Treasury Dealer and any redemption date for a particular Series Four Bond, the average, as determined by the Independent Investment Banker and communicated to JEA, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Independent Investment Banker and communicated to JEA by such Reference Treasury Dealer at 3:30 p.m., New York City time, on the tenth day (or, if such day is not a business day, the next preceding business day) preceding such redemption date.

***Series Four Bonds Mandatory Redemption.***

***Bidders may designate certain maturities of Series Four Bonds as term bonds subject to mandatory redemption prior to maturity from Sinking Fund Installments, as set forth in the Notice of Sale therefor. The mandatory redemption premium of any Series Four Bond designated as a term bond shall be zero.***

The Series Four Bonds maturing on October 1, 20\_\_, as set forth in the table below, are subject to mandatory redemption by lot prior to maturity on October 1 in the years and amounts shown below at par (plus accrued interest to the redemption date) from Sinking Fund Installments required to be paid in such years and amounts:

**Series Four Bonds  
Maturing on October 1, 20\_\_**

| <b><u>Year</u></b> | <b><u>Principal Amount</u></b> |
|--------------------|--------------------------------|
| 20__               | \$                             |
| 20__               |                                |
| 20__               |                                |
| 20__               |                                |
| 20__†              |                                |

† Final maturity.

Such Sinking Fund Installments shall be applied to the redemption of the applicable Series Four Bonds on October 1 of each of the applicable years set forth above.

Giving effect solely to the sinking fund schedule set forth above, the average life of the Series Four Bonds maturing on October 1, 20\_\_\_, calculated from the date of delivery thereof, is approximately \_\_\_\_\_ years.

***Series Four Bonds Extraordinary Optional Redemption.*** The Series Four Bonds will be subject to redemption prior to maturity by written direction at the option of JEA, in whole or in part, upon the occurrence of an “Extraordinary Event” (as defined herein), at a redemption price equal to the greater of: (i) 100 percent of the principal amount of such Series Four Bonds to be redeemed, plus accrued and unpaid interest on such Series Four Bonds being redeemed to the date fixed for redemption or (ii) the sum of the present values of the remaining scheduled payments of principal and interest on such Series Four Bonds to be redeemed discounted to the date of redemption on a semiannual basis (assuming a 360-day year consisting of 12 30-day months) at the Treasury Rate (as such term is defined under “*Optional Redemption*” above) plus 100 basis points.

An “Extraordinary Event” will have occurred if an Authorized Officer of JEA (as defined in the resolution supplemental to the Second Power Park Resolution authorizing the Series Four Bonds) determines that a material adverse change has occurred to Section 54AA or 6431 of the Internal Revenue Code of 1986, as amended (the “Code”) (as such Sections were added by Section 1531 of the Recovery Act, pertaining to “Build America Bonds”) or there is any guidance published by the Internal Revenue Service or the United States Treasury with respect to such Sections or any other determination by the Internal Revenue Service or the United States Treasury, which determination is not the result of any act or omission by JEA to satisfy the requirements to qualify to receive the 35 percent cash subsidy payment from the United States Treasury, pursuant to which JEA’s 35 percent cash subsidy payment from the United States Treasury is reduced or eliminated.

***Selection of Series Four Bonds to be Redeemed.*** If less than all of the Series Four Bonds are to be redeemed, JEA may select the maturity or maturities (and, if applicable, interest rate(s) within such maturity or maturities) to be redeemed. Any redemption of less than all of the Series Four Bonds maturing on a particular date (and, if applicable, bearing interest at a particular rate) shall be allocated among registered holders of the Series Four Bonds maturing on such date (and, if applicable, bearing interest at such rate) as nearly as practicable in proportion to the principal amounts of the Series Four Bonds maturing on such date (and, if applicable, bearing interest at such rate) owned by each registered holder, subject to the authorized denominations for the Series Four Bonds.

So long as DTC or a successor securities depository is the sole registered holder of the Series Four Bonds, it is JEA’s intent that redemption allocations made by DTC and Direct Participants and Indirect Participants (as such terms are defined under “BOOK-ENTRY ONLY SYSTEM” in APPENDIX A hereto) and such other intermediaries that may exist between JEA and the Beneficial Owners (as such term is defined under “BOOK-ENTRY ONLY SYSTEM” in APPENDIX A hereto) be made in accordance with these same proportional provisions. JEA cannot make any assurance that DTC, the Direct Participants and Indirect Participants or any other intermediaries will allocate redemptions among Beneficial Owners on such a proportional basis. See “BOOK-ENTRY ONLY SYSTEM” in APPENDIX A hereto.

***Series Five Bonds Optional Redemption.*** The Series Five Bonds maturing prior to October 1, 2015 are not subject to redemption. The Series Five Bonds maturing after October 1, 2014 will be redeemable at the election of JEA on and after April 1, 2015, at any time, as a whole or in part, at the redemption price of 100 percent of the principal amount of the Series Five Bonds so to be redeemed, together with accrued interest to the redemption date.

***Series Five Bonds Mandatory Redemption.***

***Bidders may designate certain maturities of Series Five Bonds term bonds subject to mandatory redemption prior to maturity from Sinking Fund Installments, as set forth in the Notice of Sale therefor. The mandatory redemption premium of any Series Five Bond designated as a term bond shall be zero.***

The Series Five Bonds maturing on October 1, 20\_\_, as set forth in the table below, are subject to mandatory redemption by lot prior to maturity on October 1 in the years and amounts shown below at par (plus accrued interest to the redemption date) from Sinking Fund Installments required to be paid in such years and amounts:

**Series Five Bonds  
Maturing on October 1, 20**

| <u>Year</u>       | <u>Principal<br/>Amount</u> |
|-------------------|-----------------------------|
| 20__              | \$                          |
| 20__              |                             |
| 20__              |                             |
| 20__              |                             |
| 20__ <sup>†</sup> |                             |

<sup>†</sup> Final maturity.

Such Sinking Fund Installments shall be applied to the redemption of the applicable Series Five Bonds on October 1 of each of the applicable years set forth above.

Giving effect solely to the sinking fund schedule set forth above, the average life of the Series Five Bonds maturing on October 1, 20\_\_, calculated from the date of delivery thereof, is approximately \_\_\_\_ years.

***Selection of Series Five Bonds to be Redeemed.*** For so long as the Series Five Bonds are subject to the book-entry only system of registration and transfer described in APPENDIX A hereto, in the event that less than all of the Series Five Bonds are to be redeemed, the particular Beneficial Owner(s) to receive payment of the redemption price with respect to beneficial ownership interests in such Series Five Bonds shall be selected by DTC and the Direct Participants and/or Indirect Participants. See “BOOK-ENTRY ONLY SYSTEM” in APPENDIX A hereto.

***Notice of Redemption.*** The Second Power Park Resolution requires JEA to mail a notice of any redemption of the Series Four and Five Bonds by first class mail, postage prepaid, not less than 30 nor more than 60 days prior to the redemption date to the Holders of any Series Four and Five Bonds or portions of Series Four and Five Bonds which are to be redeemed, at their last address, if any, appearing upon the registry books but failure to do so will not affect the validity of the proceedings for the redemption of any other Series Four and Five Bonds. The notice may provide that it can be revoked in accordance with its terms.

For so long as a book-entry only system of registration is in effect with respect to the Series Four and Five Bonds, JEA will mail notices of redemption to DTC or its successor. Any failure of DTC to convey such notice to any Direct Participants, any failure of Direct Participants to convey such notice to any Indirect Participants or any failure of Direct Participants or Indirect Participants to convey such notice to any Beneficial Owner will not affect the sufficiency or the validity of the redemption of Series Four and Five Bonds. See “BOOK-ENTRY ONLY SYSTEM” in APPENDIX A hereto.

## **DEBT SERVICE REQUIREMENTS FOR THE ISSUE THREE BONDS**

Set forth in APPENDIX B hereto is a table showing the estimated debt service requirements for the Issue Three Bonds after the issuance of the Series Four and Five Bonds.

### **RECENT DEVELOPMENTS**

The following information updates and supplements certain of the information contained in the Annual Disclosure Report included by reference herein:

#### **Electric Utility Functions**

*The following information updates the information contained in the first and second paragraphs under the caption “INTRODUCTION - Electric Utility Functions” in the Annual Disclosure Report:*

In 2008, the latest year for which such information is available, JEA was the seventh largest municipally-owned electric utility in the United States in terms of number of customers. JEA operates, and maintains its records, on the basis of a fiscal year (“Fiscal Year”) ending on each September 30th. During the Fiscal Year ended September 30, 2009, the Electric System served an average of 417,226 customer accounts in a service area which covers virtually the entire City. JEA also sells electricity to retail customers and two electric systems in neighboring counties. In addition, as described under “ELECTRIC UTILITY FUNCTIONS - St. Johns River Power Park - Ownership” below, JEA has sold to FPL a portion of the capacity (and associated energy) of JEA’s interest in the Power Park pursuant to the long-term power sales provisions of the Power Park Joint Ownership Agreement (hereinafter defined) (such sale being referred to herein as the “FPL-Power Park Sale”).

JEA’s total energy sales in the Fiscal Year ended September 30, 2009, net of off-system sales and the energy sold by JEA to FPL pursuant to the FPL-Power Park Sale, were approximately 12.7 billion kilowatt-hours (“kWh”). Total revenues, including investment income, for the Electric System for the Fiscal Year ended September 30, 2009, net of the revenues received by JEA from the FPL-Power Park Sale (calculated for purposes of the Electric System Schedule of Debt Service Coverage (see “FINANCIAL INFORMATION - Financial Information Relating to Electric Utility Functions - Schedules of Debt Service Coverage” herein)), were approximately \$1,336,350,000.

#### **JEA**

*The following information updates the information contained in the second paragraph under the caption “JEA – General” in the Annual Disclosure Report:*

Current members of the JEA Board, their occupations and the commencement and expiration of their terms are as follows:

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|  |  |  |
|--|--|--|
| Ronald Townsend<br>Chair                       | Communications Consultant<br>Retired President<br>Gannett Television Group | July 6, 2007 - February 28, 2011         |
| Ashton Hudson<br>Vice Chair                    | Partner & General Counsel<br>Rock Creek Capital                            | October 20, 2006 - February 28, 2013     |
| James H. Gilmore, Jr.<br>Secretary             | President<br>Agency Approval & Development,<br>Inc.                        | February 29, 2008 - February 28,<br>2012 |
| Michael R.<br>Hightower<br>Assistant Secretary | Vice President<br>Blue Cross and Blue Shield of<br>Florida                 | July 6, 2007 - February 28, 2011         |
| Cynthia B. Austin                              | Attorney/Senior Partner<br>Austin and Austin                               | May 19, 2006 - February 28, 2014         |
| Karen E. Bowling                               | Co-Founder and CEO<br>Solantic LLC   | March 24, 2010 - February 28, 2014       |
| Julian E. Fant                                 | President & CEO<br>First Guaranty Bank                                     | March 24, 2004 - February 28, 2012       |

### **JEA Management and Employees**

***The following information updates the information contained in the final two paragraphs under the caption “JEA – Management and Employees” in the Annual Disclosure Report:***

As of October 1, 2009, JEA had 2,158 budgeted employee positions (exclusive of the Power Park employees referred to below), of which 1,563 were budgeted to the Electric System, 590 were budgeted to the Water and Sewer System and five were budgeted to the District Energy System. Except for 291 appointed managers and a minor number of contract employees, such employees have civil service status. Approximately 1,843 employees are covered by five collective bargaining agreements. These employees are represented by the American Federation of State, County, and Municipal Employees (“AFSCME”), the International Brotherhood of Electrical Workers (“IBEW”), Local 2358 and the Northeast Florida Public Employees, Local 630, Laborer’s International Union of North America (“LIUNA”), all of which are affiliated with the AFL-CIO, and by a professional employees’ association and a supervisors’ association that have no AFL-CIO affiliation. JEA has collective bargaining agreements with its employees represented by the foregoing bargaining units. The terms of these collective bargaining agreements expired in September 2009 and currently are under renegotiation.

As of October 1, 2009, JEA had 302 budgeted employees for the Power Park who were engaged in performing the operational, maintenance and administrative tasks associated with operations of the Power Park. All non-managerial persons employed by JEA for the Power Park are governmental (public) employees, can organize under the provisions of Chapter 447, Part II, Florida Statutes, and, as such, are prohibited from participating in strikes or other work stoppages. Approximately 216 of the Power Park employees are represented by IBEW Local 1618. The term of JEA’s collective bargaining agreement with IBEW Local 1618 expired in September 2009 and currently is under renegotiation.

***The following is a new additional final paragraph under the caption “JEA – Management and Employees” in the Annual Disclosure Report:***

Substantially all of JEA’s employees participate in the City’s pension plan. Employees of the Power Park participate in a separate pension plan. See Note 11 to JEA’s 2009 Financial Statements set forth in APPENDIX C to this Official Statement for a discussion of how to obtain additional information on the City’s plan and the total unfunded actuarial liability for the Power Park’s plan. Further, JEA provides a medical benefits plan that it makes available to its retirees. See Note 13 to JEA’s 2009 Financial Statements set forth in APPENDIX C to this Official Statement for a discussion of this “other post-employment benefit” plan and JEA’s actuarial accrued liability of this plan.

### **Certain Demographic Information**

***The following information updates the information contained in second paragraph and the various tables under, and adds a new third paragraph to, the caption “JEA – Certain Demographic Information” in the Annual Disclosure Report:***

The Jacksonville Metropolitan Statistical Area (“MSA”) is composed of Duval, Clay, Nassau, St. Johns and Baker Counties, an area covering 3,221 square miles. The U.S Census Bureau estimates that the Jacksonville MSA had a population of 1,328,144 as of July 1, 2009. The City is currently the fourth most populous MSA in the State of Florida. The table below shows population for the Jacksonville MSA.

| <b>Population</b>   |                                    |
|---------------------|------------------------------------|
| <b><u>Year</u></b>  | <b><u>Jacksonville<br/>MSA</u></b> |
| 1970                | 612,585                            |
| 1980                | 722,252                            |
| 1990                | 906,727                            |
| 2000 <sup>(1)</sup> | 1,122,750                          |
| 2009                | 1,328,144                          |

Source: United States Census Bureau.

<sup>(1)</sup> Baker County was included in the Jacksonville MSA starting with the 2000 United States census.

The University of North Florida estimates that as of January 2010 the seasonally adjusted unemployment rate for the Jacksonville MSA was 10.9 percent, as revised, and the United States Department of Labor estimates that as of January 2010 the seasonally adjusted unemployment rate for Florida was 12.0 percent and for the U.S. was 9.7 percent, as revised.

The table below sets forth the annual, not seasonally adjusted labor force, employment and unemployment figures for the Jacksonville MSA and comparative unemployment figures for the State of Florida and the United States for the most recent 10 years ended December 2009.

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| <b>Jacksonville MSA</b> |                 |                   |                                  | <b>Unemployment Rate (%)</b> |             |
|-------------------------|-----------------|-------------------|----------------------------------|------------------------------|-------------|
| <b>Labor Force</b>      |                 |                   | <b>Unemployment<br/>Rate (%)</b> |                              |             |
| <b>Year</b>             | <b>Civilian</b> | <b>Employment</b> |                                  | <b>Florida</b>               | <b>U.S.</b> |
| 2000                    | 589,348         | 570,307           | 3.2                              | 3.8                          | 4.0         |
| 2001                    | 595,472         | 571,030           | 4.1                              | 4.7                          | 4.7         |
| 2002                    | 597,488         | 565,986           | 5.3                              | 5.7                          | 5.8         |
| 2003                    | 599,466         | 569,186           | 5.1                              | 5.3                          | 6.0         |
| 2004                    | 607,558         | 579,685           | 4.6                              | 4.7                          | 5.5         |
| 2005                    | 628,523         | 605,249           | 3.7                              | 3.8                          | 5.1         |
| 2006                    | 649,806         | 628,355           | 3.3                              | 3.4                          | 4.6         |
| 2007                    | 669,963         | 644,247           | 3.8                              | 4.1                          | 4.6         |
| 2008                    | 684,325         | 644,446           | 5.8                              | 6.2                          | 5.8         |
| 2009                    | 686,069         | 617,135           | 10.0                             | 10.5                         | 9.3         |

Source: Florida Research and Economic Database, <http://fred.labormarketinfo.com/default.asp>.

The table below shows the estimated average non-agricultural wage and salary employment by sector for the Jacksonville MSA for calendar year 2009.

|   | <b><u>Number of<br/>Employees</u></b> | <b><u>Percent of<br/>Distribution</u></b> |
|---|---------------------------------------|---|
| Trade, Transportation and Utilities   | 127,300                               | 21.7%                                     |
| Other Services <sup>(1)</sup>   | 99,700                                | 17.0                                      |
| Education and Health Services   | 83,600                                | 14.3                                      |
| Professional and Business Services  | 82,200                                | 14.0                                      |
| Government  | 76,400                                | 13.0                                      |
| Finance   | 55,500                                | 9.5                                       |
| Contract Construction   | 32,500                                | 5.6                                       |
| Manufacturing   | <u>28,700</u>                         | <u>4.9</u>                                |
| Total Non-Agricultural Employment<br>(Except Domestics, Self-Employed<br>And Unpaid Family Workers) | <u>585,900</u>                        | <u>100.0%</u>                             |

Source: United States Department of Labor.

<sup>(1)</sup> Consists of other services, information, leisure and hospitality, and natural resources and mining.

The following table lists the 10 largest non-governmental employers in the Jacksonville MSA and the approximate size of their respective work forces as of February 2010.

| <b><u>Name of Employer</u></b>      | <b><u>Product or Service</u></b> | <b><u>Approximate No. of<br/>Employees</u></b> |
|-------------------------------------|----------------------------------|--|
| Baptist Health System               | Healthcare                       | 8,129  |
| Blue Cross & Blue Shield of Florida | Health Insurance                 | 7,315  |
| CSX Transportation                  | Railroad                         | 5,648  |
| Mayo Clinic                         | Healthcare                       | 5,000  |
| Citibank                            | Banking                          | 5,000  |
| Bank of America                     | Banking                          | 3,800  |
| St. Vincent's Medical Center        | Healthcare                       | 3,700  |
| Shands Jacksonville                 | Healthcare                       | 3,500  |
| AT&T                                | Telecommunications               | 3,100  |
| Wachovia Bank                       | Banking                          | 3,000  |

Source: Jacksonville Regional Chamber of Commerce Research Department.

The following table lists the eight largest governmental employers in the Jacksonville MSA and the approximate size of their respective work forces as of February 2010.

| <u>Name of Employer</u>          | <u>Type of Entity/Activity</u>    | <u>Approximate No. of Employees</u> |
|----------------------------------|-----------------------------------|-------------------------------------|
| Naval Air Station, Jacksonville  | United States Navy                | 25,245                              |
| Duval County Public Schools      | Public Education                  | 14,489                              |
| City of Jacksonville             | Municipal Government              | 8,828                               |
| Clay County School Board         | Public Education                  | 4,000                               |
| United States Postal Service     | United States Government          | 3,797                               |
| St. Johns County School District | Public Education                  | 3,357                               |
| Fleet Readiness Center           | Maintenance / Repair Overhaul     | 3,300                               |
| JEA <sup>(1)</sup>               | Electric, water and sewer utility | 2,158                               |

Source: Jacksonville Regional Chamber of Commerce Research Department.

<sup>(1)</sup>JEA

### **Debt Relating to Electric Utility Functions**

***The following information updates the information contained in the first and fourth paragraphs under the caption “INDEBTEDNESS OF JEA – Debt Relating to Electric Utility Functions – Electric System Bonds” in the Annual Disclosure Report:***

As of the date of this Official Statement, there is \$1,537,595,000 in aggregate principal amount outstanding under the Electric System Resolution, consisting of (a) \$822,360,000 in aggregate principal amount of variable rate Electric System Bonds and (b) \$715,235,000 in aggregate principal amount of fixed rate Electric System Bonds.

From time to time, JEA requests Council approval of the issuance of Electric System Bonds and Subordinated Electric System Bonds. Pursuant to previous Council approvals, JEA currently is authorized to issue additional Electric System Bonds and/or Subordinated Electric System Bonds for the purpose of financing the costs of additions, extensions and improvements to the Electric System in such principal amount as shall provide JEA with “net proceeds” (defined as principal amount, less original issue discount, less underwriters’ discount, less costs of issuance) of approximately \$560,125,992. JEA expects that such current authorization will be adequate to enable JEA to maintain its Electric System capital improvement program as projected through the Fiscal Year ending September 30, 2016. See “Electric System - Capital Programs” below. In the future, JEA will continue to seek authorization as needed from the Council to issue additional Electric System Bonds and/or Subordinated Electric System Bonds in order to enable it to finance its Electric System capital programs.

***The following information updates the information contained in the second paragraph under the caption “INDEBTEDNESS OF JEA – Debt Relating to Electric Utility Functions – Subordinated Electric System Bonds” in the Annual Disclosure Report:***

As of the date of this Official Statement, there is \$1,421,790,000 in aggregate principal amount of Subordinated Electric System Bonds outstanding under the Subordinated Electric System Resolution, consisting of (a) \$96,600,000 in aggregate principal amount of tax-exempt Electric System Commercial Paper Notes, Series C, (b) \$411,955,000 in aggregate principal amount of variable rate Subordinated Electric System Bonds and (c) \$913,235,000 in aggregate principal amount of fixed rate Subordinated Electric System Bonds.

## Electric System Generating Facilities

*The following information updates the information contained in the second paragraph and the table under the caption “ELECTRIC UTILITY FUNCTIONS – Electric System – Electric System Generating Facilities – General” in the Annual Disclosure Report:*

JEA’s Northside Unit 3, a steam unit, presently burns oil and natural gas, while four of JEA’s CTs burn diesel fuel. Kennedy CT7, Kennedy CT8 and Brandy Branch Units 1, 2 and 3 are dual-fueled CT units, burning natural gas as the primary fuel with diesel as backup. Brandy Branch STM 4 is a combined cycle unit that uses waste heat from Brandy Branch Units 2 and 3. Northside Units 1 and 2 burn petcoke and coal.

The pertinent statistics concerning the generating facilities of the Electric System as of April 2010 are as follows:

| <u>Station</u>              | <u>Unit</u>      | <u>Type<sup>(1)</sup></u> | <u>First<br/>Placed in<br/>Service</u> | <u>Fuel<sup>(2)</sup></u> | <u>Installed Net Capacity<br/>(MW)</u> |               |
|-----------------------------|------------------|---------------------------|--|---------------------------|--|---------------|
|                             |                  |                           |  |                           | <u>Summer</u>                          | <u>Winter</u> |
| Kennedy <sup>(3)</sup>      | 7 <sup>(4)</sup> | CT                        | 6/00                                   | G/LO                      | 150                                    | 191           |
|                             | 8 <sup>(4)</sup> | CT                        | 4/09                                   | G/LO                      | 150                                    | 191           |
|                             |                  |                           |  |                           | <u>300</u>                             | <u>382</u>    |
| Northside                   | 1                | ST                        | 5/02 <sup>(5)</sup>                    | Petcoke/Coal              | 293                                    | 293           |
|                             | 2                | ST                        | 2/02 <sup>(5)</sup>                    | Petcoke/Coal              | 293                                    | 293           |
|                             | 3                | ST                        | 7/77                                   | HO/G                      | 524                                    | 524           |
|                             | 3                | CT                        | 2/75                                   | LO                        | 53                                     | 62            |
|                             | 4                | CT                        | 1/75                                   | LO                        | 53                                     | 62            |
|                             | 5                | CT                        | 12/74                                  | LO                        | 53                                     | 62            |
|                             | 6                | CT                        | 12/74                                  | LO                        | 53                                     | 62            |
|                             |                  |                           |  |                           | <u>1,322</u>                           | <u>1,358</u>  |
| Brandy Branch               | 1 <sup>(4)</sup> | CT                        | 5/01                                   | G/LO                      | 150                                    | 191           |
|                             | 2 <sup>(4)</sup> | CT                        | 5/01                                   | G/LO                      | 150                                    | 191           |
|                             | 3 <sup>(4)</sup> | CT                        | 10/01                                  | G/LO                      | 150                                    | 191           |
|                             | STM 4            | ST                        | 1/05                                   | WH                        | 201                                    | 223           |
|                             |                  |                           |  |                           | <u>651</u>                             | <u>796</u>    |
| Girvin <sup>(6)</sup>       | 1                | IC                        | 7/97                                   | LG                        | 1                                      | 1             |
| System Total <sup>(7)</sup> |                  |                           |  |                           | <u>2,274</u>                           | <u>2,537</u>  |

- (1) CT -- Combustion Turbine  
ST -- Steam Turbine  
IC -- Internal Combustion Engine

- (2) G -- Natural Gas  
LO -- Light Oil  
HO -- Heavy Oil  
WH -- Waste Heat  
LG -- Landfill Gas

- (3) Kennedy CT8 first produced MWs on April 18, 2009 with commercial operation on June 1, 2009.

- (4) Net capacity for the summer is based on natural gas and winter is based on diesel.

- (5) Northside Unit 1 was originally placed in service in November 1966, and Northside Unit 2 was originally placed in service in March 1972. Both units have been re-powered with CFB boilers, and their turbine generators and other ancillary equipment have been refurbished. The dates indicated in the table are the respective dates on which each re-powered unit was synchronized to the grid. Northside Units 1 and 2 each have gross capacities of 310.0 MW.

- (6) This facility is a landfill internal combustion generator.

- (7) Greenland Energy Center is proposed for production in Summer 2011 with two CTs.

***The following information updates the information contained under the caption “ELECTRIC UTILITY FUNCTIONS – Electric System – Electric System Generating Facilities – Planned Additional Capacity” in the Annual Disclosure Report:***

Two simple cycle combustion turbines are on schedule to be operative by 2011 at Greenland Energy Center (“Greenland”).

The recent and very impactful economic downturn that has resulted in a lower forecast of demand for capacity has delayed JEA’s need for the Combined Cycle Conversion project initially planned for June 2013 at Greenland. Any climate change legislation that encourages greater natural gas utilization could require a commercial date for the conversion, driven by the need for fuel efficiency that is earlier than a need for capacity. Currently, the timing of the project is deferred subject to future evaluation.

#### **Fuel Mix**

***The following information updates the information in the first and third paragraphs and the table contained under the caption “ELECTRIC UTILITY FUNCTIONS – Electric System – Fuel Mix” in the Annual Disclosure Report:***

JEA has undertaken an aggressive fuel diversification strategy to improve its competitive position in the electric services industry. JEA uses CFB technology in Northside Units 1 and 2. This technology allows JEA to use a blend of petcoke and bituminous coal in these units. During the Fiscal Year ending September 30, 2010, JEA expects a percentage of solid fuels utilized in its fuel mix of approximately 10 to 15 percent coal and 85 to 90 percent petcoke. In addition, firm solid fuel-based capacity and energy has been provided by the Power Park and Scherer Unit 4 and from purchases from certain operating subsidiaries of The Southern Company (such operating subsidiaries are referred to herein as “Southern”). Scherer Unit 4 and the units providing the capacity and energy purchased from Southern currently burn either bituminous or sub-bituminous coal while the Power Park burns bituminous coal and petcoke. JEA adjusts its use of solid fuel-based energy depending on its cost relative to competing resources.

Accessing the spot market for purchases of oil and gas has allowed JEA to realize the full benefit of the fuel flexibility of its units and the market for purchased power. During the Fiscal Years ended September 30, 2005 through 2009, JEA purchased all of its oil on the spot market. JEA has a 20-year agreement with BG Energy Merchants, LLC (“BGEM”) that ends in 2021. The agreement with BGEM supplies approximately 65 percent of JEA’s delivered gas needs at prices that were, at the time the agreement was entered into, and are, as of the date of this Official Statement, below competing gas supply options (including both commodity and transportation components). The balance of JEA’s gas requirements are purchased on the spot market. From time to time, JEA engages in fuel price hedging activities based on future natural gas and residual fuel oil requirements (see “Fuel Contracts” below). The following table sets forth JEA’s fuel mix for the Fiscal Years ended September 30, 2005 through 2009 and JEA’s projected fuel mix for the Fiscal Years ending September 30, 2010 through 2014. The information in the following table does not take into account the energy sold to FPL pursuant to the FPL-Power Park Sale (see “ELECTRIC UTILITY FUNCTIONS - St. Johns River Power Park - Ownership” in the Annual Disclosure Report).

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## FUEL MIX <sup>(1)</sup>

| <b>Fiscal Year<br/>Ending<br/>September 30,</b> | <b>Oil</b> | <b>Gas</b> | <b>Power Park <sup>(2)</sup></b> |                  | <b>Northside<br/>(Coal/<br/>Petcoke)<sup>(3)</sup></b> | <b>Scherer<br/>Unit 4<br/>(Coal)</b> | <b>Southern<br/>Coal-Fired<br/>Purchases<sup>(4)</sup></b> | <b>Economy<br/>Purchases<br/>From Other<br/>Sources</b> | <b>Total<br/>MWh<br/>Sales<sup>(5)</sup></b> |
|---|------------|------------|----------------------------------|------------------|--|--------------------------------------|--|---|--|
|   |            |            | <b>(Coal)</b>                    | <b>(Petcoke)</b> |  |                                      |  |   |  |
| <b>Actual</b>                                   |            |            |                                  |                  |  |                                      |  |   |  |
| 2005  | 7.2%       | 8.8%       | 25.7%                            | 6.0%             | 25.7%  | 9.5%                                 | 11.8%  | 5.3%  | 13,660,143                                   |
| 2006  | 2.8        | 12.5       | 23.3                             | 8.8              | 26.0   | 8.3                                  | 11.9   | 6.5   | 14,034,650                                   |
| 2007  | 2.2        | 12.3       | 26.9                             | 6.7              | 26.0   | 10.1                                 | 11.7   | 4.2   | 13,880,020                                   |
| 2008  | 0.6        | 16.2       | 30.1                             | 0.0              | 25.0   | 10.2                                 | 11.9   | 6.0   | 13,690,082                                   |
| 2009  | 0.4        | 13.6       | 29.7                             | 0.0              | 30.0   | 11.0                                 | 11.5   | 3.7   | 13,255,464                                   |
| <b>Projected</b>                                |            |            |                                  |                  |  |                                      |  |   |  |
| 2010  | 0.4        | 17.6       | 33.9                             | 0.0              | 27.0   | 9.2                                  | 7.6  | 4.4   | 13,122,021                                   |
| 2011  | 0.5        | 17.8       | 33.6                             | 0.0              | 31.5   | 11.7                                 | 0.0  | 4.8   | 13,272,422                                   |
| 2012  | 0.5        | 22.5       | 34.6                             | 0.0              | 28.8   | 8.9                                  | 0.0  | 4.8   | 13,401,702                                   |
| 2013  | 0.5        | 20.4       | 33.9                             | 0.0              | 29.0   | 11.5                                 | 0.0  | 4.7   | 13,532,275                                   |
| 2014  | 0.4        | 23.5       | 32.3                             | 0.0              | 30.2   | 8.9                                  | 0.0  | 4.7   | 13,664,154                                   |

(1) Percentages may not add to 100 percent due to rounding.

(2) The Power Park currently is permitted to burn up to 30 percent petcoke and 70 percent coal. See “Power Park Fuel Supply and Transportation” below for a discussion about the non-use of petcoke during the Fiscal Years ending September 30, 2009 and 2010.

(3) The current fuel mix for Northside Units 1 and 2 is: 90 percent petcoke/10 percent coal.

(4) Purchases from Southern are pursuant to a long-term Unit Power Sales agreement.

(5) Actual megawatt-hour (“MWh”) sales include non-firm off-system sales which totaled 593,750 MWh in the Fiscal Year ended September 30, 2006, 649,193 MWh in the Fiscal Year ended September 30, 2007, 457,421 MWh in the Fiscal Year ended September 30, 2008 and 579,730 MWh in the Fiscal Year ended September 30, 2009. Projections include aggregate non-firm off-system sales of 1,699,600 MWh during the Fiscal Years ending September 30, 2010 through 2014.

## Fuel Contracts

*The following information updates the information contained under the caption “ELECTRIC UTILITY FUNCTIONS – Electric System – Fuel Contracts” in the Annual Disclosure Report:*

JEA has solid fuel storage at Northside for a maximum of approximately 25 days of operating inventory. JEA purchases a mix of contract and spot volumes to supply the fuel needs of Northside Units 1 and 2, which operate on a blend of petcoke and coal. During the Fiscal Year ended September 30, 2008, JEA primarily utilized a blend of approximately 85 percent petcoke and 15 percent coal. Beginning in early April 2009, JEA increased the percentage of petcoke to approximately 90 percent. During the Fiscal Year ended September 30, 2009, JEA purchased approximately 68 percent of its petcoke requirements from Oxbow LLC, 17 percent of its petcoke requirements from Valero, 10 percent of its petcoke requirements from Koch Carbon and five percent of its petcoke requirements from Energy Coal SpA. JEA has commitments to purchase approximately 100 percent of the coal and petcoke for the Electric System, the Power Park, and the Scherer 4 Project under long-term contracts through 2010. Contract terms for coal and petcoke specify minimum annual purchase commitments at certain prices subject to adjustments for price level changes according to the contract. In addition, JEA has remarketing rights under these contracts.

JEA has a commitment to purchase residual fuel oil from BP Products North America, Inc. (“BP”) through August 2012. BP owns the residual fuel oil stored at Northside and has committed to maintain at least 150,000 barrels (15 to 30 days’ supply) for JEA’s use at all times. JEA pays for actual oil consumed within 45 days after each billing period. The agreement allows for both fixed and floating pricing options with a minimum purchase of 785,495.44 barrels of oil over the three-year contract period.

BP began compensating JEA for terminalling services in April 2007. The agreement also allows JEA to access additional BP oil in emergency conditions.

JEA's 1970's vintage CTs provide less than one percent of JEA's total energy requirements and are powered by diesel fuel. Diesel fuel is purchased from time to time in the open market as needed.

During the Fiscal Year ended September 30, 2009, JEA purchased the majority of its natural gas under its contract with BGEM. Contract terms for the natural gas specify minimum annual purchase commitments at market prices. JEA has the option to remarket any excess natural gas purchases. In addition, JEA has long-term contracts with Florida Gas Transmission Company for firm gas transportation capacity to allow delivery of additional gas volumes.

JEA and TECO Peoples Gas System ("Peoples") jointly own pipelines that serve Northside and Brandy Branch. JEA owns a pipeline that delivers natural gas to the Power Park for use during unit starts and for flame stabilization. Peoples owns the pipeline that serves Kennedy and JEA's Buckman Street wastewater treatment plant. Peoples may interrupt delivery of gas to JEA under certain emergency circumstances.

JEA has developed and implemented a program intended to hedge its exposure to changes in the market prices of oil and natural gas. Pursuant to this program, futures and options contracts may be entered into from time to time to help manage fluctuations in the market prices of oil and natural gas. Realized gains and losses resulting from this program are reflected in JEA's fuel expense.

For a discussion of fuel contracts relating to the Power Park, see "Power Park Fuel Supply and Transportation" below. For a discussion of JEA's fuel procurement arrangement for the Scherer 4 Project, see "Scherer 4 Project Fuel Supply" below.

#### **Purchased Power Contracts**

***The following information updates the information contained in the sixth, seventh eighth, ninth and tenth paragraphs under the caption "ELECTRIC UTILITY FUNCTIONS – Electric System – Purchased Power Contracts" in the Annual Disclosure Report:***

MEAG Power has advised JEA that MEAG Power has created three separate "projects" for the purpose of owning and financing its 22.7 percent undivided ownership interest in the Additional Vogtle Units (representing approximately 500.308 MW of capacity and related energy based upon the nominal rating of the Units), and that MEAG Power's estimated in-service cost, including construction costs, financing costs and contingencies, initial fuel load costs and switchyard and transmission costs, for its entire 22.7 percent undivided ownership interest in the Additional Vogtle Units is approximately \$3.679 billion, of which approximately \$1.472 billion is allocable to the project (referred to herein as the "PPA Project") from which the capacity and energy to be sold to JEA under the Additional Vogtle Units PPA will be derived.

Under the Additional Vogtle Units PPA, MEAG Power is required to allocate the principal of its bonds to be issued to finance the PPA Project to each of the Additional Vogtle Units and, except as described below with respect to (a) bonds issued after the commercial operation date of a particular Additional Vogtle Unit to finance capital improvements to that unit (referred to herein as "post-COD capital improvement bonds") and (b) refunding bonds, to structure the principal so allocated based upon level monthly debt service over an assumed 40-year period commencing not earlier than 12 months nor later than 36 months following the estimated commercial operation date of the Additional Vogtle Unit to which such principal relates, with the first 20 installments of such principal coming due in the same amounts and on the same dates as are determined as a result of such assumed 40-year amortization.

Except in the case of post-COD capital improvement bonds and refunding bonds, JEA is obligated under the Additional Vogtle Units PPA to pay (i) the interest component of debt service of each such series of bonds attributable to a particular Additional Vogtle Unit only for a period of 240 months from and including the month in which such obligation commences and (ii) the principal component of debt service of each such series of bonds attributable to a particular Additional Vogtle Unit only for a period of 240 months from and including the month in which such obligation commences. Since MEAG Power has advised JEA that MEAG Power intends to capitalize all interest accruing on such bonds through the respective estimated commercial operation dates of each Additional Vogtle Unit, it is expected that JEA's payment obligations with respect to debt service on such bonds will commence on such respective estimated commercial operation dates.

In the case of post-COD capital improvement bonds, under the Additional Vogtle Units PPA, MEAG Power is required (a) to structure the principal of any series of such bonds allocated to each capital improvement item (or group of capital improvement items having comparable estimated useful lives) based upon level monthly debt service over an assumed period commencing on the second April 1 following the estimated in-service date of the capital improvements (or group of capital improvements) and ending on the earlier of (i) the expiration of the term of the applicable unit's combined construction and operating license, or (ii) the end of the estimated economic useful life of the capital improvement item (or group of capital improvement items), as estimated at the time of the pricing of such bonds, with each installment of principal due on or before April 1 of the calendar year following the last day on which JEA is entitled to its share of the output of the particular Additional Vogtle Unit coming due in the same amount and on the same date as is determined as a result of such assumed amortization and (b) to capitalize interest on such bonds to such estimated in-service date. In the case of post-COD capital improvement bonds, JEA is obligated under the Additional Vogtle Units PPA to pay (i) the interest component of debt service of each such series of bonds attributable to a particular Additional Vogtle Unit only during the period that commences on the day following the date to which all interest is capitalized on the bonds of such series and ends on the last day on which JEA is entitled to its share of the output of such unit and (ii) the principal component of debt service of each such series of bonds attributable to a particular Additional Vogtle Unit only during the period that commences on the date that is one year prior to the first due date of such principal and ends on the last day on which JEA is entitled to its share of the output of such unit.

In the case of refunding bonds, under the Additional Vogtle Units PPA, MEAG Power is required to structure the debt service on each such series of bonds in a manner consistent with the principles governing the issuance of bonds under the Additional Vogtle Units PPA, so as to equitably apportion the savings or dissavings, as applicable, resulting from the issuance of such refunding bonds both during the term of the Additional Vogtle Units PPA and during the period following the term of the Additional Vogtle Units PPA during which certain of MEAG Power's participants are entitled to the capacity and energy of the PPA Project and are obligated to pay debt service on such refunding bonds under power sales contracts with MEAG Power relating to the PPA Project. In the case of refunding bonds, JEA is obligated under the Additional Vogtle Units PPA to pay the interest and principal components of debt service of each such series of bonds attributable to a particular Additional Vogtle Unit only for the same number of months as JEA would have been obligated to pay each such component on the refunded bonds had such refunded bonds not been so refunded.

In order to finance a portion of its acquisition and construction of the PPA Project and to defease bond anticipation notes issued by MEAG Power on April 29, 2009 (the "2009 PPA Notes"), MEAG Power issued \$1,248,435,000 of its Plant Vogtle Units 3&4 Project J Bonds (the "2010 PPA Bonds") on March 11, 2010. Accordingly, the 2009 PPA Notes are no longer deemed outstanding.

This financing represents approximately 85 percent of the construction costs of the units applicable to the capacity output purchased under the Additional Vogtle Units PPA. It results in a portion of fixed annual costs to JEA for one of the Additional Vogtle Units of approximately \$36.3 million per

year for 20 years beginning in April 2016 and a portion of fixed annual costs to JEA for the other Additional Vogtle Unit of approximately \$28.7 million per year for 20 years beginning in April 2017.

#### **Solar Power; Bio-Mass Generation**

***The following information updates the information contained under the caption “ELECTRIC UTILITY FUNCTIONS – Electric System – Solar Power; Bio-Mass Generation” in the Annual Disclosure Report:***

JEA signed a power purchase contract with Jacksonville Solar LLC in 2009 for the purchase of 12.6 MW of solar power scheduled to commence generation in 2010. The exclusive letter of intent between JEA and a nationally-recognized supplier for 50MW of biomass power expired on December 31, 2009. JEA and the specific supplier did not enter into a power purchase agreement. JEA has no need for base load power at this time.

#### **Participation in The Energy Authority**

***The following information updates the information contained under the caption “ELECTRIC UTILITY FUNCTIONS – Electric System – Participation in The Energy Authority” in the Annual Disclosure Report:***

In May 1997, JEA, MEAG Power and South Carolina Public Service Authority (“Santee Cooper”) entered into a joint power marketing alliance through the formation of a nonprofit corporation in which such three parties constituted all of the members. The corporation is TEA, a Georgia nonprofit corporation. Subsequently, four additional publicly-owned utilities, NPPD, the City of Gainesville, Florida, doing business as Gainesville Regional Utilities (“GRU”), City Utilities of the City of Springfield, Missouri (“City Utilities”) and Public Utility District No. 1 of Cowlitz County, Washington (“Cowlitz”), became members of TEA. The operating office of TEA is in the City. TEA’s Board of Directors consists of 15 directors. Three are nominated by each Large Public Power System (“LPPS”) member, and one is nominated by each Medium Public Power System (“MPPS”) member. Pursuant to a voting agreement, the members are required to vote for such nominations. JEA, MEAG Power, Santee Cooper and NPPD are LPPS members, and GRU, City Utilities and Cowlitz are MPPS members. An Executive Committee of the Board of Directors consists of a representative from each of the members.

As of January 1, 2010, JEA is obligated to guaranty, directly or indirectly, The Energy Authority’s (“TEA”) electric trading activities in an amount up to \$28,929,000 and TEA’s natural gas procurement and trading activities up to \$43,800,000; in either case, plus reasonable attorney’s fees that any party claiming and prevailing under the guaranty might incur and be entitled to recover under its contract with TEA. The JEA Board has approved up to \$60,000,000 (plus attorney fees) for TEA’s natural gas procurement and trading activities. Additionally, JEA has agreed to guaranty TEA’s trading activities involving electricity, natural gas or any other commodity solely for JEA’s benefit and as approved in an amount up to \$50,000,000. The JEA Board can from time to time increase or (subject to certain limits) decrease the amount of its advances to TEA.

#### **Colectric Partners, Inc.**

***The following information updates the information contained under the caption “ELECTRIC UTILITY FUNCTIONS – Electric System – Colectric Partners, Inc.” in the Annual Disclosure Report:***

On April 30, 2001, JEA, along with three other public power utilities, became a member of Colectric Partners, Inc., a Georgia nonprofit corporation (“Colectric”). Three other public power utilities have since become non-equity associate members. JEA’s ownership interest is 25 percent. The purpose

of Colectric is to secure cost savings through the implementation of standard plant practices in the development, engineering, procurement, construction and start-up of electric generation facilities. Cost savings are also envisioned by joint measures for training and spare parts. The long-term goal of Colectric is to provide its members with services in other aspects of the energy supply chain.

## **Transmission and Distribution System**

*The following information updates the information contained in the second, third and fifth paragraphs under the caption “ELECTRIC UTILITY FUNCTIONS – Electric System – Transmission and Distribution System” in the Annual Disclosure Report:*

JEA owns a total of 729 miles of transmission lines, of which 676 are overhead miles and 53 are underground. The following table shows the breakdown of miles per kV level:

| <u>Voltage (kV)</u> | <u>Overhead (Miles)</u> | <u>Underground (Miles)</u> | <u>Total</u> |
|---------------------|-------------------------|----------------------------|--------------|
| 69                  | 114                     | 46                         | 159          |
| 138                 | 199                     | 3                          | 202          |
| 230                 | 288                     | 4                          | 292          |
| 500                 | <u>75</u>               | <u>0</u>                   | <u>75</u>    |
| Total               | <u>676</u>              | <u>53</u>                  | <u>729</u>   |

The 159 miles of 69 kV transmission lines are located in the dense interior section of the Electric System’s service area, in the vicinity of the urban core. The 202 miles of 138 kV lines interconnect substations in most of JEA’s high load and growth areas. The 292 miles of 230 kV lines form a semicircular loop around the City with transformation from the transmission system to the distribution system performed at numerous JEA facilities, which also serve the high load and growth areas. There currently are 95 substations in the JEA service territory. JEA also owns two 500 kV lines jointly with FPL. These lines are connected between the FPL Duval Substation and the GPC system at the Florida state line.

The distribution system covers approximately 6,488 circuit miles and is composed of three voltage levels depending upon the area served. The central business district is served by a 13.2 kV underground secondary network. Surrounding residential and commercial areas are served primarily at 4.16 kV and 26.4 kV, with some 13.2 kV interspersed. Most older areas are served from overhead distribution lines. However, the majority of all new developments, subdivisions, shopping centers and apartment complexes constructed since 1968 are served by underground 26.4 kV distribution.

## **Customers and Sales**

*The following information updates the information contained under the caption “ELECTRIC UTILITY FUNCTIONS – Electric System – Customers and Sales” in the Annual Disclosure Report:*

In the Fiscal Year ended September 30, 2009, the Electric System served an average of 417,226 customer accounts. The following table sets forth the electric revenues, the sales of the Electric System and the average number of Electric System accounts, all by customer classification, for the Fiscal Years ended September 30, 2005 through 2009.

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|   | 2009        | 2008        | 2007        | 2006        | 2005       |
|---|-------------|-------------|-------------|-------------|------------|
| <b>Electric revenues (000's omitted):</b> |             |             |             |             |            |
| Residential.....                          | \$ 645,725  | \$ 559,042  | \$ 490,935  | \$ 511,389  | \$ 426,316 |
| Commercial and industrial.....            | 678,218     | 588,910     | 490,089     | 488,304     | 384,808    |
| Public street lighting.....               | 14,440      | 12,066      | 10,242      | 10,086      | 8,622      |
| Sales for resale.....                     | 52,941      | 49,660      | 48,522      | 45,961      | 41,330     |
| FPL saleback.....                         | 157,898     | 137,910     | 137,463     | 117,816     | 122,256    |
| TOTAL.....                                | \$1,549,222 | \$1,347,588 | \$1,177,251 | \$1,173,556 | \$983,332  |
| <b>Sales (MWh):</b>                       |             |             |             |             |            |
| Residential.....                          | 5,300,203   | 5,363,697   | 5,478,280   | 5,650,986   | 5,542,498  |
| Commercial and industrial.....            | 6,849,291   | 7,314,128   | 7,160,361   | 7,157,602   | 6,948,730  |
| Public street lighting.....               | 120,191     | 116,966     | 112,760     | 110,178     | 107,757    |
| Sales for resale:                         |             |             |             |             |            |
| Territorial.....                          | 406,051     | 437,870     | 479,425     | 522,134     | 492,716    |
| Off-system.....                           | 579,730     | 457,421     | 649,193     | 593,750     | 568,442    |
| FPL saleback.....                         | 2,659,565   | 2,635,812   | 3,059,195   | 2,649,427   | 2,577,860  |
| TOTAL.....                                | 15,915,031  | 16,325,894  | 16,939,214  | 16,684,077  | 16,238,003 |
| <b>Average number of accounts:</b>        |             |             |             |             |            |
| Residential.....                          | 367,864     | 365,632     | 364,284     | 357,232     | 349,139    |
| Commercial and industrial.....            | 45,810      | 45,207      | 44,440      | 41,342      | 39,151     |
| Public street lighting.....               | 3,550       | 3,576       | 3,565       | 3,561       | 3,539      |
| Sales for resale <sup>(1)</sup> .....     | 2           | 2           | 6           | 7           | 2          |
| TOTAL.....                                | 417,226     | 414,417     | 412,295     | 402,142     | 391,831    |

<sup>(1)</sup> Includes FPL but does not include the average number of off-system non-firm sales customers.

## Largest Customers

*The following information updates the information contained under the caption “ELECTRIC UTILITY FUNCTIONS – Electric System – Largest Customers” in the Annual Disclosure Report:*

The 10 largest customer accounts served by the Electric System (other than sales to FPL pursuant to the FPL-Power Park Sale) composed 15.6 percent of the total MWh purchases derived from the operation of the Electric System for the Fiscal Year ended September 30, 2009. The following table sets forth the 10 largest Electric System accounts (other than sales to FPL pursuant to the FPL-Power Park Sale) by MWh purchases, during the Fiscal Year ended September 30, 2009.

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| <b><u>Customer Accounts</u></b>           | <b><u>MWh<br/>Purchases</u></b> | <b><u>Percent<br/>of Total</u></b> |
|---|---------------------------------|------------------------------------|
| Florida Public Utilities Company .....    | 412,608                         | 3.1%                               |
| U.S. Navy .....                           | 379,122                         | 2.9                                |
| Ameristeel Corp.....                      | 251,960                         | 1.9                                |
| City of Jacksonville .....                | 236,034                         | 1.8                                |
| Duval County School Board .....           | 196,081                         | 1.5                                |
| Anheuser Busch, Inc.....                  | 147,758                         | 1.1                                |
| Stone Container Corp <sup>(1)</sup> ..... | 137,510                         | 1.0                                |
| Winn Dixie Stores, Inc. ....              | 117,748                         | 0.9                                |
| Publix Supermarkets.....                  | 116,031                         | 0.9                                |
| Southern Baptist Hospital .....           | 82,625                          | 0.6                                |
| TOTAL.....                                | <u>2,077,477</u>                | <u>15.6%</u>                       |

<sup>(1)</sup> This customer has filed for protection from its creditors under Chapter 11 of the Federal Bankruptcy Code. Since the date of its bankruptcy filing, it is current on all electric and water and sewer accounts with JEA.

## **Customer Billing Procedures**

***The following information updates the information contained under the caption “ELECTRIC UTILITY FUNCTIONS – Electric System – Customer Billing Procedures” in the Annual Disclosure Report:***

Customers are billed on a cycle basis approximately once per month. If the customer has not paid a bill within 42 days after the initial bill date, JEA may discontinue service to that customer. JEA’s credit and collection policies provide for deposits which vary with consumption and for late payment penalties for customers who fail to pay each month’s bill within 27 days. The amount of uncollectible accounts is budgeted to be approximately 0.7 percent of gross electric revenues for the Fiscal Year ending September 30, 2010.

## **Rates**

***The following information updates the information contained under the caption “ELECTRIC UTILITY FUNCTIONS – Electric System – Rates” in the Annual Disclosure Report:***

In June 2009, the JEA Board approved a decrease of \$10.98 per 1,000 kWh to the fuel and purchased power rate that became effective on October 1, 2009.

***The following information updates the information contained in the final two paragraphs under the caption “ELECTRIC UTILITY FUNCTIONS – Electric System – Rates” in the Annual Disclosure Report:***

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A comparison of residential rates in selected major regional cities, including fuel adjustment and franchise fees, as of April 2010, is shown in the following table, arranged by price of 500 kWh:

| <u>City (Utility)</u>                          | <u>500<br/>kWh</u> | <u>1,000<br/>kWh</u> | <u>2,000<br/>kWh</u> |
|--|--------------------|----------------------|----------------------|
| Ocala (Electric Dept.) .....                   | \$74.59            | \$139.84             | \$270.35             |
| St. Petersburg (Progress Energy Florida) ..... | 70.53              | 131.69               | 275.96               |
| Pensacola (Gulf Power Company).....            | 68.63              | 126.92               | 243.52               |
| Tallahassee (Electric Dept.).....              | 67.91              | 129.50               | 252.68               |
| Orlando (Orlando Utilities Comm.).....         | 63.91              | 119.82               | 251.64               |
| Lakeland (Utilities Dept.) .....               | 61.29              | 114.59               | 228.68               |
| Tampa (Tampa Electric Company).....            | 60.21              | 109.91               | 188.11               |
| Gainesville (GRU).....                         | 60.21              | 130.46               | 288.46               |
| <b>JACKSONVILLE (JEA) .....</b>                | <b>59.72</b>       | <b>113.77</b>        | <b>221.88</b>        |
| Atlanta (GPC).....                             | 54.94              | 99.19                | 184.76               |
| Miami (FPL).....                               | 51.17              | 96.14                | 207.00               |

Source: JEA's "Quarterly Residential Rate Comparison (April 2010)."

A comparison of non-residential electric rates in selected major regional cities for certain classifications of service for March 2010 (excluding all taxes) is shown in the following table, arranged by price of non-demand 1,500 kWh service:

| <u>City (Utility)</u>                          | <u>Non-Demand<br/>1,500 kWh</u> | <u>Demand<br/>150 kW<br/>60,000 kWh</u> | <u>Demand<br/>500 kW<br/>200,000 kWh</u> |
|--|---------------------------------|---|--|
| Atlanta (GPC).....                             | \$215.41                        | \$5,275.89                              | \$18,448.87                              |
| Ocala (Electric Dept.).....                    | 207.72                          | 7,123.48                                | 24,160.45                                |
| Gainesville (GRU).....                         | 205.37                          | 6,779.88                                | 21,990.61                                |
| Pensacola (Gulf Power Company).....            | 192.36                          | 6,026.60                                | 19,988.00                                |
| Orlando (Orlando Utilities Comm.).....         | 186.29                          | 5,781.00                                | 19,200.00                                |
| St. Petersburg (Progress Energy Florida) ..... | 184.74                          | 5,920.69                                | 19,488.79                                |
| Lakeland (Utilities Dept.) .....               | 173.93                          | 5,757.45                                | 19,084.50                                |
| Tampa (Tampa Electric Company).....            | 169.86                          | 5,662.50                                | 18,742.00                                |
| Tallahassee (Electric Dept.).....              | 168.77                          | 6,395.00                                | 21,109.70                                |
| <b>JACKSONVILLE (JEA) .....</b>                | <b>159.01</b>                   | <b>5,711.90</b>                         | <b>18,853.00</b>                         |
| Miami (FPL).....                               | 151.45                          | 4,835.80                                | 15,867.13                                |

Source: For all Florida cities, Florida Municipal Electric Association, Inc.'s "Commercial/Industrial Comparison of Electric Rates" (March 2010); for Atlanta, GPC.

## Environmental Matters

*The following information updates the information contained in the first paragraph under the caption "ELECTRIC UTILITY FUNCTIONS – Electric System – Environmental Matters in the Annual Disclosure Report:*

JEA is subject to numerous federal, state, and local environmental regulations resulting in environmental liabilities due to compliance costs associated with new regulatory initiatives, enforcement actions, legal actions, and contaminated site assessment and remediation. Based on analysis of the cost of remediation and other identified environmental contingencies, approximately \$15,320,000, as of September 30, 2009, is associated with the expected cost of remediating the former wood-preserving facility at the Kennedy Generating Station, Southside Generating Station, and electric equipment repair facility at Pearl Street. There are other environmental matters that could have an impact on JEA;

however, the resolution of these matters is uncertain, and no accurate prediction of range of loss is possible at this time. See Note 14 to JEA's 2009 Financial Statements set forth in APPENDIX C attached hereto.

#### **Environmental Matters – Northside Generating Station Byproduct**

***The following information updates the information contained under the caption  
“ELECTRIC UTILITY FUNCTIONS – Electric System – Environmental Matters –  
Northside Generating Station Byproduct” in the Annual Disclosure Report:***

Northside Units 1 and 2 produce a byproduct that consists of fly ash and bed ash. JEA has obtained a permit from the Florida Department of Environmental Protection (the “FDEP”) to beneficially use the processed byproduct material in the State of Florida, subject to certain restrictions. These ash products are combined and processed into civil construction materials presently being marketed as EZBase and EZSorb. In order to provide comprehensive, unified oversight, JEA has recently reorganized its Byproduct Services to include the material handling area and the marketing area under one process. In addition, the expansion of rail capacity, the ability to load rail cars directly from the storage silos, and direct leasing of rail cars has enabled JEA to become a full-service marketer, delivering products by truck or rail. EZSorb and EZBase are currently being transported by truck and rail to civil and environmental remediation/stabilization projects in several Southeastern states.

The Byproducts Storage Area (“BSA”) is a FDEP-permitted, Class I lined storage facility at Northside. As part of the re-permitting process for the BSA, the FDEP is requiring a re-shaping of the BSA to reduce slopes. In order to re-shape to the proper slopes, and maintain the required “table-top” for processing, a considerable amount of material must be removed. The FDEP has approved the current configuration of the BSA, which is now in full compliance with the conditions for re-issuance of the new permit. JEA recorded a \$10 million liability in Fiscal Year ended September 30, 2009 related to resolution of this issue. JEA developed beneficial reuse markets for some of the excess material at a lower cost than landfilling. The total cost was \$5.5 million, and a draft permit has been issued for review.

In 2005 and 2006, JEA's contract byproduct marketer (who is no longer under contract) sold a significant quantity of material to a small county in Georgia. The county stockpiled the majority of the material at two separate locations. The stockpiling of the material has caused concerns with the Georgia Department of Natural Resources (“GDNR”). The GDNR has requested that JEA apply for and secure a variance from GDNR for the continued use of EZBase in Georgia, similar to the approval JEA has already obtained from the FDEP. In order to alleviate GDNR's concerns, JEA has offered to assist the county and GDNR in remediating the stockpiled material. JEA recorded a \$10 million liability in its Fiscal Year ended September 30, 2009 related to the resolution of this issue.

The EPA is reviewing their policies regarding the classification and utilization of coal combustion byproducts. In addition, there have been isolated incidences of EZBase customers misapplying the material. This is prompting additional FDEP review of the uncovered uses of the EZBase material. JEA has voluntarily discontinued the uncovered uses of EZBase while we jointly review the uncovered applications of EZBase with the FDEP. The long-term effect on the EZBase market is yet to be determined.

#### **Electric System Capital Requirements**

***The following information updates the information contained under the caption  
“ELECTRIC UTILITY FUNCTIONS – Electric System - Capital Programs” in the  
Annual Disclosure Report:***

The Electric System's capital programs consist of (a) capital requirements for improvements to existing generating facilities that are determined to be necessary as a result of JEA's annual resource planning process, (b) capital requirements for additional generating capacity and (c) JEA's remaining capital requirements for transmission and distribution facilities and other capital items. The total capital requirements for the five-year period ending September 30, 2014 are shown in the following table.

**Electric System Capital Requirements**  
(000's omitted)

| <b>Fiscal Year Ending<br/>September 30,</b> | <b>Amount</b>      |
|---|--------------------|
| 2010  | \$ 257,000         |
| 2011  | 267,000            |
| 2012  | 206,000            |
| 2013  | 172,000            |
| 2014  | 190,000            |
| Total                                       | <u>\$1,092,000</u> |

The total capital requirements for the five-year period ending September 30, 2014 are estimated to be approximately \$1,092 million. It is expected that approximately \$331 million will be provided from the proceeds of bonds and that the balance of the requirements (approximately \$761 million) will be provided from revenues and available funds of the Electric System.

**Power Park Operations**

*The following information updates the information contained under the caption "ELECTRIC UTILITY FUNCTIONS – St. Johns River Power Park – Operation" in the Annual Disclosure Report:*

The following table shows the capacity factors for the Power Park since 2005. The capacity factor is a measure of the actual output as a percentage of the theoretic maximum output of a generating plant, or an individual unit, as the case may be.

| <b>Fiscal Year<br/>Ended<br/>September 30,</b> | <b>Power Park Capacity Factor</b> |                   |                  |
|--|-----------------------------------|-------------------|------------------|
|  | <b>Unit 1 (%)</b>                 | <b>Unit 2 (%)</b> | <b>Total (%)</b> |
| 2005 <sup>(1)</sup> .....                      | 76.2                              | 83.3              | 79.8             |
| 2006 <sup>(2)</sup> .....                      | 88.0                              | 76.5              | 82.3             |
| 2007 <sup>(3)</sup> .....                      | 90.1                              | 87.7              | 88.9             |
| 2008 <sup>(4)</sup> .....                      | 80.2                              | 75.3              | 77.8             |
| 2009 <sup>(5)</sup> .....                      | 69.2                              | 83.3              | 76.2             |

- <sup>(1)</sup> During this period, Unit 1 underwent a nine-week planned outage.
- <sup>(2)</sup> During this period, Unit 2 underwent a six-week planned outage.
- <sup>(3)</sup> During this period, Unit 1 underwent a two-week planned outage.
- <sup>(4)</sup> During this period, Unit 2 underwent a seven-week planned outage.
- <sup>(5)</sup> During this period, Unit 1 underwent an eight-week planned outage.

**Power Park Fuel Supply and Transportation**

*The following information updates the information contained under the caption "ELECTRIC UTILITY FUNCTIONS – St. Johns River Power Park – Fuel Supply and Transportation" in the Annual Disclosure Report:*

The Power Park was designed with boilers and air quality control systems that permit the use of coal from a wide range of domestic and foreign sources. JEA currently has a long-term coal supply contract with Coal Marketing Company (representing the El Cerrejon project in Colombia), for 3,100,000 tons in 2010 and 1,500,000 tons in 2011. JEA will be soliciting offers in the first half of 2010 for the 2011 and beyond fuel requirements as well as negotiate with the existing supplier for a possible contract extension through 2016.

The Power Park is permitted to burn a blend of up to 30 percent petcoke and 70 percent coal. As described in “ELECTRIC UTILITY FUNCTIONS – St. Johns River Power Park – *Capital Improvements*” in the Annual Disclosure Report, selective catalytic reduction (“SCR”) technology was installed at the Power Park and placed in service in 2009. As a result, it was decided to not burn petcoke at the Power Park in 2009, in order to minimize potential concerns during the start-up of the SCR equipment. JEA is investigating reintroducing petcoke at the Power Park, if economically feasible.

JEA has adopted a fuel purchasing strategy for the Power Park designed to minimize its fuel costs through a mix of contract and spot market purchases. JEA anticipates that approximately 75 percent of its total coal purchases will be under contract (purchases with a term of 12 months or more). Any additional coal and petcoke requirements for the Power Park will be met through purchases on the spot market and/or through negotiation of additional coal and petcoke supply contracts.

The Power Park includes a fuel storage facility that allows for storage of a maximum 85-day supply at normal plant output; JEA customarily maintains a 35- to 45-day inventory. The Power Park also includes a facility for the delivery of waterborne fuel consisting of a dock, traveling clam-shell unloader and 3.5 miles of overland conveyor to the Power Park. The dock can also accommodate self-discharging vessels. Currently, JEA transports domestic coal by rail and foreign coal and petcoke by water. JEA owns and maintains 365 aluminum rotary railcars which are used for transporting coal and can be used for transporting petcoke. JEA negotiated a new short-term agreement for 2009 and 2010 with CSX Transportation for rail transportation services to the Power Park.

## **Power Park Capital Improvements**

*The following information updates the information contained under the caption “ELECTRIC UTILITY FUNCTIONS – St. Johns River Power Park – Capital Improvements” in the Annual Disclosure Report:*

JEA’s share of the Power Park’s capital improvements projected for the five-year period ending September 30, 2014 is summarized below.

### **Power Park Capital Improvements (000’s omitted)**

| <b>Fiscal Year Ending<br/>September 30,</b> | <b>Amount</b>    |
|---|------------------|
| 2010  | \$ 27,000        |
| 2011  | 25,000           |
| 2012  | 23,000           |
| 2013  | 19,000           |
| 2014  | <u>21,000</u>    |
| Total                                       | <u>\$115,000</u> |

It is expected that approximately \$53,000,000 of the total capital improvements will be provided from the proceeds of Power Park Issue Three Bonds and that the balance of the requirements will be provided from available funds of the Power Park.

## Scherer 4 Project Operations

*The following information updates the information contained under the caption “ELECTRIC UTILITY FUNCTIONS – The Scherer 4 Project – Operation” in the Annual Disclosure Report:*

The following table shows the availability factors and capacity factors for Scherer Unit 4 since 2005.

| <u>Calendar<br/>Year</u>  | <u>Scherer Unit 4</u>              |                                |
|---------------------------|------------------------------------|--------------------------------|
|                           | <u>Availability<br/>Factor (%)</u> | <u>Capacity<br/>Factor (%)</u> |
| 2005 .....                | 98.0                               | 75.0                           |
| 2006 <sup>(1)</sup> ..... | 88.4                               | 76.9                           |
| 2007 .....                | 95.8                               | 89.8                           |
| 2008 <sup>(1)</sup> ..... | 89.3                               | 84.2                           |
| 2009 .....                | 95.5                               | 82.9                           |

<sup>(1)</sup> During this period, Scherer Unit 4 underwent a six-week planned outage.

## Scherer 4 Project Capital Improvements

*The following information updates the information contained under the caption “ELECTRIC UTILITY FUNCTIONS – The Scherer 4 Project – Capital Improvements” in the Annual Disclosure Report:*

The Scherer 4 Project’s capital improvements projected for the five-year period ending September 30, 2014 are summarized below.

### **Scherer 4 Project Capital Improvements (000’s omitted)**

| <u>Fiscal Year Ending<br/>September 30,</u> | <u>Amount</u>   |
|---|-----------------|
| 2010  | \$41,000        |
| 2011  | 36,000          |
| 2012  | 13,000          |
| 2013  | 1,000           |
| 2014  | <u>3,000</u>    |
| Total                                       | <u>\$94,000</u> |

The total capital improvements for the five-year period are estimated to be approximately \$94,000,000. It is expected that approximately \$78,000,000 will be provided from the proceeds of Bulk Power Supply System Bonds and that the balance of the requirements will be provided from available funds of the Bulk Power Supply System.

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#### **Scherer 4 Environmental Matters**

***The following information updates the information contained in the last paragraph to the caption “ELECTRIC UTILITY FUNCTIONS – The Scherer 4 Project – Environmental Matters” in the Annual Disclosure Report:***

In February 2008, the United States Court of Appeals for the District of Columbia Circuit (the “D.C. Circuit Court”) vacated CAMR, which had the effect of vacating Georgia’s Clean Air Mercury Annual Trading Program. In July 2008, the D.C. Circuit Court vacated CAIR and then in December 2008 remanded CAIR back to EPA for revision without vacatur (i.e., the D.C. Circuit Court rescinded its earlier vacation of CAIR, but ordered that CAIR be modified in a manner consistent with the D.C. Circuit Court’s July 2008 opinion), which had the effect of allowing CAIR to remain in effect pending such modification. Requirements of the Multipollutant Rule were not impacted by the D.C. Circuit Court’s decisions. Consequently, JEA has anticipated approximately \$94 million of capital improvements in Scherer Unit 4’s capital improvement program by 2014. Additional financial, operational and other impacts of the D.C. Circuit Court’s decisions and EPA’s subsequent rulemakings pertaining to these issues are uncertain at this time.

#### **Scherer 4 Project Fuel Supply**

***The following information updates the information contained under and adds a new second paragraph to the caption “ELECTRIC UTILITY FUNCTIONS – The Scherer 4 Project – Fuel Supply” in the Annual Disclosure Report:***

GPC, under JEA’s direction, purchases coal for JEA’s use of its ownership interest in Scherer Unit 4. JEA has the option to procure its own coal. In 1994, Scherer Units 3 and 4 began burning sub-bituminous coal from the Powder River Basin (“PRB”) located in the western region of the United States. Both of these units are also still capable of burning bituminous coal from eastern sources in the United States. JEA owns 215 aluminum railcars to deliver the PRB coal for use at Plant Scherer. Plant Scherer has in place a Btu accounting system to allocate fuel costs among the owners.

To provide for transportation of coal for Scherer Unit 4, GPC negotiated two agreements with rail carriers during Fiscal Years ended September 30, 2002 and September 30, 2003. The term of the agreement with Burlington Northern and Santa Fe Railway Company extends through calendar year 2013. The contract provides JEA and the other Scherer co-owners with a unilateral right to extend the agreement an additional five years. The agreement with Norfolk Southern Railway Company is an annual agreement with automatic 12-month extensions.

#### **System Load**

***The following information updates the information contained under the caption “ELECTRIC UTILITY FUNCTIONS – Resource Requirements – System Load” in the Annual Disclosure Report:***

From 2005 to 2009, the peak demand for power on JEA’s Electric System increased at a compound annual rate of 1.8 percent per year. From 2005 to 2009, energy output decreased at a compound annual rate of 0.9 percent per year. JEA experienced its highest peak of 3,250 MW on January 11, 2010. The yearly recorded values were as follows:

| <b>Fiscal Year</b> | <b>System Peak Demand (MW)<sup>(1)</sup></b> | <b>Percent Change From Previous Year</b> | <b>Annual Net Energy For Load (GWh)<sup>(2)</sup></b> | <b>Percent Change From Previous Year</b> |
|--------------------|--|--|---|--|
| 2005               | 2,860  | 7.2                                      | 13,660  | 3.2                                      |
| 2006               | 2,919  | 2.1                                      | 13,915  | 1.9                                      |
| 2007               | 2,897  | (0.8)                                    | 13,787  | (0.9)                                    |
| 2008               | 2,914  | 0.6                                      | 13,647  | (1.0)                                    |
| 2009               | 3,064  | 5.1                                      | 13,188  | (3.4)                                    |

<sup>(1)</sup> The highest 60 minute net integrated peak demand for that year.

<sup>(2)</sup> Does not include the FPL-Power Park Sale or other off-system sales.

JEA's peak load forecast, which is based on weather-normalized load and energy data, together with JEA's projections for available generation and firm power purchases, is shown in the following table.

### PROJECTED AVAILABLE CAPACITY AND REQUIREMENTS (MW)

| <b>Fiscal Year</b> | <b>Firm Winter Peak Demand<sup>(1)</sup></b> | <b>Required Reserves</b> | <b>Capacity Required<sup>(2)</sup></b> | <b>Electric System Capacity<sup>(3)</sup></b> | <b>Firm Power Purchases<sup>(4)</sup></b> | <b>Power Park<sup>(5)</sup></b> | <b>Scherer Unit 4</b> | <b>Installed Capacity and Net Firm Power Purchases<sup>(2)</sup></b> | <b>Available Capacity Surplus<sup>(2)</sup></b> |
|--------------------|--|--------------------------|--|---|---|---------------------------------|-----------------------|--|---|
| 2010               | 2,966  | 445                      | 3,411                                  | 2,535   | 367                                       | 638                             | 194                   | 3,734  | 323   |
| 2011               | 3,008  | 451                      | 3,459                                  | 2,535   | 100                                       | 638                             | 194                   | 3,467  | 8   |
| 2012               | 3,060  | 459                      | 3,519                                  | 2,911   | 16  | 638                             | 194                   | 3,759  | 240   |
| 2013               | 3,122  | 468                      | 3,590                                  | 2,911   | 16  | 638                             | 194                   | 3,759  | 168   |
| 2014               | 3,194  | 479                      | 3,673                                  | 2,911   | 16  | 638                             | 194                   | 3,759  | 85  |

| <b>Fiscal Year</b> | <b>Firm Summer Peak Demand<sup>(1)</sup></b> | <b>Required Reserves</b> | <b>Capacity Required<sup>(2)</sup></b> | <b>Electric System Capacity<sup>(3)</sup></b> | <b>Firm Power Purchases<sup>(4)</sup></b> | <b>Power Park<sup>(5)</sup></b> | <b>Scherer Unit 4</b> | <b>Installed Capacity and Net Firm Power Purchases<sup>(2)</sup></b> | <b>Available Capacity Surplus<sup>(2)</sup></b> |
|--------------------|--|--------------------------|--|---|---|---------------------------------|-----------------------|--|---|
| 2010               | 2,645  | 397                      | 3,041                                  | 2,262   | 10  | 638                             | 194                   | 3,104  | 62  |
| 2011               | 2,691  | 404                      | 3,095                                  | 2,546   | 16  | 638                             | 194                   | 3,394  | 298   |
| 2012               | 2,745  | 412                      | 3,157                                  | 2,546   | 16  | 638                             | 194                   | 3,394  | 237   |
| 2013               | 2,805  | 421                      | 3,226                                  | 2,546   | 16  | 638                             | 194                   | 3,394  | 168   |
| 2014               | 2,871  | 431                      | 3,302                                  | 2,546   | 16  | 638                             | 194                   | 3,394  | 92  |

<sup>(1)</sup> Peak demand:

(a) does not include expected interruptible/curtailable loads.

(b) includes Demand-Side Management.

<sup>(2)</sup> Totals may not add due to rounding.

<sup>(3)</sup> Figures include the following capacity additions or retirements:

(a) Kennedy CT8 first produced MWs on April 18, 2009 with commercial operation on June 1, 2009.

(b) Two GEC CT units added in Summer 2011.

(c) Diesel capacity rating in winter, gas capacity rating in summer for Kennedy CTs 7 & 8 and Brandy Branch CTs 1-3.

(d) Gas capacity ratings in winter and summer for GEC CTs.

<sup>(4)</sup> Firm Power Purchases include:

(a) Constellation Winter Purchases of 75 MW, 150 MW and 150 MW during 2008, 2009 and 2010, respectively.

(b) 9.6 MW of Clean Power Purchase starting Winter 2008/09.

(c) Southern UPS purchase of 207 MW which expires 05/31/10.

(d) Planned winter purchase of 90 MW in 2011.

<sup>(5)</sup> JEA's 50 percent entitlement of the Power Park.

## Factors Affecting the Electric Utility Industry

***The following information updates the information contained in the fourth paragraph under the caption “ELECTRIC UTILITY FUNCTIONS – Factors Affecting the Electric Utility Industry – Environmental – Air Pollution Generally ” in the Annual Disclosure Report:***

In April 2007, in the case of *Massachusetts, et al., v. United States Environmental Protection Agency, et al.*, 549 U.S. 497 (2007), a case involving automobile emissions, the United States Supreme Court ruled that EPA has the authority to regulate greenhouse gas (“GHG”) emissions and held that the EPA Administrator must determine whether or not emissions of GHGs from new motor vehicles cause or contribute to air pollution which may reasonably be anticipated to endanger public health or welfare, or whether the science is too uncertain to make a reasoned decision. As a result, on April 17, 2009, Lisa Jackson, EPA Administrator, signed a proposal with two distinct findings regarding GHGs under section 202(a) of the Federal Clean Air Act:

- The EPA Administrator proposed finding that the current and projected concentrations of the mix of six key GHGs – carbon dioxide (“CO<sub>2</sub>”), methane (“CH<sub>4</sub>”), nitrous oxide (“N<sub>2</sub>O”), hydrofluorocarbons (“HFCs”), perfluorocarbons, and sulfur hexafluoride – in the atmosphere threaten the public health and welfare of current and future generations. This is referred to as the endangerment finding.
- The EPA Administrator proposed finding that the combined emissions of CO<sub>2</sub>, CH<sub>4</sub>, N<sub>2</sub>O, and HFCs from new motor vehicles and motor vehicle engines contribute to the atmospheric concentrations of these key GHGs and hence to the threat of climate change. This is referred to as the cause or contribute finding.

This proposed action, as well as any action in the future, would not itself impose any requirements on industry or other entities. An endangerment finding under one provision of the Clean Air Act would not by itself automatically trigger regulation under the entire Act. The public comment period for the proposed rulemaking ended June 23, 2009. The rule has not yet been promulgated. Accordingly, JEA cannot predict at this time the effect of EPA’s motor vehicle rule regarding GHGs on its generating facilities.

Based on the increasing intensity of national and international attention to climate change, federal and state legislative or regulatory action is expected in this area in the future. The outcome in terms of specific requirements and timing is uncertain but may include a GHG cap-and-trade program or a carbon tax for electric generators. In addition, a number of bills have been introduced in Congress that would require GHG emissions reductions from fossil fuel-fired electric generation facilities, although none have yet been enacted.

In September 2009, EPA issued final rules that require mandatory reporting of GHG emissions from all sectors of the economy. The rules respond to a requirement in the 2008 Consolidated Appropriations Act, enacted December 26, 2007, Public Law No. 110-161, that EPA use its authority under the Federal Clean Air Act to establish a mandatory GHG emissions reporting system by June 26, 2009. The rules require reporting by fossil fuel suppliers and industrial gas suppliers, direct GHG emitters and manufacturers of heavy-duty and off-road vehicles and engines. EGUs subject to the Clean Air Act’s Acid Rain Program would continue to measure CO<sub>2</sub> emissions as presently performed and report based on those measurements.

On September 30, 2009, EPA issued for comment two related proposed rulemakings. The first proposal would “tailor” the major source applicability thresholds for GHGs under the Federal Clean Air Act’s Prevention of Significant Deterioration (“PSD”) pre-construction permitting program and the Title

V operating permit program. The proposal would set a temporary level for the PSD and Title V applicability thresholds at 25,000 tons per year on a “carbon dioxide equivalent” basis, and a temporary PSD significance level for GHG emissions of between 10,000 and 25,000 tons. The temporary limits would last six years, with revised levels to be determined via a subsequent rulemaking. The second proposal would reconsider an interpretation of the regulatory phrase “subject to regulation” for pollutants subject to the PSD program. If the proposals are finalized, GHG emissions from existing and future JEA fossil fuel-fired generating facilities would be subject to the same rules as other PSD pollutants such as SO<sub>2</sub> and NO<sub>x</sub>. Unless and until such rulemakings are finalized, the financial and operational impacts of these rules on JEA cannot be determined.

In addition, three federal courts currently addressing whether common law nuisance actions may be maintained against emitters of GHGs have reached conflicting conclusions.

First, on September 21, 2009, in the case of *Connecticut v. Am. Elec. Power Co. Inc.*, the United States Court of Appeals for the Second Circuit ruled that a coalition of state and city governments and land trusts could proceed with an action seeking injunctive relief against six electric power companies on a public nuisance theory for the release of GHG emissions.

Second, on September 30, 2009, in the case of *Native Village of Kivalina v. ExxonMobil Corp.*, the United States District Court for the Northern District of California held that the “political question doctrine” barred a nuisance action for damages brought by the Village of Kivalina, Alaska against a group of oil, energy and utility companies. That court disagreed with the *Connecticut v. Am. Elec. Power Co. Inc.* court that a climate change nuisance action could be decided based on well-settled principles of tort and public nuisance law.

Finally, on October 16, 2009, in the case of *Comer v. Murphy Oil USA*, a putative class action alleging that the defendants’ operation of energy and chemical industries caused the emission of GHGs that contributed to global warming, that in turn added to the ferocity of Hurricane Katrina, the United States Court of Appeals for the Fifth Circuit reached the same result as the *Connecticut v. Am. Elec. Power Co. Inc.* court.

The effect, if any, on JEA of these decisions cannot be determined at this time.

***The following information is added as new paragraphs four, five and six under the caption “ELECTRIC UTILITY FUNCTIONS – Factors Affecting the Electric Utility Industry – Environmental – Other Environmental Concerns” in the Annual Disclosure Report:***

On March 9, 2009, EPA issued information request letters (“Information Request Letters”) to electric utilities that have surface impoundments or similar units that contain coal combustion residuals (“CCRs”) such as fly ash and flue gas desulfurization byproducts. The EPA request followed a December 22, 2008 release of coal ash at the Tennessee Valley Authority’s Kingston, Tennessee facility that, according to EPA, flooded more than 300 acres of land, damaged homes and property, and filled large areas of adjoining rivers resulting in fish kills. EPA stated that it would review the responses to the Information Request Letters to identify impoundments or similar units that need priority attention. GPC received an Information Request Letter with respect to Plant Scherer and responded to EPA on March 25, 2009. Subsequently, EPA listed 49 CCR management units at 30 facilities that have a “high hazard potential” rating, but Plant Scherer was not on this list. EPA also has stated that it is developing regulations to address the management of CCRs.

JEA did not receive an Information Request Letter because none of its generating facilities have surface impoundments or similar units that contain CCRs. The CCRs produced by JEA’s generating facilities currently are disposed of by landfilling.

The financial and operational impact to JEA of the regulations under development by EPA related to CCRs cannot be determined at this time.

***The following information updates the information contained in the fourth paragraph under the caption “ELECTRIC UTILITY FUNCTIONS – Factors Affecting the Electric Utility Industry – Proposed Clean Air Act Amendment” in the Annual Disclosure Report:***

On February 8, 2008, a three judge panel of the D.C. Circuit Court in *New Jersey et al. v. Environmental Protection Agency*, 517 F.3d 574, unanimously vacated EPA’s CAMR. Without a successful appeal of the ruling or a delisting, EPA will now have to regulate mercury emissions under Federal Clean Air Act section 112(d), by setting maximum achievable control technology (“MACT”) standards.

On October 22, 2009, EPA lodged with the United States District Court for the District of Columbia a proposed consent decree in the case of *American Nurses Association, et al. v. Environmental Protection Agency*, a case in which several environmental petitioners challenged EPA’s failure to promulgate final MACT emissions standards for hazardous air pollutants from coal- and oil-fired electric generating units (“EGUs”) by the statutorily-mandated deadline. The proposed consent decree represents an agreement between EPA and the environmental petitioners that requires EPA to publish its proposed emission standards for coal- and oil-fired EGUs pursuant to Clean Air Act section 112(d) in the Federal Register by March 16, 2011 and to promulgate a final rule by November 16, 2011. The proposed consent decree is not final and cannot be entered by the Court until the EPA Administrator provides “reasonable opportunity” for public comment. The proposed consent decree was published in the Federal Register on October 28, 2009 and was available for public comment through November 27, 2009. It is uncertain at this time if the proposed consent decree will result ultimately in a rule that may eventually require JEA to deploy additional emissions control equipment. JEA believes that its previous preparation for compliance with the now remanded CAIR and the vacated CAMR puts it in a favorable position to comply with a new MACT rule for EGUs.

***The following information updates the information contained under the caption “ELECTRIC UTILITY FUNCTIONS – Factors Affecting the Electric Utility Industry – Energy Independence and Security Act of 2007” in the Annual Disclosure Report:***

In December 2007, the “Energy Independence and Security Act of 2007” was signed into law. This law established three additional standards for consideration by nonregulated utilities: Integrated Resource Planning; Rate Design Modifications to Promote Energy Efficiency Investments; and Smart Grid Information. In November 2009, the JEA Board completed its consideration of these standards and determined that, since JEA already is in compliance or is moving towards compliance with the intent of the standards, JEA need not adopt the standards.

***The following information updates the information contained under the caption “ELECTRIC UTILITY FUNCTIONS – Factors Affecting the Electric Utility Industry – Future Legislation” in the Annual Disclosure Report:***

Soon after entering office in January 2007, Florida Governor Charlie Crist effectively stopped all work on proposed coal-fired generating plants in the State of Florida, due to his concern over the impact of CO<sub>2</sub> emissions on climate change. In July 2007, Governor Crist issued three Executive Orders focused on reducing emissions of CO<sub>2</sub> and other greenhouse gases in the State of Florida. The Executive Orders established nonbinding goals to reduce greenhouse gas emissions to year 2000 levels by 2017, to year 1990 levels by 2025 and to 80 percent below 1990 levels by 2050. The Executive Orders also directed the FDEP to implement rules requiring electric utilities and others to meet these goals. On April 30,

2008, the Florida Legislature passed new energy legislation which gave legislative authority to some of Governor Crist's Executive Orders. The legislation directed the PSC to develop rules requiring electric utilities to increase the use of renewable fuels and directed the FDEP to develop a Florida-specific cap and trade program to reduce greenhouse gas emissions from electric utilities. The PSC initiated a process to develop a renewable energy rule and concluded the process with the promulgation of two alternative approaches to a rule. Both "proposed" rule approaches were presented to the Florida Legislature during the 2009 legislative session. However, the Legislature failed to ratify either. It is uncertain at this time as to when or if the Florida Legislature will pursue the development of a renewables energy policy either directly or indirectly, again, through the PSC. Similar to the direction given to the PSC, the FDEP must bring any proposed greenhouse gas reduction policy to the Florida Legislature for ratification, no sooner than 2010. The Florida Legislature did not establish numerical goals for reducing greenhouse gas emissions. JEA is actively engaged in the rulemaking activities of both the PSC and the FDEP.

From time to time, additional federal or state legislation or regulations affecting the electric utility industry may be enacted.

President Obama's new budget, which was released on February 26, 2009, calls for a national cap-and-trade system beginning in 2012. The proposed system would force utilities, oil refineries and other heavy industry to purchase 100 percent of their carbon allowances in an auction in which each ton of CO<sub>2</sub> would be auctioned to the highest bidder for the right to emit. The principles and targets established in the new budget are quite broad, and will be dependent on whatever legislation may be enacted by Congress.

The United States Congress continues to consider legislation aimed at curbing GHG emissions. Notably, the American Clean Energy and Security Act of 2009 (H.R. 2454) (commonly known as the Waxman-Markey bill) was approved by the House of Representatives on June 29, 2009, but has not yet been passed by the Senate. If enacted in its current form, this bill would have significant impacts on the electric utility industry and would raise the cost of using fossil fuels across the United States economy. This comprehensive act, designed to reduce GHG emissions, establishes a renewable electricity standard that requires utilities to supply an increasing percentage of their demand from a combination of energy efficiency savings and renewable energy; provides for issuing, trading, banking, retiring, and verifying renewable electricity credits; requires the EPA Administrator to set forth a national strategy to address barriers to the commercial-scale deployment of carbon capture and sequestration; establishes an approach to certify and permit geologic sequestration; promulgates regulations to minimize the risk of escape to the atmosphere of CO<sub>2</sub> injected for purposes of geological sequestration; sets forth a process to collect assessments from distribution utilities of fossil fuel-based electricity delivered directly to consumers; sets new performance standards for new coal-fired power plants; and more.

Several Senate committees began hearings on similar bills in July 2009. Lisa Jackson, EPA administrator, spoke before the Senate in support of the Waxman-Markey bill. No one bill has emerged from the Senate. On June 17, 2009, the Senate Energy and Natural Resources Committee passed the American Clean Energy Leadership Act of 2009 (S. 1462) (commonly known as the Bingaman bill), which would impose a renewable electricity standard on most retail electricity providers (including JEA) and increase FERC jurisdiction over the planning, siting and cost recovery of new high voltage electricity transmission lines. On November 5, 2009, the Clean Energy Jobs and American Power Act (S. 1733) (commonly known as the Kerry-Boxer bill) was passed by the Senate Environment and Public Works Committee. This bill includes a cap-and-trade program to reduce national GHG emissions of capped sources by 83 percent in 2050.

Any new legislation or changes to existing legislation or regulations could affect JEA's operations. JEA cannot predict whether any additional legislation or regulations will be enacted which will affect JEA's operations and if such laws are enacted, what the costs to JEA might be in the future because of such action. Compliance with the GHG emission reduction requirements as written in the

Waxman-Markey bill, the Bingaman bill, the Kerry-Boxer bill or other proposed bills could require JEA, at significant cost, to implement carbon capture and sequestration technology, purchase allowances or offsets, change the type of boiler fuel JEA uses, or retire high-emitting generation facilities and replace them with lower-emitting generation facilities. The estimation of costs of compliance with expected GHG legislation is subject to significant uncertainties because it is based on several interrelated assumptions and variables, including timing of the implementation of rules, required levels of reductions, allocation requirements, the maturation and commercialization of carbon capture and sequestration technology and associated regulations, and JEA's selected compliance alternatives.

## **Financial Information**

***The following information updates the information contained under the caption  
“FINANCIAL INFORMATION – General” in the Annual Disclosure Report:***

Set forth in APPENDIX C to this Official Statement are (a) the financial statements of JEA for its Fiscal Years ended September 30, 2009 and September 30, 2008 (which consist of balance sheets of JEA as of September 30, 2009 and 2008 and the related statements of revenues, expenses, and changes in net assets and cash flows for the years then ended and the notes thereto; such financial statements are hereinafter referred to as “JEA’s 2009 Financial Statements”), together with the report of Ernst & Young LLP, independent certified public accountants, on such financial statements, (b) certain supplemental data as of September 30, 2009 and 2008 and for the years then ended (which consist of combining balance sheets, combining statements of revenues, expenses, and changes in net assets and combining statements of cash flows) and (c) certain statements of bond compliance information (which consist of schedules of debt service coverage for the years ended September 30, 2009 and 2008 for the Electric System, JEA’s interest in the Power Park and the Water and Sewer System), together with the reports of Ernst & Young LLP, independent certified public accountants, on such schedules. All such statements, information, data and schedules should be read in conjunction with the notes to JEA’s 2009 Financial Statements, which are an integral part of the financial statements. JEA’s 2009 Financial Statements supersede the financial statements of JEA set forth in Appendix A to the Annual Disclosure Report. Accordingly, all references in the Annual Disclosure Report to the financial statements of JEA set forth in Appendix A thereto shall be deemed to refer to JEA’s 2009 Financial Statements, and references to Note 12 to the financial statements of JEA set forth in Appendix A to the Annual Disclosure Report shall be deemed to refer to Note 13 to JEA’s 2009 Financial Statements.

Except as described under the caption “INTRODUCTION – General” in the Annual Disclosure Report, for financing purposes, the debt of JEA relating to its Electric Utility Functions, the debt of JEA relating to the Water and Sewer System and the debt of JEA relating to the District Energy System are payable from and secured by separate revenue sources (i.e., (a) the debt of JEA relating to its Electric Utility Functions is payable from and secured by the revenues derived by the Electric System from the sale of electricity and related services; (b) the debt of JEA relating to the Water and Sewer System is payable from and secured by the revenues derived by the Water and Sewer System from the sale of water and the provision of wastewater treatment and related services; and (c) except as described under the caption “INDEBTEDNESS OF JEA – Debt Relating to Electric Utility Functions – Electric System Obligations Supporting the District Energy System” in the Annual Disclosure Report, the debt of JEA relating to the District Energy System is payable from and secured by the revenues derived by the District Energy System from the sale of chilled water and related services). **Accordingly, potential purchasers of the Series Four and Five Bonds are advised that the information in JEA’s 2009 Financial Statements relating to the Water and Sewer System and the District Energy System is not relevant to a decision to purchase the Series Four and Five Bonds and should not be taken into account with respect thereto.**

## **Electric System Financial Information**

*The following information updates the information contained under the caption “FINANCIAL INFORMATION – Financial Information Relating to Electric Utility Functions” in the Annual Disclosure Report:*

*Electric System Schedules of Debt Service Coverage for the Six-Month Period Ended March 31, 2010 and 2009*

The following table sets forth schedules of debt service coverage for the Electric System for the six-month period ended March 31, 2010 and March 31, 2009, respectively. See “FINANCIAL INFORMATION – General” and “– Financial Information Relating to Electric Utility Functions” in the Annual Disclosure Report. See also APPENDIX C hereto for the financial statements of JEA as of September 30, 2009 and 2008 and for the Fiscal Years then ended. The information set forth in the following table should be read in conjunction with such financial statements and the notes thereto.

In addition to the information set forth under this caption, JEA’s most recent unaudited quarterly financial statements (for the quarter ended December 31, 2009) are available for viewing and downloading from JEA’s website (<http://www.jea.com>) by selecting “News,” then selecting “JEA Bond Investor,” and then selecting “December 2009 Quarterly Report” under “Quarterly Analysis of Financial Performance.”

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**JEA Electric System Schedules of Debt Service Coverage <sup>(1)</sup>**  
**(000's omitted)**

|   | <b>Six Months ended</b> |                       |
|---|-------------------------|-----------------------|
|   | <b>March 31, 2010</b>   | <b>March 31, 2009</b> |
|   | <b>(unaudited)</b>      | <b>(unaudited)</b>    |
| Revenues:   |                         |                       |
| Electric .....  | \$631,291               | \$640,584             |
| Investment income <sup>(2)</sup> .....  | 167                     | 859                   |
| Earnings from The Energy Authority .....  | 2,004                   | 2,922                 |
| Other, net .....  | 20,644                  | 20,806                |
| Less: amount paid from the Revenue Fund into<br>the Rate Stabilization Fund .....                             | (29,974)                | (64,509)              |
| Plus: amount paid from the Rate Stabilization Fund into<br>the Revenue Fund .....                             | 19,077                  | 14,567                |
| Total revenues .....  | <u>643,209</u>          | <u>615,229</u>        |
| Operating expenses <sup>(3)</sup>   |                         |                       |
| Fuel .....  | 154,073                 | 145,917               |
| Purchased power <sup>(4)</sup> .....  | 219,963                 | 187,825               |
| Other operation and maintenance .....   | 75,445                  | 71,331                |
| Utility taxes and franchise fees .....  | 31,531                  | 31,595                |
| Total operating expenses .....  | <u>481,012</u>          | <u>436,668</u>        |
| Net revenues .....  | <u>\$162,197</u>        | <u>\$178,561</u>      |
| Debt service on Electric System Bonds <sup>(5)</sup> .....  | \$ 33,815               | \$ 40,666             |
| Less: investment income on sinking fund .....   | (328)                   | (611)                 |
| Debt service requirement on Electric System Bonds .....   | <u>\$ 33,487</u>        | <u>\$ 40,055</u>      |
| Debt service coverage on Electric System Bonds <sup>(6)</sup> .....   | <u>4.84x</u>            | <u>4.46x</u>          |
| Net revenues (from above) .....   | \$162,197               | \$178,561             |
| Debt service requirement on Electric System Bonds<br>(from above) .....                                       | 33,487                  | 40,055                |
| Plus: aggregate subordinated debt service on<br>Subordinated Electric System Bonds <sup>(5)</sup> .....       | <u>28,857</u>           | <u>22,254</u>         |
| Debt service requirement on Electric System Bonds and<br>Subordinated Electric System Bonds .....             | <u>\$ 62,344</u>        | <u>\$ 62,309</u>      |
| Debt service coverage on Electric System Bonds<br>and Subordinated Electric System Bonds <sup>(7)</sup> ..... | <u>2.60x</u>            | <u>2.87x</u>          |

<sup>(1)</sup> Calculated in conformity with the Electric System Resolution and the Subordinated Electric System Resolution.

<sup>(2)</sup> Excludes investment income on sinking funds.

<sup>(3)</sup> Excludes depreciation.

<sup>(4)</sup> In accordance with the requirements of the Electric System Resolution, all Contract Debt payments from the Electric System to the Power Park and the Scherer 4 Project with respect to the use by the Electric System of the capacity and output of the Power Park and the Scherer 4 Project are reflected as a purchased power expense on these schedules. These schedules do not include revenues of the Power Park or the Scherer 4 Project, except that the purchased power expense is net of interest income on funds maintained under the First Power Park Resolution, the Second Power Park Resolution and the BPSS Resolution.

<sup>(5)</sup> Debt service on Electric System Bonds and aggregate subordinated debt service on Subordinated Electric System Bonds include accruals of principal and interest (exclusive of capitalized interest) on such Bonds outstanding during the respective periods, but do not include amortization of original issue discount or costs of issuance.

<sup>(6)</sup> Net revenues divided by debt service requirement on Electric System Bonds. Minimum annual coverage required under the Electric System Resolution is 1.20x.

<sup>(7)</sup> Net revenues divided by debt service requirement on Electric System Bonds and Subordinated Electric System Bonds. Minimum annual coverage required under the Subordinated Electric System Resolution is 1.15x.

## **Management's Discussion of Operations — JEA**

### **Electric System Schedules of Debt Service Coverage**

**Revenues.** The JEA Board approved an increase in base rates effective October 1, 2009 and a decrease to the fuel rate of \$10.98 per 1,000 kWh effective October 1, 2009.

Total revenues increased \$28.0 million, or 4.5 percent, for the six months ended March 31, 2010 as compared to the six months ended March 31, 2009. Electric revenues decreased \$9.3 million, or 1.5 percent, for the six months ended March 31, 2010 as compared to the six months ended March 31, 2009, primarily related to the implementation of new rates, offset, in part, by a 0.6 percent increase in total MWh sales.

Territorial sales increased 4.2 percent to 6,082,817 MWh for the six months ended March 31, 2010 from 5,839,186 MWh for the six months ended March 31, 2009. Off-system sales decreased 69.7 percent to 90,840 MWh for the six months ended March 31, 2010 from 299,438 MWh for the six months ended March 31, 2009. Total MWh sales increased 0.6 percent for the six months ended March 31, 2010 as compared to the six months ended March 31, 2009, to 6,173,657 MWh from 6,138,624 MWh.

Investment income decreased \$0.7 million, or 80.6 percent, for the six months ended March 31, 2010 as compared to the six months ended March 31, 2009, primarily related to lower average interest rates in the six months ended March 31, 2010.

Earnings from TEA decreased \$0.9 million, or 31.4 percent, for the six months ended March 31, 2010 as compared to the six months ended March 31, 2009 resulting from lower margins on purchases and sales transactions by TEA.

Commencing with an April 1, 2005 fuel and purchased power rate restructuring, JEA began depositing funds, including a fuel recovery charge, into the Rate Stabilization Fund established under the Electric System Resolution. Effective October 1, 2008, JEA began depositing additional funds into the Rate Stabilization Fund reflecting amounts for conservation, demand side management and debt management strategy reserve. The amounts paid from the Rate Stabilization Fund into the Revenue Fund established under the Electric System Resolution in the six-month periods ended March 31, 2010 and March 31, 2009 reflect withdrawals to pay for a portion of the Electric System's debt service and to fund certain conservation/environmental expenses.

**Operating Expenses.** Total operating expenses increased \$44.3 million, or 10.2 percent, for the six months ended March 31, 2010 as compared to the six months ended March 31, 2009. Total fuel and purchased power expenses increased \$40.3 million, or 12.1 percent, for the six months ended March 31, 2010 as compared to the six months ended March 31, 2009, primarily related to a 11.8 percent increase in total cost per MWh produced and purchased and a 0.3 percent increase in MWh produced and purchased.

The prices of oil, gas, solid fuels and purchased power have fluctuated over this period; and from year to year the components of fuel and purchased power expenses have shifted as JEA has taken advantage of the most economical sources of power. Energy produced from JEA's generating units was 2,525,539 MWh for the six months ended March 31, 2010, an increase of 1.4 percent from 2,489,477 MWh for the six months ended March 31, 2009. Energy purchased was 3,898,195 MWh for the six months ended March 31, 2010, a decrease of 0.5 percent from 3,916,457 MWh for the six months ended March 31, 2009.

Other operation and maintenance expenses increased \$4.1 million, or 5.8 percent, for the six months ended March 31, 2010 as compared to the six months ended March 31, 2009, primarily related to an increase in maintenance expenses due to planned outages at Northside Generating Station.

Utility taxes and franchise fees decreased \$0.1 million, or 0.2 percent, for the six months ended March 31, 2010 as compared to the six months ended March 31, 2009, related to the decrease in utility tax and franchise fees as a result of the decrease in electric revenues discussed above.

**Net Revenues.** Net revenues available for debt service decreased \$16.4 million, or 9.2 percent, to \$162.2 million for the six months ended March 31, 2010 from \$178.6 million for the six months ended March 31, 2009. Total revenues increased \$28.0 million, or 4.5 percent, and total operating expenses increased \$44.3 million, or 10.2 percent, for the six months ended March 31, 2010 as compared to the six months ended March 31, 2009, as described above.

**Debt Service on Electric System Bonds.** The debt service requirement on Electric System Bonds decreased 16.4 percent for the six months ended March 31, 2010 as compared to the six months ended March 31, 2009, primarily related to lower average variable interest rates in the six months ended March 31, 2010.

During the six months ended March 31, 2010, JEA issued Electric System Bonds as summarized in the following table:

| <b><u>Series</u></b> | <b><u>Purpose</u></b> | <b><u>Month Issued</u></b> | <b><u>Par Amount Issued</u></b> |
|----------------------|-----------------------|----------------------------|---------------------------------|
| Series Three 2009 D  | Capital Program       | December 2009              | \$45,955,000                    |

During the Fiscal Year ended September 30, 2009, JEA issued Electric System Bonds as summarized in the following table:

| <b><u>Series</u></b> | <b><u>Purpose</u></b>     | <b><u>Month Issued</u></b> | <b><u>Par Amount Issued</u></b> | <b><u>Par Amount Refunded</u></b> |
|----------------------|---------------------------|----------------------------|---------------------------------|-----------------------------------|
| Series Three 2009 A  | Capital Program/Refunding | March 2009                 | \$96,685,000                    | \$93,885,000                      |
| Series Three 2009 B  | Capital Program/Refunding | August 2009                | 33,970,000                      | 33,390,000                        |
| Series Three 2009 C  | Capital Program/Refunding | August 2009                | 15,730,000                      | 17,390,000                        |

**Debt Service Coverage Ratio on Electric System Bonds.** The debt service coverage ratio on Electric System Bonds increased to 4.84 times for the six months ended March 31, 2010 as compared to the debt service coverage ratio of 4.46 times for the six months ended March 31, 2009 due to the 9.2 percent decrease in net revenues available for debt service being less proportionately than the 16.4 percent decrease in the debt service requirement on Electric System Bonds between such periods.

**Aggregate Subordinated Debt Service on Subordinated Electric System Bonds.** Aggregate subordinated debt service on Subordinated Electric System Bonds increased 29.7 percent for the six months ended March 31, 2010 as compared to the six months ended March 31, 2009, primarily related to increased principal amortization, decreased capitalized interest, and a variable to fixed interest rate refunding, offset, in part, by lower average variable interest rates.

During the six months ended March 31, 2010, JEA issued Subordinated Electric System Bonds as summarized in the following table:

| <b><u>Series</u></b> | <b><u>Purpose</u></b>     | <b><u>Month Issued</u></b> | <b><u>Par Amount Issued</u></b> | <b><u>Par Amount Refunded</u></b> |
|----------------------|---------------------------|----------------------------|---------------------------------|-----------------------------------|
| 2009 Series F        | Capital Program           | December 2009              | \$68,600,000                    |                                   |
| 2009 Series G        | Capital Program/Refunding | December 2009              | 27,675,000                      | \$28,930,000                      |

During the Fiscal Year ended September 30, 2009, JEA issued Subordinated Electric System Bonds as summarized in the following table:

| <u>Series</u> | <u>Purpose</u>            | <u>Month Issued</u> | <u>Par Amount Issued</u> | <u>Par Amount Refunded</u> |
|---------------|---------------------------|---------------------|--------------------------|----------------------------|
| 2009 Series A | Capital Program           | January 2009        | \$122,585,000            |                            |
| 2009 Series B | Capital Program/Refunding | March 2009          | 117,075,000              | \$123,135,000              |
| 2009 Series C | Capital Program/Refunding | April 2009          | 65,515,000               | 66,000,000                 |
| 2009 Series D | Capital Program/Refunding | June 2009           | 50,135,000               | 53,970,000                 |
| 2009 Series E | Capital Program/Refunding | August 2009         | 12,420,000               | 13,055,000                 |

**Debt Service Coverage Ratio on Electric System Bonds and Subordinated Electric System Bonds.** The debt service coverage ratio on Electric System Bonds and Subordinated Electric System Bonds decreased to 2.60 times for the six months ended March 31, 2010 as compared to the debt service coverage ratio of 2.87 times for the six months ended March 31, 2009 due to the 9.2 percent decrease in net revenues available for debt service and the 0.1 percent increase in the debt service requirement on Electric System Bonds and Subordinated Electric System Bonds between such periods.

### **Transfers to the City**

*The following information updates the information contained in the second paragraph under the caption “FINANCIAL INFORMATION – Transfers to the City” in the JEA Annual Disclosure Report:*

The portion of the budgeted aggregate assessment calculated with respect to (i) the Water and Sewer System has decreased from approximately \$20,593,422 for the Fiscal Year ended September 30, 2009 to approximately \$20,180,278 for the Fiscal Year ending September 30, 2010 and (ii) the Electric System has increased from approximately \$76,094,124 for the Fiscal Year ended September 30, 2009 to \$79,007,260 for the Fiscal Year ending September 30, 2010. The aggregate assessment may be paid from any available revenues of JEA. The City’s annual assessments on JEA currently do not include assessments on the revenues of the District Energy System, and JEA is not currently obligated to transfer funds to the City from funds derived from the District Energy System.

### **JEA Credit Rating Changes – Liquidity Support for JEA’s Variable Rate Bonds**

*The following information updates the information contained in the first and third paragraphs under the caption “FINANCIAL INFORMATION – JEA Credit Rating Changes – Liquidity Support for JEA’s Variable Rate Bonds” in the Annual Disclosure Report:*

In particular, JEA has entered into standby bond purchase agreements and a letter of credit reimbursement agreement with certain commercial banks in order to provide liquidity support in connection with tenders for purchase of the Senior Liquidity Supported Electric Bonds, the Subordinated Liquidity Supported Electric Bonds, the Senior Liquidity Supported Water and Sewer Bonds and the Subordinated Liquidity Supported Water and Sewer Bonds (collectively the “Liquidity Supported Bonds”) (as of September 30, 2009, there were \$838,025,000 in aggregate principal amount of Senior Liquidity Supported Electric Bonds outstanding, \$417,180,000 in aggregate principal amount of Subordinated Liquidity Supported Electric Bonds outstanding, \$235,290,000 in aggregate principal amount of Senior Liquidity Supported Water and Sewer Bonds outstanding and \$229,710,000 in aggregate principal amount of Subordinated Liquidity Supported Water and Sewer Bonds outstanding). The standby bond purchase agreements and reimbursement agreement, as applicable, relating to the

Liquidity Supported Bonds provide that any of such Liquidity Supported Bonds that are purchased by the applicable bank pursuant to its standby bond purchase agreement or letter of credit, as applicable, may be tendered or deemed tendered to JEA for payment upon the occurrence of certain “events of default” with respect to JEA under such standby bond purchase agreement or reimbursement agreement, as applicable. Upon any such tender or deemed tender for purchase, such Liquidity Supported Bonds so tendered or deemed tendered will be due and payable immediately. One of such “events of default” is a ratings downgrade of all three ratings on the applicable series of Liquidity Supported Bonds to which such standby bond purchase agreement or reimbursement agreement, as applicable, relates to below the “Baa3” / “BBB-” levels set forth in the final paragraph under the caption “FINANCIAL INFORMATION – JEA Credit Rating Changes – *Liquidity Support for JEA’s Variable Rate Bonds*” in the JEA Annual Disclosure Report.

In general, each standby bond purchase agreement and reimbursement agreement, as applicable, provides that it is an event of default on the part of JEA thereunder if the ratings on the Liquidity Supported Bonds to which such standby bond purchase agreement or such reimbursement agreement relates, without giving effect to any third-party credit enhancement, fall below “BBB-” by Fitch Ratings, “Baa3” by Moody’s Investors Service (“Moody’s”) and “BBB-” by Standard & Poor’s, a division of the McGraw-Hill Companies, Inc. (“S&P”) or are suspended or withdrawn (generally for credit-related reasons). Certain standby bond purchase agreements with respect to certain Senior Liquidity Supported Electric Bonds, certain Subordinated Liquidity Supported Electric Bonds and certain Subordinated Liquidity Supported Water and Sewer System Bonds provide that it is an event of default on the part of JEA thereunder, after a notice period, if the ratings on Electric System Bonds or on Subordinated Electric System Bonds or on Water and Sewer System Bonds, as applicable, fall below “BBB+” by Fitch Ratings, “Baa1” by Moody’s or “BBB+” by S&P. One standby bond purchase agreement with respect to certain Senior Liquidity Supported Electric Bonds provides that it is a rating termination event on the part of JEA thereunder, after a notice period, if the ratings on Electric System Bonds fall below “A-” by Fitch Ratings, “A3” by Moody’s or “A-” by S&P.

## **Interest Rate Swap Transactions**

***The following information updates the information contained under the caption “FINANCIAL INFORMATION – JEA Credit Rating Changes – Interest Rate Swap Transactions” in the Annual Disclosure Report:***

From time to time, JEA enters into interest rate swap transactions pursuant to both its investment policies (see “FINANCIAL INFORMATION – Investment Policies” in the JEA Annual Disclosure Report and “Investment Policies” below) and its debt management policy (see “FINANCIAL INFORMATION – Debt Management Policy” in the JEA Annual Disclosure Report and “Debt Management Policy” below), which interest rate swap transactions may be for the account of either the Electric System or the Water and Sewer System. JEA had interest rate swap transactions outstanding under interest rate swap master agreements with five different counterparties in an aggregate notional amount of \$1,082,360,00 as of September 30, 2009 and \$1,066,350,000 as of March 31, 2010, of which, as of September 30, 2009, \$883,340,000 were for the account of the Electric System and \$199,020,000 were for the account of the Water and Sewer System and, as of March 31, 2010, \$868,740,000 were for the account of the Electric System and \$197,610,000 were for the account of the Water and Sewer System. For additional information concerning those interest rate swap transactions, see (a) “FINANCIAL INFORMATION – Investment Policies” in the JEA Annual Disclosure Report and “Investment Policies” below, (b) “FINANCIAL INFORMATION – Debt Management Policy” in the JEA Annual Disclosure Report and “Debt Management Policy” below and (c) Notes 3 and 7 to JEA’s 2009 Financial Statements set forth in APPENDIX C to this Official Statement.

Under each master agreement, the interest rate swap transactions entered into pursuant to that master agreement are subject to early termination upon the occurrence and continuance of certain “events

of default” and upon the occurrence of certain “termination events.” One of such “termination events” with respect to JEA is a suspension or withdrawal of certain credit ratings with respect to JEA or a downgrade of such ratings to below the levels set forth in the master agreement or in the confirmation related to a particular interest rate swap transaction. Upon any such early termination of an interest rate swap transaction, JEA may owe to the counterparty a termination payment, the amount of which could be substantial. The amount of any such potential termination payment would be determined in the manner provided in the applicable master agreement and would be based primarily upon market interest rate levels and the remaining term of the interest rate swap transaction at the time of termination. In general, the ratings triggers on the part of JEA contained in the master agreements range from (x) below “BBB” by S&P and below “Baa2” by Moody’s to (y) below “A-” by S&P and below “A3” by Moody’s.

As of September 30, 2009, JEA’s estimated aggregate exposure under all of its then outstanding interest rate swap transactions was (\$119,055,649), of which (\$100,799,235) was attributable to interest rate swap transactions entered into for the account of the Electric System and (\$18,256,414) was attributable to interest rate swap transactions entered into for the account of the Water and Sewer System. As of March 31, 2010, JEA’s estimated aggregate exposure under all of its then outstanding interest rate swap transactions was (\$79,029,688), of which (\$69,312,267) was attributable to interest rate swap transactions entered into for the account of the Electric System and (\$9,717,421) was attributable to interest rate swap transactions entered into for the account of the Water and Sewer System.

## **Investment Policies**

***The following information updates the information contained in the second paragraph under the caption “FINANCIAL INFORMATION – Investment Policies” in the Annual Disclosure Report:***

JEA invests its funds pursuant to Section 218.415, Florida Statutes, its various bond resolutions and its JEA Board-approved investment policy. As of September 30, 2009, 32 percent of JEA’s total investment portfolio (including funds held under the Electric System Resolution, the Subordinated Electric System Resolution, the First Power Park Resolution, the Second Power Park Resolution, the Water and Sewer System Resolution, the Subordinated Water and Sewer System Resolution and the District Energy System Resolution) was invested in securities issued by the United States Government, federal agencies or state and local government entities having a weighted average maturity of approximately 6.9 years. As of September 30, 2009, the remaining 68 percent of such investment portfolio was invested in commercial paper rated at least A-1 and P-1 by S&P and Moody’s, respectively, having a weighted average maturity of less than 30 days, in the Florida State Board of Administration Local Government Surplus Funds Trust Fund (the “State Pool”), in money market mutual funds and in demand deposit bank accounts. JEA’s funds that are invested in commercial paper, in the State Pool, in money market mutual funds and in bank accounts are used primarily for operating expenses. During the month of November 2007 it became apparent that the State Pool was encountering difficulty in meeting increased cash withdrawals from various investors due to a portion of its investments being held in downgraded securities. As of April 12, 2010, JEA had approximately \$1.771 million of Electric System funds, approximately \$0.329 million of Water and Sewer System funds, approximately \$0.678 million of Power Park funds and approximately \$0.079 million of District Energy funds in accounts at the State Pool which are not available at this time for withdrawal and are secured by the downgraded and other “distressed” securities held in the State Pool. JEA does not expect these investments to adversely affect its liquidity position.

## **Debt Management Policy**

***The following information updates the information contained in the second, fourth, fourteenth paragraphs and the table under the caption “FINANCIAL INFORMATION – Debt Management Policy” in the Annual Disclosure Report :***

The counterparties with whom JEA may deal must meet the requirements for counterparties described under the caption “Investment Policies” above. The policy requires JEA staff to submit to the JEA Board an annual plan of finance, which will address, at a minimum, the amount of debt projected to be issued during the next Fiscal Year, whether such debt is senior or subordinated, whether such debt is fixed or variable, and whether any hedging instruments may be utilized. Under the policy, JEA’s net variable rate debt will not exceed 30 percent of total debt and JEA’s net variable rate debt plus net fixed-to-floating interest rate swaps will not exceed 55 percent of total debt. “Net variable rate debt” is actual variable rate debt minus net variable rate assets. “Net variable rate assets” is actual variable rate assets minus the notional amount of investment/asset-matched interest rate swaps. “Net fixed-to-floating interest rate swaps” is the aggregate notional amount of fixed-to-floating swaps maturing in ten years or less minus the aggregate notional amount of floating-to-fixed swaps maturing in ten years or less outstanding on the last day of each month. “Total debt” equals fixed rate debt plus variable rate debt. “Variable rate assets” are investments maturing in less than one year. “Variable rate debt” is actual variable rate debt outstanding less variable rate debt that is associated with a floating-to-fixed rate swap where the term of the swap matches the term of the variable rate debt. The percentages are to be computed monthly.

The policy creates procedures to be followed in conjunction with the issuance of fixed rate debt, variable rate debt and debt refundings. Beginning in the Fiscal Year ending September 30, 2010, deposits will be made to the Rate Stabilization Fund for the Debt Management Strategy Reserve and will reflect the difference in the actual interest rates for interest expense on the unhedged variable rate debt as compared to the budgeted assumptions for interest expense on the unhedged variable rate debt. At a minimum, 50 percent of the calculated reserve will be recorded and deposited each fiscal year. An additional amount, up to the full value of the calculated reserve (the remaining 50 percent), will be reviewed by the Debt and Investment Committee and recorded at their option. However, the amount deposited to the Rate Stabilization Fund (in addition to actual debt service costs for the fiscal year) cannot exceed the total amount of the budgeted debt service. The reserve will be calculated on a system by system basis, however, based on the calculation, any mandatory deposit will exclude the District Energy System. The budget reserve is capped at five percent of the par amount of the total outstanding variable rate debt. Withdrawals from the Rate Stabilization Fund for the Debt Management Strategy Reserve can be used for any lawful purpose including debt service, debt repayment, and capital outlay and must be approved in writing by the Chief Executive Officer.

In connection with the issuance or proposed issuance of certain of JEA’s bonds, JEA has entered into various floating-to-fixed rate interest rate swap transactions for the account of the Electric System or the Water and Sewer System, as the case may be. These swap transactions are entered into with various providers and are otherwise described in the table below.

| <u>Related Bonds</u>  | <u>Counterparty</u>  | <u>Initial Notional Amount</u> | <u>Notional Amount as of March 31, 2010</u> | <u>Fixed Rate of Interest</u> | <u>Variable Rate Index<sup>(1)</sup></u> | <u>Termination Date<sup>(2)</sup></u> |
|---|--|--------------------------------|---|-------------------------------|--|---------------------------------------|
| Variable Rate Electric System Revenue Bonds, Series Three 2008A | Goldman Sachs Mitsui Marine Derivative Products, L.P. (“GSMMDP”) | \$100,000,000                  | \$98,130,000                                | 3.836%                        | BMA Municipal Swap Index                 | 10/1/2036                             |

(Footnotes on subsequent page.)

| <u>Related Bonds</u>   | <u>Counterparty</u>                           | <u>Initial Notional Amount</u> | <u>Notional Amount as of March 31, 2010</u> | <u>Fixed Rate of Interest</u> | <u>Variable Rate Index<sup>(1)</sup></u> | <u>Termination Date<sup>(2)</sup></u> |
|--|---|--------------------------------|---|-------------------------------|--|---------------------------------------|
| <i>Variable Rate Electric System Revenue Bonds, Series Three 2008B-1, 2008B-2, 2008B-3 and 2008B-4</i> | GSMMDP  | \$27,400,000                   | \$27,125,000                                | 4.044%                        | BMA Municipal Swap Index                 | 10/1/2026                             |
|  | Morgan Stanley Capital Services Inc. ("MSCS") | \$117,825,000                  | \$115,725,000                               | 4.351%                        | BMA Municipal Swap Index                 | 10/1/2039                             |
|  | JPMorgan Chase Bank, N.A. ("JPMorgan")        | \$116,425,000                  | \$110,700,000                               | 3.661%                        | 68% of 1 month LIBOR                     | 10/1/2035                             |
| <i>Variable Rate Electric System Revenue Bonds, Series Three 2008C-1 and 2008C-2</i>                   | GSMMDP  | \$174,000,000                  | \$157,600,000                               | 3.717%                        | 68% of 1 month LIBOR                     | 9/16/2033                             |
| <i>Variable Rate Electric System Revenue Bonds, Series Three 2008D-1</i>                               | MSCS  | \$98,375,000                   | \$94,825,000                                | 3.907%                        | SIFMA Municipal Swap Index               | 10/1/2031                             |
| <i>Variable Rate Electric System Revenue Bonds, Series Three 2008D-2A and 2008D-2B</i>                 | Citigroup Financial Products Inc.             | \$95,240,000                   | \$94,760,000                                | 3.918%                        | SIFMA Municipal Swap Index               | 10/1/2036                             |
| <i>Variable Rate Electric System Subordinated Revenue Bonds, 2008 Series D</i>                         | JPMorgan                                      | \$29,900,000                   | \$29,300,000                                | 3.608%                        | BMA Municipal Swap Index                 | 10/1/2016                             |
|  | JPMorgan                                      | \$40,875,000                   | \$40,575,000                                | 3.716%                        | 68% of 1 month LIBOR                     | 10/1/2037                             |
| <i>Variable Rate Electric System Revenue Bonds<sup>(3)</sup></i>                                       | Merrill Lynch Derivative Products AG ("MLDP") | \$100,000,000                  | \$100,000,000                               | 4.031%                        | BMA Municipal Swap Index                 | 10/1/2038                             |

(Footnotes on following page.)

| <u>Related Bonds</u>  | <u>Counterparty</u> | <u>Initial Notional Amount</u> | <u>Notional Amount as of March 31, 2010</u> | <u>Fixed Rate of Interest</u> | <u>Variable Rate Index<sup>(1)</sup></u> | <u>Termination Date<sup>(2)</sup></u> |
|---|---------------------|--------------------------------|---|-------------------------------|--|---------------------------------------|
| Water and Sewer System Revenue Bonds, 2006 Series B                 | MSCS                | \$38,730,000                   | \$38,730,000                                | 3.86-4.09%                    | CPI Index                                | 10/1/2016 to 10/1/2022                |
| Variable Rate Water and Sewer System Revenue Bonds, 2008 Series A-I | JPMorgan            | \$75,000,000                   | 73,590,000                                  | 3.854%                        | SIFMA Municipal Swap Index               | 10/1/2036                             |
| Variable Rate Water and Sewer System Revenue Bonds, 2008 Series B   | MLDP                | 85,290,000                     | 85,290,000                                  | 3.895%                        | BMA Municipal Swap Index                 | 10/1/2041                             |

<sup>(1)</sup> The BMA Municipal Swap Index is now known as the SIFMA Municipal Swap Index.

<sup>(2)</sup> Unless earlier terminated.

<sup>(3)</sup> Expected to be issued on January 27, 2011. The swap transaction is effective on this date, whether or not such bonds are issued.

As of March 31, 2010, no floating-to-fixed swap transactions or fixed-to-floating interest rate swap transactions were outstanding for the account of the District Energy System.

### **Revolving Lines of Credit**

***The following information updates the information contained under the caption “FINANCIAL INFORMATION – Revolving Line of Credit” in the Annual Disclosure Report:***

As of the date of this Official Statement, JEA has established two revolving lines of credit totaling \$187,500,000 with three commercial banks (the “Revolving Lines of Credit”) which are scheduled to expire on August 30, 2010 and September 14, 2010, respectively. JEA will be negotiating with the existing banks for a possible extension of the current agreements. Subject to meeting various conditions, the Revolving Lines of Credit are available to JEA to provide working capital and short-term and interim financing for capital projects in connection with the Electric System, the Water and Sewer System, the Power Park (under the Second Power Park Resolution), the Bulk Power Supply System and the District Energy System. Payment obligations under the Revolving Lines of Credit are payable from the applicable revenues of the Electric System, the Water and Sewer System, the Power Park (under the Second Power Park Resolution), the Bulk Power Supply System and the District Energy System, as applicable, but are subordinate to the payment of JEA’s Electric System, Water and Sewer System, Power Park, Bulk Power Supply System and District Energy System debt (including the Electric System Bonds, the Subordinated Electric System Bonds, the Water and Sewer System Bonds, the Subordinated Water and Sewer System Bonds, the Power Park Issue Three Bonds, the Bulk Power Supply System Bonds and the District Energy System Bonds).

As of September 30, 2009, JEA had \$50,000,000 in borrowings outstanding under the Revolving Lines of Credit, of which \$45,715,000 were for the account of the Water and Sewer System and \$4,285,000 were for the account of the District Energy System. For information about borrowings made during the Fiscal Year ended September 30, 2009, see Note 7 to JEA’s 2009 Financial Statements set forth in APPENDIX C attached hereto. As of the date of this Official Statement, JEA had \$10,285,000 in borrowings outstanding under the Revolving Lines of Credit, \$6,000,000 of which were for the account of the Power Park and \$4,285,000 of which were for the account of the District Energy System. JEA

expects to repay the \$6,000,000 in borrowings outstanding for the account of the Power Park from the proceeds of the Series Four and Five Bonds.

## **LITIGATION**

The Office of General Counsel of the City is not aware of any pending or threatened litigation contesting the validity of the Series Four and Five Bonds or the right of JEA to issue the Series Four and Five Bonds. In the opinion of the Office of General Counsel of the City, there is no pending litigation or proceedings that may result in any material adverse change in the financial condition of JEA relating to the Electric System.

## **APPROVAL OF LEGAL PROCEEDINGS**

The validity of the Series Four and Five Bonds and certain other legal matters are subject to the approving opinion of Rogers Towers, P.A., Jacksonville, Florida, Bond Counsel to JEA ("Bond Counsel"). The proposed form of Bond Counsel opinion is contained in APPENDIX E hereto. Bond Counsel undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement. Certain legal matters will be passed upon for JEA by the Office of General Counsel of the City, attorneys for JEA.

## **TAX MATTERS**

### **General**

The following is a summary of certain of the United States income tax consequences of the ownership of the Series Four and Five Bonds as of the date hereof. Each prospective investor should consult with its own tax advisor regarding the application of United States federal income tax laws, as well as any state, local, foreign or other tax laws, to its particular situation.

This summary is based on the Code, as well as Treasury regulations and administrative and judicial rulings and practice. Legislative, judicial and administrative changes may occur, possibly with retroactive effect, that could alter or modify the continued validity of the statements and conclusions set forth herein. This summary is intended as a general explanatory discussion of the consequences of holding the Series Four and Five Bonds generally and does not purport to furnish information in the level of detail or with the investor's specific tax circumstances that would be provided by an investor's own tax advisor. For example, it generally is addressed only to original purchasers of the Series Four and Five Bonds that are "U.S. holders" (as defined below), deals only with Series Four and Five Bonds held as capital assets within the meaning of Section 1221 of the Code and does not address tax consequences to holders that may be relevant to investors subject to special rules, such as individuals, trusts, estates, tax exempt investors, foreign investors, cash method taxpayers, dealers in securities, currencies or commodities, banks, thrifts, insurance companies, electing large partnerships, mutual funds, regulated investment companies, real estate investment trusts, FASITs, S corporations, persons that hold Series Four and Five Bonds as part of a straddle, hedge, integrated or conversion transaction, and persons whose "functional currency" is not the U.S. dollar. In addition, except as described below, this summary does not address alternative minimum tax issues or the indirect consequences to a holder of an equity interest in a holder of Series Four and Five Bonds.

As used herein, a "U.S. holder" is a "U.S. person" that is a Beneficial Owner of a Series Four Bond or Series Five Bond. A "non U.S. investor" is a holder (or Beneficial Owner) of a Series Four Bond or Series Five Bond that is not a U.S. person. For these purposes, a "U.S. person" is a citizen or resident of the United States, a corporation or partnership created or organized in or under the laws of the United States or any political subdivision thereof (except, in the case of a partnership, to the extent otherwise provided in Treasury regulations), an estate the income of which is subject to United States federal

income taxation regardless of its source or a trust if (i) a United States court is able to exercise primary supervision over the trust's administration and (ii) one or more United States persons have the authority to control all of the trust's substantial decisions.

## **Series Four Bonds**

### ***Opinion of Bond Counsel***

In the opinion of Bond Counsel, interest on the Series Four Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Code. Bond Counsel expresses no opinion regarding any other federal or state tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the Series Four Bonds. A complete copy of the proposed form of opinion of Bond Counsel are set forth in APPENDIX E hereto.

### ***Tax Status of Series Four Bonds***

The Series Four Bonds will be treated, for federal income tax purposes, as a debt instrument. Accordingly, interest will be included in the income of the holder as it is paid (or, if the holder is an accrual method taxpayer, as it is accrued) as interest.

Holders of the Series Four Bonds that allocate a basis in the Series Four Bonds that is greater than the principal amount of the Series Four Bonds should consult their own tax advisors with respect to whether or not they should elect to amortize such premium under section 171 of the Code.

If a holder purchases the Series Four Bonds for an amount that is less than the principal amount of such Series Four Bonds, and such difference is not considered to be de minimis, then such discount will represent market discount that ultimately will constitute ordinary income (and not capital gain). Further, absent an election to accrue market discount currently, upon a sale or exchange of a Series Four Bond, a portion of any gain will be ordinary income to the extent it represents the amount of any such market discount that was accrued through the date of sale. In addition, absent an election to accrue market discount currently, the portion of any interest expense incurred or continued to carry a market discount bond that does not exceed the accrued market discount for any taxable year, will be deferred.

Although the Series Four Bonds are expected to trade "flat," that is, without a specific allocation to accrued interest, for federal income tax purposes, a portion of the amount realized on sale attributed to the Series Four Bonds will be treated as accrued interest and thus will be taxed as ordinary income to the seller (and will not be subject to tax in the hands of the buyer).

### ***Original Issue Discount***

In the event that the Series Four Bonds of any maturity (and, if applicable, each interest rate within such maturity) are issued with original issue discount ("OID") a holder of a Series Four Bond of such maturity (and, if applicable, interest rate within such maturity) will be required to include OID in gross income as it accrues under a constant yield method, based on the original yield to maturity of the Series Four Bond. Thus, the holders of such Series Four Bonds will be required to include OID in income as it accrues, prior to the receipt of cash attributable to such income. U.S. holders, however, would be entitled to claim a loss upon maturity or other disposition of such bonds with respect to interest amounts accrued and included in gross income for which cash is not received. Such a loss generally would be a capital loss. A holder of a Series Four Bond that purchases such Series Four Bond for less than its adjusted issue price (generally its accreted value) will have purchased such Series Four Bond with market discount. If such difference is not considered to be de minimis, then such discount ultimately will constitute ordinary income (and not capital gain). Further, absent an election to accrue market discount currently, upon a sale or exchange of such Series Four Bond, a portion of any gain will be ordinary

income to the extent it represents the amount of any such market discount that was accrued through the date of sale. In addition, absent an election to accrue market discount currently, the portion of any interest expense incurred or continued to carry a market discount bond that does not exceed the accrued market discount for any taxable year will be deferred. A holder of a Series Four Bond that has an allocated basis in the Series Four Bond that is greater than its adjusted issue price (generally its accreted value), but that is less than or equal to its principal amount, will be considered to have purchased the Series Four Bond with acquisition premium. The amount of OID that such holder of a Series Four Bond must include in gross income with respect to such Series Four Bond will be reduced in the proportion that such excess bears to the OID remaining to be accrued as of the acquisition of the Series Four Bond. A holder of a Series Four Bond may have a basis in its pro rata share of the Series Four Bond that is greater than the principal amount of such Series Four Bond. Holders of Series Four Bonds should consult their own tax advisors with respect to whether or not they should elect to amortize such premium, if any, with respect to such Series Four Bonds under section 171 of the Code.

### ***Sale and Exchange of Series Four Bonds***

Upon a sale or exchange of a Series Four Bond, a holder generally will recognize gain or loss on the Series Four Bond equal to the difference between the amount realized on the sale and its adjusted tax basis in such Series Four Bond. Such gain or loss generally will be capital gain (although any gain attributable to accrued market discount of the Series Four Bond not yet taken into income will be ordinary income). The adjusted basis of the holder in a Series Four will (in general) equal its original purchase price increased by any original issue discount (“OID”) (other than OID reduced due to acquisition premium) and decreased by any principal payments received on the Series Four Bond. In general, if the Series Four Bond is held for longer than one year, any gain or loss would be long-term capital gain or loss, and capital losses are subject to certain limitations.

### ***Defeasance of Series Four Bonds***

Defeasance of any Series Four Bond may result in a reissuance thereof, in which event a holder will recognize taxable gain or loss equal to the difference between the amount realized from the sale, exchange or retirement (less any accrued qualified stated interest which will be taxable as such) and the holder’s adjusted tax basis in the Series Four Bond.

### ***Foreign Investors***

Distributions on the Series Four Bonds to a non-U.S. holder that has no connection with the United States other than holding its Series Four Bond generally will be made free of withholding tax, as long as that the holder has complied with certain tax identification and certification requirements.

### ***Circular 230***

Under 31 C.F.R. part 10, the regulations governing practice before the IRS (Circular 230), JEA and its tax advisors are (or may be) required to inform prospective investors that:

1. any advice contained herein is not intended or written to be used, and cannot be used, by any taxpayer for the purposes of avoiding penalties that may be imposed on the taxpayer;
2. any such advice is written to support the promotion or marketing of the Series Four Bonds and the transactions described herein; and
3. each taxpayer should seek advice based on the taxpayer’s particular circumstances from an independent tax advisor.

## **Series Five Bonds**

In the opinion of Bond Counsel, based upon an analysis of existing laws, regulations, rulings, and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series Five Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code. Bond Counsel is of the further opinion that interest on the Series Five Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes nor is it included in adjusted current earnings when calculating corporate alternative minimum taxable income. A complete copy of the proposed form of opinion of Bond Counsel is set forth in APPENDIX E hereto.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Series Five Bonds. JEA will make representations and will covenant to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Series Five Bonds will not be included in federal gross income (see “SECURITY AND SOURCE OF PAYMENT FOR THE SERIES FOUR AND FIVE BONDS – Additional Provisions Relating to the Series Five Bonds” herein). Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Series Five Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Series Five Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel’s attention after the date of issuance of the Series Five Bonds may adversely affect the value of, or the tax status of interest on, the Series Five Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the Series Five Bonds is excluded from gross income for federal income tax purposes, the ownership or disposition of, or the accrual or receipt of interest on, the Series Five Bonds may otherwise affect a Beneficial Owner’s federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner’s other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Series Five Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such future legislative proposals, clarification of the Code or court decisions may also affect the market price for, or marketability of, the Series Five Bonds. Prospective purchasers of the Series Five Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel’s judgment as to the proper treatment of the Series Five Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service (“IRS”) or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of JEA, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. JEA will covenant, however, to comply with the requirements of the Code.

Bond Counsel’s engagement with respect to the Series Five Bonds ends with the issuance of the Series Five Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend JEA or the

Beneficial Owners regarding the tax-exempt status of the Series Five Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than JEA and its appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which JEA legitimately disagrees may not be practicable. Any action of the IRS, including but not limited to selection of the Series Five Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Series Five Bonds, and may cause JEA or the Beneficial Owners to incur significant expense.

## **RATINGS**

Ratings on the Series Four and Five Bonds have been applied for from Fitch Ratings, Moody's and S&P. An explanation of the significance of any ratings may be obtained only from the rating agency furnishing the same at the following addresses: Fitch Ratings, One State Street Plaza, New York, New York 10004; Moody's Investors Service, 7 World Trade Center at 250 Greenwich Street, New York, New York 10007; and Standard & Poor's, 55 Water Street, New York, New York 10041. Generally, a rating agency bases its rating and outlook (if any) on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that such ratings will be in effect for any given period of time or that such ratings will not be revised upward or downward or withdrawn entirely by such rating agencies if, in the judgment of such agencies, circumstances so warrant. Any such downward revision or withdrawal of any ratings may have an adverse effect on the market price of the Series Four and Five Bonds.

## **DISCLOSURE REQUIRED BY FLORIDA BLUE SKY LAW**

Section 517.051(1), Florida Statutes, requires that JEA make full and fair disclosure of any of its bonds or other debt obligations that have been in default as to payment of principal or interest at any time after December 31, 1975. JEA has not been, since December 31, 1975, in default as to payment of principal or interest on any of its bonds or other debt obligations.

## **UNDERWRITING**

\_\_\_\_\_ (the "Underwriter") has agreed, subject to certain customary conditions to closing, to purchase the Series Four and Five Bonds from JEA at an aggregate underwriting discount (a) in the case of the Series Four Bonds, of \$\_\_\_\_\_ from the initial public offering prices of the Series Four Bonds and (b) in the case of the Series Five Bonds, of \$\_\_\_\_\_ from the initial public offering prices of the Series Five Bonds. The Underwriter will be obligated to purchase all the Series Four and Five Bonds if any such Series Four and Five Bonds are purchased. The public offering prices may be changed, from time to time, by the Underwriter.

## **MISCELLANEOUS**

### **Legal Investments**

The Series Four and Five Bonds are legal investments for savings banks, trust companies, executors, administrators, trustees, guardians, and other fiduciaries, and for any board, body, agency or instrumentality of the State of Florida, or of any county, municipality, or other political subdivisions of the State of Florida. The Series Four and Five Bonds are also eligible as security for deposits of state, county, municipal and other public funds.

### **References to Documents**

The summaries of or references to the Second Power Park Resolution and the Electric System Resolution and certain statutes and other ordinances and documents included in this Official Statement or in the document included by specific reference herein do not purport to be comprehensive or definitive, and such summaries and references are qualified in their entirety by references to each such resolution, statute, ordinance, law and document. Copies of all such documents may be obtained from JEA, provided that a reasonable charge may be imposed for the cost of reproduction.

### **Authorization of Official Statement**

The dissemination and use of this Official Statement have been duly authorized by the JEA Board.

JEA

By: \_\_\_\_\_  
Managing Director and Chief Executive Officer

## BOOK-ENTRY ONLY SYSTEM

The Series Four and Five Bonds will be available only in book-entry form. DTC will act as the initial securities depository for the Series Four and Five Bonds. The Series Four and Five Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One or more fully-registered bond certificates will be issued for the Series Four and Five Bonds of each series and maturity (and, if applicable, each interest rate within a maturity), in the aggregate principal amount thereof, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the SEC. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

Purchases of Series Four and Five Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for such Bonds on DTC's records. The ownership interest of each actual purchaser of each Series Four Bond and each Series Five Bond (a "Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participant's records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series Four and Five Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series Four and Five Bonds, except in the event that use of the book-entry system for the Series Four and Five Bonds is discontinued.

SO LONG AS CEDE & CO. (OR ANY OTHER NOMINEE REQUESTED BY DTC) IS THE REGISTERED OWNER OF THE SERIES FOUR AND FIVE BONDS AS NOMINEE FOR DTC, REFERENCES HEREIN TO THE HOLDERS OR REGISTERED OWNERS OR OWNERS OF THE SERIES FOUR AND FIVE BONDS SHALL MEAN CEDE & CO. (OR SUCH OTHER NOMINEE), AS AFORESAID, AND SHALL NOT MEAN THE BENEFICIAL OWNERS.

To facilitate subsequent transfers, all Series Four and Five Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series Four and Five Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series Four and Five Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

JEA, the Registrar and Paying Agent for the Series Four and Five Bonds may treat DTC (or its nominee) as the sole and exclusive owner of the Series Four and Five Bonds registered in its name for the purpose of: payment of the principal or redemption price of or interest on the Series Four and Five Bonds selecting Series Four and Five Bonds and portions thereof to be redeemed; giving any notice permitted or required to be given to Holders under the Second Power Park Resolution including any notice of redemption; registering the transfer of Series Four and Five Bonds; obtaining any consent or other action to be taken by Holders; and for all other purposes whatsoever, and shall not be affected by any notice to the contrary. JEA, the Registrar and Paying Agent for the Series Four and Five Bonds and the Underwriters (other than in their capacity, if any, as Direct Participants or Indirect Participants) shall not have any responsibility or obligation to any Direct Participant, any person claiming a beneficial ownership interest in the Series Four and Five Bonds under or through DTC or any Direct Participant, or any other person which is not shown on the registration books of JEA (kept by the Registrar) as being a Holder, with respect to: the accuracy of any records maintained by DTC or any Direct or Indirect Participant regarding ownership interests in the Series Four and Five Bonds; the payment by DTC or any Direct or Indirect Participant of any amount in respect of the principal or redemption price of or interest on the Series Four and Five Bonds; the delivery to any Direct or Indirect Participant or any Beneficial Owner of any notice which is permitted or required to be given to Holders under the Second Power Park Resolution, including any notice of redemption; the selection by DTC or any Direct or Indirect Participant of any person to receive payment in the event of a partial redemption of the Series Four and Five Bonds; or any consent given or other action taken by DTC as a Holder of the Series Four and Five Bonds.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series Four and Five Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the issuer as soon as possible after the "record date." The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts securities, such as the Series Four and Five Bonds, are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Except as described below, neither DTC nor Cede & Co. nor any other nominee of DTC will take any action to enforce covenants with respect to any security registered in the name of Cede & Co. or any other nominee of DTC. Under its current procedures, on the written instructions of a Direct Participant given in accordance with DTC's Procedures, DTC will cause Cede & Co. to sign a demand to exercise certain bondholder rights. In accordance with DTC's current procedures, Cede & Co. will sign such document only as record holder of the quantity of securities referred to therein (which is to be specified in the Direct Participant's request to DTC for such document) and not as record holder of all the securities of that issue registered in the name of Cede & Co. Also, in accordance with DTC's current procedures, all factual representations to the issuer, the trustee or any other party to be made by Cede & Co. in such document must be made to DTC and Cede & Co. by the Direct Participant in its request to DTC.

For so long as the Series Four and Five Bonds, are issued in book-entry form through the facilities of DTC, any Beneficial Owner desiring to cause JEA to comply with any of its obligations with respect to the Series Four and Five Bonds, must make arrangements with the Direct Participant or Indirect Participant through whom such Beneficial Owner's ownership interest in the Series Four and Five Bonds,

is recorded in order for the Direct Participant in whose DTC account such ownership interest is recorded to make the request of DTC described above.

NEITHER JEA NOR THE REGISTRAR AND PAYING AGENT FOR THE SERIES FOUR AND FIVE BONDS NOR THE UNDERWRITERS (OTHER THAN IN THEIR CAPACITY, IF ANY, AS DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS) WILL HAVE ANY OBLIGATION TO THE DIRECT PARTICIPANTS OR THE INDIRECT PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO DTC'S PROCEDURES OR ANY PROCEDURES OR ARRANGEMENTS BETWEEN DIRECT PARTICIPANTS, INDIRECT PARTICIPANTS AND THE PERSONS FOR WHOM THEY ACT RELATING TO THE MAKING OF ANY DEMAND BY CEDE & CO. AS THE REGISTERED OWNER OF THE SERIES FOUR AND FIVE BONDS THE ADHERENCE TO SUCH PROCEDURES OR ARRANGEMENTS OR THE EFFECTIVENESS OF ANY ACTION TAKEN PURSUANT TO SUCH PROCEDURES OR ARRANGEMENTS.

Principal or redemption price of and interest on the Series Four and Five Bonds will be paid to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from JEA or the Paying Agent on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, JEA or the Paying Agent for the Series Four and Five Bonds, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal or redemption price and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Paying Agent for the Series Four and Five Bonds, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

As long as the book-entry system is used for the Series Four and Five Bonds, JEA, will give or cause to be given any notice of redemption or any other notices required to be given to Holders of Series Four and Five Bonds, only to DTC. Any failure of DTC to advise any Direct Participant, or of any Direct Participant to notify any Indirect Participant, or of any Direct or Indirect Participant to notify any Beneficial Owner, of any such notice and its content or effect will not affect the validity of the redemption of the Series Four and Five Bonds, called for such redemption, or of any other action premised on such notice.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series Four and Five Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series Four and Five Bonds such as redemptions, tenders, defaults, and proposed amendments to the Second Power Park Resolution. For example, Beneficial Owners of Series Four and Five Bonds may wish to ascertain that the nominee holding the Series Four and Five Bonds, for their benefit has agreed to obtain and transmit notices to Beneficial Owners.

NEITHER JEA NOR THE REGISTRAR AND PAYING AGENT FOR THE SERIES FOUR AND FIVE BONDS NOR THE UNDERWRITERS (OTHER THAN IN THEIR CAPACITY, IF ANY, AS DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS) WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH DIRECT PARTICIPANTS, OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES, WITH RESPECT TO THE PAYMENTS TO OR THE

PROVIDING OF NOTICE FOR THE DIRECT PARTICIPANTS, THE INDIRECT PARTICIPANTS,  
OR THE BENEFICIAL OWNERS.

For every transfer and exchange of a beneficial ownership interest in the Series Four and Five Bonds, a Beneficial Owner may be charged a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto.

***Discontinuation of the Book-Entry-Only System.*** DTC may discontinue providing its services as depository with respect to the Series Four and Five Bonds at any time by giving reasonable notice to JEA or the Registrar and Paying Agent for the Series Four and Five Bonds. In addition, if JEA determines that (i) DTC is unable to discharge its responsibilities with respect to the Series Four and Five Bonds or (ii) continuation of the system of book-entry-only transfers through DTC is not in the best interests of the Beneficial Owners of the Series Four and Five Bonds or of JEA, JEA may, upon satisfaction of the applicable procedures of DTC with respect thereto, terminate the services of DTC with respect to the Series Four and Five Bonds. Upon the resignation of DTC or determination by JEA that DTC is unable to discharge its responsibilities, JEA may, within 90 days, appoint a successor depository. If no such successor is appointed or JEA determines to discontinue the book-entry-only system, Series Four Bond certificates and Series Five Bond certificates will be printed and delivered. Transfers and exchanges of Series Four and Five Bonds shall thereafter be made as provided in the Second Power Park Resolution.

If the book-entry only system is discontinued with respect to the Series Four and Five Bonds, the persons to whom Series Four and Five Bonds are delivered will be treated as “Bondholders” for all purposes of the Second Power Park Resolution, including without limitation the payment of principal, premium, if any, and interest on Series Four and Five Bonds, the redemption of Series Four and Five Bonds, and the giving to JEA, the Registrar or Paying Agent for the Series Four and Five Bonds, of any notice, consent, request or demand pursuant to the Second Power Park Resolution, for any purpose whatsoever. In such event, interest on the Series Four and Five Bonds will be payable by check or draft of the Paying Agent therefor mailed to such Bondholders at the addresses shown on the registration books maintained on behalf of JEA, and the principal and redemption price of all Series Four and Five Bonds will be payable at the principal corporate trust office of the Paying Agent for the Series Four and Five Bonds as described under the heading “DESCRIPTION OF THE SERIES FOUR AND FIVE BONDS – Registration and Transfer” in the Official Statement to which this APPENDIX A is attached.

***Portions of the foregoing concerning DTC and DTC’s book-entry system are based on information furnished by DTC to JEA. No representation is made herein by JEA or the Underwriters as to the accuracy, completeness or adequacy of such information, or as to the absence of material adverse changes in such information subsequent to the date of the Official Statement to which this APPENDIX A is attached.***

DEBT SERVICE REQUIREMENTS FOR THE ISSUE THREE BONDS <sup>(1)</sup>

| Fiscal Year<br>Ending<br>September 30, | Debt Service on<br>Outstanding<br>Issue Three Bonds | Plus:<br>Debt Service on Series Four and Five Bonds |                         |       | Total Debt Service on<br>Issue Three Bonds after<br>issuance of Series Four<br>and Five Bonds |
|--|---|---|-------------------------|-------|---|
|  |   | Principal   | Interest <sup>(2)</sup> | Total |   |
| 2010                                   | \$ 20,884,787.52                                    | \$  | \$                      | \$    | \$  |
| 2011                                   | 20,846,847.52                                       |   |                         |       |   |
| 2012                                   | 20,832,847.52                                       |   |                         |       |   |
| 2013                                   | 21,836,941.26                                       |   |                         |       |   |
| 2014                                   | 21,807,816.26                                       |   |                         |       |   |
| 2015                                   | 21,692,241.26                                       |   |                         |       |   |
| 2016                                   | 22,503,221.26                                       |   |                         |       |   |
| 2017                                   | 21,690,721.26                                       |   |                         |       |   |
| 2018                                   | 22,607,533.76                                       |   |                         |       |   |
| 2019                                   | 22,602,933.76                                       |   |                         |       |   |
| 2020                                   | 22,581,493.76                                       |   |                         |       |   |
| 2021                                   | 21,798,808.76                                       |   |                         |       |   |
| 2022                                   | 22,356,603.76                                       |   |                         |       |   |
| 2023                                   | 22,344,972.52                                       |   |                         |       |   |
| 2024                                   | 22,326,522.52                                       |   |                         |       |   |
| 2025                                   | 22,313,222.52                                       |   |                         |       |   |
| 2026                                   | 22,240,310.02                                       |   |                         |       |   |
| 2027                                   | 22,173,605.02                                       |   |                         |       |   |
| 2028                                   | 22,094,293.76                                       |   |                         |       |   |
| 2029                                   | 22,054,612.50                                       |   |                         |       |   |
| 2030                                   | 22,001,062.50                                       |   |                         |       |   |
| 2031                                   | 21,957,425.00                                       |   |                         |       |   |
| 2032                                   | 21,901,725.00                                       |   |                         |       |   |
| 2033                                   | 21,848,012.50                                       |   |                         |       |   |
| 2034                                   | 21,789,575.00                                       |   |                         |       |   |
| 2035                                   | 21,717,675.00                                       |   |                         |       |   |
| 2036                                   | 21,631,950.00                                       |   |                         |       |   |
| 2037                                   | 21,551,225.00                                       |   |                         |       |   |
| 2038                                   | 4,708,225.00  |   |                         |       |   |
| 2039                                   | 4,710,575.00  |   |                         |       |   |
| Total                                  | <u>\$623,407,786.25</u>                             | \$  | \$                      | \$    | \$  |

<sup>(1)</sup> In addition to the Issue Three Bonds, JEA also has issued, and as of the date of the Official Statement to which this APPENDIX B is attached there are outstanding, \$841,864,225.65 aggregate principal amount of Issue Two Bonds. Payments with respect to JEA's share of the debt service on the Issue Two Bonds constitute Contract Debts, payable as a Cost of Operation and Maintenance of the Electric System and are payable prior to the payment of debt service on the Electric System Bonds and the Subordinated Electric System Bonds. See "SECURITY AND SOURCE OF PAYMENT FOR THE SERIES FOUR AND FIVE BONDS – Source of Payment" and "– Contract Debts" in the Official Statement to which this APPENDIX B is attached and "INDEBTEDNESS OF JEA – Debt Relating to Electric Utility Functions – *Power Park Issue Two Bonds*" and "– *Electric System Contract Debts*" in the Annual Disclosure Report. For further information on the indebtedness of JEA relating to its Electric Utility Functions, see Note 7 to the financial statements of JEA set forth in APPENDIX C attached hereto.

<sup>(2)</sup> Reflects total interest on the Series Four Bonds and is not net of the 35 percent cash subsidy payments that JEA expects to receive from the United States Treasury with respect to such Bonds. See "DESCRIPTION OF THE SERIES FOUR AND FIVE BONDS – Designation of the Series Four Bonds as 'Build America Bonds'" in the Official Statement to which this APPENDIX B is attached.

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**APPENDIX C**

**FINANCIAL STATEMENTS, SUPPLEMENTAL INFORMATION  
AND BOND COMPLIANCE INFORMATION  
SEPTEMBER 30, 2009 AND 2008  
(WITH INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS' REPORT THEREON)**

FINANCIAL STATEMENTS, SUPPLEMENTARY  
INFORMATION, AND BOND COMPLIANCE INFORMATION

JEA  
Years Ended September 30, 2009 and 2008  
With Report of Independent Certified Public Accountants

JEA

Financial Statements, Supplementary Information,  
and Bond Compliance Information

Years Ended September 30, 2009 and 2008

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## Report of Independent Certified Public Accountants

The Governing Board  
JEA

We have audited the accompanying balance sheets of JEA, a component unit of the City of Jacksonville, Florida, as of September 30, 2009 and 2008, and the related statements of revenues, expenses, and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of JEA's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of JEA's internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of JEA's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of JEA as of September 30, 2009 and 2008, and the changes in its financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2009 on our consideration of JEA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and the Schedule of Funding Progress, as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary combining financial statements as of and for the years ended September 30, 2009 and 2008 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Ernst & Young LLP*

December 7, 2009

## Management's Discussion and Analysis

### Introduction

JEA is a municipal utility operating in Jacksonville, Florida (Duval County), and parts of three adjacent counties. The operation is comprised of three enterprise funds – the Electric Enterprise Fund, the Water and Sewer Fund, and the District Energy System (DES). The Electric Enterprise Fund is comprised of the JEA Electric System, Bulk Power Supply System (Scherer), and St. Johns River Power Park System (SJRPP). The Electric Enterprise Fund, Water and Sewer Fund, and DES are presented on a combined basis in the balance sheets, statements of revenues, expenses and changes in net assets, and statements of cash flows.

### Overview of the Combined Financial Statements

This discussion and analysis serves as an introduction to JEA's basic financial statements. The information presented here should be read in conjunction with the financial statements and accompanying notes.

The basic financials are presented on a comparative basis for the fiscal year ending September 30, 2009 and 2008. The Balance Sheets presents JEA's assets and liabilities with the difference between the two reported as net assets. Revenues and expenses information are presented in the Statement of Revenues, Expenses, and Changes in Net Assets. The Statement of Cash Flows presents JEA's sources and uses of cash and cash equivalents. The Statement of Cash Flows is presented using the direct method. This method provides broad categories of cash receipts and cash disbursements pertaining to cash provided by or used in operations, investing, and financing activities.

The Notes to the Financial Statements are an integral part of JEA's basic consolidated financial statements and contain information on accounting principles and additional information on certain components of these statements.

The following tables summarize the financial condition and operations of JEA for the 2009, 2008, and 2007 fiscal years:

### Condensed Balance Sheets

|  | 2009                 | 2008            | Restated<br>2007 |
|--|----------------------|-----------------|------------------|
|  | <i>(In Millions)</i> |                 |                  |
| <b>Assets</b>  |                      |                 |                  |
| Current assets   | \$ 655               | \$ 540          | \$ 465           |
| Other noncurrent assets                                    | 1,133                | 996             | 867              |
| Capital assets, net  | 6,678                | 6,601           | 6,275            |
|  | <b>\$ 8,466</b>      | <b>\$ 8,137</b> | <b>\$ 7,607</b>  |
| <b>Liabilities and net assets</b>                          |                      |                 |                  |
| Current liabilities  | \$ 208               | \$ 183          | \$ 183           |
| Liabilities payable from restricted assets                 | 438                  | 439             | 351              |
| Noncurrent liabilities                                     | 122                  | 123             | 121              |
| Long-term debt   | 6,132                | 5,910           | 5,444            |
| Net assets invested in capital assets, net of related debt | 605                  | 727             | 868              |
| Net assets, restricted                                     | 550                  | 427             | 381              |
| Net assets, unrestricted                                   | 411                  | 328             | 259              |
|  | <b>\$ 8,466</b>      | <b>\$ 8,137</b> | <b>\$ 7,607</b>  |

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

|                                   | 2009                 | 2008     | Restated<br>2007 |
|-----------------------------------|----------------------|----------|------------------|
|                                   | <i>(In Millions)</i> |          |                  |
| Operating revenues                | \$ 1,831             | \$ 1,633 | \$ 1,456         |
| Operating expenses                | (1,464)              | (1,423)  | (1,281)          |
| Operating income                  | 367                  | 210      | 175              |
| Nonoperating expenses             | (226)                | (191)    | (167)            |
| Contributions                     | (57)                 | (44)     | 57               |
| (Increase) decrease in net assets | \$ 84                | \$ (25)  | \$ 65            |

## Financial Analysis of JEA for fiscal years 2009 and 2008

### Operating Revenues

#### 2009 compared to 2008:

Total Electric Enterprise Fund operating revenues for the fiscal year 2009 increased \$199.3 million (14.4%) compared to fiscal year 2008. Electric Enterprise Fund operating revenues (operating revenues) increased \$ 198.0 million (14.7%) and other operating revenues increased \$1.3 million. The increase in operating revenues was attributable to rate increases. Operating revenues include a base rate increase that became effective on October 1, 2008, which increased revenues 6.2 % and a \$15.00 per 1,000 kWh fuel rate increase which became effective July 1, 2008. Additionally, a component of the increase was due to the inclusion of a 3% franchise fee to the City of Jacksonville, Florida, from designated revenues of the JEA Electric System, commencing April 1, 2008. The ordinance authorizes JEA to pass through this fee to its electric customers. Total consumption decreased 2.6% as compared to the prior year. Territorial sales decreased from 15,869 GWh to 15,335 GWh, a decrease of 3.4%; however, off-system sales increased from 457 GWh to 580 GWh, an increase of 26.7%. There was a slight increase in customer growth of 0.7%. Other operating revenues increased \$1.3 million due primarily to increased service fees.

Total Water and Sewer Fund operating revenues increased \$1.6 million, a 0.6% increase. Water and Sewer Fund operating revenues (operating revenues) increased \$1.7 million and other revenues decreased \$0.1 million. The operating revenue increase was due to a 4.1% rate increase in water and sewer rates that went into effect, October 1, 2008, and the inclusion of the 3.0% franchise fee payable to the City from designated revenues of the Water and Sewer System which went into effect April 1, 2008. The increase was offset by decreased consumption. The volume of water and sewer sales decreased 6.2%. Customer growth increased slightly by 0.4%.

Total DES revenues increased \$0.7 million for fiscal year 2009 compared to fiscal year 2008. The increase in revenues was due to the increase in rates for the chilled water services, effective October 1, 2008.

### ***2008 compared to 2007:***

Total Electric Enterprise Fund operating revenues for the fiscal year 2008 increased \$173.2 million (14.3%) compared to fiscal year 2007. Electric Enterprise Fund operating revenues increased \$169.5 million (14.4%) and other operating revenues increased \$3.7 million. The increase was mainly attributable to rate increases; however, it was partially offset by a decrease in consumption. Electric Enterprise Fund operating revenues include an approximate 10% base and fuel rate increase that went into effect on October 1, 2007, and a \$15.00 per 1,000 KWh fuel rate increases that became effective July 1, 2008. In addition, the City Council of Jacksonville enacted a 3% franchise fee to the City of Jacksonville, Florida, from designated revenues of the JEA Electric and Water and Sewer Systems, commencing April 1, 2008. Territorial sales decreased from 16,290 GWh to 15,868 GWh, a decrease of 2.6% and off-system sales decreased from 649 GWh to 457 GWh, a decrease of 29.5%. The decrease was due to reduced territorial sales and a reduction in revenue relating to the sales of electricity to Florida Power and Light (FPL) from SJRPP. There was a slight increase in customer growth of 0.5%. Other operating revenues increased \$3.7 million, mainly due to increased transmission revenues.

Total Water and Sewer Fund operating revenues increased \$8.6 million, a 3.5% increase. Water and Sewer Fund operating revenues increased \$9.8 million and other revenues decreased \$1.2 million. The operating revenue increase was due to an increase in water and sewer rates and the City's enactment of the franchise fee. The increase was offset by decreased consumption. The volume of water and sewer sales decreased 6.7%. There was a 26.4% increase in rainfall as compared to the prior year, which was a contributing factor in the decrease in consumption. Customer growth increased slightly by 0.4%. Other operating revenues decreased due to reduced carrying charges for inventory from the Electric System.

Total DES revenues decreased \$1.6 million for fiscal year 2008 compared to fiscal year 2007. The decrease in revenues was primarily due to a settlement received in fiscal year 2007.

### ***Operating Expenses***

#### ***2009 compared to 2008:***

Total Electric Enterprise Fund operating expenses for fiscal year 2009 increased \$40.0 million or 3.4% compared to fiscal year 2008. The increase was mainly due to an increase in fuel and purchased power expense of \$25.3 million, as discussed below; the 3% franchise fee of \$16.3 million and \$4.5 million increase in utility taxes due to the rate increases discussed above. However, total other Electric Enterprise Fund operating and maintenance expenses decreased \$5.8 million, an 8.9% decrease in fiscal year 2009 compared to the same period in 2008. The decrease was mainly due to a decrease in salaries and related benefits, a decrease in supplemental workforce, and decreases in maintenance outage expenses at generating stations. Offsetting the decrease was a \$10.9 increase in expense in the Electric System due to adjustment in the intercompany allocation between the entities.

Total fuel and purchased power expense increased \$25.3 million compared to the prior year. Fuel expense increased \$80.7 million and purchased power decreased \$55.4 million. Included in fuel expense is \$21.0 million expense related to byproducts processing and management. As the price of gas, oil, solid fuels, and purchased power have fluctuated from year to year, the components of fuel and purchased power expenses have shifted to take advantage of the most economical source of power. Energy produced from JEA's generating stations increased 1.9%, energy purchased decreased 7.0% and total energy produced and purchased decreased 3.3% from the prior fiscal year. JEA's power supply mix for fiscal year 2009 was 52% coal (from JEA units), 23% petroleum coke, 12% natural gas, 10% coal-fired purchases, and 3% other power purchases. During fiscal year 2008, JEA's power supply was 51% coal (from JEA units), 19% petroleum coke, 14% natural gas, 10% coal-fired purchases, 5% other power purchases, and 1% oil.

Total operating expenses for the Water and Sewer Fund increased \$3.9 million, an increase of 1.7%. The major factors impacting the increase in operating and maintenance expenses were increases in depreciation; franchise fees; salary and benefits, maintenance expenses; and utility expense. The increase was offset by a \$10.9 million decrease due to the allocation of expenses between entities.

The operating expenses for DES increased \$0.6 million. The increase was due to increased electric rates from the Electric System.

### ***2008 compared to 2007:***

Total Electric Enterprise Fund operating expenses for fiscal year 2008, excluding depreciation and recognition of deferred costs, increased \$108.6 million or 12.9% compared to fiscal year 2007. The increase was mainly due to an increase in fuel and purchased power expense of \$93.8 million, as discussed below; the 3% franchise fees of \$15.0 million and \$3.8 million of increased utility taxes based on the rate increases discussed above. Total other Electric Enterprise Fund operating and maintenance expenses were \$4.1 million lower, a 1.9% decrease in fiscal year 2008 compared to the same period in 2007. Major factors impacting other operating and maintenance expenses were decreased debt service requirements for SJRPP and increased salaries and related benefits, including other post-employment retirement benefits.

Fuel expense increased \$49.8 million and purchased power increased \$44.0 million. The increase in fuel and purchased power expense for the year was primarily driven by the product mix and increased commodity costs. There was a 1.6% decrease in megawatts produced and purchased. During fiscal year 2008, JEA's power supply mix for fiscal year 2008 was 51% coal (from JEA units), 19% petroleum coke, 14% natural gas, 10% coal-fired purchases, 5% other power purchases, and 1% oil.

Total operating expenses for the Water and Sewer Fund increased \$15.1 million, excluding depreciation expense, an increase of 14.9%. The major factors impacting the increase in operating and maintenance expenses were: increased intercompany billings; increased salaries and benefits, including other post-employment retirement benefits; and increased professional and industrial services expenses.

The operating expenses for DES, excluding depreciation, increased \$0.3 million. The increase was due primarily to increased electric rates from the Electric System.

### ***Nonoperating Revenues and Expenses***

#### ***2009 compared to 2008:***

The net change in nonoperating revenues and expenses was \$34.9 million in fiscal year 2009. The Energy Authority (TEA) earnings, a municipal power marketing joint venture in which JEA is a member, decreased \$18.3 million due to decreased purchases by JEA and lower margins that were offset by lower fuel expenses. Investment income increased \$6.1 million in fiscal 2009 due to favorable noncash fair market value adjustments offset by decreased rates on investment returns. Interest expense increased \$17.0 million as a result of \$16.9 million increase in debt management expenses and \$0.1 million increase in interest expenses. See note 7 for further discussion on debt management strategy. Allowance for funds used for construction (AFUDC) decreased \$6.7 million due to reduced capital spending during 2009.

#### ***2008 compared to 2007:***

The net change in nonoperating revenues and expenses was \$24.1 million in fiscal year 2008. TEA earnings, a municipal power marketing joint venture in which JEA is a member increased \$2.1 million due to increased purchases by JEA. Investment income decreased \$20.1 million in fiscal 2008 due to unfavorable noncash fair market value adjustments and decreased rates on investment returns. The average rate during fiscal 2008 was 2.9% as compared with 5.2% in fiscal 2007. Interest expense increased \$2.8 million as a result of \$12.2 million increase in debt management expenses and \$9.8 million reduction in interest expenses. See note 7 for further discussion on debt management strategy.

## Capital Assets and Debt Administration for Fiscal Years 2009 and 2008

### ***Capital Assets***

During fiscal year 2009, capital assets (excluding accumulated depreciation) increased \$306.3 million, a 3.2% increase. This included \$210.3 million, a 3.6% increase, in electric plant; \$95.8 million increase in water and sewer plant, an increase of 2.6%; and \$0.2 million increase in DES plant, an increase of 0.3%. During fiscal year 2008, capital assets (excluding accumulated depreciation) increased \$639 million, a 7.1% increase. This included \$431.4 million, a 7.9% increase, in electric plant; \$207.9 million increase in water and sewer plant, an increase of 5.9%; and \$0.2 million investment in DES plant, an increase of 0.4%. More detailed information about JEA's capital asset activity is presented in note 4 to the financial statements.

JEA has ongoing capital improvement programs for the Electric Enterprise Fund and the Water and Sewer Fund. The capital programs consist of: (a) the Electric Enterprise Fund capital requirements for additional generating facilities, as well as improvements to existing generating facilities, that are determined to be necessary as a result of JEA's annual resource planning process; (b) the Electric Enterprise Fund's remaining capital requirements for transmission and distribution facilities and other capital items; and (c) the Water and Sewer Fund capital requirements that are determined to be necessary as a result of the annual resource planning process. The cost of the capital improvement program will be provided from revenues generated from operations, issuance of revenue bonds, Commercial Paper notes, and other short-term obligations as determined by JEA.

The projected total capital expenditures for fiscal year 2010 are as follows:

|   | <u>In Millions</u> |
|---|--------------------|
| Electric Enterprise Fund (Electric System, SJRPP and Scherer) | \$ 322             |
| Water and Sewer Fund  | 101                |
| DES   | 1                  |

SJRPP and Plant Scherer are subject to joint ownership agreements. The estimated capital expenditures relating to these plants are included in the amounts above.

### ***Debt Administration***

Debt outstanding at September 30, 2009, was \$6.3 billion, an increase of \$100 million from the prior fiscal year. The amount was used in conjunction with capital investment programs.

Debt outstanding at September 30, 2008, was \$6.2 billion, an increase of \$500 million from the prior fiscal year. The amount was used in conjunction with capital investment programs.

JEA's debt ratings on its long-term debt as of September 2009 and 2008 were as follows:

|                           | 2009            |       |         |                        | 2008            |       |                        |
|---------------------------|-----------------|-------|---------|------------------------|-----------------|-------|------------------------|
|                           | Electric System | SJRPP | Scherer | Water and Sewer System | Electric System | SJRPP | Water and Sewer System |
| Senior debt:              |                 |       |         |                        |                 |       |                        |
| Fitch                     | AA-             | AA-   | AA-     | AA                     | AA-             | AA-   | AA                     |
| Standard & Poor's         | AA-             | AA-   | AA-     | AA-                    | AA-             | AA-   | AA-                    |
| Moody's Investors Service | Aa2             | Aa2   | Aa2     | Aa3                    | Aa2             | Aa2   | Aa3                    |
| Subordinated debt:        |                 |       |         |                        |                 |       |                        |
| Fitch                     | AA-             | —     | —       | AA                     | AA-             | —     | AA                     |
| Standard & Poor's         | A+              | —     | —       | AA-                    | A+              | —     | AA-                    |
| Moody's Investors Service | Aa3             | —     | —       | Aa3                    | Aa3             | —     | Aa3                    |

Also, at September 30, 2009 and 2008, the ratings on JEA's DES bonds were A+ from Fitch Ratings and Aa2 from Moody's Investors Service. These ratings reflect the direct pay letter of credit provided by State Street Bank and Trust Company.

## Setting of Rates

The Board of Directors (Board) approved Electric System rate increases, which became effective October 1, 2007, and for the next three-year fiscal year period. Electric retail base rate increases, for residential and small commercial customers was designed to increase revenues approximately 5.3% and 3.0%, for the fiscal years beginning October 1, 2009 and 2010. Electric retail base rates for large commercial and industrial rate classes were designed to increase base rate revenues 6.8% and 3.0% for the same respective fiscal years.

Effective July 1, 2008, with the approval of the Board, the fuel rate increased by \$15.00 per 1,000 kWh. Effective October 1, 2009, with the approval of the Board, the fuel rate decreased \$10.01 to \$44.16 per 1,000 kWh, which represents a 19.9% decrease from the current total fuel charge.

In May, 2009, the Board approved water and sewer rate structure changes and rate adjustments for four fiscal years 2010 through 2013 that will result in an overall rate increase of approximately 11.5% annually; the addition of an environmental charge for water, sewer and nonbulk reclaimed volume; and new service charges and adjustments to a limited number of existing service charges.

The consumption rate for chilled water related to the DES decreased from 11.68 cents per ton hour to 11.24 cents per ton hour, effective October 1, 2009. The consumption rate is variable and is modified similarly to the electric fuel charge.

## Requests for Information

The financial report is designed to provide a general overview of JEA's finances for all those with an interest in JEA's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Director of Accounting Services, JEA, 21 West Church Street, Jacksonville, Florida, 32202.

## FINANCIAL STATEMENTS

JEA

Balance Sheets

(In Thousands)

|  | September 30 |              |
|--|--------------|--------------|
|  | 2009         | 2008         |
| <b>Assets</b>  |              |              |
| Current assets:  |              |              |
| Cash and cash equivalents  | \$ 255,757   | \$ 167,289   |
| Investments  | 10,548       | 93           |
| Accounts and interest receivable, less allowance for doubtful<br>accounts of \$4,386 for 2009 and \$2,553 for 2008 | 230,771      | 237,989      |
| Inventories:   |              |              |
| Fuel   | 85,954       | 61,402       |
| Materials and supplies   | 71,519       | 73,615       |
| Total current assets   | 654,549      | 540,388      |
| Noncurrent assets:   |              |              |
| Restricted assets:   |              |              |
| Cash and cash equivalents  | 503,177      | 533,155      |
| Investments  | 308,849      | 191,649      |
| Accounts and interest receivable   | 8,542        | 4,067        |
| Total restricted assets  | 820,568      | 728,871      |
| Deferred costs   | 169,418      | 87,687       |
| Investment in The Energy Authority   | 8,078        | 7,610        |
| Costs to be recovered from future revenues   | 134,798      | 171,784      |
| Total noncurrent assets  | 1,132,862    | 995,952      |
| Capital assets:  |              |              |
| Land and easements   | 109,862      | 96,080       |
| Plant in service   | 9,564,569    | 8,931,386    |
| Less accumulated depreciation  | (3,324,088)  | (3,094,811)  |
| Plant in service, net  | 6,350,343    | 5,932,655    |
| Construction-in-progress   | 327,980      | 668,686      |
| Net capital assets   | 6,678,323    | 6,601,341    |
| Total assets   | \$ 8,465,734 | \$ 8,137,681 |

See accompanying notes.

## JEA

## Balance Sheets (continued)

*(In Thousands)*

|  | September 30 |              |
|--|--------------|--------------|
|  | 2009         | 2008         |
| <b>Liabilities and net assets</b>                        |              |              |
| Current liabilities:                                     |              |              |
| Accounts and accrued expenses payable                    | \$ 163,747   | \$ 144,389   |
| Customer deposits  | 44,297       | 38,560       |
| Total current liabilities                                | 208,044      | 182,949      |
| Current liabilities payable from restricted assets:      |              |              |
| Debt due within one year                                 | 224,402      | 200,780      |
| Interest payable   | 102,655      | 94,967       |
| Construction contracts and accounts payable              | 20,909       | 53,645       |
| Renewal and replacement reserve                          | 90,000       | 90,000       |
| Total current liabilities payable from restricted assets | 437,966      | 439,392      |
| Noncurrent liabilities:                                  |              |              |
| Deferred credits and other liabilities                   | 49,087       | 46,814       |
| Revenues to be used for future costs                     | 72,461       | 76,339       |
| Total noncurrent liabilities                             | 121,548      | 123,153      |
| Long-term debt:  |              |              |
| Bonds and commercial paper payable, less current portion | 6,120,701    | 6,003,100    |
| Unamortized premium (discount), net                      | 25,975       | 12,179       |
| Unamortized deferred losses on refundings                | (133,837)    | (141,745)    |
| Fair value of debt management strategy instruments       | 119,055      | 36,118       |
| Total long-term debt                                     | 6,131,894    | 5,909,652    |
| Net assets:  |              |              |
| Invested in capital assets, net of related debt          | 605,128      | 727,495      |
| Restricted   | 550,129      | 427,510      |
| Unrestricted   | 411,025      | 327,530      |
| Total net assets   | 1,566,282    | 1,482,535    |
| Total liabilities  | 6,899,452    | 6,655,146    |
| Total liabilities and net assets                         | \$ 8,465,734 | \$ 8,137,681 |

JEA

Statements of Revenues, Expenses, and Changes in Net Assets

(In Thousands)

|   | Year Ended September 30 |              |
|---|-------------------------|--------------|
|   | 2009                    | 2008         |
| Operating revenues:                             |                         |              |
| Electric  | \$ 1,525,966            | \$ 1,330,280 |
| Water and sewer                                 | 249,813                 | 248,115      |
| District Energy System                          | 6,914                   | 6,162        |
| Other   | 48,687                  | 48,863       |
| Total operating revenues                        | 1,831,380               | 1,633,420    |
| Operating expenses:                             |                         |              |
| Operations:                                     |                         |              |
| Fuel  | 617,485                 | 536,813      |
| Purchased power                                 | 101,811                 | 157,194      |
| Other   | 202,193                 | 213,251      |
| Maintenance                                     | 93,287                  | 97,820       |
| Depreciation                                    | 344,158                 | 326,301      |
| State utility and franchise taxes               | 72,127                  | 48,551       |
| Recognition of deferred costs and revenues, net | 33,108                  | 43,345       |
| Total operating expenses                        | 1,464,169               | 1,423,275    |
| Operating income                                | 367,211                 | 210,145      |
| Nonoperating revenues (expenses):               |                         |              |
| Earnings from The Energy Authority              | 4,088                   | 22,374       |
| Investment income                               | 23,463                  | 17,307       |
| Interest on debt                                | (264,701)               | (249,622)    |
| Other interest                                  | (72)                    | (451)        |
| Allowance for funds used during construction    | 12,708                  | 19,448       |
| Water and Sewer Expansion Authority             | (864)                   | (1,216)      |
| Gain (loss) on asset disposition                | (986)                   | 740          |
| Total nonoperating revenues (expenses)          | (226,364)               | (191,420)    |
| Income before contributions                     | 140,847                 | 18,725       |
| Contributions (to) from:                        |                         |              |
| General fund, City of Jacksonville              | (96,687)                | (94,188)     |
| Developers and other                            | 38,071                  | 47,471       |
| City of Jacksonville Better Jacksonville Plan   | 1,516                   | 2,857        |
| Total contributions                             | (57,100)                | (43,860)     |
| Change in net assets                            | 83,747                  | (25,135)     |
| Net assets, beginning of year                   | 1,482,535               | 1,507,670    |
| Net assets, end of year                         | \$ 1,566,282            | \$ 1,482,535 |

See accompanying notes.

JEA

Statements of Cash Flows

(In Thousands)

|   | Year Ended September 30 |              |
|---|-------------------------|--------------|
|   | 2009                    | 2008         |
| <b>Operating activities</b>                                   |                         |              |
| Receipts from customers                                       | \$ 1,787,028            | \$ 1,549,947 |
| Other receipts  | 44,278                  | 51,876       |
| Payments to suppliers   | (887,434)               | (855,942)    |
| Payments to employees   | (196,164)               | (199,463)    |
| Net cash provided by operating activities                     | 747,708                 | 546,418      |
| <b>Noncapital and related financing activities</b>            |                         |              |
| Contribution to General Fund, City of Jacksonville, Florida   | (96,479)                | (101,578)    |
| Contribution to Water & Sewer Expansion Authority – operating | (864)                   | (1,216)      |
| Net cash used in noncapital financing activities              | (97,343)                | (102,794)    |
| <b>Capital and related financing activities</b>               |                         |              |
| Acquisition and construction of capital assets                | (424,345)               | (587,020)    |
| Proceeds from issuance of debt, net                           | 939,688                 | 2,088,264    |
| Gain (loss) on disposal of capital assets                     | (986)                   | 740          |
| Defeasance of debt  | (624,059)               | (1,457,236)  |
| Repayment of debt principal                                   | (161,740)               | (129,193)    |
| Interest paid on debt   | (241,761)               | (243,483)    |
| Developer and other contributions                             | 20,867                  | 20,246       |
| City of Jacksonville Better Jacksonville Plan contributions   | 1,516                   | 2,857        |
| Proceeds from sale of property                                | 298                     | 982          |
| Net cash used in capital and related financing activities     | (490,522)               | (303,843)    |
| <b>Investing activities</b>                                   |                         |              |
| Purchases of investments                                      | (1,585,457)             | (3,036,491)  |
| Proceeds from sales and maturities of investments             | 1,469,638               | 3,030,106    |
| Investment income   | 10,846                  | 19,585       |
| Distributions from The Energy Authority                       | 3,620                   | 22,187       |
| Net cash provided by investing activities                     | (101,353)               | 35,387       |
| Net change in cash and cash equivalents                       | 58,490                  | 175,168      |
| Cash and cash equivalents at beginning of year                | 700,444                 | 525,276      |
| Cash and cash equivalents at end of year                      | \$ 758,934              | \$ 700,444   |

Continued on next page.

JEA

Statements of Cash Flows (continued)

(In Thousands)

|   | Year Ended September 30 |            |
|---|-------------------------|------------|
|   | 2009                    | 2008       |
| Reconciliation of operating income to net cash provided by operating activities:        |                         |            |
| Operating income  | \$ 367,211              | \$ 210,145 |
| Adjustments to reconcile operating income to net cash provided by operating activities: |                         |            |
| Depreciation and amortization   | 344,820                 | 326,909    |
| Recognition of deferred costs and revenues, net   | 33,108                  | 43,345     |
| Changes in noncash assets and noncash liabilities:                                      |                         |            |
| Accounts and interest receivable  | 6,083                   | (32,145)   |
| Accounts and interest receivable, restricted  | (4,409)                 | 3,013      |
| Inventories   | (22,459)                | (6,089)    |
| Other   | 829                     | (1,241)    |
| Accounts and accrued expenses payable   | 23,298                  | 8,806      |
| Liabilities payable from restricted assets  | (5,320)                 | (8,874)    |
| Deferred credits and other liabilities  | 4,547                   | 2,549      |
| Net cash provided by operating activities   | \$ 747,708              | \$ 546,418 |
| Noncash activity:   |                         |            |
| Contribution of capital assets from developers  | \$ 17,204               | \$ 27,225  |

See accompanying notes.

JEA

Notes to Financial Statements

September 30, 2009

*(Dollars In Thousands)*

**1. Summary of Significant Accounting Policies and Practices**

***(a) Reporting Entity***

JEA (formerly known as the Jacksonville Electric Authority) is currently organized into three enterprise funds – the Electric Enterprise Fund, the Water and Sewer Fund, and the District Energy System (DES). The Electric Enterprise Fund is comprised of the Electric System, the Bulk Power Supply System, which consists of Scherer Unit 4, a coal-fired, 846-megawatt generating unit operated by Georgia Power Company and owned by JEA (23.64% ownership interest) and Florida Power & Light Company (FPL) (76.36% ownership interest); St. Johns River Power Park System (SJRPP), which has two coal-fired generating units (638 net megawatts each) jointly owned and operated by JEA (80% ownership interest) and FPL (20% ownership interest). The Water and Sewer Fund consists of Water and Sewer System activities. The DES consists of chilled water activities. These financial statements include JEA's ownership interests in the Bulk Power Supply System and SJRPP. Separate accounting records are currently maintained for each system. The following information relates to JEA's ownership of the respective plants as of September 30, 2009 and 2008:

|                                      | <b>2009</b>       | <b>2008</b> |
|--------------------------------------|-------------------|-------------|
| Bulk Power Supply System:            |                   |             |
| Capital assets, net                  | \$ <b>125,787</b> | \$ 87,502   |
| Inventory                            | <b>5,364</b>      | 7,668       |
| Revenues to be used for future costs | <b>72,461</b>     | 76,339      |
| SJRPP:                               |                   |             |
| Capital assets, net                  | <b>798,705</b>    | 792,817     |
| Current assets                       | <b>147,277</b>    | 124,135     |
| Restricted assets                    | <b>389,706</b>    | 388,616     |
| Other noncurrent assets              | <b>143,268</b>    | 180,402     |
| Long-term debt                       | <b>1,163,733</b>  | 1,195,206   |
| Other liabilities                    | <b>275,920</b>    | 273,521     |

The Electric Enterprise Fund, Water and Sewer Fund, and the DES are governed by the Board Members of JEA (Board). The Board is responsible for setting rates based on operating and maintenance expenses and debt service of the respective operations. The operations of the Bulk Power Supply System and SJRPP are subject to joint ownership agreements and rates are established on a cost of service basis, including operating and maintenance expenses and debt service. See note 1 (q).

## JEA

### Notes to Financial Statements (continued)

*(Dollars In Thousands)*

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

##### ***(b) Basis of Accounting***

JEA consists of the Electric Enterprise Fund, the Water and Sewer Fund, and the District Energy System. The Electric Enterprise Fund includes the operations of the Electric System, the Bulk Power Supply System, and SJRPP. JEA is presenting financial statements combined for the three funds. JEA uses the accrual basis of accounting for its operations and has adopted the uniform system of accounts prescribed by the Federal Energy Regulatory Commission for the Electric Enterprise Fund and the National Association of Regulatory Utility Commissioners for the Water and Sewer Fund. The investments in The Energy Authority (TEA) and Coletric Partners, Inc. (Coletric) are recorded on the equity method.

The financial statements have been prepared in conformity with the Governmental Accounting Standards Board (GASB) codification which defines JEA as a component unit of the City of Jacksonville, Florida (the City). Accordingly, the financial statements of JEA are included in the Comprehensive Annual Financial Report of the City. JEA has elected to apply all Accounting Standards Codifications (ASC) except for those that conflict with GASB pronouncements in accordance with GASB Cod. Sec. P80 *Proprietary Fund Accounting & Financial Reporting*. Both SJRPP and the Bulk Power Supply System follow ASC Section 980-10 Regulated Operations. This section allows utilities to capitalize or defer certain costs or revenues based on management's ongoing assessment that it is probable these items will be recovered through the rate making process.

If JEA no longer applied ASC Section 980-10 due to competition, regulatory changes, or other reasons, JEA would make certain adjustments that would include the write-off of all or a portion of its regulatory assets and liabilities, the evaluation of utility plant, recognition of losses, if necessary, to reflect market conditions. Management believes that JEA currently meets the criteria for continued application of ASC Section 980-10 with respect to SJRPP and the Bulk Power Supply System, but will continue to evaluate significant changes in the regulatory and competitive environment to assess the ability to apply ASC Section 980-10.

## JEA

### Notes to Financial Statements (continued)

*(Dollars In Thousands)*

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

JEA presents its financial statements in accordance with the GASB codification which established standards for external financial reporting for all state and local governmental entities that includes a statement of net assets or balance sheet, a statement of revenues, expenses, and changes in net assets, and a statement of cash flows. It requires the classification of net assets into three components – invested in capital assets, net of related debt, restricted, and unrestricted. These classifications are defined as follows:

- Invested in capital assets, net of related debt – consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any debt that is attributable to those assets and increased/reduced by costs to be recovered from future revenues or revenues to be used for future costs.
- Restricted – consists of assets that have constraints placed upon their use through external constraints imposed either by creditors (such as through debt covenants) or through laws, regulations, or constraints imposed by law through constitutional provisions or enabling legislation, reduced by any liabilities to be paid from these assets.
- Unrestricted – consists of net assets that do not meet the definition of restricted or invested in capital assets, net of related debt.

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

#### ***(c) Revenues***

Operating revenues are defined as revenues generated from the sale of primary products or services through normal business operations. Nonoperating revenues include investment income and earnings from investments recorded on the equity method.

Operating revenues reported in the statements of revenues, expenses, and changes in net assets are shown net of discounts and estimated allowances for bad debts. Discounts and allowances totaled \$46,727 in fiscal year 2009 and \$38,243 in fiscal year 2008. Electric Enterprise and Water and Sewer Fund revenues are recorded as earned. JEA earned 10.3% of its electric revenue from electricity sold to FPL in fiscal years 2009 and 2008. Operating revenues include amounts estimated for unbilled services provided during the reporting period of \$76,089 in 2009 and \$79,524 in 2008.

JEA

Notes to Financial Statements (continued)

*(Dollars In Thousands)*

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

***(d) Capital Assets***

Utility plant represents four classes of capital assets – real property, tangible property, tangible personal property equal to or greater than \$1,000 each, and intangible property. All capital assets are recorded at historical cost and must have a useful life greater than one year. The costs of capital asset additions and replacements are capitalized. The costs of capital projects include direct labor and benefits of JEA employees working on capital projects and an allocation of overhead from certain JEA departments. Maintenance and replacements of minor items are charged to operating expenses. The cost of depreciable plant retired is removed from the capital asset accounts, and such cost plus removal expense less salvage value is charged to accumulated depreciation.

SJRPP is required by its bond resolution to deposit certain amounts in a renewal and replacement fund. These amounts are then required to be expended on capital expenditures to maintain and improve the system. The Electric Enterprise Fund records the amounts deposited in the fund as a purchased power expense when deposited. The purchase of capital assets funded from the renewal and replacement fund are not capitalized by SJRPP.

***(e) Allowance for Funds Used During Construction***

An allowance for funds used during construction (AFUDC) is included in construction work-in-progress and as a reduction of interest expense. JEA capitalizes interest on construction projects financed with revenue bonds, commercial paper, and renewal and replacement funds in accordance with ASC *Topic 835-20 Capitalization of Interest*. The average AFUDC rate for the Electric Enterprise Fund fixed and variable rate debt was 3.4% for fiscal year 2009 and 3.8% for fiscal year 2008. The average AFUDC rate for the Water and Sewer Fund fixed and variable rate debt was 3.9% for fiscal year 2009 and 4.0% for fiscal year 2008. The average AFUDC rate for the DES variable rate debt was 2.5% for fiscal year 2009 and 3.2% for fiscal year 2008. The amount capitalized is the interest cost of the debt less any interest earned on investment of debt proceeds from the date of the borrowing until the assets are placed in service. Total interest incurred was \$264,773 for fiscal year 2009 and \$250,073 for fiscal year 2008. Interest expense of \$12,708 and investment income on bond proceeds of \$223 was capitalized in accordance with ASC Topic 835-20 during fiscal year 2009. Interest expense of \$19,448 and investment income on bond proceeds of \$4,005 was capitalized in accordance with ASC Topic 835-20 during fiscal year 2008.

JEA

Notes to Financial Statements (continued)

*(Dollars In Thousands)*

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

***(f) Depreciation***

Depreciation of capital assets, all of which is charged to operations, is computed on a straight-line basis at rates based upon the estimated service lives of the various property classes. The effective rate of depreciation based upon average depreciable plant in service balance was 3.7% for fiscal year 2009 and 3.8% for fiscal year 2008. The average depreciable life of the depreciable capital assets for the Electric System is 24.3 years as of September 30, 2009, and 23.4 years as of September 30, 2008. The average depreciable life of the depreciable capital assets for the Water and Sewer Fund is 28.2 years as of September 30, 2009, and 28.0 years as of September 30, 2008. The average depreciable life of the depreciable capital assets for the DES is 26.2 years as of September 30, 2009, and 25.4 years as of September 30, 2008.

***(g) Amortization***

Amortization of debt issue costs and bond discounts and premiums is computed on a straight-line basis, which approximates the effective interest method over the remaining term of the outstanding bonds.

***(h) Losses on Refundings***

Losses on refundings of JEA revenue bonds are deferred and amortized as a component of interest on debt using the straight-line method over the remaining life of the old debt or the new debt, whichever is shorter. Unamortized deferred losses on refundings are reported as a reduction of long-term debt on the balance sheets. Whereas JEA has incurred accounting losses on refundings, calculated as the difference between the net carrying value of the refunded and the refunding bonds, JEA has over time realized economic gains calculated as the present value difference in the future debt service on the refunded and refunding bonds.

***(i) Investments***

Investments in U.S. Treasury, government agency, and state and local government securities are recorded at fair value, as determined by quoted market prices. Investments in local government investment pools, money market mutual funds, and commercial paper are recorded at cost, which approximates fair value.

***(j) Cash and Cash Equivalents***

For purposes of reporting cash flows, cash and cash equivalents include cash on hand, bank demand accounts, local government investment pools, money market mutual funds, and short-term liquid investments purchased with an original maturity of 90 days or less.

JEA

Notes to Financial Statements (continued)

*(Dollars In Thousands)*

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

***(k) Interest Rate Swap Agreements***

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

In 2008, JEA early implemented GASB Cod. Sec. D40 *Derivative Instruments*, and applies hedge accounting where applicable for effective hedging instruments. For effective hedging instruments, the changes in fair value are recorded as deferred outflows and inflows and are included on the balance sheet in noncurrent assets and liabilities. For ineffective hedging instruments or investment derivatives, the changes in fair value are recorded on the income statement as an adjustment to investment income.

Under JEA's interest rate swap programs, JEA either pays a variable rate of interest, which is based on various indices, and receives a fixed rate of interest for a specified period of time (unless earlier terminated), or JEA pays a fixed rate of interest and receives a variable rate of interest, which is based on various indices for a specified period of time (unless earlier terminated). These indices are affected by changes in the market. The net amounts received or paid under the swap agreements are recorded either as an adjustment to investment income (asset management) or interest on debt (debt management) in the statements of revenues, expenses, and changes in net assets. No money is initially exchanged when JEA enters into a new interest rate swap transaction. See note 3 for more information on JEA's asset management interest rate swap program and note 7 for more information on JEA's debt management interest rate swap program.

***(l) Inventory***

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

JEA

Notes to Financial Statements (continued)

*(Dollars In Thousands)*

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

***(m) Fuel Management Program***

In connection with the purchase of oil and natural gas, JEA has developed and implemented a fuel management program intended to manage the risk of changes in the market prices of oil and natural gas. Pursuant to this program, JEA may execute fixed price and options contracts from time to time to help manage fluctuations in the market prices of oil and natural gas. In addition, JEA has executed an Operating Agreement with TEA whereby TEA may be tasked with developing and implementing a Fuel Price Insurance program on behalf of JEA. The fair value of such contracts, executed either by JEA or TEA on behalf of JEA, are recorded at fair value on the balance sheet as they have been determined to qualify for hedge accounting under GASB Cod. Sec. D40. Such amounts are included in noncurrent assets and liabilities. Any associated margin deposits are recorded in noncurrent assets. The net amounts received or paid under the expired or closed fuel contracts are recorded as an adjustment to fuel expense. See note 10.

***(n) Capital Contributions***

Capital contributions for the Water and Sewer Fund represent contributions of cash and capital assets from the City, developers, customers, and other third parties. Capital contributions are recorded in the statement of revenues, expenses, and changes in net assets at fair value at the time of receipt. Depreciation is recorded on contributed capital assets on a straight-line basis.

***(o) Deferred Credits and Other Liabilities***

Deferred credits and other liabilities include long-term compensated absences, accrued pollution remediation obligations, and other post-employment benefit liabilities. See note 13 and note 14.

***(p) Pollution Remediation Obligations***

In 2009, JEA implemented GASB Cod. Sec. P40 *Pollution Remediation Obligations*. The section provides clarification as to what is included in the liability, how it is recognized and the measurement of such liabilities. The effect of this implementation is included on the statements of revenues, expenses, and changes in net assets in operating expenses and on the balance sheet in noncurrent liabilities. See note 14 for further discussion.

JEA

Notes to Financial Statements (continued)

(Dollars In Thousands)

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

***(q) Costs to be Recovered From Future Revenues/Revenues to be Used for Future Costs***

**Cost-based Regulation** — Due to the application of ASC 980-10, the Bulk Power Supply System and SJRPP record certain assets and liabilities that result from the effects of the rate-making process that would not be recorded under generally accepted accounting principles for nonregulated entities. Currently, the electric utility industry is predominantly regulated on a basis designed to recover the cost of providing electric power to its customers. If cost-based regulation were to be discontinued in the electric industry for any reason, market prices for electricity could be reduced or increased, and utilities might be required to reduce their balance sheet amounts to reflect market conditions.

Discontinuance of cost-based regulation could also require affected utilities to write off their associated regulatory assets and liabilities. Management cannot predict the potential impact, if any, of the change in the regulatory environment on JEA's future financial position and results of operations.

The rates for SJRPP and the Bulk Power Supply System are established on a cost of service basis, which is based upon debt service, if any, and operating fund requirements. Straight-line depreciation is not considered in the cost of service calculation used to design rates.

**Costs to be Recovered From Future Revenues** — The deferred debt-related costs of \$134,798 at September 30, 2009, and \$171,784 at September 30, 2008, are the result of differences between expenses in determining rates and those used in financial reporting and are shown under other noncurrent assets on the balance sheet. SJRPP has a contract with the JEA Electric System and FPL to recover these costs from future revenue that will coincide with retirement of long-term debt of SJRPP. The amount recovered each year will be the difference between debt principal maturities (adjusted for the effects of premiums, discounts, and amortization of gains and losses) and straight-line depreciation and results in recognition of deferred costs on the statement of revenues, expenses, and changes in net assets. SJRPP recognized \$36,986 in fiscal year 2009 and \$47,223 in fiscal year 2008, in deferred costs. The costs to be recovered from future revenues will be recovered over a period extending through 2039.

**Revenues to be Used for Future Costs** — Early debt principal retirements of the Bulk Power Supply System in excess of straight-line depreciation of \$72,461 at September 30, 2009, and \$76,339 at September 30, 2008, are included in noncurrent liabilities on the balance sheets. The Bulk Power Supply System recognized revenue of \$3,878 for both fiscal years 2009 and 2008. The revenues to be used for future costs will be amortized until the capital assets are fully depreciated in 2028.

Summary:

Recognition of deferred costs from SJRPP  
 Recognized revenues from Bulk Power Supply System  
 Recognition of deferred costs and revenues, net

|  | 2009             | 2008             |
|--|------------------|------------------|
|  | \$ 36,986        | \$ 47,223        |
|  | (3,878)          | (3,878)          |
|  | <u>\$ 33,108</u> | <u>\$ 43,345</u> |

JEA

Notes to Financial Statements (continued)

*(Dollars In Thousands)*

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

***(r) Pervasiveness of Estimates***

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

***(s) Reclassifications***

Certain 2008 amounts have been reclassified to conform to the 2009 presentation.

***(t) Recent Accounting Pronouncements***

The GASB has issued Statement No. 51 *Accounting and Financial Reporting for Intangible Assets* for periods beginning after June 15, 2009 and *Fund Balance Reporting and Governmental Type Definitions* No. 54 for periods beginning after June 2010. These statements will be codified in Cod. Sec. 1400 and Cod. Sec. 1300 and 1800, respectively. Management is currently assessing the impact of these statements; however, they are not expected to have a material effect on JEA's financial statements.

JEA

Notes to Financial Statements (continued)

*(Dollars In Thousands)*

**2. Restricted Assets**

Restricted assets were held in the following funds at September 30, 2009 and 2008:

|   | <b>2009</b>       | <b>2008</b> |
|---|-------------------|-------------|
| Electric System:                        |                   |             |
| Sinking Fund                            | \$ 82,738         | \$ 70,655   |
| Construction Fund                       | 60,443            | 69,455      |
| Debt Service Reserve Fund               | 59,662            | 33,727      |
| Renewal and Replacement Fund            | 67,697            | 17,448      |
| Adjustment to fair value of investments | 581               | (632)       |
| Total Electric System                   | <b>271,121</b>    | 190,653     |
| SJRPP System:                           |                   |             |
| Sinking Fund                            | 129,630           | 125,819     |
| Construction Fund                       | 12,741            | 20,150      |
| Debt Service Reserve Fund               | 145,972           | 142,463     |
| Renewal and Replacement Fund            | 90,000            | 90,000      |
| Revenue Fund                            | 5,885             | 13,149      |
| Adjustment to fair value of investments | 5,478             | (2,965)     |
| Total SJRPP System                      | <b>389,706</b>    | 388,616     |
| Water and Sewer System:                 |                   |             |
| Sinking Fund                            | 60,696            | 57,826      |
| Debt Service Reserve Fund               | 54,356            | 20,879      |
| Construction Fund                       | 28,308            | 47,671      |
| Renewal and Replacement Fund            | 11,130            | 20,225      |
| Revenue Fund                            | 1,207             | 1,232       |
| Adjustment to fair value of investments | 1,473             | (730)       |
| Total Water and Sewer System            | <b>157,170</b>    | 147,103     |
| DES:                                    |                   |             |
| Sinking Fund                            | 15                | 143         |
| Construction Fund                       | —                 | 244         |
| Renewal and Replacement Fund            | 2,556             | 2,112       |
| Total DES                               | <b>2,571</b>      | 2,499       |
| Total restricted assets                 | <b>\$ 820,568</b> | \$ 728,871  |

## JEA

### Notes to Financial Statements (continued)

*(Dollars In Thousands)*

#### 2. Restricted Assets (continued)

The Electric System, SJRPP System, Water and Sewer System, and the DES are permitted to invest restricted funds in specified types of investments in accordance with their bond resolutions and the investment policy.

The requirements of the respective bond resolutions for contributions to the respective systems' renewal and replacement funds are as follows:

|                           |   |
|---------------------------|---|
| Electric System:          | An amount equal to the greater of 10% of the prior year defined net revenues or 5% of the prior year defined gross revenues.        |
| SJRPP System:             | An amount equal to 12.5% of aggregate debt service, as defined.   |
| Water and Sewer System:   | An amount equal to the greater of 10% of the prior year defined annual net revenues or 5% of the prior year defined gross revenues. |
| DES:                      | An amount equal to the greater of 10% of the prior year defined annual net revenues or 5% of the prior year defined revenues.       |
| Bulk Power Supply System: | An amount equal to 12.5% of aggregate debt service, as defined.   |

#### 3. Cash and Investments

JEA maintains cash and investment pools that are utilized by all funds except for the bond funds. Included in the JEA cash balances are amounts on deposit with JEA's commercial bank, as well as amounts held in various money market funds as authorized in the JEA Investment Policy. The commercial bank balances are covered by federal depository insurance or collateralized subject to the Florida Security for Public Deposits Act of Chapter 280, *Florida Statutes*. Amounts subject to Chapter 280, *Florida Statutes*, are collateralized by securities deposited by JEA's commercial bank under certain pledging formulas with the State Treasurer or other qualified custodians. On October 3, 2008, it was announced that JEA's commercial bank, Wachovia Bank, N.A., will merge with Wells Fargo Bank, N.A. Wachovia Bank, N.A. remains a qualified public depositor until the merger is completed; upon finally completing the merger, Wells Fargo Bank, N.A. will become a qualified public depositor under Chapter 280, *Florida Statutes*, assuming all collateral requirements and contingent liabilities of Wachovia Bank, N.A. are met as required by the State of Florida.

JEA follows GASB Cod. Sec. 150 *Investments*, which requires the adjustments of the carrying value of investments to fair value to be presented as a component of investment income. Investments are presented at fair value, which is based on available or equivalent market values. The money market mutual funds are 2a-7 funds registered with the SEC, and therefore are presented at actual pooled share price, which approximates fair value.

JEA

Notes to Financial Statements (continued)

(Dollars In Thousands)

**3. Cash and Investments (continued)**

The Local Government Surplus Funds Trust Fund Investment Pool (the Pool), created by Section 218.405, *Florida Statutes*, is administered by the State Board of Administration, under the regulatory oversight of the State of Florida, Chapter 19-7 of the Florida Administrative Code. In November 2007, the Pool encountered difficulty in meeting increased cash withdrawals from various investors due to a portion of its investments being held in downgraded securities. On December 4, 2007, based on recommendations from an outside financial advisor, the State Board of Administration restructured the Pool into two separate pools: Pool A, which consisted of all money market appropriate assets (and was approximately 86% of Pool assets); and Pool B, which consisted of assets that had actual or perceived credit or liquidity risk (and was approximately 14% of Pool assets). At the time of the restructuring, all pool participants had their existing balances proportionately allocated into Pool A and Pool B.

A "2a-7 like pool" is not registered with the SEC as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940, which comprises the rules governing money market funds. A 2a-7 like pool, in accordance with GASB Cod. Sec. 150, is presented at its actual pooled share price. Currently, Pool B participants are prohibited from withdrawing any amount from Pool B. As payments are received from the assets in Pool B, cash is transferred periodically to Pool A and participants may withdraw such distributions. Therefore, as Pool B does not operate a 2a-7 like pool. JEA has classified the balance of Pool B at September 30, 2009 and 2008, as an investment for balance sheet purposes at fair value. As of September 30, 2009 and 2008, JEA had \$0 invested in Pool A.

At September 30, 2009 and 2008, the fair value of all securities, regardless of balance sheet classification as cash equivalent or investment, was as follows:

|  | 2009       | 2008       |
|--|------------|------------|
| Securities:                                    |            |            |
| U.S. Treasury and government agency securities | \$ 158,032 | \$ 137,084 |
| State and local government securities          | 190,410    | 117,476    |
| Commercial paper                               | 114,595    | 122,983    |
| Local government investment pool               | 1,880      | 3,512      |
| Investment in money market mutual funds        | 334,595    | 448,343    |
| Total securities, at fair value                | \$ 799,512 | \$ 829,398 |

JEA

Notes to Financial Statements (continued)

(Dollars In Thousands)

**3. Cash and Investments (continued)**

These securities are held in the following accounts:

|                                 | 2009       | 2008       |
|---------------------------------|------------|------------|
| Restricted assets:              |            |            |
| Cash and cash equivalents       | \$ 503,177 | \$ 533,155 |
| Investments                     | 308,849    | 191,649    |
| Current assets:                 |            |            |
| Cash and cash equivalents       | 255,757    | 167,289    |
| Investments                     | 10,548     | 93         |
| Total cash and investments      | 1,078,331  | 892,186    |
| Plus interest due on securities | 2,370      | 2,385      |
| Less cash on deposit            | (281,189)  | (65,173)   |
| Total securities, at fair value | \$ 799,512 | \$ 829,398 |

JEA is authorized to invest in securities as described in its investment policy and in each bond resolution. As of September 30, 2009, JEA's investments in securities and their maturities are categorized below in accordance with GASB Cod. Sec. C20 *Cash Deposits with Financial Institutions* and GASB Cod. Sec. I50 *Investments*. It is assumed that callable investments will not be called. Puttable securities are presented as investments with a maturity of less than one year.

**Investment Maturity Distribution**

| Type of Investments                            | Less than One Year | One to Five Years | Five to Ten Years | Ten to Twenty-five Years | Total      |
|--|--------------------|-------------------|-------------------|--------------------------|------------|
| U.S. Treasury and government agency securities | \$ 80,728          | \$ 11,601         | \$ 15,638         | \$ 50,065                | \$ 158,032 |
| State and local government securities          | 70,028             | 7,571             | 26,876            | 85,935                   | 190,410    |
| Commercial paper                               | 114,595            | —                 | —                 | —                        | 114,595    |
| Local government investment pool               | —                  | 1,880             | —                 | —                        | 1,880      |
| Investment in money market mutual funds        | 334,595            | —                 | —                 | —                        | 334,595    |
| Total securities, at fair value                | \$ 599,946         | \$ 21,052         | \$ 42,514         | \$ 136,000               | \$ 799,512 |

## JEA

### Notes to Financial Statements (continued)

*(Dollars In Thousands)*

#### 3. Cash and Investments (continued)

**Interest Rate Risk.** As a means of limiting its exposure to fair value losses arising from rising interest rates, JEA's investment policy requires the investment portfolio to be structured in such a manner as to provide sufficient liquidity to pay obligations as they come due. To the extent possible, investment maturities are matched with known cash needs and anticipated cash flow requirements. Additionally, maturity limitations for investments related to the issuance of debt are outlined in the Bond Resolution relating to those bond issues. JEA's investment policy also limits investments in commercial paper to maturities of less than nine months.

**Credit Risk.** JEA's investment policy is consistent with the requirements for investments of state and local governments contained in the *Florida Statutes* and its objectives are to seek reasonable income, preserve capital, and avoid speculative investments. Consistent with JEA's investment policy and bond resolutions: (1) all of the U.S. government agency securities held in the portfolio are issued or guaranteed by agencies created pursuant to an Act of Congress as an agency of the United States of America and at the time of their purchase were rated AAA by Standard & Poor's and Aaa by Moody's Investors Services; and (2) the state and local government securities were rated at least AA- by Standard & Poor's and Aa3 by Moody's Investors Services at the time of their purchase; and (3) the money market mutual funds are rated AAA by Standard & Poor's Investors Services or Aaa by Moody's Investors Services. Pool B of the Local Government Surplus Funds Trust Fund is unrated. JEA's investment policy limits investments in commercial paper to the highest whole rating category issued by at least two nationally recognized rating agencies, and the issuer must be a Fortune 500 company or Fortune Global 500 company and the ratings outlook must be positive or stable at the time of the investment. As of September 30, 2009, JEA's investments in commercial paper were rated at least A-1 by Standard & Poor's and P-1 by Moody's Investors Services. Also, JEA's investment policy limits the commercial paper investment in any one issuer to \$12,500. Additionally, JEA's investment policy limits investments in commercial paper to 20% of the total investment portfolio regardless of balance sheet classification as cash equivalent or investment. As of September 30, 2009, JEA had 14.3% of its investments in commercial paper.

**Custodial Credit Risk.** For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, JEA will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All of JEA's investments are held by JEA or by an agent in JEA's name. Repurchase agreements must be collateralized by U.S. Treasury or U.S. government agency securities, or cash, and the market value of the securities must be at least 103% of the agreement amount in the case of the First SJRPP Bond Resolution and 102% for the Electric System, Water and Sewer System, or the Second SJRPP Bond Resolution.

**Concentration of Credit Risk.** As of September 30, 2009, investments in any one issuer representing 5% or more of JEA's investments included \$74,778 (9.4%) invested in issues of the Federal Home Loan Bank, \$53,957 (6.7%) invested in issues of the Florida State Board of Education, and \$44,800 (5.6%) invested in issues of the Federal Farm Credit Bank. JEA's investment policy limits the maximum holding of any one U.S. government agency issuer to 35% of total investments regardless of balance sheet classification as cash equivalent or investment. Other than investments in U.S. Treasury securities or U.S. Treasury money market funds, JEA's investment policy limits the percentage of the total investment portfolio (regardless of balance sheet classification as cash equivalent or investment) that may be held in various security types. As of September 30, 2009, investments in all security types were within the allowable policy limits.

JEA

Notes to Financial Statements (continued)

*(Dollars In Thousands)*

**3. Cash and Investments (continued)**

**Asset Management Interest Rate Swaps**

There were no asset management interest rate swap agreements outstanding for Water and Sewer System at September 30, 2009 and 2008.

For asset management purposes, JEA had entered into an interest rate swap agreement with a total notional amount of \$25,000 for the Electric System that expired during fiscal year 2008. The notional amount of the interest rate swap is not reflected in the financial statements; however, the fair value of the asset management interest rate swaps was included in investments on the balance sheets. In accordance with GASB Cod. Sec. D40 (See note 7), which classifies JEA's asset management interest rate swaps as investments, derivative instruments for financial reporting purposes where the related swap earnings, losses, and related fair market value adjustments are recorded to investment income in the statements of revenues, expenses, and changes in net assets.

The below table includes information related to the Electric System asset management swap agreement for the years ending September 30, 2008:

|  | <b>2008</b> |
|--|-------------|
| LIBOR Index:                           |             |
| Notional amount outstanding            | \$ —        |
| Variable rate paid (weighted average)  | 4.2%        |
| Fixed rate received (weighted average) | 3.1%        |
| Net swap earnings <sup>(1)</sup>       | \$ 108      |
| Fair value                             | \$ —        |
| Change in fair value                   | \$ 338      |

(1) Includes related fair market value adjustments.

## JEA

## Notes to Financial Statements (continued)

*(Dollars In Thousands)***4. Capital Assets**

Capital asset activity for the year ended September 30, 2009, is as follows:

|   | <b>Balance<br/>September 30,<br/>2008</b> | <b>Additions</b> | <b>Retirements</b> | <b>Transfers/<br/>Adjustments</b> | <b>Balance<br/>September 30,<br/>2009</b> |
|---|---|------------------|--------------------|-----------------------------------|---|
| Electric Enterprise Fund:                                     |   |                  |                    |                                   |   |
| Generation assets   | \$ 2,914,711                              | \$ 342,061       | \$ (8,844)         | \$ 66                             | \$ 3,247,994                              |
| Transmission assets   | 428,320                                   | 48,712           | (3,830)            | -                                 | 473,202                                   |
| Distribution assets   | 1,476,395                                 | 66,992           | (7,535)            | -                                 | 1,535,852                                 |
| Other assets  | 502,704                                   | 100,687          | (42,413)           | (66)                              | 560,912                                   |
| Total capital assets  | 5,322,130                                 | 558,452          | (62,622)           | -                                 | 5,817,960                                 |
| Less: accumulated depreciation and amortization               | (2,138,279)                               | (212,283)        | 73,586             | 47                                | (2,276,929)                               |
| Land  | 60,116                                    | 3,725            | -                  | -                                 | 63,841                                    |
| Construction work-in-process                                  | 506,849                                   | 71,907           | (361,183)          | -                                 | 217,573                                   |
| Net capital assets  | 3,750,816                                 | 421,801          | (350,219)          | 47                                | 3,822,445                                 |
| Water and Sewer Fund:   |   |                  |                    |                                   |   |
| Pumping assets  | 367,060                                   | 30,286           | (3,665)            | (1,138)                           | 392,543                                   |
| Treatment assets  | 500,968                                   | (11,839)         | (7,172)            | (1,527)                           | 480,430                                   |
| Transmission and distribution assets                          | 956,952                                   | 25,917           | (5,771)            | 18                                | 977,116                                   |
| Collection assets   | 1,261,553                                 | 64,786           | (3,003)            | 8                                 | 1,323,344                                 |
| Reclaimed water assets  | 68,464                                    | 38,430           | (7)                | (604)                             | 106,283                                   |
| General and other assets                                      | 391,314                                   | 43,819           | (20,908)           | 3,243                             | 417,468                                   |
| Total capital assets  | 3,546,311                                 | 191,399          | (40,526)           | -                                 | 3,697,184                                 |
| Less: accumulated depreciation                                | (951,363)                                 | (129,063)        | 40,526             | (47)                              | (1,039,947)                               |
| Land  | 35,724                                    | 7,246            | -                  | -                                 | 42,970                                    |
| Construction work-in-process                                  | 172,598                                   | 119,135          | (181,441)          | -                                 | 110,292                                   |
| Net capital assets  | 2,803,270                                 | 188,717          | (181,441)          | (47)                              | 2,810,499                                 |
| DES:  |   |                  |                    |                                   |   |
| Chilled water plant assets                                    | 51,890                                    | (2,465)          | -                  | -                                 | \$49,425                                  |
| Total capital assets  | 51,890                                    | (2,465)          | -                  | -                                 | 49,425                                    |
| Less: accumulated depreciation                                | (5,169)                                   | (2,043)          | -                  | -                                 | (7,212)                                   |
| Land  | 240                                       | 2,811            | -                  | -                                 | 3,051                                     |
| Construction work-in-process                                  | 294                                       | (179)            | -                  | -                                 | 115                                       |
| Net capital assets  | 47,255                                    | (1,876)          | -                  | -                                 | 45,379                                    |
| Total Electric Enterprise Fund, Water and Sewer Fund, and DES | \$ 6,601,341                              | \$ 608,642       | \$ (531,660)       | \$ -                              | \$ 6,678,323                              |

JEA

Notes to Financial Statements (continued)

(Dollars In Thousands)

**4. Capital Assets (continued)**

Capital asset activity for the year ended September 30, 2008, is as follows:

|   | Balance<br>September 30,<br>2007 | Additions  | Retirements | Transfers/<br>Adjustments | Balance<br>September 30,<br>2008 |
|---|----------------------------------|------------|-------------|---------------------------|----------------------------------|
| Electric Enterprise Fund:                                     |                                  |            |             |                           |                                  |
| Generation assets   | \$ 2,829,773                     | \$ 44,676  | \$ 44,239   | \$ (3,977)                | \$ 2,914,711                     |
| Transmission assets   | 412,005                          | 18,729     | (2,414)     | -                         | 428,320                          |
| Distribution assets   | 1,334,137                        | 175,009    | (32,687)    | (64)                      | 1,476,395                        |
| Other assets  | 460,713                          | 53,187     | (11,196)    | -                         | 502,704                          |
| Total capital assets  | 5,036,628                        | 291,601    | (2,058)     | (4,041)                   | 5,322,130                        |
| Less: accumulated depreciation and amortization               | (1,945,207)                      | (202,726)  | 10,623      | (969)                     | (2,138,279)                      |
| Land  | 57,477                           | 2,639      | -           | -                         | 60,116                           |
| Construction work-in-process                                  | 363,595                          | 143,254    | -           | -                         | 506,849                          |
| Net capital assets  | 3,512,493                        | 234,768    | 8,565       | (5,010)                   | 3,750,816                        |
| Water and Sewer Fund:   |                                  |            |             |                           |                                  |
| Pumping assets  | 361,733                          | 6,227      | (900)       | -                         | 367,060                          |
| Treatment assets  | 462,618                          | 38,602     | (252)       | -                         | 500,968                          |
| Transmission and distribution assets                          | 841,873                          | 116,523    | (1,444)     | -                         | 956,952                          |
| Collection assets   | 1,146,190                        | 116,428    | (1,065)     | -                         | 1,261,553                        |
| Reclaimed water assets  | 51,076                           | 17,388     | -           | -                         | 68,464                           |
| General and other assets                                      | 374,939                          | 16,658     | (283)       | -                         | 391,314                          |
| Total capital assets  | 3,238,429                        | 311,826    | (3,944)     | -                         | 3,546,311                        |
| Less: accumulated depreciation                                | (833,440)                        | (121,867)  | 3,944       | -                         | (951,363)                        |
| Land  | 28,508                           | 7,216      | -           | -                         | 35,724                           |
| Construction work-in-process                                  | 279,764                          | (107,166)  | -           | -                         | 172,598                          |
| Net capital assets  | 2,713,261                        | 90,009     | -           | -                         | 2,803,270                        |
| DES:  |                                  |            |             |                           |                                  |
| Chilled water plant assets                                    | 51,456                           | 434        | -           | -                         | 51,890                           |
| Total capital assets  | 51,456                           | 434        | -           | -                         | 51,890                           |
| Less: accumulated depreciation                                | (3,126)                          | (2,043)    | -           | -                         | (5,169)                          |
| Land  | 240                              | -          | -           | -                         | 240                              |
| Construction work-in-process                                  | 535                              | (241)      | -           | -                         | 294                              |
| Net capital assets  | 49,105                           | (1,850)    | -           | -                         | 47,255                           |
| Total Electric Enterprise Fund, Water and Sewer Fund, and DES | \$ 6,274,859                     | \$ 322,927 | \$ 8,565    | \$ (5,010)                | \$ 6,601,341                     |

# JEA

## Notes to Financial Statements (continued)

*(Dollars In Thousands)*

### 5. Investment in The Energy Authority

JEA is a member of TEA, a municipal power marketing and risk management joint venture, headquartered in Jacksonville, Florida. TEA currently has six members and JEA's ownership in TEA is 21.4%. TEA provides wholesale power marketing and resource management services to members and nonmembers and allocates transaction savings and operating expenses pursuant to a settlement agreement. TEA also assists JEA with natural gas procurement and related gas hedging activities. JEA's earnings from TEA were \$4,088 in fiscal year 2009 and \$22,374 in fiscal year 2008 for all power marketing activities. The investment in TEA of \$8,078 at September 30, 2009, and \$7,610 at September 30, 2008, is included in noncurrent assets on the balance sheets.

The following is a summary of the unaudited financial information of TEA for the nine months ending September 30, 2009 and September 30, 2008. TEA issues separate audited financial statements on a calendar-year basis.

|  | <b>Unaudited</b>  |             |
|--|-------------------|-------------|
|  | <b>2009</b>       | <b>2008</b> |
| Condensed balance sheet:               |                   |             |
| Current assets                         | <b>\$ 121,407</b> | \$ 169,877  |
| Noncurrent assets                      | <b>16,473</b>     | 12,907      |
| Total assets                           | <b>\$ 137,880</b> | \$ 182,784  |
| Current liabilities                    | <b>\$ 101,775</b> | \$ 144,639  |
| Noncurrent liabilities                 | <b>-</b>          | 2,447       |
| Members' capital                       | <b>36,105</b>     | 35,698      |
| Total liabilities and members' capital | <b>\$ 137,880</b> | \$ 182,784  |
| Condensed statement of operations:     |                   |             |
| Operating revenues                     | <b>\$ 728,697</b> | \$1,339,982 |
| Operating expenses                     | <b>693,027</b>    | 1,210,304   |
| Operating income                       | <b>\$ 35,670</b>  | \$ 129,678  |
| Net income                             | <b>\$ 36,648</b>  | \$ 129,661  |

As of September 30, 2009, JEA is obligated to guaranty, directly or indirectly, TEA's electric trading activities in an amount up to \$28,929 and TEA's natural gas procurement and trading activities up to \$54,000; in either case, plus attorney's fees that any party claiming and prevailing under the guaranty might incur and be entitled to recover under its contract with TEA.

## JEA

### Notes to Financial Statements (continued)

*(Dollars In Thousands)*

#### **5. Investment in The Energy Authority (continued)**

JEA has approved up to \$50,000 (plus attorney fees) for TEA's natural gas procurement and trading activities. Generally, JEA's guaranty obligations for electric trading would arise if TEA did not make the contractually required payment for energy, capacity, or transmission that was delivered or made available, or if TEA failed to deliver or provide energy, capacity, or transmission as required under a contract. Generally, JEA's guaranty obligations for natural gas procurement and trading would arise if TEA did not make the contractually required payment for natural gas or transportation that was delivered or purchased or if TEA failed to deliver natural gas or transportation as required under a contract.

Upon JEA's making any payments under its electric guaranty, it has certain contribution rights with the other members of TEA in order that payments made under the TEA member guaranties would be equalized ratably, based upon each member's equity ownership interest in TEA. Upon JEA's making any payments under its natural gas guaranty, it has certain contribution rights with the other members of TEA in order that payments under the TEA member guaranties would be equalized ratably in proportion to their respective amounts of guaranties, as adjusted by the actual natural gas member volumes and prices for the calendar year. After such contributions have been effected, JEA would only have recourse against TEA to recover amounts paid under the guaranty.

JEA has elected to provide a guaranty for the use by TEA solely for the purpose of facilitating trading (including financial transactions) or transportation activities involving electricity, natural gas, or any other commodity for, and as approved by, JEA. The amount of this guaranty is \$50,000 plus reasonable attorney fees that any party claiming and prevailing under such guaranty might incur. This guaranty is intended to be used by TEA for long-term transactions or hedging transactions, solely for the account of JEA. JEA's guaranty obligations hereunder would generally arise if TEA did not make the contractually required payment or failed to deliver the commodity as required under the contract. JEA has no contribution rights with other members of TEA under this guaranty. JEA only has recourse against TEA to recover amounts paid under this guaranty.

The term of these guaranties is generally indefinite, but JEA has the ability to terminate its guaranty obligations by causing to be provided advance notice to the beneficiaries thereof. Such termination of its guaranty obligations only applies to TEA transactions not yet entered into at the time the termination takes effect.

JEA

Notes to Financial Statements (continued)

*(Dollars In Thousands)*

**6. Investment in Colectric Partners, Inc.**

JEA, along with six other public power utilities, is a member of Colectric, a Georgia nonprofit corporation. JEA's ownership interest is 25%. The purpose of Colectric is to secure cost savings through the implementation of standardized practices in the development, engineering, procurement, construction, and start-up of generation facilities. Cost savings are also envisioned by joint measures for training and spare parts. The long-term goal of Colectric is to provide its members with services in other aspects of the energy supply chain. At September 30, 2009 and 2008, \$296 and \$237, are included in noncurrent assets in the balance sheets.

The following is a summary of the unaudited information of Colectric for the nine months ending September 30, 2009 and 2008. Colectric issues separate audited financial statements on a calendar-year basis.

|  | <b>Unaudited</b> |                 |
|--|------------------|-----------------|
|  | <b>2009</b>      | <b>2008</b>     |
| Condensed balance sheet:               |                  |                 |
| Current assets                         | \$ 2,039         | \$ 1,714        |
| Noncurrent assets                      | 23               | 35              |
| Total assets                           | <u>\$ 2,062</u>  | <u>\$ 1,749</u> |
| Current liabilities                    | \$ 844           | \$ 784          |
| Members' capital                       | 1,218            | 965             |
| Total liabilities and members' capital | <u>\$ 2,062</u>  | <u>\$ 1,749</u> |
| Condensed statement of operations:     |                  |                 |
| Operating revenues                     | \$ 1,932         | \$ 1,775        |
| Operating expenses                     | 1,387            | 1,416           |
| Operating income                       | <u>\$ 545</u>    | <u>\$ 359</u>   |
| Net income                             | <u>\$ 545</u>    | <u>\$ 369</u>   |

JEA

Notes to Financial Statements (continued)

*(Dollars In Thousands)*

## 7. Long-Term Debt

The Electric System, Bulk Power Supply System, SJRPP System, Water and Sewer System and DES revenue bonds (JEA Revenue Bonds) are each governed by one or more bond resolutions. The Electric System bonds are governed by both a senior and a subordinated bond resolution; the Bulk Power Supply System bonds are governed by a single bond resolution; the Water and Sewer System bonds are governed by both a senior and a subordinated bond resolution; the SJRPP System bonds are governed by the First and Second Power Park Resolutions; and the DES bonds are governed by a single bond resolution. In accordance with the bond resolutions of each system, principal and interest on the bonds are payable from and secured by a pledge of the net revenues of the respective system. In general, the bond resolutions require JEA to make monthly deposits into the separate debt service sinking funds for each System in an amount equal to approximately one-twelfth of the aggregate amount of principal and interest due and payable on the bonds within the bond year. Interest on the fixed rate bonds, other than the SJRPP capital appreciation bonds, is payable semiannually on April 1 and October 1 and principal is payable on October 1.

In accordance with the requirements of the SJRPP First Power Park Resolution and the Agreement for Joint Ownership and Construction and Operation of SJRPP Coal Units #1 and #2 between JEA and FPL, FPL is responsible for paying its share of the debt service on bonds issued under the First Power Park Resolution. The various bond resolutions provide for certain other covenants, the most significant of which (1) requires JEA to establish rates for each system such that net revenues with respect to that system are sufficient to exceed (by a certain percentage) the debt service for that system during the fiscal year and any additional amount required to make all reserve or other payments required to be made in such fiscal year by the resolution of that system and (2) restricts JEA from issuing additional parity bonds unless certain conditions are met.

Schedule of Outstanding Indebtedness

| Long-term Debt                        | Interest Rates (1) | Payment Dates | September 30 |          |
|---------------------------------------|--------------------|---------------|--------------|----------|
|                                       |                    |               | 2009         | 2008     |
| Electric System Senior Revenue Bonds: |                    |               |              |          |
| Series Three, 1998A                   | 5.000%             | 2009          | \$ 2,485     | \$ 4,825 |
| Series Three, 2002B                   | 3.500%             | 2009          | 10,165       | 77,855   |
| Series Three, 2003A                   | 3.000 - 4.625%     | 2011-2039     | 90,245       | 92,345   |
| Series Three, 2004A                   | 3.375 - 5.000%     | 2010-2039     | 80,785       | 86,890   |
| Series Three, 2005A                   | 3.450 - 4.750%     | 2012-2039     | 90,000       | 90,000   |
| Series Three, 2005B                   | 3.125 - 5.000%     | 2010-2033     | 63,795       | 92,005   |
| Series Three, 2005D                   | 3.000 - 4.500%     | 2009-2035     | 33,925       | 35,225   |
| Series Three, 2006A                   | 3.300 - 5.000%     | 2009-2041     | 90,000       | 92,000   |
| Series Three, 2007C                   | 4.000 - 5.250%     | 2009-2042     | 26,515       | 26,515   |
| Series Three, 2008A <sup>(2)</sup>    | Variable           | 2009-2036     | 100,000      | 100,000  |
| Series Three, 2008B-1 <sup>(2)</sup>  | Variable           | 2009-2040     | 72,745       | 73,070   |
| Series Three, 2008B-2 <sup>(2)</sup>  | Variable           | 2009-2040     | 72,160       | 72,435   |
| Series Three, 2008B-3 <sup>(2)</sup>  | Variable           | 2009-2036     | 57,950       | 58,275   |
| Series Three, 2008B-4 <sup>(2)</sup>  | Variable           | 2009-2036     | 57,385       | 57,710   |

JEA

Notes to Financial Statements (continued)

*(Dollars In Thousands)*

**7. Long-Term Debt (continued)**

Schedule of Outstanding Indebtedness

| Long-term Debt                              | Interest Rates (1) | Payment Dates | September 30 |           |
|---|--------------------|---------------|--------------|-----------|
|   |                    |               | 2009         | 2008      |
| Series Three, 2008C-1 <sup>(2)</sup>        | Variable           | 2009-2034     | \$ 83,545    | \$ 85,245 |
| Series Three, 2008C-2 <sup>(2)</sup>        | Variable           | 2009-2034     | 83,300       | 85,000    |
| Series Three, 2008C-3 <sup>(2)</sup>        | Variable           | 2009-2038     | 52,915       | 53,615    |
| Series Three, 2008C-4 <sup>(2)</sup>        | Variable           | n/a           | -            | 49,745    |
| Series Three, 2008D-1 <sup>(2)</sup>        | Variable           | 2009-2036     | 128,260      | 130,000   |
| Series Three, 2008D-2A <sup>(2)</sup>       | Variable           | 2009-2037     | 64,880       | 65,115    |
| Series Three, 2008D-2B <sup>(2)</sup>       | Variable           | 2009-2037     | 64,885       | 64,885    |
| Series Three, 2008E                         | 3.000 - 5.000%     | 2009-2028     | 54,050       | 54,050    |
| Series Three, 2009A                         | 3.000 - 5.250%     | 2009-2029     | 96,685       | -         |
| Series Three, 2009B                         | 2.000 - 5.375%     | 2010-2034     | 33,970       | -         |
| Series Three, 2009C                         | 5.000%             | 2016-2017     | 15,730       | -         |
| Total Electric System Senior Revenue Bonds  |                    |               | 1,526,375    | 1,546,805 |
| Electric System Subordinated Revenue Bonds: |                    |               |              |           |
| Series B Commercial Paper Notes             | Variable           | n/a           | -            | 6,045     |
| Series C Commercial Paper Notes             | Variable           | n/a           | 97,666       | 102,289   |
| 2000 Series A <sup>(2)</sup>                | Variable           | 2009-2035     | 77,900       | 79,700    |
| 2000 Series B <sup>(2)</sup>                | Variable           | 2009-2035     | 77,900       | 79,700    |
| 2000 Series E                               | 4.625%             | n/a           | -            | 3,015     |
| 2000 Series F <sup>(2)</sup>                | Variable           | 2017-2030     | 125,000      | 125,000   |
| 2001 Series A                               | 4.125 - 4.300%     | 2009-2010     | 4,530        | 19,905    |
| 2001 Series B <sup>(2)</sup>                | Variable           | n/a           | -            | 66,000    |
| 2001 Series C <sup>(2)</sup>                | Variable           | 2017-2030     | 66,000       | 66,000    |
| 2001 Series E                               | 3.700%             | 2009          | 3,050        | 19,460    |
| 2002 Series A                               | 4.400%             | n/a           | -            | 2,950     |
| 2002 Series B                               | 3.250%             | n/a           | -            | 4,380     |
| 2002 Series C                               | 3.625 - 3.875%     | 2010-2011     | 36,350       | 54,530    |
| 2002 Series D                               | 4.125 - 4.875%     | 2015-2035     | 85,530       | 116,275   |
| 2003 Series A                               | 4.500 - 4.625%     | 2023-2033     | 30,755       | 30,755    |
| 2004 Series A                               | 4.200 - 5.000%     | 2014-2024     | 25,000       | 25,000    |
| 2005 Series A                               | 3.000 - 4.750%     | 2009-2029     | 23,880       | 24,450    |
| 2005 Series C                               | 3.000 - 4.375%     | 2009-2035     | 23,370       | 24,235    |
| 2006 Series A                               | 3.750 - 4.300%     | 2015-2024     | 25,000       | 25,000    |
| 2007 Series A                               | 4.000 - 5.250%     | 2009-2037     | 82,800       | 82,800    |
| 2008 Series A                               | 3.625 - 5.125%     | 2011-2037     | 56,410       | 56,410    |
| 2008 Series B <sup>(2)</sup>                | Variable           | n/a           | -            | 104,955   |
| 2008 Series C                               | 3.600 - 5.000%     | 2010-2020     | 79,255       | 79,255    |

JEA

Notes to Financial Statements (continued)

(Dollars In Thousands)

7. Long-Term Debt (continued)

Schedule of Outstanding Indebtedness

| Long-term Debt                                    | Interest Rates (1) | Payment Dates | September 30 |           |
|---|--------------------|---------------|--------------|-----------|
|   |                    |               | 2009         | 2008      |
| 2008 Series D <sup>(2)</sup>                      | Variable           | 2009-2038     | \$ 70,380    | \$ 70,605 |
| 2008 Series E                                     | 3.000 - 4.750%     | 2009-2028     | 18,645       | 18,645    |
| 2009 Series A                                     | 3.000 - 5.625%     | 2010-2039     | 122,585      | -         |
| 2009 Series B                                     | 3.000 - 5.000%     | 2009-2019     | 117,075      | -         |
| 2009 Series C                                     | 4.000 - 5.000%     | 2014-2020     | 65,515       | -         |
| 2009 Series D                                     | 5.000%             | 2011-2018     | 50,135       | -         |
| 2009 Series E                                     | 4.000 - 5.000%     | 2014-2018     | 12,420       | -         |
| Total Electric System Subordinated Revenue Bonds  |                    |               | 1,377,151    | 1,287,359 |
| Electric System Other Subordinated Debt:          |                    |               |              |           |
| Line of Credit Draws                              | -                  | n/a           | -            | 25,680    |
| Total Electric System Other Subordinated Debt     |                    |               | -            | 25,680    |
| Bulk Power Supply System Revenue Bonds:           |                    |               |              |           |
| Series 2008A                                      | 3.750% - 6.000%    | 2012-2038     | 77,945       | -         |
| Total Bulk Power System Revenue Bonds             |                    |               | 77,945       | -         |
| Bulk Power Supply System Other Subordinated Debt: |                    |               |              |           |
| Line of Credit Draws                              | -                  | n/a           | -            | 15,000    |
| Total Electric System Other Subordinated Debt     |                    |               | -            | 15,000    |
| SJRPP System Revenue Bonds:                       |                    |               |              |           |
| Issue 2, Series 7                                 | 6.200%             | 2010-2011     | 14,994       | 14,994    |
| Issue 2, Series 10                                | 5.500%             | 2013          | 50           | 50        |
| Issue 2, Series 17                                | 4.700 - 5.250%     | 2009-2019     | 395,955      | 408,985   |
| Issue 2, Series 18                                | 3.500 - 5.000%     | 2009-2018     | 95,245       | 147,070   |
| Issue 2, Series 19                                | 3.300 - 4.600%     | 2009-2017     | 45,590       | 52,995    |
| Issue 2, Series 20                                | 3.625 - 4.500%     | 2011-2021     | 96,500       | 96,500    |
| Issue 2, Series 21                                | 4.000 - 5.000%     | 2009-2021     | 190,620      | 211,640   |
| Issue 2, Series 22                                | 3.750 - 4.000%     | 2009-2019     | 103,115      | 105,335   |
| Issue 3, Series 1 <sup>(4)</sup>                  | 3.600 - 5.000%     | 2010-2037     | 150,000      | 150,000   |
| Issue 3, Series 2 <sup>(4)</sup>                  | 3.500 - 5.000%     | 2013-2037     | 125,000      | 125,000   |
| Issue 3, Series 3 <sup>(4)</sup>                  | 3.000 - 5.500%     | 2013-2039     | 64,305       | -         |
| Total SJRPP System Revenue Bonds:                 |                    |               | 1,281,374    | 1,312,569 |

JEA

Notes to Financial Statements (continued)

*(Dollars In Thousands)*

**7. Long-Term Debt (continued)**

Schedule of Outstanding Indebtedness

| Long-term Debt  | Interest Rates (1) | Payment Dates | September 30 |           |
|---|--------------------|---------------|--------------|-----------|
|   |                    |               | 2009         | 2008      |
| Water and Sewer System Senior Revenue Bonds:            |                    |               |              |           |
| 1997 Series B   | 4.800%             | n/a           | \$ -         | \$ 425    |
| 1999 Series A   | 4.700 - 5.000%     | n/a           | -            | 9,200     |
| 2001 Series B   | 4.100 - 5.250%     | 2009-2039     | 42,740       | 43,175    |
| 2001 Series C   | 3.750%             | 2009          | 6,825        | 32,475    |
| 2002 Series B   | 3.250 - 5.250%     | 2009-2012     | 24,405       | 59,960    |
| 2002 Series C   | 4.625 - 4.875%     | 2020-2041     | 76,635       | 95,295    |
| 2003 Series A   | 3.125 - 4.750%     | 2011-2043     | 44,445       | 50,720    |
| 2003 Series B   | 4.375 - 4.750%     | 2021-2037     | 56,640       | 56,640    |
| 2004 Series A   | 2.125 - 5.250%     | 2009-2039     | 195,950      | 201,155   |
| 2004 Series B   | 2.500 - 4.500%     | 2009-2039     | 121,245      | 124,030   |
| 2004 Series C   | 2.800 - 5.000%     | 2009-2039     | 29,785       | 29,785    |
| 2005 Series A   | 3.250 - 5.000%     | 2009-2041     | 141,595      | 142,770   |
| 2005 Series B   | 3.250 - 5.000%     | 2009-2041     | 129,795      | 129,955   |
| 2005 Series C   | 3.500 - 5.000%     | 2014-2037     | 116,830      | 116,830   |
| 2006 Series A   | 4.500 - 4.750%     | 2019-2041     | 35,000       | 35,000    |
| 2006 Series B   | 3.500 - 4.500%     | 2009-2029     | 36,995       | 37,405    |
| 2006 Series B <sup>(3)</sup>                            | Variable           | 2016-2022     | 38,730       | 38,730    |
| 2007 Series A   | 3.750 - 4.500%     | 2010-2041     | 96,850       | 96,850    |
| 2007 Series C   | 4.000 - 4.750%     | 2009-2037     | 40,985       | 41,610    |
| 2008 Series A-1 <sup>(2)</sup>                          | Variable           | 2009-2036     | 75,000       | 75,000    |
| 2008 Series A-2 <sup>(2)</sup>                          | Variable           | 2010-2042     | 75,000       | 75,000    |
| 2008 Series B <sup>(2)</sup>                            | Variable           | 2023-2041     | 85,290       | 85,290    |
| 2009 Series A   | 2.500 - 5.375%     | 2011-2039     | 45,405       | -         |
| 2009 Series B   | 3.000 - 5.000%     | 2010-2019     | 83,240       | -         |
| Total Water and Sewer System Senior Revenue Bonds:      |                    |               | 1,599,385    | 1,577,300 |
| Water and Sewer System Subordinated Revenue Bonds:      |                    |               |              |           |
| Subordinated 2003 Series C                              | 3.125 - 4.750%     | 2011-2043     | 40,400       | 40,400    |
| Subordinated 2004 Series A                              | 2.125 - 4.375%     | 2009-2034     | 37,905       | 38,810    |
| Subordinated 2004 Series B                              | 4.000 - 4.750%     | 2015-2025     | 20,000       | 20,000    |
| Subordinated 2005 Series A                              | 3.500%             | 2009-2013     | 865          | 865       |
| Subordinated 2006 Series A                              | 4.000 - 4.750%     | 2009-2036     | 14,900       | 15,000    |
| Subordinated 2007 Series A                              | 4.500%             | 2034-2043     | 10,330       | 10,330    |
| Subordinated 2008 Series A-1 <sup>(2)</sup>             | Variable           | 2009-2038     | 65,625       | 66,875    |
| Subordinated 2008 Series A-2 <sup>(2)</sup>             | Variable           | 2009-2038     | 65,275       | 66,525    |
| Subordinated 2008 Series B-1 <sup>(2)</sup>             | Variable           | 2010-2036     | 98,810       | 101,365   |
| Total Water and Sewer System Subordinated Revenue Bonds |                    |               | 354,110      | 360,170   |

JEA

Notes to Financial Statements (continued)

(Dollars In Thousands)

7. Long-Term Debt (continued)

Schedule of Outstanding Indebtedness

| Long-term Debt  | Interest Rates (1) | Payment Dates | September 30 |              |
|---|--------------------|---------------|--------------|--------------|
|   |                    |               | 2009         | 2008         |
| Water and Sewer System Other Subordinated Debt:               |                    |               |              |              |
| Line of Credit Draws  | 1.629 - 1.746%     | 2010          | \$ 45,715    | \$ -         |
| State Revolving Fund Loans                                    | 2.630 - 2.750%     | 2009 - 2030   | 3,274        | 1,751        |
| Total Water and Sewer System Other Subordinated Revenue Bonds |                    |               | 48,989       | 1,751        |
| District Energy System:                                       |                    |               |              |              |
| 2004 Series A   | Variable           | 2010-2034     | 47,800       | 47,800       |
| Line of Credit Draws  | Variable           | 2009          | 4,285        | 4,285        |
| Total District Energy System                                  |                    |               | 52,085       | 52,085       |
| Total debt principal outstanding                              |                    |               | 6,317,414    | 6,178,719    |
| Plus accretion of SJRPP Issue 2 Series 7                      |                    |               |              |              |
| Capital appreciation bonds                                    |                    |               | 27,689       | 25,161       |
| Sub-total   |                    |               | \$ 6,345,103 | \$ 6,203,880 |
| Less: debt due within one year <sup>(5)</sup>                 |                    |               | (224,402)    | (200,780)    |
| Total long-term debt  |                    |               | \$ 6,120,701 | \$ 6,003,100 |

- (1) The interest rates on the variable rate debt outstanding (excluding CPI bonds) at September 30, 2009, ranged from 0.24% to 0.55%. At September 30, 2009, interest on the outstanding variable rate debt is based on various methods including daily mode, weekly mode, and commercial paper mode, which resets in time increments ranging from one day to 270 days. In addition, JEA has executed fixed-payer weekly mode, interest rate swaps to effectively fix a portion of its net payments relative to certain variable rate bonds. The terms of the interest rate swaps are approximately equal to that of the fixed-payer bonds. See the Debt Management Strategy section of this note for more information related to the interest rate swap agreements outstanding at September 30, 2009.
- (2) Variable rate demand obligations.
- (3) Variable rate bonds indexed to the Consumer Price Index (CPI bonds). At September 30, 2009, interest rates on the CPI bonds ranged from 0.89% to 1.03%.
- (4) SJRPP System Issue 3 Bonds were issued under the Second Power Park Resolution whereby JEA is responsible for 100% of the related debt service payments. Whereas the SJRPP System Issue Two Bonds issued under the First Power Park Resolution, JEA is responsible for approximately 62.5% of the related debt service payments and FPL the remainder.
- (5) At September 30, 2009, debt due within one year includes \$45,715 of Water and Sewer System line of credit draws and \$4,285 of DES line of credit draws. See the Short-Term Bank Borrowings section of this note for more information.

JEA

Notes to Financial Statements (continued)

*(Dollars In Thousands)*

**7. Long-Term Debt (continued)**

For the Electric System and the Water and Sewer System variable rate demand obligations (VRDO) appearing in the above schedule of outstanding indebtedness liquidity support is provided in connection with tenders for purchase with various liquidity providers pursuant to standby bond purchase agreements (SBPA) relating to that series of obligation. The purchase price of the obligations tendered or deemed tendered for purchase is payable from the proceeds of the remarketing thereof and moneys drawn under the applicable SBPA. The current stated termination dates of the SBPA's range from March 18, 2010 to December 31, 2015. Each of the SBPA termination dates may be extended. At September 30, 2009, there were no outstanding draws under the SBPA's. In the event of the expiration or termination of the SBPA that results in a mandatory tender of the VRDO's and the purchase of the obligations by the bank, then beginning on April 1 or October 1, whichever date is at least six months subsequent to the purchase of the obligations, JEA shall begin to make equal semi-annual installments over the ensuing five-year period.

For the Electric System's Series Three 2008B-1 and 2008B-4 VRDOs, payment of the principal and interest is secured by an unconditional, irrevocable direct-pay letter of credit. The letter of credit constitutes both a credit facility and a liquidity facility. The letter of credit has a stated expiration date of April 28, 2010, unless otherwise extended. As of September 30, 2009, there are no draws outstanding under the letter of credit. Repayment of any draws outstanding at the expiration date are payable in equal semiannual installments over a five-year period.

For the commercial paper note appearing in the above schedule of outstanding indebtedness, to provide liquidity support, JEA has entered into a revolving credit agreement with a commercial bank. If moneys are not available to pay the principal of any maturing commercial paper notes during the term of the credit agreement, JEA is entitled to make a borrowing under the credit agreement. The credit agreement conversion date may be extended. The conversion date of the credit agreement as of September 30, 2009 was December 4, 2009. Subsequent to September 30, 2009, the conversion date was extended to February 4, 2009, which may be extended. At September 30, 2009, there were no outstanding draws under the credit agreement. In the event of the expiration or termination of the conversion date and such expiration or termination results in a draw in an amount up to the amount of the outstanding commitment, then upon 6 months thereafter, JEA shall begin to make equal semiannual installments over the ensuing six-year period in the amount of such draw.

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

JEA

Notes to Financial Statements (continued)

*(Dollars In Thousands)*

**7. Long-Term Debt (continued)**

Long-term debt activity related to bond issuances (excludes short-term bank borrowings) for the year ended September 30, 2009, was as follows:

| <b>System</b>     | <b>Bonds Payable<br/>September 30,<br/>2008</b> | <b>Par Amount<br/>of Bonds<br/>Issued</b> | <b>Par Amount<br/>of Bonds<br/>Refunded<br/>or Defeased</b> | <b>Scheduled<br/>Bond<br/>Principal<br/>Payments</b> | <b>Accretion of<br/>SJRP Issue 2<br/>Series 7<br/>Capital<br/>Appreciation<br/>Bonds</b> | <b>Bonds<br/>Payable<br/>September 30,<br/>2009</b> | <b>Current<br/>Portion of<br/>Bonds<br/>Payable<br/>September 30,<br/>2009</b> |
|-------------------|---|---|---|--|--|---|--|
| Electric          | \$ 2,834,164                                    | \$ 514,115                                | \$ (392,685)  | \$ (52,068)  | \$ -   | \$ 2,903,526  | \$ 46,755  |
| Bulk Power Supply | -   | 77,945                                    | -   | -  | -  | 77,945  | -  |
| SJRPP             | 1,337,730                                       | 64,305                                    | -   | (95,500)   | 2,528  | 1,309,063   | 100,205  |
| Water and Sewer   | 1,939,221                                       | 130,168                                   | (89,420)  | (23,200)   | -  | 1,956,769   | 27,442   |
| DES               | 47,800  | -   | -   | -  | -  | 47,800  | -  |
| <b>Total</b>      | <b>\$ 6,158,915</b>                             | <b>\$ 786,533</b>                         | <b>\$ (482,105)</b>   | <b>\$ (170,768)</b>                                  | <b>\$ 2,528</b>  | <b>\$ 6,295,103</b>                                 | <b>\$ 174,402</b>  |

Long-term debt activity related to bond issuances (excludes short-term bank borrowings) for the year ended September 30, 2008, was as follows:

| <b>System</b>     | <b>Bonds<br/>Payable<br/>September 30,<br/>2007</b> | <b>Par Amount<br/>of Bonds<br/>Issued</b> | <b>Par Amount<br/>of Bonds<br/>Refunded<br/>or Defeased</b> | <b>Scheduled<br/>Bond<br/>Principal<br/>Payments</b> | <b>Accretion of<br/>SJRP Issue 2<br/>Series 7<br/>Capital<br/>Appreciation<br/>Bonds</b> | <b>Bonds<br/>Payable<br/>September 30,<br/>2008</b> | <b>Current<br/>Portion of<br/>Bonds<br/>Payable<br/>September 30,<br/>2008</b> |
|-------------------|---|---|---|--|--|---|--|
| Electric          | \$ 2,552,487  | \$ 1,388,330                              | \$ (1,081,810)  | \$ (24,843)  | \$ -   | \$ 2,834,164  | \$ 41,400  |
| Bulk Power Supply | -   | -   | -   | -  | -  | -   | -  |
| SJRPP             | 1,296,766   | 125,000                                   | -   | (86,415)   | 2,379  | 1,337,730   | 95,500   |
| Water and Sewer   | 1,784,681   | 474,435                                   | (302,660)   | (17,235)   | -  | 1,939,221   | 23,200   |
| DES               | 47,800  | -   | -   | -  | -  | 47,800  | -  |
| <b>Total</b>      | <b>\$ 5,681,734</b>                                 | <b>\$ 1,987,765</b>                       | <b>\$ (1,384,470)</b>                                       | <b>\$ (128,493)</b>                                  | <b>\$ 2,379</b>  | <b>\$ 6,158,915</b>                                 | <b>\$ 160,100</b>  |

JEA

Notes to Financial Statements (continued)

(Dollars In Thousands)

**7. Long-Term Debt (continued)**

The debt service to maturity on the outstanding bonds (excludes short-term bank borrowings), as of September 30, 2009, is summarized in the following two tables:

| Bond Year<br>Ending<br>October 1 | Electric System |              | Bulk Power |           | SJRPP        |            |
|----------------------------------|-----------------|--------------|------------|-----------|--------------|------------|
|                                  | Principal       | Interest (1) | Principal  | Interest  | Principal    | Interest   |
| 2009                             | \$ 46,755       | \$ 34,560    | \$ -       | \$ 2,060  | \$ 100,205   | \$ 29,360  |
| 2010                             | 107,119         | 73,960       | -          | 4,110     | 99,823       | 68,500     |
| 2011                             | 134,556         | 70,890       | -          | 4,110     | 101,121      | 67,860     |
| 2012                             | 83,183          | 66,220       | 1,475      | 4,110     | 122,995      | 45,970     |
| 2013                             | 86,281          | 63,620       | 1,535      | 4,050     | 129,855      | 40,110     |
| 2014-2018                        | 543,926         | 270,230      | 10,475     | 19,190    | 345,870      | 130,650    |
| 2019-2023                        | 503,617         | 195,270      | 20,355     | 15,690    | 157,310      | 69,600     |
| 2024-2028                        | 466,464         | 149,780      | 8,635      | 11,530    | 62,655       | 48,490     |
| 2029-2033                        | 459,610         | 111,500      | 14,850     | 8,630     | 77,485       | 32,280     |
| 2034-2038                        | 397,780         | 51,930       | 20,620     | 3,900     | 79,590       | 11,810     |
| 2039-2043                        | 74,235          | 4,910        | -          | -         | 4,465        | 246        |
| Totals                           | \$ 2,903,526    | \$ 1,092,870 | \$ 77,945  | \$ 77,380 | \$ 1,281,374 | \$ 544,876 |

| Bond Year<br>Ending<br>October 1 | Water and Sewer |              | DES       |          | Total Debt<br>Service (2) |
|----------------------------------|-----------------|--------------|-----------|----------|---------------------------|
|                                  | Principal       | Interest     | Principal | Interest |                           |
| 2009                             | \$ 27,430       | \$ 33,180    | \$ -      | \$ 10    | \$ 273,560                |
| 2010                             | 36,723          | 66,160       | 1,310     | 90       | 457,795                   |
| 2011                             | 41,245          | 65,090       | 1,350     | 90       | 486,312                   |
| 2012                             | 44,300          | 63,750       | 1,390     | 90       | 433,483                   |
| 2013                             | 44,068          | 62,230       | 1,435     | 80       | 433,264                   |
| 2014-2018                        | 255,725         | 286,710      | 7,835     | 380      | 1,870,991                 |
| 2019-2023                        | 310,187         | 240,940      | 9,085     | 300      | 1,522,354                 |
| 2024-2028                        | 314,665         | 186,900      | 10,520    | 210      | 1,259,849                 |
| 2029-2033                        | 310,041         | 131,770      | 12,210    | 100      | 1,158,476                 |
| 2034-2038                        | 359,775         | 76,070       | 2,665     | 10       | 1,004,150                 |
| 2039-2043                        | 212,610         | 15,960       | -         | -        | 312,426                   |
| Totals                           | \$ 1,956,769    | \$ 1,228,760 | \$ 47,800 | \$ 1,360 | \$ 9,212,660              |

(1) Includes amortization of commercial paper notes that is based upon JEA's current commercial paper payment plans and excludes payments made during fiscal year 2009.

(2) Interest requirement for the variable rate debt was determined by using the interest rates that were in effect at the financial statement date of September 30, 2009. The table excludes payments made during fiscal year 2009.

JEA

Notes to Financial Statements (continued)

(Dollars In Thousands)

**7. Long-Term Debt (continued)**

The estimated fair values of JEA's outstanding fixed-rate debt were \$4,576,045 at September 30, 2009, and \$3,963,677 at September 30, 2008. The estimated fair values of the fixed rate debt were determined through a nationally recognized third-party financial information service. The estimated fair values of JEA's outstanding variable rate debt (excluding short-term bank borrowings) were \$1,904,401 at September 30, 2009, and \$2,151,974 at September 30, 2008. The estimated fair value of the variable rate debt was determined to be the par amount outstanding.

JEA, at its option, may redeem specific outstanding fixed rate JEA Revenue Bonds prior to maturity, as discussed in the official statements covering their issuance. A summary of the redemption provisions is as follows:

|                              | <b>Electric System</b> | <b>Bulk Power Supply System</b> | <b>SJRPP System</b> | <b>Water and Sewer System</b> |
|------------------------------|------------------------|---------------------------------|---------------------|-------------------------------|
| Earliest year for redemption | 2010                   | 2014                            | 2010                | 2010                          |
| Redemption price ranges      | 100%                   | 100%                            | 101%-100%           | 100%                          |

JEA bonds issued in fiscal year 2009 are summarized in the following table:

| <b>System</b>     | <b>Debt Issued</b> | <b>Purpose</b>           | <b>Priority of Lien</b> | <b>Month of Issue</b> | <b>Par Amount Issued</b> | <b>Par Amount Refunded</b> | <b>Accounting Gain (Loss)</b> | <b>Economic Gain</b> |
|-------------------|--------------------|--------------------------|-------------------------|-----------------------|--------------------------|----------------------------|-------------------------------|----------------------|
| Electric          | 2009 Series A      | New Money                | Subordinated            | Jan-09                | \$ 122,585               | \$ -                       | \$ -                          | \$ -                 |
| Electric          | Series Three 2009A | Refunding <sup>(1)</sup> | Senior                  | Mar-09                | 96,685                   | 93,885                     | (537)                         | 1,794                |
| Electric          | 2009 Series B      | Refunding <sup>(2)</sup> | Subordinated            | Mar-09                | 117,075                  | 123,135                    | (379)                         | -                    |
| Electric          | 2009 Series C      | Refunding <sup>(3)</sup> | Subordinated            | Apr-09                | 65,515                   | 66,000                     | (217)                         | -                    |
| Electric          | 2009 Series D      | Refunding <sup>(4)</sup> | Subordinated            | Jun-09                | 50,135                   | 53,970                     | (617)                         | 2,130                |
| Electric          | Series Three 2009B | Refunding <sup>(5)</sup> | Senior                  | Aug-09                | 33,970                   | 33,390                     | (303)                         | -                    |
| Electric          | Series Three 2009C | Refunding <sup>(6)</sup> | Senior                  | Aug-09                | 15,730                   | 17,390                     | (191)                         | 1,155                |
| Electric          | 2009 Series E      | Refunding <sup>(7)</sup> | Subordinated            | Aug-09                | 12,420                   | 4,915 <sup>(8)</sup>       | (43)                          | 574                  |
| Bulk Power Supply | Series 2008A       | New Money                | Senior                  | Nov-08                | 77,945                   | -                          | -                             | -                    |
| SJRPP             | Issue 3 Series 3   | New Money                | Senior                  | Apr-09                | 64,305                   | -                          | -                             | -                    |
| Water and Sewer   | 2009 Series A      | New Money                | Senior                  | Mar-09                | 45,405                   | -                          | -                             | -                    |
| Water and Sewer   | 2009 Series B      | Refunding <sup>(9)</sup> | Senior                  | Mar-09                | 83,240                   | 89,420                     | (1,204)                       | 5,851                |
|                   |                    |                          |                         |                       | <b>\$ 785,010</b>        | <b>\$ 482,105</b>          | <b>\$ (3,491)</b>             | <b>\$ 11,504</b>     |

- (1) Economic refunding of \$44,850 of prior issued fixed rate bonds were refunded with fixed rate debt, which resulted in new debt service of \$48,485 compared to the prior debt service of \$50,499. In addition, this issue included a noneconomic refunding of \$49,035 for prior issued variable rate demand obligations, which were refunded with fixed rate debt.
- (2) Noneconomic refunding of \$18,180 of prior issued fixed rate refundable maturities were refunded with fixed rate debt; plus, a noneconomic refunding of \$104,955 for prior issued variable rate demand obligations were refunded with fixed rate debt.
- (3) Variable rate demand obligations were refunded with fixed rate debt.
- (4) Economic refunding of prior issued bonds with new debt service of \$64,601 compared to the prior debt service of \$67,232.
- (5) Noneconomic refunding of prior issued fixed rate refundable maturities.
- (6) Economic refunding of prior issued bonds with new debt service of \$21,478 compared to the prior debt service of \$23,482.
- (7) Economic refunding of prior issued bonds with new debt service of \$15,611 compared to the prior debt service of \$16,379.
- (8) Economic refunding of prior issued bonds with new debt service of \$105,997 compared to the prior debt service of \$113,422.
- (9) An additional \$8,140 of bonds was refunded by this issue. These additional bonds will be redeemed on October 1, 2009, with refunding proceeds held in the Electric System Subordinated Construction Fund.

JEA

Notes to Financial Statements (continued)

(Dollars In Thousands)

**7. Long-Term Debt (continued)**

**Debt Service Reserve Funds**

During fiscal years 2009 and 2008, various AAA debt service surety providers were downgraded below AAA status, which triggered funding requirements to the debt service reserve funds for both the Electric System and the Water and Sewer System. Funding required will be according to each system's bond resolution. As of September 30, 2009, the Electric System and the Water and Sewer System have debt service reserve fund funding requirements as follows:

|   | Electric System Initial<br>Subaccount in the<br>Debt Service Reserve | Water and Sewer System<br>Initial Subaccount in the<br>Debt Service Reserve | Water and Sewer System<br>Initial Subordinated<br>Debt Service Reserve |
|---|--|---|--|
| Debt service requirement                              | \$ 70,801  | \$ 104,728  | \$ 8,353   |
| Less: cash and investments                            | 55,551   | 47,794  | 6,562  |
| Less: AAA surety policies                             | -  | -   | -  |
| Funding required for downgraded surety policies       | 15,250   | 56,934  | 1,791  |
| Less: funds available in Construction Reserve Account | 8,019  | 9,375   | 930  |
| Net funding needs from future bond issues             | \$ 7,231   | \$ 47,559   | \$ 861   |

**Short-Term Bank Borrowings**

JEA currently has arrangements with two commercial banks for unsecured line of credits in the amounts of \$75,000 and \$112,500. The lines of credit can be used with respect to the Electric System, the Bulk Power Supply System, the SJRPP System, the Water and Sewer System, or the DES and for operating expenditures or for capital expenditures.

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

| System            | Line of Credit Payable<br>September 30,<br>2008 | New Money<br>Draws for Capital<br>Expenditures | New Money Draws for<br>Surety Replacement<br>(1) | Payments<br>From<br>Bond Issues | Payments<br>From<br>Original<br>Proceeds | Line of Credit Payable<br>September 30, 2009 |
|-------------------|---|--|--|---------------------------------|--|--|
| Electric          | \$ 25,680                                       | \$ 49,000                                      | \$ -   | \$ (30,000)                     | \$ (44,680)                              | \$ -   |
| Bulk Power Supply | 15,000  | 3,000  | -  | (18,000)                        | -  | -  |
| SJRPP             | -   | 35,000   | -  | (35,000)                        | -  | -  |
| Water and Sewer   | -   | 42,000   | 24,000   | (19,000)                        | (1,285)                                  | 45,715                                       |
| DES               | 4,285   | -  | -  | -                               | -  | 4,285  |
| Total             | \$ 44,965                                       | \$ 129,000                                     | \$ 24,000  | \$ (102,000)                    | \$ (45,965)                              | \$ 50,000                                    |

(1) To be used for required deposits to the debt service reserve fund resulting from downgraded debt service reserve sureties - see "Debt Service Reserve Funds" section of the Long-Term Debt note.

# JEA

## Notes to Financial Statements (continued)

*(Dollars In Thousands)*

### 7. Long-Term Debt (continued)

At September 30, 2009, the total line of credit draws outstanding for the Water and Sewer System were \$45,715 of which \$21,715 will mature in March 2010 and is expected to be replaced with permanent financing and the remaining \$24,000, related to funding the required deposits into the debt service reserve fund related to the downgraded sureties (see Debt Service Reserve Fund section of this note for more information), will mature in September 2010. At September 30, 2009, the line of credit draw outstanding for the DES was \$4,285 and is scheduled to mature in October 2009 and be replaced with a refunding draw at that time. The current expiration dates for \$75,000 the line of credit agreement is August 30, 2010, and the \$112,500 line of credit agreement is September 14, 2010.

### Debt Management Strategy

JEA has entered into various interest rate swap agreements in connection with its debt management strategy. JEA has entered into various integrated interest rate swap agreements executed in conjunction with debt financings for initial terms up to 35 years (unless earlier terminated). JEA utilizes floating to fixed interest rates swaps as part of its debt management strategy. For purposes of this note, the term floating to fixed interest rate swaps refer to swaps in which JEA receives a floating rate and pays a fixed rate.

The fair value of the interest rate swap agreements and related hedging instruments are included as an addition or reduction to long-term debt on the balance sheets; however, the notional amounts of the interest rate swaps are not reflected in the financial statements. JEA adopted GASB Cod. Sec. D40 therefore, for effective hedging instruments, hedge accounting is applied where fair market value changes are recorded on the balance sheet as either a deferred outflow or a deferred inflow. The earnings from the debt management strategy interest rate swaps are recorded to interest on debt in the statements of revenues, expenses, and changes in net assets.

JEA has entered into integrated floating to fixed interest rate swap agreements during prior fiscal years. The terms of the integrated floating to fixed rate swap agreements outstanding at September 30, 2009, are as follows:

| System          | Related Bonds        | Initial<br>Notional<br>Amount | Notional<br>Amount<br>Outstanding | Fixed Rate<br>of<br>Interest | Effective<br>Date | Termination<br>Date | Variable<br>Rate Index |
|-----------------|----------------------|-------------------------------|-----------------------------------|------------------------------|-------------------|---------------------|------------------------|
| Electric        | Series Three 2008C   | \$ 174,000                    | \$ 163,600                        | 3.7%                         | Sep-03            | Sep-33              | 68% of one month LIBOR |
| Electric        | Series Three 2008B   | 27,400                        | 27,200                            | 4.0%                         | Jan-05            | Oct-26              | SIFMA                  |
| Electric        | Series Three 2008B   | 117,825                       | 116,275                           | 4.4%                         | Aug-08            | Oct-39              | SIFMA                  |
| Electric        | Series Three 2008B   | 116,425                       | 114,525                           | 3.7%                         | Sep-08            | Oct-35              | 68% of one month LIBOR |
| Electric        | 2008 Series D        | 29,900                        | 29,450                            | 3.6%                         | Mar-09            | Oct-16              | SIFMA                  |
| Electric        | 2008 Series D        | 40,875                        | 40,650                            | 3.7%                         | Mar-09            | Oct-37              | 68% of one month LIBOR |
| Electric        | Series Three 2008D-1 | 98,375                        | 96,635                            | 3.9%                         | May-08            | Oct-31              | SIFMA                  |
| Electric        | Series Three 2008D-2 | 95,240                        | 95,005                            | 3.9%                         | May-08            | Oct-36              | SIFMA                  |
| Electric        | Series Three 2008A   | 100,000                       | 100,000                           | 3.8%                         | Jan-08            | Oct-36              | SIFMA                  |
| Water and Sewer | 2006 Series B        | 38,730                        | 38,730                            | 3.9-4.1%                     | Oct-06            | Oct 16-22           | CPI                    |
| Water and Sewer | 2008 Series A        | 75,000                        | 75,000                            | 3.9%                         | Mar-09            | Oct-36              | SIFMA                  |
| Water and Sewer | 2008 Series B        | 85,290                        | 85,290                            | 3.9%                         | Mar-07            | Oct-41              | SIFMA                  |
|                 |                      | <u>\$ 999,060</u>             | <u>\$ 982,360</u>                 |                              |                   |                     |                        |

JEA

Notes to Financial Statements (continued)

(Dollars In Thousands)

**7. Long-Term Debt (continued)**

In anticipation of future bond issues, JEA enters into forward starting floating to fixed interest rate swap agreements. The terms of the forward starting floating to fixed rate swap agreements outstanding at September 30, 2009, are as follows:

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

The following table includes fiscal year 2009 summary information for JEA's effective cashflow hedges related to both integrated and forward starting floating to fixed interest rate swap agreements.

| System          | Changes in Fair Value |           | Fair Value at September 30, 2009                   |                       |              |
|-----------------|-----------------------|-----------|--|-----------------------|--------------|
|                 | Classification        | Amount    | Classification                                     | Amount <sup>(1)</sup> | Notional     |
| Electric        | Deferred costs        | \$ 66,772 | Fair value of debt management strategy instruments | \$ (100,799)          | \$ 883,340   |
| Water and Sewer | Deferred costs        | 16,165    | Fair value of debt management strategy instruments | (18,256)              | 199,020      |
| Total           |                       | \$ 82,937 |  | \$ (119,055)          | \$ 1,082,360 |

<sup>(1)</sup> Fair value amounts were calculated using market rates as of September 30, 2009, and standard cash flow present valuing techniques.

The following table includes fiscal year 2008 summary information for JEA's effective cashflow hedges related to both integrated and forward starting floating to fixed interest rate swap agreements.

| System          | Changes in Fair Value |           | Fair Value at September 30, 2008                   |                       |              |
|-----------------|-----------------------|-----------|--|-----------------------|--------------|
|                 | Classification        | Amount    | Classification                                     | Amount <sup>(2)</sup> | Notional     |
| Electric        | Deferred costs        | \$ 31,483 | Fair value of debt management strategy instruments | \$ (34,027)           | \$ 890,190   |
| Water and Sewer | Deferred costs        | 2,629     | Fair value of debt management strategy instruments | (2,091)               | 199,020      |
| Total           |                       | \$ 34,112 |  | \$ (36,118)           | \$ 1,089,210 |

<sup>(2)</sup> Fair value amounts were calculated using market rates as of September 30, 2008, and standard cash flow present valuing techniques.

JEA

Notes to Financial Statements (continued)

(Dollars In Thousands)

**7. Long-Term Debt (continued)**

For fiscal years ended September 30, 2009 and 2008, the weighted average rates of interest for each index type of integrated floating to fixed interest rate swap agreement and the total net swap earnings were as follows:

|   | 2009        | 2008        |
|---|-------------|-------------|
| 68% of LIBOR Index:                       |             |             |
| Notional amount outstanding               | \$ 318,775  | \$ 322,900  |
| Variable rate received (weighted average) | 0.7%        | 2.4%        |
| Fixed rate paid (weighted average)        | 3.7%        | 3.7%        |
| SIFMA Index (formerly BMA Index):         |             |             |
| Notional amount outstanding               | \$ 624,855  | \$ 627,580  |
| Variable rate received (weighted average) | 0.8%        | 2.6%        |
| Fixed rate paid (weighted average)        | 4.0%        | 4.0%        |
| CPI Index:                                |             |             |
| Notional amount outstanding               | \$ 38,730   | \$ 38,730   |
| Variable rate received (weighted average) | 3.8%        | 4.3%        |
| Fixed rate paid (weighted average)        | 4.0%        | 4.0%        |
| Net debt management swap loss             | \$ (29,137) | \$ (12,227) |

The following tables summarize the anticipated net cash flows of JEA's outstanding hedged variable rate debt and related integrated floating to fixed interest rate swap agreements at September 30, 2009:

| Electric System               |            |           |                   |              |
|-------------------------------|------------|-----------|-------------------|--------------|
| Bond Year Ending<br>October 1 | Principal  | Interest  | Net Swap Interest | Total        |
| 2009                          | \$ 14,600  | \$ 151    | \$ 2,355          | \$ 17,106    |
| 2010                          | 14,760     | 1,834     | 27,264            | 43,858       |
| 2011                          | 15,485     | 1,796     | 26,757            | 44,038       |
| 2012                          | 16,695     | 1,760     | 26,186            | 44,641       |
| 2013                          | 23,640     | 1,720     | 25,569            | 50,929       |
| 2014-2018                     | 102,900    | 7,791     | 116,039           | 226,730      |
| 2019-2023                     | 126,745    | 6,551     | 97,827            | 231,123      |
| 2024-2028                     | 158,680    | 4,901     | 75,339            | 236,920      |
| 2029-2033                     | 199,985    | 2,659     | 39,716            | 242,360      |
| 2034-2038                     | 100,675    | 836       | 12,913            | 114,424      |
| 2039-2043                     | 9,175      | 22        | 369               | 9,566        |
| Total                         | \$ 783,340 | \$ 20,021 | \$ 448,334        | \$ 1,261,695 |

- (1) Interest requirement for the variable rate debt and the variable portion of the interest rate swap was determined by using the interest rates that were in effect at the financial statement date of September 30, 2009. The fixed portion of the interest rate swaps was determined based on the actual fixed rates of the outstanding interest rate swaps at September 30, 2009.

## JEA

## Notes to Financial Statements (continued)

*(Dollars In Thousands)***7. Long-Term Debt (continued)**

| <b>Water and Sewer System</b>         |                   |                  |                          |                   |
|---------------------------------------|-------------------|------------------|--------------------------|-------------------|
| <b>Bond Year Ending<br/>October 1</b> | <b>Principal</b>  | <b>Interest</b>  | <b>Net Swap Interest</b> | <b>Total</b>      |
| 2009                                  | \$ 1,410          | \$ 223           | \$ 1,057                 | \$ 2,690          |
| 2010                                  | 1,460             | 780              | 6,801                    | 9,041             |
| 2011                                  | 1,510             | 776              | 6,750                    | 9,036             |
| 2012                                  | 1,570             | 773              | 6,697                    | 9,040             |
| 2013                                  | 1,630             | 769              | 6,644                    | 9,043             |
| 2014-2018                             | 22,960            | 3,657            | 31,928                   | 58,545            |
| 2019-2023                             | 39,765            | 2,326            | 26,528                   | 68,619            |
| 2024-2028                             | 27,580            | 1,445            | 20,526                   | 49,551            |
| 2029-2033                             | 23,645            | 1,158            | 16,458                   | 41,261            |
| 2034-2038                             | 45,560            | 736              | 10,517                   | 56,813            |
| 2039-2043                             | 31,930            | 162              | 2,311                    | 34,403            |
| <b>Total</b>                          | <b>\$ 199,020</b> | <b>\$ 12,805</b> | <b>\$ 136,217</b>        | <b>\$ 348,042</b> |

- (1) Interest requirement for the variable rate debt and the variable portion of the interest rate swap was determined by using the interest rates that were in effect at the financial statement date of September 30, 2009. The fixed portion of the interest rate swaps was determined based on the actual fixed rates of the outstanding interest rate swaps at September 30, 2009.

**Credit Risk.** JEA is exposed to credit risk on hedging derivative instruments that are in asset positions. To minimize its exposure to loss related to credit risk, the Board has established limits on the notional amount of JEA's interest rate swap transactions and standards for the qualification of financial institutions with whom JEA may enter into interest rate swap transactions. The counterparties with whom JEA may deal must be rated (i) "AAA" by one or more nationally recognized rating agencies at the time of execution, (ii) "AA-/Aa3" or better by at least two of such credit rating agencies at the time of execution, or (iii) if such counterparty is not rated "AA-/Aa3" or better at the time of execution, provide for a guarantee by an affiliate of such counterparty rated at least "A/A2" or better at the time of execution where such affiliate agrees to unconditionally guarantee the payment obligations of such counterparty under the swap agreement. In addition, each swap agreement will require the counterparty to enter into a collateral agreement to provide collateral when the ratings of such counterparty (or its guarantor) fall below "AA-/Aa3" and a payment is owed to JEA. All outstanding interest rate swaps at September 30, 2009, were in a liability position. Therefore, if counterparties failed to perform as contracted, JEA would not be subject to any credit risk exposure at September 30, 2009.

JEA's floating to fixed interest rate swap counterparty credit ratings at September 30, 2009, are as follows:

| <b>Counterparty</b>                                  | <b>Counterparty Credit Ratings<br/>S&amp;P/Moody's/Fitch</b> | <b>Outstanding<br/>Notional Amount</b> |
|--|--|--|
| Citigroup Financial Products Inc.                    | A/A3/A+  | \$ 95,005                              |
| Goldman Sachs Mitsui Marine Derivative Products L.P. | AAA per S&P  | 290,800                                |
| JPMorgan Chase Bank, N.A.                            | AA-/Aa1/AA-  | 259,625                                |
| Merrill Lynch Derivative Products AG                 | AAA per S&P  | 185,290                                |
| Morgan Stanley Capital Service Inc                   | A/A2/A   | 251,640                                |
| <b>Total</b>   |  | <b>\$ 1,082,360</b>                    |

## JEA

### Notes to Financial Statements (continued)

*(Dollars In Thousands)*

#### 7. Long-Term Debt (continued)

**Interest Rate Risk.** JEA is exposed to interest rate risk on its interest rate swaps. On JEA's pay-fixed, receive-variable interest rate swap, as LIBOR or the SIFMA swap index decreases, JEA's net payment on the swap increases.

**Basis Risk.** JEA is exposed to basis risk on its pay-fixed interest rate swap hedging derivative instruments because the variable-rate payments received by JEA on these hedging derivative instruments are based on a rate or index other than interest rates JEA pays on its hedged variable-rate debt, which is remarketed every seven days. As of September 30, 2009, the weighted-average interest rate on JEA's hedged variable-rate debt is 0.3%, while the SIFMA swap index rate is 0.3% and 68% of LIBOR is 0.2%.

**Termination Risk.** JEA or its counterparties may terminate a derivative instrument if the other party fails to perform under the terms of the contract. If at the time of termination, a hedging derivative instrument is in a liability position, JEA would be liable to the counterparty for a payment equal to the liability, subject to netting arrangements.

**Market Access Risk.** JEA is exposed to market access risk due to recent market disruptions in the municipal bond market that could inhibit the issuing of bonds and related hedging instruments.

#### 8. Transactions with City of Jacksonville

##### Utility and Administrative Services

JEA is a separately governed authority and is also considered to be a discretely presented component unit of the City. JEA provides electric, water, and sewer service to the City and its agencies and bills for such service using established rate schedules. JEA utilizes various services provided by departments of the City, including insurance, legal, and motor pool. JEA is billed on a proportionate cost basis with other user departments and agencies. The revenues for services provided and expenses for services received by JEA for these related-party transactions with the City were as follows:

|                  | Revenues  | Expenses |
|------------------|-----------|----------|
| Fiscal year 2009 | \$ 35,056 | \$ 6,176 |
| Fiscal year 2008 | \$ 28,756 | \$ 8,527 |

##### City Contribution

The calculation of the City contribution is based on a formula negotiated with the City of Jacksonville. Fiscal year 2009 is the first year of an eight-year agreement. This calculation is subject to a minimum average increase of \$2,500 per year using 2008 as the base year for the combined assessment for the Electric Enterprise Fund and Water and Sewer Fund. There is also a maximum annual assessment for the combined Electric Enterprise Fund and Water and Sewer Fund.

## JEA

### Notes to Financial Statements (continued)

*(Dollars In Thousands)*

#### **8. Transactions with City of Jacksonville (continued)**

The JEA Electric Enterprise Fund is required to contribute annually to the General Fund of the City an amount not to exceed 5.5 mills per kilowatt hour delivered by JEA to retail users in JEA's service area, and to wholesale customers under firm contracts having an original term of more than one year, other than sales of energy to FPL from JEA's SJRPP System. The contribution for fiscal years 2009 and 2008 amounted to \$76,094 and \$73,847.

The JEA Water and Sewer Fund is required to contribute annually to the General Fund of the City an amount not to exceed 2.1 mills per cubic foot of potable water and sewer service provided, excluding reclaimed water service. The contribution for fiscal years 2009 and 2008 amounted to \$20,593 and \$20,341.

Although the calculation for the annual transfer of available revenue from JEA to the City is based upon formulas that are applied specifically to each utility system operated by JEA, JEA may, in its sole discretion, utilize any of its available revenues regardless of source to satisfy its total annual obligation to the City.

In addition to the contributions described above, JEA is also obligated to make semiannual payments with respect to a portion of the debt service for the City's Excise Tax Revenue Bonds, Series 1999A and 1995A through fiscal year 2009. In fiscal years 2009 and 2008, JEA made principal and interest payments to the City of \$1,124 and \$1,996. The bonds were paid in full on October 1, 2009.

#### **Franchise Fees**

Effective April 1, 2008, the City enacted a 3% franchise fee from designated revenues of the Electric and Water and Sewer Utility systems. The ordinance authorizes JEA to pass through these fees to its electric and water and sewer funds. For the year ended September 30, 2009, JEA recorded \$30,999 and \$6,534 in its electric and water and sewer funds, which are included in operating revenues and expenses. For the year ended September 30, 2008, JEA recorded \$14,979 and \$3,361 in its electric and water and sewer funds.

#### **Risk Management**

JEA insures its risks related to general liability, automobile liability, and workers' compensation through the City's self-insurance program. The City's Director of Administration and Finance manages the self-insurance program, estimates the liabilities through actuarial and other methods, and assesses the user departments and agencies. JEA purchases property insurance separate from the City for its insurable assets. In addition, JEA purchases property, liability, and workers' compensation insurance for its SJRPP facility including ownership interest of FPL, as an additional insured.

#### **Better Jacksonville Plan**

The City is providing funding for sewer improvements as a part of the Better Jacksonville Plan. The City receives sales tax revenues, a portion of which are used for capital contributions to JEA for sewer improvements. These contributions amounted to \$1,516 and \$2,857 in fiscal years 2009 and 2008.

## JEA

### Notes to Financial Statements (continued)

*(Dollars In Thousands)*

#### **9. Fuel Purchase and Purchased Power Commitments**

JEA has made purchase commitments for the majority of the coal and petroleum coke requirements for the Electric and Enterprise Fund and Scherer Unit 4 through calendar year 2010. Contract terms specify minimum annual purchase commitments at fixed prices or at prices that are subject to market adjustments. JEA has remarketing rights under these contracts.

The majority of JEA's coal and petroleum coke supply is purchased with transportation included. For a portion of coal purchased at the mine, JEA has a rail transportation commitment with CSX for delivery to SJRPP during calendar year 2010. In addition, JEA participates in Georgia Power agreements with rail carriers for the delivery of coal to Scherer Unit 4. The term of the agreements with Burlington Northern and Santa Fe Railway Company extends through calendar year 2013. The contract provides JEA and the other Scherer co-owners with a unilateral right to extend the agreement an additional five years. The agreement with Norfolk Southern Railway Company extends through September 14, 2013. The contract provides JEA and the other Scherer co-owners with a unilateral right to extend the agreement through calendar years 2015.

JEA has commitments to purchase natural gas delivered to Jacksonville under a long-term contract with BG Energy Merchants, LLC (BG) that expires in 2021. Contract terms for the natural gas specify minimum annual purchase commitments at market prices. JEA has the option to remarket any excess natural gas purchases. In addition to the gas delivered by BG, JEA currently has long-term contracts with Florida Gas Transmission Company (FGT) for firm gas transportation capacity to allow delivery of gas through the FGT system. To support additional future gas requirements, JEA has contracted with Peoples Gas System for a release of firm gas transportation capacity on Southern Natural Gas Company and FGT beginning in June 2010.

JEA has a commitment to purchase residual fuel oil from BP Products North America, Inc. (BP) under an agreement effective August 1, 2009 through July 31, 2012. BP owns the residual fuel oil stored at JEA's Northside Generating Station and has committed to maintain a minimum amount for JEA use. JEA pays for actual oil consumed within 45 days after each billing period. The agreement allows for both fixed and floating pricing options with a minimum contract volume of approximately 785,000 barrels of oil over the three-year contract period. BP compensates JEA for terminalling services. The agreement allows JEA to access BP oil in emergency conditions.

JEA also has contracts with certain operating subsidiaries of Southern Company (Southern) for the purchase of 207 MW of coal-fired capacity and energy through May 2010. These capacity obligations of Southern are firm, subject to the availability of the units involved (Miller Units 1-4 and Scherer Unit 3).

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

# JEA

## Notes to Financial Statements (continued)

*(Dollars In Thousands)*

### 9. Fuel Purchase and Purchased Power Commitments (continued)

In the unlikely event that JEA would not be in a position to fulfill its obligations to receive fuel and purchased power under the terms of its existing fuel and purchased power contracts, JEA would nonetheless be obligated to make certain future payments. If the conditions necessitating the future payments occurred, JEA would mitigate the financial impact of those conditions by remarketing the fuel and purchased power at then-current market prices. The aggregate amount of future payments that JEA does not expect to be able to mitigate, including the projected effects of inflation for coal purchase commitments of SJRPP (at JEA's 80% ownership interest) and the Bulk Power Supply System and future estimated fixed charges for electric generating capacity entitlement and transmission, including the projected effects of inflation for JEA, appear in the table below:

| Year<br>Ending<br>Sept. 30 | Coal and Petroleum coke |                | Natural Gas |                | Oil   | Electric<br>Generating<br>Capacity/<br>Energy | Transmission | Total   |
|----------------------------|-------------------------|----------------|-------------|----------------|-------|---|--------------|---------|
|                            | Fuel                    | Transportation | Fuel        | Transportation |       |   |              |         |
| 2010                       | 2,039                   | 11,003         | 11,133      | 21,099         | 3,458 | 19,278  | 8,781        | 76,791  |
| 2011                       | 618                     | 8,759          | 11,133      | 21,099         | -     | -   | 5,256        | 46,865  |
| 2012                       | 154                     | 2,190          | 11,163      | 21,130         | -     | -   | 5,637        | 40,274  |
| 2013                       | -                       | -              | 11,133      | 21,099         | -     | -   | 5,811        | 38,043  |
| 2014                       | -                       | -              | 11,133      | 21,099         | -     | -   | 6,000        | 38,232  |
| 2015-2034                  | -                       | -              | 77,989      | 146,145        | -     | -   | 146,292      | 370,426 |

### Purchase Power Contracts

#### Vogtle Units Purchase Power Agreement

The JEA Board authorized staff to undertake efforts to acquire 10% of JEA's energy requirements from nuclear sources by 2018. As a result of those efforts, JEA has entered into a power purchase agreement (as amended, the Additional Vogtle Units PPA) with MEAG Power for 206 MW of capacity and related energy from MEAG Power's interest in two additional nuclear generating units (the Additional Vogtle Units) proposed to be constructed at the Alvin W. Vogtle Nuclear Plant in Burke County, Georgia. The 206 MW is projected to represent approximately 10.4% of JEA's total energy requirements in the year 2017.

Under the Additional Vogtle Units PPA, JEA is entitled to 103 MW of capacity and related energy from each of the Additional Vogtle Units for a 20-year term commencing on each Additional Vogtle Unit's commercial operation date (which dates currently are estimated to occur in 2016 and 2017, respectively) and is required to pay for such capacity and energy on a "take-or-pay" basis.

## JEA

### Notes to Financial Statements (continued)

*(Dollars In Thousands)*

#### **9. Fuel Purchase and Purchased Power Commitments (continued)**

In order to finance a portion of its costs of acquisition and construction of the PPA Project, on April 29, 2009, MEAG Power issued bond anticipation notes maturing on May 25, 2010, in a principal amount of \$200,960. (the 2009 PPA Notes). Under the Additional Vogtle Units PPA, in the event that MEAG Power does not have sufficient funds to pay in full the principal of or interest on the 2009 PPA Notes when due (including, without limitation, as a result of MEAG Power's inability, for any reason, to borrow funds in an amount sufficient to refund the 2009 PPA Notes at or prior to their due date), JEA will be obligated to pay to MEAG Power 50% of the amount of such shortfall.

In order to provide liquidity support for the 2009 PPA Notes, MEAG Power has entered into a standby note purchase agreement with the trustee for the Municipal Competitive Trust (as described below) under which such trustee has agreed to purchase certain MEAG Power bonds (the PPA Take-Out Bonds) as an investment of the Municipal Competitive Trust in the event that MEAG Power is not able to borrow (whether through the issuance of other MEAG Power bonds or otherwise) funds in an amount sufficient to pay all amounts due with respect to the 2009 PPA Notes on their maturity date. In that event, the PPA Take-Out Bonds will bear interest at a rate based upon a pre-determined formula and will be payable as to principal in 10 equal semiannual installments, commencing on the first business day of the sixth month following the date of issuance thereof and on the first business day of each sixth month thereafter and, under the Additional Vogtle Units PPA, JEA will be obligated to pay to MEAG Power 50% of the principal and interest on the PPA Take-Out Bonds when due.

The Municipal Competitive Trust is a trust that was formed by MEAG Power for the benefit of its participants to accumulate and grow through common investment a substantial fund to assist MEAG Power and such participants in maintaining competitive electric rates and in preparing for competition in the electric utility industry. As of November 30, 2008, the net value of investments in the Municipal Competitive Trust was \$771.8 million. However, MEAG Power expects that there will be liquid investments on deposit in such Trust on the due date of the 2009 PPA Notes that will permit such Trust to purchase the PPA Take-Out Bonds, if required.

#### **Jacksonville Solar**

Jacksonville Solar, LLC is in the process of building a solar farm projected to be fully operational by the summer of 2010. When operational, this 12.6 MW facility will consist of approximately 200,000 photovoltaic panels on a 100 acre site and generate about 22,430 MWh of electricity per year. JEA has entered into a purchase power agreement with Jacksonville Solar, LLC to receive all electricity and renewable energy credits generated by the facility over the next 25 years.

#### **Trail Ridge Landfill**

JEA has signed a Purchase Power Agreement with Landfill Energy Systems to purchase energy from a 9.6 MWh landfill gas to energy facility at the Trail Ridge Landfill in Jacksonville.

JEA

Notes to Financial Statements (continued)

*(Dollars In Thousands)*

## 10. Fuel Management Program

The fuel management program is intended to help manage the risk of changes in the market prices of oil and natural gas. During fiscal years 2009 and 2008, JEA entered into various fuel management contracts. It is possible that the market price before or at the specified time to purchase fuel oil or natural gas may be lower than the price at which JEA is committed to buy. This would reduce the value of the contract. JEA is also exposed to the failure of the counterparty to fulfill the contract. JEA believes the risk of nonperformance by the counterparty under these contracts is not significant. JEA does not anticipate nonperformance by any counterparty.

### Fuel Management of Natural Gas

At September 30, 2009, the fuel management program had no open NYMEX natural gas futures contracts and several in 2008. The fuel management program had margin deposits of \$12 at September 30, 2009 and 2008, which is included in other noncurrent assets on the balance sheets.

During fiscal 2009 and 2008, JEA utilized TEA to execute trades of numerous over-the-counter forward purchase and sale contracts and swaps. For effective derivative transactions, hedge accounting is applied in accordance with GASB Cod. Sec. D40 and the fair market value changes are recorded on the balance sheet as either a deferred charge or a deferred credit until such time that the transactions ends. At September 30, 2009 and 2008, deferred charges of \$2,279 and \$4,554 were included in other noncurrent assets on the balance sheet. The related settled gains and losses from these transactions are recognized as fuel expenses on the statement of revenues, expenses, and changes in net assets. For the years ending September 30, 2009 and 2008, a \$9,866 and \$998 realized loss was included in fuel expense. Any losses were off-set by decreased prices in the purchase of natural gas.

The following is a summary of derivative transactions for the years ending September 30, 2009 and 2008.

| Electric Enterprise Fund<br>Cash Flow Hedges | Changes in Fair Value |            | Fair Value at September 30, 2009       |            | Notional        |
|--|-----------------------|------------|--|------------|-----------------|
|  | Classification        | Amount     | Classification                         | Amount     |                 |
| Natural Gas                                  | Deferred costs        | \$ (2,275) | Deferred credits and other liabilities | \$ (2,279) | 2,194<br>MMBTUS |
| Electric Enterprise Fund<br>Cash Flow Hedges | Changes in Fair Value |            | Fair Value at September 30, 2008       |            | Notional        |
|  | Classification        | Amount     | Classification                         | Amount     |                 |
| Natural Gas                                  | Deferred costs        | \$ 4,219   | Deferred credits and other liabilities | \$ (4,554) | 14,628 MMBTUS   |

## JEA

### Notes to Financial Statements (continued)

*(Dollars In Thousands)*

#### **11. Pension Plans**

##### **JEA Plan Description and Contributions**

Substantially all of the employees of the Electric System and Water and Sewer System participate in and contribute to the City of Jacksonville General Employees Pension Plan (Plan), as amended. The Plan is a cost-sharing, multiple-employer contributory defined benefit pension plan.

All full-time employees who successfully complete a physical examination and meet the medical requirements for membership are eligible to participate in the Plan. The Plan, based on laws outlined in the City of Jacksonville Ordinance Code and applicable Florida Statutes, provides for retirement, survivor, death, and disability benefits. The Plan's latest financial statements and required supplementary information are included in the 2008 Comprehensive Annual Financial Report of the City of Jacksonville, Florida. This report may be obtained by writing to the City of Jacksonville, Florida, Department of Administration and Finance, Room 300, City Hall, 117 West Duval Street, Jacksonville, Florida 32202-3418 or by calling (904) 630-1298.

In fiscal years 2009 and 2008, plan members were required to contribute 8% of their annual covered salary and JEA's contribution for the plan members was 11%. The employer rate is established each year based on the actuarial evaluation of the unfunded liability.

In fiscal year 2010, employees will also have the option to participate in a defined contribution plan. Plan members will be required to contribute 8% of their annual covered salary and JEA's contribution for the plan members will be 8% during fiscal year 2010. Also all contributions for both the defined contribution and defined benefit plans will be broken out between the contribution and a disability program fund. Due to this change there will be no physical exam requirement for both plans.

##### **St. Johns River Power Park Plan Description**

**Plan Description** – The JEA St. Johns River Power Park System Employees' Retirement Plan (SJRP Plan) is a single employer contributory defined benefit plan covering employees of SJRP. The Plan provides for pension, death, and disability benefits. Participation in the SJRP Plan is required as a condition of employment. The SJRP Plan is subject to provisions of Chapter 112 of the State of Florida Statutes and the oversight of the Florida Division of Retirement. The SJRP Plan is governed by a seven-member pension board (Pension Board). The SJRP Plan issues a publicly available financial report that includes financial statements and required supplementary information which may be obtained by writing to JEA, Employee Services, Tower 6, and 21 West Church Street, Jacksonville, Florida, 32202-3139 or by calling (904) 665-6198.

Effective February 1, 2009, an SJRP employee on the SJRP Plan who now works for JEA may request a forfeiture of their vested benefits rights in exchange for the receipt of a refund of all of their employee contributions made to the SJRP Plan during their term of employment without interest. An employee is then eligible to purchase the respective time in the City of Jacksonville General Employees Pension Plan at a higher figure than the amount received in their refund.

## Notes to Financial Statements (continued)

*(Dollars In Thousands)***11. Pension Plans (continued)**

**Funding Policy** – The SJRPP Plan’s funding policy provides for at least quarterly employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate assets to pay benefits when due. The SJRPP employer’s contribution to the SJRPP Plan for the year ending September 30, 2009, was 50.0% of annual covered payroll.

**Annual Pension Cost** – The annual pension contributions for the years ended September 30, 2009, 2008, 2007, and 2006 were \$11,236, \$10,902, \$5,090, and \$4,857, which was equal to the required employee and employer contributions for each year.

The following information relates to the three most recent actuarial valuations:

| Actuarial valuation date  | October 1, 2008 | October 1, 2007 | October 1, 2006 |
|---|-----------------|-----------------|-----------------|
| Actuarial value of plan assets  | \$ 60,998       | \$ 61,029       | \$ 51,498       |
| Actuarial accrued liability   | 108,678         | 95,985          | 86,533          |
| Total unfunded actuarial liability                                      | 47,680          | 34,956          | 35,035          |
| The actuarial value of assets as % of the actuarial accrued liabilities | 56.13%          | 63.58%          | 59.51%          |
| The annual covered payroll  | \$ 21,609       | \$ 24,027       | \$ 20,648       |
| The ratio of the unfunded actuarial liability to annual covered payroll | 220.65%         | 145.49%         | 169.68%         |

The schedules of funding progress present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

**Assumptions:**

SJRPP Plan members are required to contribute currently 4.0% of their current-year annual covered salary since October 1, 2005. The annual required contribution was determined actuarial valuation using the Individual Entry Age Actuarial Cost Method. The actuarial assumptions included (a) life expectancy was calculated using the RP-2000 Mortality Table; (b) 7.75% investment rate of return (net of administrative expenses); and (c) projected salary increases from 4.0% to 6.5%, depending on years of service per year, including an inflation component of 3.75%. The actuarial value of the assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a three-year period. As of October 1, 2006, all remaining gain (loss) bases including increases in the UAAL first recognized as of the valuation date were consolidated into one and amortized over five years starting one year after the valuation date. As of October 1, 2006, all UAAL bases other than experience bases referred to above were consolidated into one and amortized over an 11-year period starting one year after the valuation date. As of October 1, 2008, these bases were all extended by two years. The UAAL bases for future plan provision changes will be amortized over 15-year periods from their inception dates as level dollar amounts (in the form of level percentages of payroll but with a payroll growth of 0% per year), and the UAAL bases for future assumption changes and gains and losses will be amortized over a seven-year period from inception. In addition, there has been a valuation system change, increasing liabilities by approximately 1.7%. Plan provisions were modified to add a BAC DROP provision as well as a partial lump-sum option.

## JEA

### Notes to Financial Statements (continued)

*(Dollars In Thousands)*

#### **12. Health Insurance Programs**

As of July 1, 2009, JEA became self insured for medical and prescription benefits. Under the self-insurance program, JEA is liable for all claims up to certain maximum amounts per occurrence. Claims in excess of \$250, with an aggregate limit of 125% of aggregate claims are covered by insurance. The health insurance benefits program is administered through an insurance company and as such the administrator is responsible for processing the claims in accordance with the benefit specifications, with JEA reimbursing the insurance company for its payouts. Liabilities associated with the health care program are determined based on an actuarial study. This amount, which includes claims that have been incurred but not reported, is reported on the balance sheet in accounts and accrued expenses payable.

#### **13. Other Post-Employment Benefits**

##### **Plan Description**

The JEA maintains a medical benefits plan that it makes available to its retirees. The medical plan is a single-employer, experience rated insurance contract plan that provides medical benefits to employees and eligible retirees and their beneficiaries. The post-retirement benefit portion of the benefits plan (referred to as OPEB Plan) refers to the benefits applicable to current and future retirees and their beneficiaries.

As of the valuation date, the OPEB Plan had approximately 1,990 active participants and 605 retirees receiving benefits. The JEA currently determines the eligibility, benefit provisions and changes to those provisions, applicable to eligible retirees.

##### **Funding Policy**

JEA pays to Blue Cross Blue Shield any remaining required amounts after contributions of plan members are taken into account. Currently, retired members pay the full premium associated with the coverage elected; no direct JEA subsidiary is currently applicable; however, there is an implicit cost. Spouses and other dependents are also eligible for coverage and the member is responsible for payment of the applicable premiums.

State of Florida law prohibits the JEA from separately rating retirees and active employees. Therefore, JEA assigns to both groups, blended-rate premiums. GAAP requires the actuarial liabilities to be calculated using age-adjusted premiums approximating claim costs for retirees separate from active members. The use of age-adjusted premiums results in the full expected retiree obligation recognized in this disclosure.

JEA

Notes to Financial Statements (continued)

*(Dollars In Thousands)*

**13. Other Post-Employment Benefits (continued)**

**Annual OPEB Costs and Net OPEB Obligation**

| <b>Fiscal Year Ending</b> | <b>Annual Retiree Cost</b> | <b>JEA Contributions*`</b> | <b>Percentage of Retiree Cost Contributed</b> | <b>Net Obligation</b> |
|---------------------------|----------------------------|----------------------------|---|-----------------------|
| September 30, 2009        | \$5,779                    | \$4,023                    | 70%   | \$3,807               |
| September 30, 2008        | \$5,351                    | \$3,280                    | 61%   | \$2,071               |

\* Implicit additional premiums paid by JEA

The following table shows the components of JEA's annual OPEB costs for the year, the amount contributed to the OPEB plan, and the changes in the net OPEB obligation to JEA:

|   | <b>September 30</b> |             |
|---|---------------------|-------------|
|   | <b>2009</b>         | <b>2008</b> |
| Annual Required Contribution (ARC)        | \$ 5,779            | \$ 5,561    |
| Interest on OPEB Plan obligation          | 182                 | -           |
| Adjustment to ARC                         | 203                 | -           |
| Annual OPEB plan retiree cost*            | \$ 5,759            | \$ 3,280    |
| Change in OPEB Plan obligation            | \$ 1,736            | \$ 2,281    |
| OPEB Plan obligation at beginning of year | \$ 2,281            | -           |
| OPEB Plan obligation at end of year       | \$ 3,807            | \$ 2,281    |

\* Implicit additional premiums paid by JEA

**Funded Status**

As of September 30, 2009, the most recent valuation date, the OPEB plan was 2.87% funded. The actuarial accrued liability for benefits was \$74,884 and the actuarial value of assets was \$2,149, resulting in an unfunded actuarial accrued liability (UAAL) of \$72,735. The covered payroll (annual payroll of active employees covered by the OPEB plan) was \$136,128 and the ratio of the UAAL the covered payroll was 53.43%.

## Notes to Financial Statements (continued)

*(Dollars In Thousands)***13. Other Post-Employment Benefits (continued)****Actuarial Cost Method and Assumptions**

Annual requirements are determined in accordance with the actuarial assumptions and the Individual Entry Age Actuarial Cost Method. Under this method, the cost of each member's projected retiree medical benefit is funded through a series of annual payments, determined as a level percentage of each year's earnings, from age at hire to assumed exit age. The actuarial assumptions include an 8% discount rate, compounded annually, and it is based on the JEA's expected rate of return on trust fund assets, based on the assumption that the OPEB plan will be funded through a separately invested trust fund. The annual health care cost trend rate was assumed to decline gradually over the next several years from 9% at October 1, 2008, to an ultimate rate of 5% on and after 2012. The economic rates are based on an assumed inflation rate of 3.5% per annum. It is intended that the UAAL be recognized over a 30-year period from October 1, 2007, through amortizations expressed as a level percentage of payroll.

Amortizations were assumed to begin on October 1, 2007, and to continue monthly for the 30 remaining years. Changes in the UAAL resulting from actuarial gains or losses, or changes in actuarial assumptions, will be amortized over the remaining portion of the 30-year period, but not less than 15 years.

Actuarial valuations of the on-going plan involve estimates and assumptions about the probability of occurrence of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes of the financial statements, presents information about whether the actuarial value of the OPEB plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan understood by the employer and plan members) and include the types of benefits provided at the time of the valuation and the historical pattern of sharing the benefit costs between the employer and OPEB plan members at that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

**14. Commitments and Contingent Liabilities****Grants**

JEA participates in various federal and state assisted grant programs that are subject to review and audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal and state regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a federal or state audit may become a liability of JEA. It is management's opinion that the results of these audits will have no material adverse effect on JEA's financial position or results of operations.

## Notes to Financial Statements (continued)

*(Dollars In Thousands)***14. Commitments and Contingent Liabilities (continued)****Clean Air Act**

In May 2005, the EPA published two final rules affecting power plants. The Clean Air Interstate Rule (CAIR) requires annual sulfur dioxide emissions reductions in two phases (beginning in 2010 and 2015), and annual nitrogen oxides emissions reduction in two phases (beginning 2009 and 2015). CAIR affects 28 states (in the eastern United States) whose emissions affect attainment and maintenance of ambient air quality standards for ozone and fine particulate matter. The Clean Air Mercury Rule (CAMR) requires annual mercury emissions reductions by coal-fired units in all states in two phases (beginning in 2010 and 2018). The Florida Department of Environmental Protection (FDEP) has published its state implementation plans (SIP) to implement CAIR and CAMR. The two SIPs include Florida in the EPA national emissions trading programs for NOx allowances in the FDEP CAIR SIP. The U.S. Court of Appeals for the District of Columbia Circuit vacated the entire CAIR, holding that the CAIR has “more than several fatal flaws.” The decision has a number of potential implications for existing federal and state air regulatory programs and the power sector. The same Court had vacated the CAMR earlier in 2008. There are several possible actions being considered by the EPA, the Obama Administration, and Congress. JEA cannot predict what actions the Court or Congress may eventually take on CAIR or CAMR. Meanwhile JEA is continuing preparations to meet the reductions required by the vacated rules.

**Northside Generating Station By-Product**

JEA Northside Generating Station (NSGS) Units 1 and 2 produce a by-product that consists of fly ash and bed ash. JEA has obtained a permit from the Florida Department of Environmental Protection (FDEP) to beneficially use the processed by product material in the State of Florida, subject to certain restrictions. These ash products are combined and processed into civil construction materials presently being marketed as EZBase and EZSorb. In order to provide comprehensive, unified oversight, JEA has recently reorganized its By-product Services to include the material handling area and the marketing area under one process. In addition, the expansion of rail capacity, the ability to load rail cars directly from the storage silos, and direct leasing of rail cars has enabled JEA to become a full-service marketer, delivering products by truck or rail. EZSorb and EZBase are currently being transported by truck and rail to civil and environmental remediation/stabilization projects in several Southeastern states.

The By-products Storage Area (BSA) is an FDEP permitted, Class I lined storage facility at NSGS. As part of the re-permitting process for the BSA, the FDEP is requiring a reshaping of the BSA to reduce slopes. In order to reshape to the proper slopes, and maintain the required “table-top” for processing, a considerable amount of material must be removed. The redesign and reshaping of the BSA will bring it into full compliance with the new permit, and enable JEA to utilize the BSA more effectively as a by-products processing/management facility. JEA has recorded a \$10 million liability in fiscal year 2009 related to resolution of this issue.

In 2005 and 2006 JEA's contract by-product marketer (who is no longer under contract) sold a significant quantity of material to a small county in Georgia. The county stockpiled the majority of the material at two separate locations. The stockpiling of the material has caused concerns with the Georgia Department of Natural Resources (GDNR). The GDNR has requested that JEA apply for and secure a variance from GDNR for the continued use of EZBase in Georgia, similar to the approval JEA has already obtained from the FDEP. In order to alleviate GDNR's concerns, JEA has offered to assist the county and GDNR in remediating the stockpiled material. JEA has recorded a \$10 million liability in fiscal year 2009 related to the resolution of this issue.

## JEA

### Notes to Financial Statements (continued)

*(Dollars In Thousands)*

#### **14. Commitments and Contingent Liabilities (continued)**

##### **Southside Generating Station**

JEA decommissioned the Southside Generating System on October 31, 2001. JEA has spent approximately \$26,950 for demolition, disposal, and environmental remediation associated with the site. Bids were solicited to sell the property in early 2005. The bid specifications required a buyer to assume responsibility for the site under the Brownfield Site Rehabilitation Agreement between JEA and the FDEP along with all environmental liability related to the site, except any portion to be retained by JEA. JEA continues to work on positioning the property for a future sale and redevelopment including improving site access, additional environmental review, and land use and development rights reviews to better position the property for redevelopment. Area real estate market conditions will affect the timing of any future sale opportunities.

##### **Water Supply System Regulatory Initiatives**

The St. Johns River Water Management District (SJRWMD) regulates groundwater withdrawals and issues permits for the same. JEA currently has multiple Consumptive Use Permits (CUPs) authorizing the use of groundwater supplies to serve the public utility water demands. In September 2007, JEA submitted a request to consolidate these CUPs into a single permit and requested permit duration of 20 years. This is the largest utility CUP ever processed by the SJRWMD and is a multi-year process. The ultimate issuance of the consolidated permit cannot be predicted at this time. A central part of a groundwater CUP application is a demonstration by the applicant that withdrawals are within the sustainable limits of the resource. JEA is currently working on a series of modeling tasks to define the maximum sustainable limits of the resource and to identify specific conservation measures and alternative water supply supplies, as needed, to control and meet future demands. The outcome of the CUP process will ultimately define the timeline for implementing alternative water supply strategies in Northeast Florida to augment the abundant groundwater supply in order to ensure its sustainability.

SJRWMD has listed Northeast Florida as a potential priority water resource caution area. If confirmed in the 2010 District Water Supply Plan, it will require a portion of JEA's water supply to be provided through increased conservation, expanded use of reclaimed water, or alternative water supply projects.

##### **Wastewater Treatment System Regulatory Initiatives**

The Sewer System is regulated by Environmental Protection Agency (EPA) under provisions of the Federal Clean Water Act and the Federal Water Pollution Act. EPA has delegated the wastewater regulatory program to The Florida Department of Environmental Protection (FDEP). FDEP has implemented a Total Maximum Daily Load regulation (TMDL) defining the mass of nitrogen that can be assimilated by the St. Johns River to which 11 of JEA's 15 wastewater treatment plants discharge. This new state rule limits the amount of nitrogen that these 11 wastewater treatment facilities are allowed to discharge by permit. JEA, in partnership with other public agencies under an agreement called the River Accord, has undertaken a voluntary initiative to far exceed the regulatory requirements of the TMDL. As it is part of the Accord, JEA has pledged to spend \$200,000 over a 10-year period to decommission 5 of the 11 facilities, and upgrade the remaining facilities to advanced nutrient removal capability, far exceeding the requirements of the proposed rules. This work is being planned and funded as part of JEA's ongoing capital improvements program.

## JEA

### Notes to Financial Statements (continued)

*(Dollars In Thousands)*

#### **14. Commitments and Contingent Liabilities (continued)**

EPA announced in January 2009 its intention to promulgate numerical nutrient criteria for Florida beginning 2010 as part of a legal settlement agreement with environmental third parties. Their proposed schedule may result in new criteria for JEA by October 2014 that could supersede the nutrient reduction requirements established by the TMDL. Although EPA has not published specific criteria, it is anticipated the proposed nutrient criteria will be very stringent and would result in significant reductions to nitrogen and phosphorus discharges well below levels currently required for JEA by the existing Lower St. Johns River nutrient TMDL. If such a rule were successfully passed, it could require a substantial investment in additional facility upgrades beyond those planned for the TMDL effort. The proposed criteria are the subject of a legal challenge as JEA and numerous other stakeholder organizations are litigating against EPA on this issue.

#### **Sanitary Sewer Overflow Litigation**

In September 2007, plaintiffs filed in the U.S. District Court for the Middle District of Florida alleging violations of the Federal Clean Water Act. They alleged multiple unpermitted sanitary sewer overflows from the Buckman and Arlington East wastewater treatment plants. JEA is vigorously defending against this claim, and has filed a Motion for Summary Judgment with the Court. Discovery is complete and JEAs Motion is scheduled for hearing in January 2010. JEA believes it has a strong case.

#### **Pollution Remediation Obligations**

JEA is subject to numerous federal, state, and local environmental regulations resulting in environmental liabilities due to compliance costs associated with new regulatory initiatives, enforcement actions, legal actions, and contaminated site assessment and remediation. JEA adopted GASB Cod. Sec. P40, related to various environmental matters. The effect of the adoption was to increase the environmental liability by \$2,300. Based on analysis of the cost of remediation and other identified environmental contingencies, approximately \$15,320 is associated with the expected cost of remediating the former wood-preserving facility at the Kennedy Generating Station, Southside Generating Station, and electric equipment repair facility at Pearl Street. There are other environmental matters that could have an impact on JEA; however, the resolution of these matters is uncertain, and no accurate prediction of range of loss is possible at this time.

#### **General Litigation**

JEA is party to various pending or threatened legal actions in connection with its normal operations. In the opinion of management, any ultimate liability that may arise from these actions are not expected to materially impact JEA's financial position, results of operations, or liquidity.

## JEA

### Notes to Financial Statements (continued)

*(Dollars In Thousands)*

#### **15. Segment Information**

The financial statements of JEA contain four segments, as the Electric System and Bulk Power Supply System, the SJRPP System, the Water and Sewer System, and DES represent separate identifiable activities. These systems have debt outstanding with a revenue stream pledged in support of the debt. In addition, the activities are required to be accounted for separately. JEA's Electric System and Bulk Power Supply System segment consists of an electric utility engaged in the generation, purchase, transmission, distribution, and sale of electricity primarily in Northeast Florida. JEA's SJRPP System segment consists of a generation facility which is 80% owned by JEA. JEA's Water and Sewer System segment consists of water collection, distribution, and wastewater treatment in Northeast Florida. The District Energy System consists of chilled water activities.

Intercompany billing is employed between the Electric System and the Water and Sewer System and includes purchases of electricity, water, and sewer services and the rental of inventory and buildings. The utility charges between entities are based on a commercial customer rate. All intercompany billings are eliminated in the monthly and annual financial statements. Electricity charges to the Water and Sewer entity was \$15,121 for fiscal 2009 and \$12,827 for fiscal 2008. Water and Sewer charges to the Electric System were \$139 for fiscal 2009 and \$131 for fiscal 2008.

The Electric System shares certain administrative functions with Water and Sewer System. Generally, these costs are charged to the Electric System and the costs of these functions are allocated to the Water and Sewer System based on the benefits provided. Operating expense allocated to Water and Sewer System were \$37,163 for fiscal year 2009 and \$48,103 for fiscal year 2008.

In September 1999, the Water and Sewer System purchased the inventory owned by the Electric System in the amount of \$32,929. This was initiated to increase the utilization of its assets among the Electric System and the Water and Sewer System. A monthly inventory carrying charge is paid by the Electric System based on the value of the inventory multiplied by one-twelfth of the prior year's Water and Sewer average cost of debt. Inventory carrying charges were \$2,067 for fiscal 2009 and \$1,263 for fiscal 2008.

In July 1999 and July 2004, the Electric System transferred several buildings to the Water and Sewer System in the amounts of \$22,940 and \$6,278, an amount equal to the net book value of the assets. Monthly the Electric System reimburses the Water and Sewer System for their equitable allocation. Annual rent paid by the Electric System to the Water and Sewer System for use of these buildings was \$2,055 for fiscal year 2009 and \$1,412 for fiscal year 2008.

To utilize the efficiencies in the Customer Account Information billing system and reduce the administrative efforts in recording deposits, customer deposits are recorded to one Service Agreement (SA) per Account. Deposits are allocated to the Electric System or Water and Sewer Systems based on accounts receivable balances. When the deposits are credited to customer accounts they are allocated between the service agreements.

JEA

Notes to Financial Statements (continued)

(Dollars In Thousands)

15. Segment Information (continued)

Segment information for these activities for the fiscal years ended September 30, 2009 and 2008, was as follows:

|  | Electric System and<br>Bulk Power Supply System |              | SJRP System  |              | Water and Sewer System |              | DES        |            |
|--|---|--------------|--------------|--------------|------------------------|--------------|------------|------------|
|  | 2009  | 2008         | 2009         | 2008         | 2009                   | 2008         | 2009       | 2008       |
| <b>Condensed Balance Sheet</b>   |   |              |              |              |                        |              |            |            |
| <b>Information:</b>  |   |              |              |              |                        |              |            |            |
| Total current assets   | \$ 417,860                                      | \$ 337,707   | \$ 147,277   | \$ 124,135   | \$ 110,251             | \$ 99,804    | \$ 2,869   | \$ 1,387   |
| Total other noncurrent assets  | 401,063   | 253,410      | 532,974      | 569,018      | 195,976                | 170,736      | 2,849      | 2,788      |
| Capital assets, net  | 3,023,740                                       | 2,957,999    | 798,705      | 792,817      | 2,810,499              | 2,803,270    | 45,379     | 47,255     |
| Total assets   | \$ 3,842,663                                    | \$ 3,549,116 | \$ 1,478,956 | \$ 1,485,970 | \$ 3,116,726           | \$ 3,073,810 | \$ 51,097  | \$ 51,430  |
| Total current liabilities  | \$ 163,789                                      | \$ 150,231   | \$ 27,063    | \$ 23,650    | \$ 17,149              | \$ 10,013    | \$ 43      | \$ 574     |
| Total current liabilities payable  |   |              |              |              |                        |              |            |            |
| From restricted assets   | 92,648  | 128,914      | 245,909      | 247,032      | 118,810                | 84,415       | 4,307      | 157        |
| Total other noncurrent liabilities   | 111,539   | 113,768      | 2,948        | 2,839        | 7,061                  | 6,546        | -          | -          |
| Total long-term debt   | 3,003,893                                       | 2,780,690    | 1,163,733    | 1,195,206    | 1,916,468              | 1,881,671    | 47,800     | 52,085     |
| Total liabilities  | 3,371,869                                       | 3,173,603    | 1,439,653    | 1,468,727    | 2,059,488              | 1,982,645    | 52,150     | 52,816     |
| Net assets invested in capital assets, net of related debt                               | 72,898  | 121,002      | (335,572)    | (329,005)    | 874,236                | 939,809      | (6,434)    | (4,311)    |
| Restricted net assets  | 171,707   | 90,645       | 257,609      | 248,602      | 94,550                 | 65,025       | 2,555      | 2,112      |
| Unrestricted net assets  | 226,189   | 163,866      | 117,266      | 97,646       | 88,452                 | 86,331       | 2,826      | 813        |
| Total net assets   | 470,794   | 375,513      | 39,303       | 17,243       | 1,057,238              | 1,091,165    | (1,053)    | (1,386)    |
| Total liabilities and net assets   | \$ 3,842,663                                    | \$ 3,549,116 | \$ 1,478,956 | \$ 1,485,970 | \$ 3,116,726           | \$ 3,073,810 | \$ 51,097  | \$ 51,430  |
| <b>Condensed Statement of Revenues, Expenses, and Changes in Net Assets Information:</b> |   |              |              |              |                        |              |            |            |
| Operating revenues   | \$ 1,426,674                                    | \$ 1,247,324 | \$ 391,030   | \$ 345,695   | \$ 259,275             | \$ 257,657   | \$ 6,915   | \$ 6,162   |
| Operating expenses   | 1,154,344                                       | 1,114,703    | 313,328      | 287,544      | 243,030                | 239,061      | 5,981      | 5,385      |
| Operating income   | 272,330   | 132,621      | 77,702       | 58,151       | 16,245                 | 18,596       | 934        | 777        |
| Nonoperating revenues (expenses)   | (100,955)                                       | (76,700)     | (55,642)     | (41,589)     | (69,166)               | (71,537)     | (601)      | (1,594)    |
| Contributions  | (76,094)  | (73,847)     | -            | -            | 18,994                 | 29,987       | -          | -          |
| Change in net assets   | 95,281  | (17,926)     | 22,060       | 16,562       | (33,927)               | (22,954)     | 333        | (817)      |
| Beginning net assets   | 375,513   | 393,439      | 17,243       | 681          | 1,091,165              | 1,114,119    | (1,386)    | (569)      |
| Ending net assets  | \$ 470,794                                      | \$ 375,513   | \$ 39,303    | \$ 17,243    | \$ 1,057,238           | \$ 1,091,165 | \$ (1,053) | \$ (1,386) |
| <b>Condensed Statement of Cash Flow Information:</b>                                     |   |              |              |              |                        |              |            |            |
| Net cash provided by (used in):  |   |              |              |              |                        |              |            |            |
| Operating activities   | \$ 459,157                                      | \$ 280,047   | \$ 125,897   | \$ 116,808   | \$ 159,863             | \$ 146,276   | \$ 2,791   | \$ 3,287   |
| Noncapital financing activities  | (75,907)  | (79,876)     | -            | -            | (21,436)               | (22,918)     | -          | -          |
| Capital and related financing activities   | (233,316)                                       | (81,291)     | (140,034)    | (146,236)    | (116,293)              | (73,657)     | (879)      | (2,659)    |
| Investing activities   | (23,988)  | (15,524)     | (73,150)     | 85,920       | (4,245)                | (34,998)     | 30         | (11)       |
| Net change in cash and cash equivalents  | 125,946   | 103,356      | (87,287)     | 56,492       | 17,889                 | 14,703       | 1,942      | 617        |
| Cash and cash equivalents at beginning of year   | 235,357   | 132,001      | 333,393      | 276,901      | 128,402                | 113,699      | 3,292      | 2,675      |
| Cash and cash equivalents at end of year   | \$ 361,303                                      | \$ 235,357   | \$ 246,106   | \$ 333,393   | \$ 146,291             | \$ 128,402   | \$ 5,234   | \$ 3,292   |

JEA

Notes to Financial Statements (continued)

*(Dollars In Thousands)*

**16. Subsequent Events**

**Short-Term Bank Borrowings**

In October 2009, SJRPP made a new money draw of \$6,000 for capital expenditures, which will be replaced with permanent financing during 2010.

In October 2009, DES made a refunding draw of \$4,285, which is scheduled to mature in August 2010.

In November 2009, the Bulk Power Supply System made a new money draw of \$8,000 for capital expenditures, which will be replaced with permanent financing during 2010.

In December 2009, JEA issued \$45,955 of its Electric System Revenue Bonds, Series Three 2009D and \$68,600 of its Electric System Subordinated Revenue Bonds, 2009 Series F to fund capital expenditures. In addition, in December 2009, JEA issued \$27,675 of its Subordinated Electric System Revenue Bonds, 2009 Series G to economic refund \$28,930 of prior issued bonds with new debt service of \$38,468 compared to the prior debt service of \$40,419 with an economic gain of \$1,464.

## REQUIRED SUPPLEMENTARY INFORMATION

JEA

Schedule of Funding Progress

September 30, 2009

*(Dollars In Thousands)*

The following funding schedule presents multi-year trend information on the funded status of the Other Post-Employment Benefit Plan as September 30, 2009. The schedule has been prepared using the entry age actuarial method.

| Valuation Date     | AAL *     | Actuarial Value<br>of Assets | UAAL      | Percentage<br>Funded | Annual Covered<br>Payroll** | UAAL as<br>Percentage of<br>Payroll |
|--------------------|-----------|------------------------------|-----------|----------------------|-----------------------------|-------------------------------------|
| September 30, 2009 | \$ 74,884 | \$ 2,149                     | \$ 72,735 | 2.87%                | \$ 136,128                  | 53.43                               |
| September 30, 2008 | \$ 70,286 | \$ 754                       | \$ 69,532 | 1.07%                | \$ 79,280                   | 87.70%                              |

\* Based on Entry Age Actuarial Cost Method, 8% interest discount, RP-2000 Healthy White Collar Mortality Table for Males and Females, as projected from 2001 using Projection Scale AA and other assumed decrements.

\*\* Payroll estimated using average employee earnings of \$68,682 in 2009 and \$40,000 in 2008.

See note 13 to the accompanying statements for more information on the OPEB Plan.

## SUPPLEMENTARY INFORMATION

JEA

Combining Balance Sheet

September 30, 2009

(In Thousands)

|  | Electric<br>System and<br>Bulk Power<br>Supply System | SJRPP<br>System | Elimination<br>of Inter-<br>company<br>Transactions | Total<br>Electric<br>Enterprise<br>Fund | Water<br>and Sewer<br>Fund | District<br>Energy<br>System | Eliminations | Total JEA    |
|--|---|-----------------|---|---|----------------------------|------------------------------|--------------|--------------|
| <b>Assets</b>  |   |                 |   |   |                            |                              |              |              |
| Current assets:  |   |                 |   |   |                            |                              |              |              |
| Cash and cash equivalents  | \$ 166,233  | \$ 50,961       | \$ -  | \$ 217,194                              | \$ 35,900                  | \$ 2,663                     | \$ -         | \$ 255,757   |
| Investments  | -   | 10,498          | -   | 10,498                                  | -                          | 50                           | -            | 10,548       |
| Accounts and interest receivable, less allowance for<br>doubtful accounts of \$4,386 | 220,293   | 6,093           | (23,708)  | 202,678                                 | 27,937                     | 156                          | -            | 230,771      |
| Inventories:   |   |                 |   |   |                            |                              |              |              |
| Fuel   | 29,401  | 56,553          | -   | 85,954                                  | -                          | -                            | -            | 85,954       |
| Materials and supplies   | 1,933   | 23,172          | -   | 25,105                                  | 46,414                     | -                            | -            | 71,519       |
| Total current assets   | 417,860   | 147,277         | (23,708)  | 541,429                                 | 110,251                    | 2,869                        | -            | 654,549      |
| Noncurrent assets:   |   |                 |   |   |                            |                              |              |              |
| Restricted assets:   |   |                 |   |   |                            |                              |              |              |
| Cash and cash equivalents  | 195,070   | 195,145         | -   | 390,215                                 | 110,391                    | 2,571                        | -            | 503,177      |
| Investments  | 71,051  | 192,589         | -   | 263,640                                 | 45,209                     | -                            | -            | 308,849      |
| Accounts and interest receivable   | 5,000   | 1,972           | -   | 6,972                                   | 1,570                      | -                            | -            | 8,542        |
| Total restricted assets  | 271,121   | 389,706         | -   | 660,827                                 | 157,170                    | 2,571                        | -            | 820,568      |
| Deferred costs   | 121,864   | 8,470           | -   | 130,334                                 | 38,806                     | 278                          | -            | 169,418      |
| Investment in The Energy Authority   | 8,078   | -               | -   | 8,078                                   | -                          | -                            | -            | 8,078        |
| Costs to be recovered from future revenues   | -   | 134,798         | -   | 134,798                                 | -                          | -                            | -            | 134,798      |
| Total noncurrent assets  | 401,063   | 532,974         | -   | 934,037                                 | 195,976                    | 2,849                        | -            | 1,132,862    |
| Capital assets:  |   |                 |   |   |                            |                              |              |              |
| Land and easements   | 57,181  | 6,660           | -   | 63,841                                  | 42,970                     | 3,051                        | -            | 109,862      |
| Plant in service   | 4,417,113   | 1,400,847       | -   | 5,817,960                               | 3,697,184                  | 49,425                       | -            | 9,564,569    |
| Less accumulated depreciation  | (1,654,355)   | (622,574)       | -   | (2,276,929)                             | (1,039,947)                | (7,212)                      | -            | (3,324,088)  |
| Plant in service, net  | 2,819,939   | 784,933         | -   | 3,604,872                               | 2,700,207                  | 45,264                       | -            | 6,350,343    |
| Construction work-in-progress  | 203,801   | 13,772          | -   | 217,573                                 | 110,292                    | 115                          | -            | 327,980      |
| Net capital assets   | 3,023,740   | 798,705         | -   | 3,822,445                               | 2,810,499                  | 45,379                       | -            | 6,678,323    |
| Total assets   | \$ 3,842,663  | \$ 1,478,956    | \$ (23,708)   | \$ 5,297,911                            | \$ 3,116,726               | \$ 51,097                    | \$ -         | \$ 8,465,734 |

JEA

Combining Balance Sheet (continued)

September 30, 2009

(In Thousands)

|   | Electric<br>System and<br>Bulk Power<br>Supply System | SJRPP<br>System | Elimination<br>of Inter-<br>company<br>Transactions | Total<br>Electric<br>Enterprise<br>Fund | Water<br>and Sewer<br>Fund | District<br>Energy<br>System | Eliminations | Total JEA    |
|---|---|-----------------|---|---|----------------------------|------------------------------|--------------|--------------|
| <b>Liabilities and net assets</b>                                   |   |                 |   |   |                            |                              |              |              |
| Current liabilities:  |   |                 |   |   |                            |                              |              |              |
| Accounts and accrued expenses payable                               | \$ 126,090  | \$ 27,063       | \$ -  | \$ 153,153                              | \$ 10,551                  | \$ 43                        | \$ -         | \$ 163,747   |
| Customer deposits   | 37,699  | -               | -   | 37,699                                  | 6,598                      | -                            | -            | 44,297       |
| Total current liabilities   | 163,789   | 27,063          | -   | 190,852                                 | 17,149                     | 43                           | -            | 208,044      |
| Current liabilities payable from restricted assets:                 |   |                 |   |   |                            |                              |              |              |
| Debt due within one year  | 46,755  | 100,205         | -   | 146,960                                 | 73,157                     | 4,285                        | -            | 224,402      |
| Interest payable  | 38,971  | 29,356          | -   | 68,327                                  | 34,312                     | 16                           | -            | 102,655      |
| Construction contracts and accounts payable                         | 6,922   | 26,348          | (23,708)  | 9,562                                   | 11,341                     | 6                            | -            | 20,909       |
| Renewal and replacement reserve                                     | -   | 90,000          | -   | 90,000                                  | -                          | -                            | -            | 90,000       |
| Total current liabilities payable from restricted assets            | 92,648  | 245,909         | (23,708)  | 314,849                                 | 118,810                    | 4,307                        | -            | 437,966      |
| Noncurrent liabilities:   |   |                 |   |   |                            |                              |              |              |
| Deferred credits and other liabilities                              | 39,078  | 2,948           | -   | 42,026                                  | 7,061                      | -                            | -            | 49,087       |
| Revenues to be used for future costs                                | 72,461  | -               | -   | 72,461                                  | -                          | -                            | -            | 72,461       |
| Total noncurrent liabilities  | 111,539   | 2,948           | -   | 114,487                                 | 7,061                      | -                            | -            | 121,548      |
| Long-term debt:   |   |                 |   |   |                            |                              |              |              |
| Bonds payable and commercial paper payable, less<br>current portion | 2,934,716   | 1,208,858       | -   | 4,143,574                               | 1,929,327                  | 47,800                       | -            | 6,120,701    |
| Unamortized original issue premium (discount), net                  | 14,324  | 11,388          | -   | 25,712                                  | 263                        | -                            | -            | 25,975       |
| Unamortized deferred losses on refundings                           | (45,946)  | (56,513)        | -   | (102,459)                               | (31,378)                   | -                            | -            | (133,837)    |
| Fair value of debt management strategy instruments                  | 100,799   | -               | -   | 100,799                                 | 18,256                     | -                            | -            | 119,055      |
| Total long-term debt  | 3,003,893   | 1,163,733       | -   | 4,167,626                               | 1,916,468                  | 47,800                       | -            | 6,131,894    |
| Net assets:   |   |                 |   |   |                            |                              |              |              |
| Invested in capital assets, net of related debt                     | 72,898  | (335,572)       | -   | (262,674)                               | 874,236                    | (6,434)                      | -            | 605,128      |
| Restricted  | 171,707   | 257,609         | 23,708  | 453,024                                 | 94,550                     | 2,555                        | -            | 550,129      |
| Unrestricted  | 226,189   | 117,266         | (23,708)  | 319,747                                 | 88,452                     | 2,826                        | -            | 411,025      |
| Total net assets  | 470,794   | 39,303          | -   | 510,097                                 | 1,057,238                  | (1,053)                      | -            | 1,566,282    |
| Total liabilities   | 3,371,869   | 1,439,653       | (23,708)  | 4,787,814                               | 2,059,488                  | 52,150                       | -            | 6,899,452    |
| Total liabilities and net assets                                    | \$ 3,842,663  | \$ 1,478,956    | \$ (23,708)   | \$ 5,297,911                            | \$ 3,116,726               | \$ 51,097                    | \$ -         | \$ 8,465,734 |

JEA

Combining Balance Sheet

September 30, 2008

(In Thousands)

|  | Electric<br>System and<br>Bulk Power<br>Supply System | SJRPP<br>System | Elimination<br>of Inter-<br>company<br>Transactions | Total<br>Electric<br>Enterprise<br>Fund | Water<br>and Sewer<br>Fund | District<br>Energy<br>System | Eliminations | Total JEA    |
|--|---|-----------------|---|---|----------------------------|------------------------------|--------------|--------------|
| <b>Assets</b>  |   |                 |   |   |                            |                              |              |              |
| Current assets:  |   |                 |   |   |                            |                              |              |              |
| Cash and cash equivalents  | \$ 86,071   | \$ 60,673       | \$ -  | \$ 146,744                              | \$ 19,752                  | \$ 793                       | \$ -         | \$ 167,289   |
| Investments  | -   | -               | -   | -                                       | -                          | 93                           | -            | 93           |
| Accounts and interest receivable, less allowance for<br>doubtful accounts of \$2,553 | 223,297   | 5,259           | (22,645)  | 205,911                                 | 31,577                     | 501                          | -            | 237,989      |
| Inventories:   |   |                 |   |   |                            |                              |              |              |
| Fuel   | 26,448  | 34,954          | -   | 61,402                                  | -                          | -                            | -            | 61,402       |
| Materials and supplies   | 1,891   | 23,249          | -   | 25,140                                  | 48,475                     | -                            | -            | 73,615       |
| Total current assets   | 337,707   | 124,135         | (22,645)  | 439,197                                 | 99,804                     | 1,387                        | -            | 540,388      |
| Noncurrent assets:   |   |                 |   |   |                            |                              |              |              |
| Restricted assets:   |   |                 |   |   |                            |                              |              |              |
| Cash and cash equivalents  | 149,286   | 272,720         | -   | 422,006                                 | 108,650                    | 2,499                        | -            | 533,155      |
| Investments  | 40,823  | 113,993         | -   | 154,816                                 | 36,833                     | -                            | -            | 191,649      |
| Accounts and interest receivable   | 544   | 1,903           | -   | 2,447                                   | 1,620                      | -                            | -            | 4,067        |
| Total restricted assets  | 190,653   | 388,616         | -   | 579,269                                 | 147,103                    | 2,499                        | -            | 728,871      |
| Deferred costs   | 55,147  | 8,618           | -   | 63,765                                  | 23,633                     | 289                          | -            | 87,687       |
| Investment in The Energy Authority   | 7,610   | -               | -   | 7,610                                   | -                          | -                            | -            | 7,610        |
| Costs to be recovered from future revenues   | -   | 171,784         | -   | 171,784                                 | -                          | -                            | -            | 171,784      |
| Total noncurrent assets  | 253,410   | 569,018         | -   | 822,428                                 | 170,736                    | 2,788                        | -            | 995,952      |
| Capital assets:  |   |                 |   |   |                            |                              |              |              |
| Land and easements   | 53,456  | 6,660           | -   | 60,116                                  | 35,724                     | 240                          | -            | 96,080       |
| Plant in service   | 4,127,411   | 1,194,719       | -   | 5,322,130                               | 3,546,311                  | 51,890                       | -            | 8,920,331    |
| Less accumulated depreciation  | (1,533,032)   | (605,247)       | -   | (2,138,279)                             | (951,363)                  | (5,169)                      | -            | (3,094,811)  |
| Plant in service, net  | 2,647,835   | 596,132         | -   | 3,243,967                               | 2,630,672                  | 46,961                       | -            | 5,921,600    |
| Construction work-in-progress  | 310,164   | 196,685         | -   | 506,849                                 | 172,598                    | 294                          | -            | 679,741      |
| Net capital assets   | 2,957,999   | 792,817         | -   | 3,750,816                               | 2,803,270                  | 47,255                       | -            | 6,601,341    |
| Total assets   | \$ 3,549,116  | \$ 1,485,970    | \$ (22,645)   | \$ 5,012,441                            | \$ 3,073,810               | \$ 51,430                    | \$ -         | \$ 8,137,681 |

JEA

Combining Balance Sheet (continued)

September 30, 2008

(In Thousands)

|   | Electric<br>System and<br>Bulk Power<br>Supply System | SJRPP<br>System | Elimination<br>of Inter-<br>company<br>Transactions | Total<br>Electric<br>Enterprise<br>Fund | Water<br>and Sewer<br>Fund | District<br>Energy<br>System | Eliminations | Total JEA    |
|---|---|-----------------|---|---|----------------------------|------------------------------|--------------|--------------|
| <b>Liabilities and net assets</b>                                   |   |                 |   |   |                            |                              |              |              |
| Current liabilities:  |   |                 |   |   |                            |                              |              |              |
| Accounts and accrued expenses payable                               | \$ 111,671  | \$ 23,650       | \$ (1,519)  | \$ 133,802                              | \$ 10,013                  | \$ 574                       | \$ -         | \$ 144,389   |
| Customer deposits   | 38,560  | -               | -   | 38,560                                  | -                          | -                            | -            | 38,560       |
| Total current liabilities   | 150,231   | 23,650          | (1,519)   | 172,362                                 | 10,013                     | 574                          | -            | 182,949      |
| Current liabilities payable from restricted assets:                 |   |                 |   |   |                            |                              |              |              |
| Debt due within one year  | 82,080  | 95,500          | -   | 177,580                                 | 23,200                     | -                            | -            | 200,780      |
| Interest payable  | 30,553  | 29,864          | -   | 60,417                                  | 34,407                     | 143                          | -            | 94,967       |
| Construction contracts and accounts payable                         | 16,281  | 31,668          | (21,126)  | 26,823                                  | 26,808                     | 14                           | -            | 53,645       |
| Renewal and replacement reserve                                     | -   | 90,000          | -   | 90,000                                  | -                          | -                            | -            | 90,000       |
| Total current liabilities payable from restricted assets            | 128,914   | 247,032         | (21,126)  | 354,820                                 | 84,415                     | 157                          | -            | 439,392      |
| Noncurrent liabilities:   |   |                 |   |   |                            |                              |              |              |
| Deferred credits and other liabilities                              | 37,429  | 2,839           | -   | 40,268                                  | 6,546                      | -                            | -            | 46,814       |
| Revenues to be used for future costs                                | 76,339  | -               | -   | 76,339                                  | -                          | -                            | -            | 76,339       |
| Total noncurrent liabilities  | 113,768   | 2,839           | -   | 116,607                                 | 6,546                      | -                            | -            | 123,153      |
| Long-term debt:   |   |                 |   |   |                            |                              |              |              |
| Bonds payable and commercial paper payable, less<br>current portion | 2,792,764   | 1,242,230       | -   | 4,034,994                               | 1,916,021                  | 52,085                       | -            | 6,003,100    |
| Unamortized original issue premium (discount), net                  | 44  | 17,117          | -   | 17,161                                  | (4,982)                    | -                            | -            | 12,179       |
| Unamortized deferred losses on refundings                           | (46,145)  | (64,141)        | -   | (110,286)                               | (31,459)                   | -                            | -            | (141,745)    |
| Fair value of debt management strategy instruments                  | 34,027  | -               | -   | 34,027                                  | 2,091                      | -                            | -            | 36,118       |
| Total long-term debt  | 2,780,690   | 1,195,206       | -   | 3,975,896                               | 1,881,671                  | 52,085                       | -            | 5,909,652    |
| Net assets:   |   |                 |   |   |                            |                              |              |              |
| Invested in capital assets, net of related debt                     | 121,002   | (329,005)       | -   | (208,003)                               | 939,809                    | (4,311)                      | -            | 727,495      |
| Restricted  | 90,645  | 248,602         | 21,126  | 360,373                                 | 65,025                     | 2,112                        | -            | 427,510      |
| Unrestricted  | 163,866   | 97,646          | (21,126)  | 240,386                                 | 86,331                     | 813                          | -            | 327,530      |
| Total net assets  | 375,513   | 17,243          | -   | 392,756                                 | 1,091,165                  | (1,386)                      | -            | 1,482,535    |
| Total liabilities   | 3,173,603   | 1,468,727       | (22,645)  | 4,619,685                               | 1,982,645                  | 52,816                       | -            | 6,655,146    |
| Total liabilities and net assets                                    | \$ 3,549,116  | \$ 1,485,970    | \$ (22,645)   | \$ 5,012,441                            | \$ 3,073,810               | \$ 51,430                    | \$ -         | \$ 8,137,681 |

JEA

Combining Statement of Revenues, Expenses, and Changes in Net Assets

Year Ended September 30, 2009

(In Thousands)

|   | Electric<br>System and<br>Bulk Power<br>Supply System | SJRPP<br>System | Elimination<br>of Inter-<br>company<br>Transactions | Total<br>Electric<br>Enterprise<br>Fund | Water<br>and Sewer<br>Fund | District<br>Energy<br>System | Elimination | Total JEA    |
|---|---|-----------------|---|---|----------------------------|------------------------------|-------------|--------------|
| Operating revenues :                            |   |                 |   |   |                            |                              |             |              |
| Electric  | \$ 1,383,189  | \$ 391,030      | \$ (233,132)  | \$ 1,541,087                            | \$ -                       | \$ -                         | \$ (15,121) | \$ 1,525,966 |
| Water and sewer                                 | -   | -               | -   | -                                       | 249,952                    | -                            | (139)       | 249,813      |
| District Energy                                 | -   | -               | -   | -                                       | -                          | 6,914                        | -           | 6,914        |
| Other, net of allowances                        | 43,485  | -               | -   | 43,485                                  | 9,323                      | 1                            | (4,122)     | 48,687       |
| Total operating revenues                        | 1,426,674   | 391,030         | (233,132)   | 1,584,572                               | 259,275                    | 6,915                        | (19,382)    | 1,831,380    |
| Operating expenses:                             |   |                 |   |   |                            |                              |             |              |
| Operations:                                     |   |                 |   |   |                            |                              |             |              |
| Fuel  | 418,926   | 198,559         | -   | 617,485                                 | -                          | -                            | -           | 617,485      |
| Purchased power                                 | 334,943   | -               | (233,132)   | 101,811                                 | -                          | -                            | -           | 101,811      |
| Other   | 118,657   | 19,158          | -   | 137,815                                 | 80,556                     | 3,204                        | (19,382)    | 202,193      |
| Maintenance                                     | 42,980  | 23,261          | -   | 66,241                                  | 26,312                     | 734                          | -           | 93,287       |
| Depreciation                                    | 177,123   | 35,364          | -   | 212,487                                 | 129,628                    | 2,043                        | -           | 344,158      |
| State utility and franchise taxes               | 65,593  | -               | -   | 65,593                                  | 6,534                      | -                            | -           | 72,127       |
| Recognition of deferred costs and revenues, net | (3,878)   | 36,986          | -   | 33,108                                  | -                          | -                            | -           | 33,108       |
| Total operating expenses                        | 1,154,344   | 313,328         | (233,132)   | 1,234,540                               | 243,030                    | 5,981                        | (19,382)    | 1,464,169    |
| Operating income                                | 272,330   | 77,702          | -   | 350,032                                 | 16,245                     | 934                          | -           | 367,211      |
| Nonoperating revenues (expenses):               |   |                 |   |   |                            |                              |             |              |
| Earnings from The Energy Authority              | 4,088   | -               | -   | 4,088                                   | -                          | -                            | -           | 4,088        |
| Investment income                               | 2,653   | 16,695          | -   | 19,348                                  | 4,128                      | (13)                         | -           | 23,463       |
| Interest on debt                                | (114,108)   | (72,337)        | -   | (186,445)                               | (77,606)                   | (650)                        | -           | (264,701)    |
| Other interest, net                             | (113)   | -               | -   | (113)                                   | 41                         | -                            | -           | (72)         |
| Allowance for funds used during construction    | 7,596   | -               | -   | 7,596                                   | 5,050                      | 62                           | -           | 12,708       |
| Water and Sewer Expansion Authority — operating | -   | -               | -   | -                                       | (864)                      | -                            | -           | (864)        |
| Gain (loss) on sale of asset                    | (1,071)   | -               | -   | (1,071)                                 | 85                         | -                            | -           | (986)        |
| Total nonoperating revenues (expenses)          | (100,955)   | (55,642)        | -   | (156,597)                               | (69,166)                   | (601)                        | -           | (226,364)    |
| Income (loss) before contributions              | 171,375   | 22,060          | -   | 193,435                                 | (52,921)                   | 333                          | -           | 140,847      |
| Contributions (to) from:                        |   |                 |   |   |                            |                              |             |              |
| General fund, City of Jacksonville              | (76,094)  | -               | -   | (76,094)                                | (20,593)                   | -                            | -           | (96,687)     |
| Developers and other                            | -   | -               | -   | -                                       | 38,071                     | -                            | -           | 38,071       |
| City of Jacksonville                            | -   | -               | -   | -                                       | 1,516                      | -                            | -           | 1,516        |
| Total contributions                             | (76,094)  | -               | -   | (76,094)                                | 18,994                     | -                            | -           | (57,100)     |
| Change in net assets                            | 95,281  | 22,060          | -   | 117,341                                 | (33,927)                   | 333                          | -           | 83,747       |
| Net assets, beginning of year                   | 375,513   | 17,243          | -   | 392,756                                 | 1,091,165                  | (1,386)                      | -           | 1,482,535    |
| Net assets, end of year                         | \$ 470,794  | \$ 39,303       | \$ -  | \$ 510,097                              | \$ 1,057,238               | \$ (1,053)                   | \$ -        | \$ 1,566,282 |

# JEA

## Combining Statement of Revenues, Expenses, and Changes in Net Assets

Year Ended September 30, 2008

(In Thousands)

Restated

|   | Electric<br>System and<br>Bulk Power<br>Supply System | SJRPP<br>System | Elimination<br>of Inter-<br>company<br>Transactions | Total<br>Electric<br>Enterprise<br>Fund | Water<br>and Sewer<br>Fund | District<br>Energy<br>System | Elimination | Total JEA    |
|---|---|-----------------|---|---|----------------------------|------------------------------|-------------|--------------|
| Operating revenues :                            |   |                 |   |   |                            |                              |             |              |
| Electric  | \$ 1,205,197  | \$ 345,695      | \$ (207,785)  | \$ 1,343,107                            | \$ -                       | \$ -                         | \$ (12,827) | \$ 1,330,280 |
| Water and sewer                                 | -   | -               | -   | -                                       | 248,246                    | -                            | (131)       | 248,115      |
| District Energy                                 | -   | -               | -   | -                                       | -                          | 6,162                        | -           | 6,162        |
| Other, net of allowances                        | 42,127  | -               | -   | 42,127                                  | 9,411                      | -                            | (2,675)     | 48,863       |
| Total operating revenues                        | 1,247,324   | 345,695         | (207,785)   | 1,385,234                               | 257,657                    | 6,162                        | (15,633)    | 1,633,420    |
| Operating expenses:                             |   |                 |   |   |                            |                              |             |              |
| Operations:                                     |   |                 |   |   |                            |                              |             |              |
| Fuel  | 362,853   | 173,960         | -   | 536,813                                 | -                          | -                            | -           | 536,813      |
| Purchased power                                 | 364,979   | -               | (207,785)   | 157,194                                 | -                          | -                            | -           | 157,194      |
| Other   | 121,825   | 14,302          | -   | 136,127                                 | 90,134                     | 2,623                        | (15,633)    | 213,251      |
| Maintenance                                     | 50,589  | 23,117          | -   | 73,706                                  | 23,395                     | 719                          | -           | 97,820       |
| Depreciation                                    | 173,145   | 28,942          | -   | 202,087                                 | 122,171                    | 2,043                        | -           | 326,301      |
| State utility and franchise taxes               | 45,190  | -               | -   | 45,190                                  | 3,361                      | -                            | -           | 48,551       |
| Recognition of deferred costs and revenues, net | (3,878)   | 47,223          | -   | 43,345                                  | -                          | -                            | -           | 43,345       |
| Total operating expenses                        | 1,114,703   | 287,544         | (207,785)   | 1,194,462                               | 239,061                    | 5,385                        | (15,633)    | 1,423,275    |
| Operating income                                | 132,621   | 58,151          | -   | 190,772                                 | 18,596                     | 777                          | -           | 210,145      |
| Nonoperating revenues (expenses):               |   |                 |   |   |                            |                              |             |              |
| Earnings from The Energy Authority              | 22,374  | -               | -   | 22,374                                  | -                          | -                            | -           | 22,374       |
| Investment income                               | 3,586   | 11,754          | -   | 15,340                                  | 1,885                      | 82                           | -           | 17,307       |
| Interest on debt                                | (113,344)   | (53,343)        | -   | (166,687)                               | (81,316)                   | (1,619)                      | -           | (249,622)    |
| Other interest, net                             | (451)   | -               | -   | (451)                                   | -                          | -                            | -           | (451)        |
| Allowance for funds used during construction    | 11,618  | -               | -   | 11,618                                  | 7,747                      | 83                           | -           | 19,448       |
| Water and Sewer Expansion Authority — operating | -   | -               | -   | -                                       | (1,216)                    | -                            | -           | (1,216)      |
| Gain (loss) on sale of asset                    | (483)   | -               | -   | (483)                                   | 1,363                      | (140)                        | -           | 740          |
| Total nonoperating revenues (expenses)          | (76,700)  | (41,589)        | -   | (118,289)                               | (71,537)                   | (1,594)                      | -           | (191,420)    |
| Income (loss) before contributions              | 55,921  | 16,562          | -   | 72,483                                  | (52,941)                   | (817)                        | -           | 18,725       |
| Contributions (to) from:                        |   |                 |   |   |                            |                              |             |              |
| General fund, City of Jacksonville              | (73,847)  | -               | -   | (73,847)                                | (20,341)                   | -                            | -           | (94,188)     |
| Water and Sewer Expansion Authority - capital   | -   | -               | -   | -                                       | -                          | -                            | -           | -            |
| Developers and other                            | -   | -               | -   | -                                       | 47,471                     | -                            | -           | 47,471       |
| City of Jacksonville                            | -   | -               | -   | -                                       | 2,857                      | -                            | -           | 2,857        |
| Total contributions                             | (73,847)  | -               | -   | (73,847)                                | 29,987                     | -                            | -           | (43,860)     |
| Change in net assets                            | (17,926)  | 16,562          | -   | (1,364)                                 | (22,954)                   | (817)                        | -           | (25,135)     |
| Net assets, beginning of year                   | 393,439   | 681             | -   | 394,120                                 | 1,114,119                  | (569)                        | -           | 1,507,670    |
| Net assets, end of year                         | \$ 375,513  | \$ 17,243       | \$ -  | \$ 392,756                              | \$ 1,091,165               | \$ (1,386)                   | \$ -        | \$ 1,482,535 |

JEA

Combining Statement of Cash Flows

Year Ended September 30, 2009

(In Thousands)

|   | Electric<br>System and<br>Bulk Power<br>Supply System | SJRPP<br>System | Elimination<br>of Inter-<br>company<br>Transactions | Total<br>Electric<br>Enterprise<br>Fund | Water<br>and Sewer<br>Fund | District<br>Energy<br>System | Elimination | Total<br>JEA |
|---|---|-----------------|---|---|----------------------------|------------------------------|-------------|--------------|
| <b>Operations</b>   |   |                 |   |   |                            |                              |             |              |
| Receipts from customers   | \$ 1,386,225  | \$ 391,030      | \$ (235,715)  | \$ 1,541,540                            | \$ 253,489                 | \$ 7,259                     | \$ (15,260) | \$ 1,787,028 |
| Other receipts  | 39,029  | -               | -   | 39,029                                  | 9,370                      | 1                            | (4,122)     | 44,278       |
| Payments to suppliers   | (837,452)   | (231,189)       | 235,715   | (832,926)                               | (69,849)                   | (4,041)                      | 19,382      | (887,434)    |
| Payments to employees   | (128,645)   | (33,944)        | -   | (162,589)                               | (33,147)                   | (428)                        | -           | (196,164)    |
| Net cash provided by operating activities   | 459,157   | 125,897         | -   | 585,054                                 | 159,863                    | 2,791                        | -           | 747,708      |
| <b>Noncapital and related financing activities</b>                                      |   |                 |   |   |                            |                              |             |              |
| Contribution to General Fund, City of Jacksonville, Florida                             | (75,907)  | -               | -   | (75,907)                                | (20,572)                   | -                            | -           | (96,479)     |
| Contribution to Water and Sewer Expansion Authority - operating                         | -   | -               | -   | -                                       | (864)                      | -                            | -           | (864)        |
| Net cash used in noncapital financing activities  | (75,907)  | -               | -   | (75,907)                                | (21,436)                   | -                            | -           | (97,343)     |
| <b>Capital and related financing activities</b>   |   |                 |   |   |                            |                              |             |              |
| Acquisition and construction of capital assets  | (245,393)   | (49,237)        | -   | (294,630)                               | (129,602)                  | (113)                        | -           | (424,345)    |
| Proceeds from issuance of debt  | 644,060   | 99,305          | -   | 743,365                                 | 196,323                    | -                            | -           | 939,688      |
| (Loss) gain on disposal of fixed assets   | (1,071)   | -               | -   | (1,071)                                 | 85                         | -                            | -           | (986)        |
| Defeasance of debt  | (483,089)   | (36,640)        | -   | (519,729)                               | (104,330)                  | -                            | -           | (624,059)    |
| Repayment of debt principal   | (43,040)  | (95,500)        | -   | (138,540)                               | (23,200)                   | -                            | -           | (161,740)    |
| Interest paid on debt   | (105,550)   | (57,962)        | -   | (163,512)                               | (77,483)                   | (766)                        | -           | (241,761)    |
| Developer and other contributions   | -   | -               | -   | -                                       | 20,867                     | -                            | -           | 20,867       |
| City of Jacksonville contributions  | -   | -               | -   | -                                       | 1,516                      | -                            | -           | 1,516        |
| Proceeds from sales of property   | 767   | -               | -   | 767                                     | (469)                      | -                            | -           | 298          |
| Net cash used in capital and related financing activities                               | (233,316)   | (140,034)       | -   | (373,350)                               | (116,293)                  | (879)                        | -           | (490,522)    |
| <b>Investing activities</b>   |   |                 |   |   |                            |                              |             |              |
| Purchase of investments   | (196,674)   | (1,220,684)     | -   | (1,417,358)                             | (168,099)                  | -                            | -           | (1,585,457)  |
| Proceeds from sale and maturities of investments  | 167,659   | 1,140,033       | -   | 1,307,692                               | 161,926                    | 20                           | -           | 1,469,638    |
| Investment income   | 1,407   | 7,501           | -   | 8,908                                   | 1,928                      | 10                           | -           | 10,846       |
| Distributions from The Energy Authority   | 3,620   | -               | -   | 3,620                                   | -                          | -                            | -           | 3,620        |
| Net cash (used in) provided by investing activities                                     | (23,988)  | (73,150)        | -   | (97,138)                                | (4,245)                    | 30                           | -           | (101,353)    |
| Net increase in cash and cash equivalents   | 125,946   | (87,287)        | -   | 38,659                                  | 17,889                     | 1,942                        | -           | 58,490       |
| Cash and cash equivalents at October 1, 2008  | 235,357   | 333,393         | -   | 568,750                                 | 128,402                    | 3,292                        | -           | 700,444      |
| Cash and cash equivalents at September 30, 2009   | \$ 361,303  | \$ 246,106      | \$ -  | \$ 607,409                              | \$ 146,291                 | \$ 5,234                     | \$ -        | \$ 758,934   |
| Reconciliation of operating income to net cash provided by operating activities:        |   |                 |   |   |                            |                              |             |              |
| Operating income  | \$ 272,330  | \$ 77,702       | \$ -  | \$ 350,032                              | \$ 16,245                  | \$ 934                       | \$ -        | \$ 367,211   |
| Adjustments to reconcile operating income to net cash provided by operating activities: |   |                 |   |   |                            |                              |             |              |
| Depreciation and amortization   | 177,123   | 35,364          | -   | 212,487                                 | 130,290                    | 2,043                        | -           | 344,820      |
| Recognition of deferred costs and revenues, net   | (3,878)   | 36,986          | -   | 33,108                                  | -                          | -                            | -           | 33,108       |
| Changes in noncash assets and noncash liabilities:                                      |   |                 |   |   |                            |                              |             |              |
| Accounts receivable and interest receivable   | 3,036   | (835)           | -   | 2,201                                   | 3,537                      | 345                          | -           | 6,083        |
| Accounts receivable and interest receivable, restricted                                 | (4,456)   | -               | -   | (4,456)                                 | 47                         | -                            | -           | (4,409)      |
| Inventories   | (2,995)   | (21,524)        | -   | (24,519)                                | 2,060                      | -                            | -           | (22,459)     |
| Other   | 815   | -               | -   | 815                                     | 14                         | -                            | -           | 829          |
| Accounts and expenses payable   | 13,258  | 3,415           | -   | 16,673                                  | 7,156                      | (531)                        | -           | 23,298       |
| Liabilities payable from restricted assets  | -   | (5,320)         | -   | (5,320)                                 | -                          | -                            | -           | (5,320)      |
| Deferred credits and other liabilities  | 3,924   | 109             | -   | 4,033                                   | 514                        | -                            | -           | 4,547        |
| Net cash provided by operating activities   | \$ 459,157  | \$ 125,897      | \$ -  | \$ 585,054                              | \$ 159,863                 | \$ 2,791                     | \$ -        | \$ 747,708   |
| Noncash activity:   |   |                 |   |   |                            |                              |             |              |
| Contribution of capital assets from developers  | \$ -  | \$ -            | \$ -  | \$ -                                    | \$ 17,204                  | \$ -                         | \$ -        | \$ 17,204    |

JEA

Combining Statement of Cash Flows

Year Ended September 30, 2008

(In Thousands)

|   | Electric<br>System and<br>Bulk Power<br>Supply System | SJRPP<br>System | Elimination<br>of Inter-<br>company<br>Transactions | Total<br>Electric<br>Enterprise<br>Fund | Water<br>and Sewer<br>Fund | District<br>Energy<br>System | Elimination | Total<br>JEA |
|---|---|-----------------|---|---|----------------------------|------------------------------|-------------|--------------|
| <b>Operations</b>   |   |                 |   |   |                            |                              |             |              |
| Receipts from customers   | \$ 1,169,535  | \$ 345,695      | \$ (207,784)  | \$ 1,307,446                            | \$ 249,354                 | \$ 6,105                     | \$ (12,958) | \$ 1,549,947 |
| Other receipts  | 42,182  | -               | -   | 42,182                                  | 12,369                     | -                            | (2,675)     | 51,876       |
| Payments to suppliers   | (797,550)   | (196,460)       | 207,784   | (786,226)                               | (82,965)                   | (2,384)                      | 15,633      | (855,942)    |
| Payments to employees   | (134,120)   | (32,427)        | -   | (166,547)                               | (32,482)                   | (434)                        | -           | (199,463)    |
| Net cash provided by operating activities   | 280,047   | 116,808         | -   | 396,855                                 | 146,276                    | 3,287                        | -           | 546,418      |
| <b>Noncapital and related financing activities</b>                                      |   |                 |   |   |                            |                              |             |              |
| Contribution to General Fund, City of Jacksonville, Florida                             | (79,876)  | -               | -   | (79,876)                                | (21,702)                   | -                            | -           | (101,578)    |
| Contribution to Water and Sewer Expansion Authority - operating                         | -   | -               | -   | -                                       | (1,216)                    | -                            | -           | (1,216)      |
| Net cash used in noncapital financing activities  | (79,876)  | -               | -   | (79,876)                                | (22,918)                   | -                            | -           | (102,794)    |
| <b>Capital and related financing activities</b>   |   |                 |   |   |                            |                              |             |              |
| Acquisition and construction of capital assets  | (292,013)   | (126,308)       | -   | (418,321)                               | (168,481)                  | (218)                        | -           | (587,020)    |
| Proceeds from issuance of debt  | 1,427,115   | 163,688         | -   | 1,590,803                               | 497,292                    | -                            | -           | 2,088,095    |
| (Loss) gain on disposal of fixed assets   | (483)   | -               | -   | (483)                                   | 1,363                      | (140)                        | -           | 740          |
| Defeasance of debt  | (1,087,230)   | (40,000)        | -   | (1,127,230)                             | (330,006)                  | -                            | -           | (1,457,236)  |
| Repayment of debt principal   | (24,843)  | (86,415)        | -   | (111,258)                               | (17,235)                   | (700)                        | -           | (129,193)    |
| Interest paid on debt   | (105,111)   | (57,201)        | -   | (162,312)                               | (79,389)                   | (1,613)                      | -           | (243,314)    |
| Developer and other contributions   | -   | -               | -   | -                                       | 20,246                     | -                            | -           | 20,246       |
| City of Jacksonville contributions  | -   | -               | -   | -                                       | 2,857                      | -                            | -           | 2,857        |
| Proceeds from sales of property   | 1,274   | -               | -   | 1,274                                   | (304)                      | 12                           | -           | 982          |
| Net cash used in capital and related financing activities                               | (81,291)  | (146,236)       | -   | (227,527)                               | (73,657)                   | (2,659)                      | -           | (303,843)    |
| <b>Investing activities</b>   |   |                 |   |   |                            |                              |             |              |
| Purchase of investments   | (1,131,406)   | (1,122,748)     | -   | (2,254,154)                             | (781,977)                  | (360)                        | -           | (3,036,491)  |
| Proceeds from sale and maturities of investments  | 1,089,951   | 1,195,488       | -   | 2,285,439                               | 744,420                    | 247                          | -           | 3,030,106    |
| Investment income   | 3,744   | 13,180          | -   | 16,924                                  | 2,559                      | 102                          | -           | 19,585       |
| Distributions from The Energy Authority   | 22,187  | -               | -   | 22,187                                  | -                          | -                            | -           | 22,187       |
| Net cash (used in) provided by investing activities                                     | (15,524)  | 85,920          | -   | 70,396                                  | (34,998)                   | (11)                         | -           | 35,387       |
| Net increase in cash and cash equivalents   | 103,356   | 56,492          | -   | 159,848                                 | 14,703                     | 617                          | -           | 175,168      |
| Cash and cash equivalents at October 1, 2007  | 132,001   | 276,901         | -   | 408,902                                 | 113,699                    | 2,675                        | -           | 525,276      |
| Cash and cash equivalents at September 30, 2008   | \$ 235,357  | \$ 333,393      | \$ -  | \$ 568,750                              | \$ 128,402                 | \$ 3,292                     | \$ -        | \$ 700,444   |
| Reconciliation of operating income to net cash provided by operating activities:        |   |                 |   |   |                            |                              |             |              |
| Operating income  | \$ 132,621  | \$ 58,151       | \$ -  | \$ 190,772                              | \$ 18,596                  | \$ 777                       | \$ -        | \$ 210,145   |
| Adjustments to reconcile operating income to net cash provided by operating activities: |   |                 |   |   |                            |                              |             |              |
| Depreciation and amortization   | 173,145   | 28,942          | -   | 202,087                                 | 122,779                    | 2,043                        | -           | 326,909      |
| Recognition of deferred costs and revenues, net   | (3,878)   | 47,223          | -   | 43,345                                  | -                          | -                            | -           | 43,345       |
| Changes in noncash assets and noncash liabilities                                       |   |                 |   |   |                            |                              |             |              |
| Accounts receivable and interest receivable   | (35,662)  | 2,466           | -   | (33,196)                                | 1,108                      | (57)                         | -           | (32,145)     |
| Accounts receivable and interest receivable, restricted                                 | 55  | -               | -   | 55                                      | 2,958                      | -                            | -           | 3,013        |
| Inventories   | 1,066   | (8,565)         | -   | (7,499)                                 | 1,410                      | -                            | -           | (6,089)      |
| Other   | (1,254)   | -               | -   | (1,254)                                 | 13                         | -                            | -           | (1,241)      |
| Accounts and expenses payable   | 11,771  | (2,695)         | -   | 9,076                                   | (794)                      | 524                          | -           | 8,806        |
| Liabilities payable from restricted assets  | -   | (8,874)         | -   | (8,874)                                 | -                          | -                            | -           | (8,874)      |
| Deferred credits and other liabilities  | 2,183   | 160             | -   | 2,343                                   | 206                        | -                            | -           | 2,549        |
| Net cash provided by operating activities   | \$ 280,047  | \$ 116,808      | \$ -  | \$ 396,855                              | \$ 146,276                 | \$ 3,287                     | \$ -        | \$ 546,418   |
| Noncash activity:   |   |                 |   |   |                            |                              |             |              |
| Contribution of capital assets from developers  | \$ -  | \$ -            | \$ -  | \$ -                                    | \$ 27,225                  | \$ -                         | \$ -        | \$ 27,225    |

## BOND COMPLIANCE INFORMATION

## Independent Certified Public Accountants' Report on Schedules of Debt Service Coverage

The Governing Board  
JEA

We have audited, in accordance with auditing standards generally accepted in the United States, the financial statements of JEA for the years ended September 30, 2009 and 2008 and have issued our report thereon dated December 7, 2009. We have also audited the accompanying schedules of debt service coverage (as specified in the respective JEA Bond Resolutions) of the JEA Electric System, the JEA St. Johns River Power Park System, and the JEA Water and Sewer System for the years ended September 30, 2009 and 2008, based on the financial statements referred to above. These schedules are the responsibility of JEA's management. Our responsibility is to express an opinion on these schedules based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the schedules of debt service coverage are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the schedules of debt service coverage. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall schedules' presentation. We believe that our audits provide a reasonable basis for our opinion.

The accompanying schedules of debt service coverage were prepared for the purpose of demonstrating compliance with the requirements of certain JEA bond resolutions, which require the maintenance of certain minimum debt service coverage ratios, and are not intended to be a presentation in conformity with generally accepted accounting principles.

In our opinion, the schedules of debt service coverage referred to above present fairly, in all material respects, the debt service coverage of the JEA Electric System, the JEA St. Johns River Power Park System, and the JEA Water and Sewer System for the years ended September 30, 2009 and 2008, respectively, in conformity with the basis specified in the respective JEA Bond Resolutions.

This report is intended solely for the information and use of the Members and management of JEA, and the bond trustees, and is not intended to be and should not be used by anyone other than these specified parties.

*Ernst & Young LLP*

December 7, 2009

# JEA Electric System

## Schedules of Debt Service Coverage

Years Ended September 30, 2009 and 2008

(In Thousands)

|   | 2009              | 2008              |
|---|-------------------|-------------------|
| Revenues:   |                   |                   |
| Electric  | \$ 1,383,189      | \$ 1,205,197      |
| Investment income (1)   | 453               | 3,207             |
| Earnings from The Energy Authority  | 4,088             | 22,374            |
| Other, net  | 43,485            | 41,034            |
| Plus: amount paid from the Rate Stabilization Fund into the Revenue Fund    | 40,361            | 62,174            |
| Less: amount paid from the Revenue Fund into the Rate Stabilization Fund    | (135,226)         | (50,182)          |
| Total revenues  | <u>1,336,350</u>  | <u>1,283,804</u>  |
| Operating expenses (2):   |                   |                   |
| Fuel  | 383,421           | 331,670           |
| Purchased power (3)   | 380,082           | 409,142           |
| Other operation and maintenance   | 152,347           | 160,272           |
| Utility and franchise taxes   | 65,249            | 44,353            |
| Total operating expenses  | <u>981,099</u>    | <u>945,437</u>    |
| Net revenues  | <u>\$ 355,251</u> | <u>\$ 338,367</u> |
| Debt service  | \$ 74,747         | \$ 77,152         |
| Less: investment income on sinking fund                                     | (986)             | (673)             |
| Debt service requirement  | <u>\$ 73,761</u>  | <u>\$ 76,479</u>  |
| Senior debt service coverage (4)  | <u>4.82x</u>      | <u>4.42x</u>      |
| Net revenues (from above)   | <u>\$ 355,251</u> | <u>\$ 338,367</u> |
| Debt service requirement (from above)                                       | \$ 73,761         | \$ 76,479         |
| Plus: aggregate subordinated debt service on outstanding subordinated bonds | 44,890            | 64,274            |
| Adjusted debt service requirement   | <u>\$ 118,651</u> | <u>\$ 140,753</u> |
| Senior and subordinated debt service coverage (5)                           | <u>2.99x</u>      | <u>2.40x</u>      |

(1) Excludes investment income on sinking funds.

(2) Excludes depreciation.

(3) In accordance with the requirements of the Electric System Resolution, all the Contract Debt payments from the Electric System to the SJRPP and Bulk Power Supply System with respect to the use by the Electric System of the capacity and output of the SJRPP and Bulk Power Supply System are reflected as a purchased power expense on these schedules. These schedules do not include revenues of the SJRPP and Bulk Power Supply System, except that the purchased power expense is net of interest income on funds maintained under the SJRPP and Bulk Power Supply System Resolutions

(4) Net revenues divided by debt service requirement. Minimum annual coverage is 1.20x.

(5) Net revenues divided by adjusted debt service requirement. Minimum annual coverage is 1.15x.

JEA St. Johns River Power Park System

Schedules of Debt Service Coverage

Years Ended September 30, 2009 and 2008

*(In Thousands)*

|                                 | <b>2009</b>       | <b>2008</b>       |
|---------------------------------|-------------------|-------------------|
| Revenues:                       |                   |                   |
| JEA                             | \$ <b>251,132</b> | \$ 240,174        |
| FPL                             | <b>157,898</b>    | 137,906           |
| Investment income               | <b>7,511</b>      | 13,193            |
| Total revenues                  | <b>416,541</b>    | 391,273           |
| Operating expenses (1):         |                   |                   |
| Fuel                            | <b>198,559</b>    | 173,960           |
| Other operation and maintenance | <b>38,201</b>     | 37,419            |
| Total operating expenses        | <b>236,760</b>    | 211,379           |
| Net revenues                    | <b>\$ 179,781</b> | <b>\$ 179,894</b> |
| Debt service requirement        | <b>\$ 143,946</b> | <b>\$ 143,952</b> |
| Debt service coverage (2)       | <b>1.25x</b>      | <b>1.25x</b>      |

(1) Excludes depreciation.

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

# JEA Water and Sewer System

## Schedules of Debt Service Coverage

Years Ended September 30, 2009 and 2008

(In Thousands)

|  | 2009              | 2008              |
|--|-------------------|-------------------|
| Revenues:  |                   |                   |
| Water  | \$ 105,594        | \$ 105,171        |
| Water capacity fees (1)  | 5,106             | 7,133             |
| Sewer  | 144,358           | 143,075           |
| Sewer capacity fees (1)  | 8,704             | 10,297            |
| Investment Income  | 1,925             | 2,615             |
| Other  | 9,355             | 9,411             |
| Plus: amount paid from the Rate Stabilization Fund into the Revenue Fund   | -                 | -                 |
| Less: amount paid from the Revenue Fund into the Rate Stabilization Fund   | (1,524)           | -                 |
| Total revenues   | <u>273,518</u>    | <u>277,702</u>    |
| Operating expenses (2):  |                   |                   |
| Operations and maintenance   | 113,402           | 116,890           |
| Net revenues   | <u>\$ 160,116</u> | <u>\$ 160,812</u> |
| Debt service requirement   | <u>\$ 86,355</u>  | <u>\$ 82,247</u>  |
| Senior debt service coverage (3)   | <u>1.85x</u>      | <u>1.96x</u>      |
| Net revenues (from above)  | <u>\$ 160,116</u> | <u>\$ 160,812</u> |
| Debt service requirement (from above)                                      | <u>\$ 86,355</u>  | <u>\$ 82,247</u>  |
| Plus: aggregate subordinated debt service on outstanding subordinated debt | 10,824            | 18,252            |
| Adjusted debt service requirement  | <u>\$ 97,179</u>  | <u>\$ 100,499</u> |
| Senior and subordinated debt service coverage (4)                          | <u>1.65x</u>      | <u>1.60x</u>      |

(1) Effective October 1, 2001, the Water and Sewer Bond Resolution was amended to include capacity fees in total revenues. Had such capacity fees not been included in the calculation for the year-to-date periods ending September 2009 and 2008, then the debt service coverage would have been 1.51x and 1.43x.

(2) Excludes depreciation.

(3) Net revenues divided by debt service requirement. Annual minimum coverage is 1.25x.

(4) Net revenues must be greater than or equal to the sum of 100% of the senior debt service and 120% of the subordinated debt service. The sum of such debt service amounts for the year ending September 2009 is \$99,344 and \$104,149 for the year ending September 2008.

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**PROPOSED FORM OF CONTINUING DISCLOSURE AGREEMENT**

*Upon the delivery of the Series Four and Five Bonds, JEA proposes to enter into a Continuing Disclosure Agreement with respect to such Bonds in substantially the following form:*

**CONTINUING DISCLOSURE AGREEMENT**

THIS CONTINUING DISCLOSURE AGREEMENT (this “Agreement”) dated May \_\_, 2010 is made by JEA, Jacksonville, Florida, an independent agency of the City of Jacksonville, Florida duly organized and existing under the Constitution and laws of the State of Florida (“JEA”), for the benefit of the holders and beneficial owners from time to time of JEA’s St. Johns River Power Park System Revenue Bonds, Issue Three, Series Four, dated the date hereof (the “Bonds”), under the circumstances summarized in the following recitals (with each capitalized term used but not defined in this Agreement having the meaning assigned to it in Resolution No. 2010-2 of JEA adopted on March 16, 2010 authorizing the issuance of the Series Four Bonds (“Resolution No. 2010-2”) and Resolution No. 2009-35 of JEA adopted on September 15, 2009 authorizing the issuance of the Series Five Bonds (“Resolution No. 2009-35, and together with Resolution 2009-35, the “Supplemental Resolutions”)):

A. JEA, by passage of each of the Supplemental Resolution, has determined to issue the Bonds to provide funds for JEA purposes, and the Underwriters have agreed to provide those funds to JEA by purchasing the Bonds.

B. JEA understands that the Underwriters will sell and deliver Bonds to other holders and beneficial owners; that the Underwriters would not purchase the Bonds from JEA, and JEA would not be assured of the availability of funds required for its purposes, if the Underwriters were not able to so sell and deliver the Bonds; and that the Bonds will be transferred from time to time from holders and beneficial owners to other holders and beneficial owners who may rely upon the continuing disclosure agreement made by JEA in each of the Supplemental Resolution and this Agreement.

C. As a condition to the purchase of the Bonds from JEA and the sale of Bonds to holders and beneficial owners, the Underwriters are required to reasonably determine that JEA has made an agreement for the benefit of holders and beneficial owners of the Bonds in accordance with paragraph (b)(5)(i) of Rule 15c2-12 (the “Rule”) promulgated by the Securities and Exchange Commission (the “SEC”).

D. JEA made an agreement in each of the Supplemental Resolution, certain terms of which were to be further described and specified in a Continuing Disclosure Agreement, to provide or cause to be provided such financial information and operating data, financial statements and notices, in such manner, as may be required for purposes of paragraph (b)(5)(i) of the Rule.

NOW, THEREFORE, in consideration of the purchase of the Bonds from JEA by the Underwriters and the contemplated sale of the Bonds to, and transfer of Bonds between, holders and beneficial owners from time to time, JEA hereby sets forth, pursuant to Section 4.06 of Resolution No. 2010-2 and Section 4.07 of Resolution No. 2009-35, certain terms of its continuing disclosure agreement made for purposes of the Rule and formed, collectively, by said Section 4.06 and said Section 4.07 and this Agreement for the benefit of the holders and beneficial owners from time to time of the Bonds, as follows:

Section 1. **Provision of Annual Information; Audited Financial Statements; and Notices of Events.** JEA shall provide or cause to be provided to:

(a) the Municipal Securities Rulemaking Board (the “MSRB”), (i) not later than the June 1 following the end of each JEA fiscal year ending on or after September 30, 2010, annual financial information and operating data for such fiscal year of the type described in Section 2 (“Annual Information”), and (ii) when and if available, audited JEA financial statements for each such fiscal year; and

(b) the MSRB, notice of (i) any Specified Event described in Section 2 if that Specified Event is material, (ii) JEA’s failure to provide the Annual Information on or prior to the date specified above, and (iii) any change in the accounting principles applied in the preparation of its annual financial statements, any change in its fiscal year, and of this Agreement’s termination.

Until otherwise designated by the MSRB or the SEC, filings with the MSRB are to be made in electronic format through the Electronic Municipal Market Access (EMMA) website of the MSRB, currently located at <http://emma.msrb.org>, accompanied by such identifying information as is prescribed by the MSRB.

JEA expects that audited annual JEA financial statements will be prepared and that such statements will be available together with the Annual Information. Each of the financial statements will be prepared in accordance with generally accepted accounting principles described in note 1 to the financial statements included JEA’s “Annual Disclosure Report for Fiscal Year Ended September 30, 2008” dated as of May 28, 2009 (the “Annual Disclosure Report”), certain information from which is included by specific reference in the Official Statement of JEA, dated May \_\_, 2010, relating to the Bonds.

Section 2. **Annual Information and Specified Events.**

(a) “Annual Information” to be provided by JEA shall consist of the following information and data of the type included in the Annual Disclosure Report:

(1) The information in the second sentence of the fifth paragraph under the caption “INDEBTEDNESS OF JEA – Debt Relating to Electric Utility Functions – *Power Park Issue Three Bonds*”;

(2) The table under the caption “ELECTRIC UTILITY FUNCTIONS – Electric System – *Electric System Generating Facilities*”;

(3) The table under the caption “ELECTRIC UTILITY FUNCTIONS – Electric System – *Fuel Mix*”;

(4) The table under the caption “ELECTRIC UTILITY FUNCTIONS – Electric System – *Largest Customers*”;

(5) The table under the caption “ELECTRIC UTILITY FUNCTIONS – St. Johns River Power Park – *Operation*”;

(6) The table under the caption “ELECTRIC UTILITY FUNCTIONS – The Scherer 4 Project – *Operation*”;

(7) The table under the caption “ELECTRIC UTILITY FUNCTIONS – Resource Requirements – *System Load*”; and

(8) The financial information and operating data referred to under the caption “FINANCIAL INFORMATION – Financial Information Relating to Electric Utility Functions.”

If the audited financial statements of JEA for the fiscal year are provided contemporaneously with the Annual Information, information and data set forth in such audited financial statements may be incorporated by reference.

(b) “Specified Events” shall include the occurrence of the following events, within the meaning of the Rule, with respect to the Bonds, as applicable: (i) principal and interest payment delinquencies; (ii) non-payment related defaults; (iii) unscheduled draws on debt service reserves reflecting financial difficulties; (iv) unscheduled draws on credit enhancements reflecting financial difficulties; (v) substitution of credit or liquidity providers, or their failure to perform; (vi) adverse tax opinions or events affecting the tax-exempt status of the Bonds; (vii) modifications to rights of holders or beneficial owners; (viii) Bond calls; (ix) defeasances; (x) release, substitution, or sale of property securing repayment of the Bonds and (xi) rating changes.

Except for a debt service reserve account policy previously obtained by JEA which applies to the Series Four and Five Bonds, JEA has not obtained or provided, and does not expect to obtain or provide, any credit enhancements or credit or liquidity providers for the Bonds.

Section 3. **Amendments.** JEA reserves the right to amend this Agreement, and noncompliance with any provision of this Agreement may be waived, as may be necessary or appropriate to achieve its compliance with any applicable federal securities law or rule, to cure any ambiguity, inconsistency or formal defect or omission, and to address any change in circumstances arising from a change in legal requirements, change in law, or change in the identity, nature, or status of JEA, or type of business conducted by JEA. Any such amendment or waiver shall not be effective unless this Agreement (as amended or taking into account such waiver) would have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any applicable amendments to or official interpretations of the Rule, as well as any change in circumstances, and until JEA shall have received either (a) a written opinion of bond or other qualified independent special counsel selected by JEA that the amendment or waiver would not materially impair the interests of holders or beneficial owners, or (b) the written consent to the amendment or waiver of the holders of the same percentage in principal amount of the Bonds then outstanding that is required with respect to the approval of any material modification or amendment of the Bond Resolution at such time. Annual Information containing any revised operating data or financial information shall explain, in narrative form, the reasons for any such amendment or waiver and the impact of the change on the type of operating data or financial information being provided.

Section 4. **Remedy for Breach.** This Agreement shall be solely for the benefit of the holders and beneficial owners from time to time of the Bonds. A failure by JEA to comply with the provisions hereof does not constitute a default under the Bond Resolution. The exclusive remedy for any breach of this Agreement by JEA shall be limited, to the extent permitted by law, to a right of holders and beneficial owners to institute and maintain, or to cause to be instituted and maintained, such proceedings as may be authorized at law or in equity to obtain the specific performance by JEA of its obligations under this Agreement. Any individual holder or beneficial owner may institute and maintain, or cause to be instituted and maintained, such proceedings to require JEA to provide or cause to be provided a pertinent filing if such a filing is due and has not been made. Any such proceedings to require JEA to perform any other obligation under this Agreement (including any proceedings that contest the sufficiency of any pertinent filing) shall be instituted and maintained only by a trustee appointed by the

holders or beneficial owners of not less than 25 percent in principal amount of the Bonds then outstanding or by holders or beneficial owners of not less than 10 percent in principal amount of the Bonds then outstanding.

Section 5. **Termination.** The obligations of JEA under this Agreement shall remain in effect only for such period that the Bonds are outstanding in accordance with their terms and JEA remains an obligated person with respect to the Bonds within the meaning of the Rule. The obligation of JEA to provide the Annual Information and notices of the events described above shall terminate if and when JEA no longer remains such an obligated person.

IN WITNESS WHEREOF, JEA has caused this Agreement to be duly signed and delivered to the Underwriters, as part of the Bond proceedings and in connection with the original delivery of the Bonds to the Underwriters, on its behalf by its official signing below, all as of the date set forth above, and the holders and beneficial owners from time to time of the Bonds shall be deemed to have accepted JEA's continuing disclosure undertaking, as contained in Section 4.06 of Resolution No. 2010-2 and Section 4.07 of Resolution No. 2009-35 and further described and specified herein, made in accordance with the Rule.

JEA

By: \_\_\_\_\_  
James A. Dickenson  
Managing Director and Chief Executive Officer

**PROPOSED FORM OF OPINION OF BOND COUNSEL**

*Upon the delivery of the Series Four and Five Bonds, Rogers Towers, P.A., Jacksonville, Florida, Bond Counsel to JEA, proposes to render its final approving opinion with respect to such Bonds in substantially the following form:*

May \_\_, 2010

JEA  
21 West Church Street  
Jacksonville, Florida 32202

JEA  
St. Johns River Power Park System Revenue Bonds, Issue Three, Series Four  
(Federally Taxable-Issuer Subsidy-Build America Bonds) and  
St. Johns River Power Park System Revenue Bonds, Issue Three, Series Five

Ladies and Gentlemen:

We have acted as Bond Counsel to JEA in connection with the issuance by JEA, a body politic and corporate organized and existing under the laws of the State of Florida and an independent agency of the City of Jacksonville, Florida (the "City"), of \$ \_\_,000,000 aggregate principal amount of St. Johns River Power Park System Revenue Bonds, Issue Three, Series Four (the "Series Four Bonds") and \$ \_\_,000,000 aggregate principal amount of St. Johns River Power Park System Revenue Bonds, Issue Three, Series Five (the "Series Five Bonds," and together with the Series Four Bonds, the "Bonds"). The Bonds are issued pursuant to the Constitution and laws of the State of Florida, including, in particular, (a) Chapter 80-513, Laws of Florida, Special Acts of 1980, as amended, (b) Article 21 of the Charter of the City, as amended and readopted by Chapter 80-515, Laws of Florida, Special Acts of 1980, as subsequently amended by Chapter 92-341, Laws of Florida, Special Acts of 1992 and as thereafter amended in accordance with the terms thereof prior to the date hereof and (c) other applicable provisions of law (collectively, the "Acts"), and under and pursuant to a resolution adopted by JEA on February 20, 2007 entitled "St. Johns River Power Park System Second Revenue Bond Resolution" (as supplemented, the "Resolution"). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Resolution.

The Resolution provides that the Bonds are being issued to (a) pay the cost of certain Additional Facilities (as defined in the Resolution) of JEA's 80 percent undivided ownership interest in the St. Johns River Power Park (the "Power Park"), including the repayment of certain short-term borrowings with respect thereto, (b) capitalize interest on the Series Four and Five Bonds, (c) pay the cost of funding the Initial Subaccount in the Debt Service Reserve Account and (d) pay costs of issuance of the Bonds. JEA reserves the right to issue additional bonds under the Resolution on the terms and conditions and for the purposes stated therein. Under the provisions of the Resolution, all Outstanding Bonds shall rank equally as to security and payment from (i) the proceeds of the sale of the Bonds, (ii) the Revenues and (iii) all Funds and Accounts established by the Resolution (other than the Debt Service Reserve Account in the Debt Service Fund 2d and the Renewal and Replacement Fund 2d), including the investments and investment income, if any, thereof (hereinafter referred to collectively as the "Trust Estate").

As bond counsel, we have reviewed a certified copy of the Resolution; a certified copy of Ordinance 2009-11-E, enacted by the Council of the City on February 10, 2009, approving, among other

things, the issuance and sale by JEA of the Bonds; a certified copy of Ordinance 2006-793-E, enacted by the Council of the City on September 26, 2006, approving, among other things, the issuance and sale by JEA of the Bonds; the Tax Certificate executed and delivered by JEA on the date hereof (the "Tax Certificate") in connection with the issuance of the Series Five Bonds; an opinion of the Office of General Counsel of the City, attorney for JEA; certificates of JEA and others; and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

Certain agreements, requirements and procedures contained or referred to in the Resolution, the Joint Ownership Agreement, the Tax Certificate and other relevant documents may be changed and certain actions (including, without limitation, defeasance of the Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. No opinion is expressed herein as to any Series Five Bond or the interest thereon if any such change occurs or action is taken or omitted upon the advice or approval of counsel other than ourselves.

The opinions expressed herein are based upon an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than JEA. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, including matters essential to the exclusion of interest on the Series Five Bonds from gross income for federal income tax purposes, and of the legal conclusions contained in the opinions, referred to in the fourth paragraph hereof (except that we have not relied on any such legal conclusions that are to the same effect as the opinions set forth herein). Furthermore, we have assumed compliance with all covenants and agreements contained in the Resolution and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Series Five Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Bonds, the Resolution and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against bodies politic and corporate of the State of Florida. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum or waiver provisions contained in the foregoing documents. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement of JEA, dated May \_\_, 2010 relating to the Bonds or other offering material relating to the Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. JEA has the right and power under the Acts to adopt the Resolution, and the Resolution has been duly and lawfully adopted by JEA, is in full force and effect, is valid and binding upon JEA and is enforceable in accordance with its terms, and no other authorization for the Resolution is required. The Resolution creates the valid pledge which it purports to create of the Trust Estate, subject only to the provisions of the Resolution permitting the application thereof for the purposes and on the terms and conditions set forth in the Resolution.

2. JEA is duly authorized and entitled to issue the Bonds and the Bonds have been duly and validly authorized and issued by JEA in accordance with the Constitution and statutes of

the State of Florida, and particularly the Acts, and the Resolution, and constitute the legal, valid and binding obligations of JEA as provided in the Resolution, enforceable in accordance with their terms and the terms of the Resolution, and are entitled to the benefits of the Acts and the Resolution. The Bonds are special obligations of JEA payable solely from and secured solely by the Trust Estate, subject only to the provisions of the Resolution permitting the application thereof for the purposes and on the terms and conditions set forth in the Resolution.

3. Interest on the Series Four Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code").

4. Interest on the Series Five Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code. Interest on the Series Five Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes and is not included in adjusted current earnings when calculating corporate alternative minimum taxable income.

Except as stated in paragraphs 3 and 4 hereof, we express no opinion regarding other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds.

Respectfully submitted,

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