FLORIDA MUNICIPAL POWER AGENCY

Financial Statements

For The Fiscal Year Ended September 30, 2006

Independent Auditors' Report

Board of Directors and Members, Florida Municipal Power Agency

Orlando, FL

We have audited the accompanying financial statements of the business-type activities and each major fund of Florida Municipal Power Agency as of and for the year ended September 30, 2006, which collectively comprise the Agency's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Florida Municipal Power Agency management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund, of Florida Municipal Power Agency as of September 30, 2006, and the respective changes in financial position and, where applicable, cash flows, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2006, on our consideration of Florida Municipal Power Agency internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of reporting or on compliance and not to provide an opinion on the internal 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.

The management's discussion and analysis, as listed in the accompanying contents is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

December 13, 2006

Ocala, Florida

Purvis, Gray and Company

Certified Public Accountants

PO Box 23999 • 222 N.E. 1st Street • Gainesville, Florida 32602 • (352) 378-2461 • FAX (352) 378-2505
Laurel Ridge Professional Center • 2347 S.E. 17th Street • Ocala, Florida 34471 • (352) 732-3872 • FAX (352) 732-0542
443 East College Avenue • Tallahassee, Florida 32301 • (850) 224-7144 • FAX (850) 224-1762
2201 Cantu Court, Suite #100 • Sarasota, Florida 34232 • (941) 379-2800 • FAX (941) 379-2899
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MANAGEMENT'S DISCUSSION & ANALYSIS

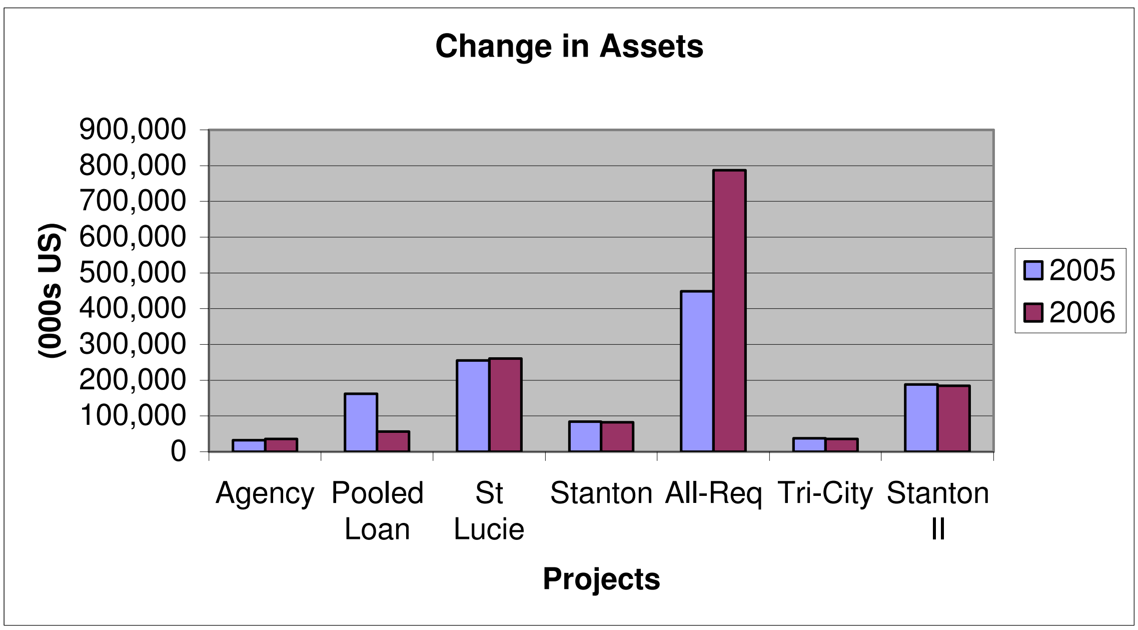
For The Fiscal Year Ended September 30, 2006

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

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

FINANCIAL HIGHLIGHTS

Total Assets at September 30, 2006, of FMPA's Agency Fund, Pooled Loan Fund and other projects increased $236 million from prior year. The significant assets changes are as follows: increase of $338.5 million pertains to All-Requirements Project including investment of restricted negotiable securities $224.9 million, electric plant generation capital assets $25.4 million, cash activities $51.7 million, and others $36.5 million; reduction of $105.3 million on assets of Pooled Loan Fund, related to pre-payment of loans; and an increase of $2.7 million on other remaining projects' total assets. Changes in assets for All-Requirements were financed by long-term bonds issued during the year.



Change in Assets (000's US$)								
Year	Agency	Pooled Loan	St Lucie	Stanton	All-Req	Tri-City	Stanton II	Total
2005	$32,420	$162,270	$255,464	$83,749	$448,656	$37,287	$187,986	$1,207,832
2006	36,185	56,969	260,615	82,319	787,185	35,659	184,893	1,443,825
Variance	3,765	(105,301)	5,151	(1,430)	338,529	(1,628)	(3,093)	235,993

MANAGEMENT'S DISCUSSION & ANALYSIS (CONTINUED)

For Fiscal Year Ended September 30, 2006

FINANCIAL HIGHLIGHTS (CONTINUED)

Total Liabilities at September 30, 2006, for FMPA's Agency Fund, Pooled Loan Fund and other projects increased by $234.8 million during the current fiscal year. This value includes $254.5 million increase in long-term debt, $80.7 million increase in current liabilities, and ($100.4) million decrease in restricted liabilities. The majority of these increases are directly related to the significant increases in the assets listed on the previous page.

Current portion of loans payable and taxable loan payable balance amounted to $45.1 million. Total Accounts Payable balance was $93.1 million or an increase of $33.5 million compared with 2005. All-Requirements Project accounted for $82.1 million of this total as follows: Short-Term Due to Participation balance $32.9 million, Accounts Payable Purchased Power $34.4 million, and Other $14.8 million.

Long-Term Debt balance outstanding at September 30, 2006, for FMPA's Agency Fund, Pooled Loan Fund and projects was $1,1 billion, an increase of $254.5 million during the current fiscal year. This is primarily due to the All-Requirements Project borrowings for construction related activities which resulted in an increase of $259.5 million and decrease other projects $5 million.

Long-Term Bonds balance, less current portion, was $1,100.4 million, including All-Requirements balance of $613.2 million net of $11 million unamortized loss on refunding and premium.

Rates on the Agency's variable-rate debt ranged from 2.21% to 3.95% for fiscal year 2006. Interest expense (operating and non-operating) increased for the current fiscal year by $6.5 million and is attributable to a rise in overall interest rates and increased borrowings by the All-Requirements Project to finance the construction activities for the Stock Island Combustion Turbine Unit 4 $33 million, the Treasure Coast Energy Center $35.11 million, and the proposed coal project in North Florida $25 million.

Total Operating Revenue for Agency and all projects increased by $15 million for the current fiscal year, mainly All-Requirements increase in billings to participants. The primary source of revenue—sales of electricity to the participants—increased $97 million, followed by an offset due to refund to participants of $64 million during this period and a decrease of $18.1 million on sales to others.

The rising interest rate environment continued throughout fiscal year 2006 and contributed to higher earnings on the investment portfolios of FMPA's funds and projects. For fiscal year 2006, interest income increased by $9.2 million when compared to fiscal year 2005.

Comparative years' Assets, Liabilities and Net Assets are summarized on the following page.

MANAGEMENT'S DISCUSSION & ANALYSIS (CONTINUED)

For Fiscal Year Ended September 30, 2006

FINANCIAL HIGHLIGHTS (CONTINUED)

Florida Municipal Power Agency

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

ASSETS & LIABILITIES	2006							
	AGENCY	POOLED LOAN FUND	ST. LUCIE PROJECT	STANTON PROJECT	ALL-REQ PROJECT	TRI-CITY PROJECT	STANTON II PROJECT	TOTALS
Assets:								
Capital Assets, Net	$ 4,051	$ -	$ 87,673	$ 38,714	$ 273,458	$ 15,834	$ 123,314	$ 543,044
Current Unrestricted Assets	10,091	438	54,308	25,639	215,735	7,717	36,403	350,331
Current Restricted Assets	21,393	56,531	62,776	5,197	259,698	3,183	6,707	415,485
Other Non-Current Assets	650		55,858	12,769	38,294	8,925	18,469	134,965
Total Assets	$ 36,185	$ 56,969	$ 260,615	$ 82,319	$ 787,185	$ 35,659	$ 184,893	$ 1,443,825
Liabilities:								
Long-Term Liabilities	$ 23,493	$ 56,198	$ 258,097	$ 74,956	$ 648,982	$ 31,851	$ 175,848	$ 1,269,425
Current Liabilities	1,563	771	2,518	7,363	138,203	3,808	9,045	163,271
Total Liabilities	$ 25,056	$ 56,969	$ 260,615	$ 82,319	$ 787,185	$ 35,659	$ 184,893	$ 1,432,696
Net Assets:								
Invested in Capital Assets, Net of Related Debt	$ 1,825	$ -	$ (129,538)	$ (38,547)	$ (162,111)	$ (17,669)	$ (53,032)	$ (399,072)
Restricted		333	23,527	8,207	37,116	5,223	10,987	85,393
Unrestricted	9,304	(333)	106,011	30,340	124,995	12,446	42,045	324,808
Total Net Assets	$ 11,129	$ -	$ -	$ -	$ -	$ -	$ -	$ 11,129

Statement of Net Assets
Proprietary funds
For Fiscal Year Ended September 30, 2005
(000's US$)

ASSETS & LIABILITIES	2005							
	AGENCY	POOLED LOAN FUND	ST. LUCIE PROJECT	STANTON PROJECT	ALL-REQ PROJECT	TRI-CITY PROJECT	STANTON II PROJECT	TOTALS
Assets:								
Capital Assets, Net	$ 4,323	$ -	$ 86,436	$ 39,809	$ 198,915	$ 16,324	$ 127,357	$ 473,164
Current Unrestricted Assets	7,743	717	59,811	24,409	222,806	7,956	35,355	358,797
Current Restricted Assets	19,176	161,553	55,206	5,128	18,850	2,995	6,160	269,068
Other Non-Current Assets	1,178		54,011	14,403	8,085	10,012	19,114	106,803
Total Assets	$ 32,420	$ 162,270	$ 255,464	$ 83,749	$ 448,656	$ 37,287	$ 187,986	$ 1,207,832
Liabilities:								
Long-Term Liabilities	$ 21,406	$ 161,206	$ 252,423	$ 78,074	$ 389,446	$ 33,503	$ 179,244	$ 1,115,302
Current Liabilities	1,103	1,064	3,041	5,675	59,210	3,784	8,742	82,619
Total Liabilities	$ 22,509	$ 162,270	$ 255,464	$ 83,749	$ 448,656	$ 37,287	$ 187,986	$ 1,197,921
Net Assets:								
Invested in Capital Assets, Net of Related Debt	$ 1,918	$ -	$ (129,339)	$ (41,170)	$ (76,621)	$ (19,174)	$ (56,052)	$ (320,438)
Restricted		347	18,558	8,033	23,630	4,990	10,325	65,883
Unrestricted	7,993	(347)	110,781	33,137	52,991	14,184	45,727	264,466
Total Net Assets	$ 9,911	$ -	$ -	$ -	$ -	$ -	$ -	$ 9,911

MANAGEMENT'S DISCUSSION & ANALYSIS (CONTINUED)

For Fiscal Year Ended September 30, 2006

OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

The **Statements of Net Assets** presents information on all of FMPA's assets and liabilities with the differences between the two reported as Net Assets. As a result of a decision by the governing body of FMPA, billings and revenues in excess (deficient) of actual costs are returned to (collected from) the participants in the form of billing credits (charges). The assets within the Agency Fund represent those required for staff operations, which coordinate all of the power projects described herein. On behalf of the Crystal River Unit 3 participants, Restricted Cash and Investments in the Agency Fund were held in 2006 as money held in trust for the Decommissioning Fund.

The **Statements of Revenues, Expenses and Changes in Fund Net Assets** present information regarding how FMPA's net assets have changed during the fiscal year ended 2006. All changes in net assets are reported as the underlying event giving rise to the change as it occurs, regardless of the timing of related cash flows. Therefore, some revenues and expenses that are reported in these statements for some items will only result in cash flows in future fiscal periods, such as unrealized gains or losses from investment activities, uncollected billings and earned but unused vacation.

MANAGEMENT'S DISCUSSION & ANALYSIS (CONTINUED)

For Fiscal Year Ended September 30, 2006

OVERVIEW OF FINANCIAL STATEMENTS (CONTINUED)

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

All of the activities of FMPA are of a business type, as compared to governmental activities. FMPA has no component units to report. The Financial Statements can be found on pages 8 through 16 of this report.

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

FMPA maintains only one type of **Proprietary Fund,** the Enterprise Fund type. Enterprise Funds are used to report the same functions presented as business-type activities in the financial statements. FMPA uses enterprise funds to account for all of its power projects, as well as the Agency and Pooled Loan business operations. Each of the funds is considered a "major fund" according to specific accounting rules. A summary of FMPA's activities for years 2006 and 2005 is shown on pages 8 and 9. A more detailed version of the major fund proprietary financial statements can be found on pages 14 through 16 of this report.

MANAGEMENT'S DISCUSSION & ANALYSIS (CONTINUED)

For Fiscal Year Ended September 30, 2006

OVERVIEW OF FINANCIAL STATEMENTS (CONTINUED)

Florida Municipal Power Agency

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

Proprietary Funds

For Fiscal Year Ended September 30, 2006

(000's US$)

	2006							
FMPA ACTIVITY	**AGENCY**	**POOLED LOAN FUND**	**ST. LUCIE PROJECT**	**STANTON PROJECT**	**ALL-REQ PROJECT**	**TRI-CITY PROJECT**	**STANTON II PROJECT**	**TOTALS**
Revenues:								
Billings to Participants	$ -	$ 4,139	$ 31,072	$ 23,953	$ 540,320	$ 10,006	$ 36,524	$ 646,014
Amounts to be Recovered (Refunded to) Participants		(86)	(1,223)	(1,724)	(31,385)	(524)	1,504	(33,438)
Sales to Others			3,100	347	15,754	124	544	19,869
Interest Income	306	103	8,063	1,097	6,717	349	1,351	17,986
Other	940							940
Total Revenues	$ 1,246	$ 4,156	$ 41,012	$ 23,673	$ 531,406	$ 9,955	$ 39,923	$ 651,371
Expenses:								
Operation, Maintenance & Nuclear Fuel Amortization	$ -	$ -	$ 14,090	$ 3,218	$ 37,722	$ 1,152	$ 5,015	$ 61,197
Purchased Power, Transmission & Fuel Costs			3,308	12,285	463,112	4,435	19,590	502,730
Administrative & General	8,005	680	2,924	873	10,311	460	1,178	24,431
Depreciation & Decommissioning	410		9,700	1,921	10,213	783	4,309	27,336
Interest & Amortization	90	3,476	12,997	3,842	13,910	2,092	9,451	45,858
Others	(8,477)							(8,477)
Total Expense	$ 28	$ 4,156	$ 43,019	$ 22,139	$ 535,268	$ 8,922	$ 39,543	$ 653,075
Change in Net Assets Before Regulatory Adjustment	$ 1,218	$ -	$ (2,007)	$ 1,534	$ (3,862)	$ 1,033	$ 380	$ (1,704)
Regulatory Adjustment			2,007	(1,534)	3,862	(1,033)	(380)	2,922
Change in Net Asssets After Regulatory Adjustment	$ 1,218	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,218
• Net Assets - Beginning	$ 9,911	$ -	$ -	$ -	$ -	$ -	$ -	$ 9,911
• Net Assets - Ending	$ 11,129	$ -	$ -	$ -	$ -	$ -	$ -	$ 11,129

The accompanying notes are an integral part of these financial statements.

OVERVIEW OF FINANCIAL STATEMENTS (CONTINUED)

Florida Municipal Power Agency

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

Proprietary Funds

For Fiscal Year Ended September 30, 2005

(000's US$)

	2005							
FMPA ACTIVITY	AGENCY	POOLED LOAN FUND	ST. LUCIE PROJECT	STANTON PROJECT	ALL-REQ PROJECT	TRI-CITY PROJECT	STANTON II PROJECT	TOTALS
Revenues:								
Billings to Participants	$ -	$ 2,658	$ 35,726	$ 20,906	$ 446,433	$ 7,959	$ 35,296	$ 548,978
Amounts to be Recovered (Refunded to) Participants		6	2,312	(155)	28,361	(573)	565	30,516
Sales to Others			2,814	441	33,851	158	691	37,955
Interest Income	92	(35)	5,138	416	2,322	123	752	8,808
Other	922							922
Total Revenues	$ 1,014	$ 2,629	$ 45,990	$ 21,608	$ 510,967	$ 7,667	$ 37,304	$ 627,179
Expenses:								
Operation, Maintenance & Nuclear Fuel Amortization	$ -	$ -	$ 13,992	$ 4,035	$ 38,075	$ 1,445	$ 4,320	$ 61,867
Purchased Power, Transmission & Fuel Costs			3,229	9,436	442,556	3,409	16,246	474,876
Administrative & General	7,384		3,029	629	11,011	244	945	23,242
Depreciation & Decommissioning	373		10,947	1,900	9,360	769	4,344	27,693
Interest & Amortization	78	2,629	11,568	3,755	10,177	2,129	9,103	39,439
Others	(8,141)							(8,141)
Total Expense	$ (306)	$ 2,629	$ 42,765	$ 19,755	$ 511,179	$ 7,996	$ 34,958	$ 618,976
Change in Net Assets Before Regulatory Adjustment	$ 1,320	$ -	$ 3,225	$ 1,853	$ (212)	$ (329)	$ 2,346	$ 8,203
Regulatory Adjustment			(3,225)	(1,853)	212	329	(2,346)	(6,883)
Change in Net Asssets After Regulatory Adjustment	$ 1,320	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,320
• Net Assets - Beginning	$ 8,591	$ -	$ -	$ -	$ -	$ -	$ -	$ 8,591
• Net Assets - Ending	$ 9,911	$ -	$ -	$ -	$ -	$ -	$ -	$ 9,911

The accompanying notes are an integral part of these financial statements.

The **Notes to Financial Statements** provide additional information that is essential to understanding the data provided in both the government-wide and fund financial statements. The Notes to the Financial Statements can be found on pages 17 through 55 of this report.

MANAGEMENT'S DISCUSSION & ANALYSIS (CONTINUED)

For Fiscal Year Ended September 30, 2006

ENTITY-WIDE FINANCIAL ANALYSIS

As noted earlier, when readers use the financial presentations to evaluate FMPA's financial position and results of operations, it is essential to remember the legal separation that exists among the projects. Nevertheless, broad patterns and trends may be observed at this level that should lead the reader to study carefully the financial statements of each fund and project. For example, total Utility Plant increased during fiscal year 2006 due to the development and construction of three new power plants within the All-Requirements Project. The Agency Fund and other FMPA Projects' total Utility Plant increased during 2006 and is attributable to the difference between depreciation and any capital outlays required during the year. See additional information in the Notes to Financial Statements beginning on page 17.

FINANCIAL ANALYSIS OF FMPA'S FUNDS AND PROJECTS

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

The **Agency Fund** accounts for the administrative activities of FMPA. The expenses incurred while operating the projects and administrative activities are allocated to the power projects, net of any miscellaneous receipts. Total General and Administrative expenses increased $621,000 in fiscal year 2006 when compared to fiscal year 2005. This is attributable to increase in Salaries and Benefits $535,000, increase in Office Supplies $96,000, decrease in Outside Services ($79,000), and increase in General Expenses and Others $69,000.

FMPA has a Letter of Credit that supports the financing of capital expenditures of its members or the Agency through the issuance of commercial paper. These loans and the repayments of these loans are accounted for in the **Pooled Loan Fund**. On September 30, 2006, long-term commercial paper note debt was $55.3 million. In fiscal year 2006, as a result of redemptions, commercial paper notes decreased by ($105.3) million. Management is not aware of any pending non-payment of commercial paper notes, and no loans were in default at September 30, 2006.

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

The Project billed 530,102 Megawatt-hours (MWh) in fiscal year 2006. The average all-inclusive billing rate, which includes budgeted Demand, Energy and Transmission expenses, decreased by 3.34% to $58.65 in fiscal year 2006. The cost of power production and delivery increased from $29.24 to $32.82 per MWh in fiscal year 2006 (an increase of 12.24% from the prior year). General and Administrative expenses decreased ($105,000). The primary reason for this decrease is related to decreases in Office supplies of ($472,000) and Outside services of ($244,000), salaries expenses of ($23,000) were partially offset by an increase in General Miscellaneous Expenses of $635,000. These expenses were related to FPL's 2004 Storm Recovery Cost and FPL's portion of the damage for the hurricanes in 2004 not covered by insurance, including a write-off for hurricane damage.

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

Management's Discussion & Analysis (continued)

For Fiscal Year Ended September 30, 2006

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

Operations and Maintenance expenses decreased by ($817,000) during fiscal year 2006 and are attributable to reduction on billings by OUC for Stanton Unit 1 boiler maintenance.

The Project billed 487,750 MWh in fiscal year 2006. The average all-inclusive billing rate which includes budgeted Demand, Energy and Transmission expenses decreased 1.3% to $49.10 per MWh in fiscal year 2006. This decrease was primarily due to fixed cost reduction in capital expenditures.

The cost of power production and delivery, which is calculated using actual Operating expenses excluding Administrative and General expenses, rose to $35.72 per MWh in fiscal year 2006, an increase of 4.1% in fiscal year 2006. This change is due to the rising cost of coal as well as boiler maintenance expenses. General and Administrative expenses increased $244,000.

The **All-Requirements Project** (ARP) consists of 15 participants. The ARP energy resources are part of the Florida Municipal Power Pool (FMPP), a consortium of three municipal energy suppliers - ARP, Lakeland Electric and OUC - which have agreed to dispatch resources on a cost and availability basis in order to meet combined loads. The average billed rate to ARP member cities was $81.20 per MWh in fiscal year 2006, which is all-inclusive of Energy, Demand and Transmission expenses. The billed Megawatt hours for fiscal year 2006 were 6,653,808.

Billings to ARP participants in fiscal year 2006 were 21.03% higher, increasing from $446.4 million to $540 million. This increase is primarily due to higher fuel costs.

Power costs, exclusive of Administrative and General and Depreciation expenses, increased to $76.81 per MWh in fiscal year 2006, a 2.6% increase from fiscal year 2005. This increase was primarily due to a rise in coal and natural gas prices and the Project's generation and contractual resource mix. General and Administrative expenses decreased $700,000, a 6.8% change from prior year. The fuel supply mix was 43% for natural gas, 1% for fuel oils, 45% for coal and 11% for nuclear.

After consideration of amounts to be refunded to or recovered from Project participants, the net assets of the All-Requirements Project were zero (by design) again in fiscal year 2006. The ARP bills an estimated rate during the year and then credits back (charges) participants the amounts in excess (deficit) of those needed to operate and meet all the Project's obligations. This amount is shown in the Statements of Revenues, Expenses and Changes in Fund Net Assets as an addition or reduction to "Billings to Participants" and as "Participant Accounts Receivable" or "Net Costs Recoverable From Future Participant Billings" in the accompanying Statement of Net Assets.

The **Tri-City Project** consists of a 5.3012% ownership interest in Stanton Unit 1. The Project billed 173,668 MWh in fiscal year 2006. The average all-inclusive billing rate, which includes budgeted Demand, Energy and Transmission expenses, increased 1.7% to $ 57.62 per MWh during fiscal year 2006. This increase was primarily due to rising coal costs which are billed to the participants through the energy charge on each Project's invoice.

The cost of power production and delivery, which is calculated using actual Operating expenses excluding Administrative and General expenses, increased by 13%; the cost per MWh decreased from $39.99 per MWh in fiscal year 2005 to $36.68 per MWh in fiscal year 2006. This change is due to the rising cost of coal as well as boiler maintenance expenses. General and administrative expenses increased by $216,000 or $1.24 per MWh.

The **Stanton II Project** consists of a 23.2367% ownership interest in Stanton Unit 2, a coal-fired power plant operated by its primary owner, Orlando Utilities Commission.

MANAGEMENT'S DISCUSSION & ANALYSIS (CONTINUED)

For Fiscal Year Ended September 30, 2006

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

The Project billed 795,551 MWh in fiscal year 2006. The average all-inclusive billing rate, which includes budgeted Demand, Energy and Transmission expenses, decreased by $1.72 or (3.7%) to $45.91 per MWh in fiscal year 2006. This decrease was primarily due to a fixed cost reduction on capital expenditures.

During fiscal year 2006, an increase in MWh generated, combined with an increase in fuel and production expenses, caused the Stanton II Project's cost of power production and delivery (which is calculated using actual Operating expenses excluding Administrative and General expenses) to increase by 16% to $36.34 MWh. General and Administrative expenses increased by $233,000, or $.29 per MWh.

BUDGETARY HIGHLIGHTS

The FMPA Board of Directors approves the project budgets, establishing legal boundaries for expenditures. For fiscal year 2006, the amended budget authority was not exceeded.

CAPITAL ASSETS AND LONG-TERM DEBT

FMPA's investment in **Capital Assets** as of September 30, 2006 was $543 million, net of accumulated depreciation and inclusive of work-in-process and development projects. This investment in capital assets includes operational and construction projects in progress of generation facilities, distribution and transmission systems, land, buildings, improvements, and machinery and equipment.

FMPA's investment in capital assets for fiscal year 2006 increased by 14.8% or $69.9 million. This equates to a 37.5% increase in the All-Requirements utility plant while all other projects' net change decreased an average of 3%. This overall reduction highlights the relatively stable nature of these generating assets and FMPA's participation in them or the capital renewal and replacement program.

At September 30, 2006, FMPA had **Long-Term Debt** of $1,192.3 million in notes, loans and bonds payable. The remaining principal payments on long-term debt, net of unamortized premium and discount, and unamortized loss on refunding are as follows:

•	Agency Fund	$ 2,230,000
•	Pooled Loan Fund	$ 55,274,000
•	St. Lucie Project	$ 218,848,000
•	Stanton Project	$ 77,966,000
•	All-Requirements Project	$ 623,992,000
•	Tri-City Project	$ 33,891,000
•	Stanton II Project	$ 180,128,000

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Multi-year operational and financial modeling was conducted to arrive at the fiscal year 2006 budget which took into consideration the member cities' economies that have shown varying amounts of growth in both demand and energy.

SIGNIFICANT EVENTS

FMPA has acquired land in Ft. Pierce, Florida for a future generation site of a natural gas power plant. The Treasure Coast Energy Center Unit 1 has a total budget not to exceed $257,405,000. Construction on this facility began in mid-2006.

The city of Vero Beach requested arbitration with FMPA pursuant to the Capacity and Energy Sales Contract between FMPA and Vero Beach under the terms of the All-Requirements Project Participation Agreement. Last year, the Agency received the award from the Panel of Arbitrators deciding all contested issues in favor of FMPA, and awarding certain FMPA costs (totaling $25,000) to be paid by the City of Vero Beach. See **Note XVII** in the Notes to Financial Statements for more information.

FMPA has finished the calculation for all costs for the arbitration proceeding awarded to FMPA by the arbitration panel on October 11, 2005. The amount for the total cost is $959,597.01. The All-Requirements Project participants voted to collect on this award at their December 2006 meeting.

FMPA completed construction on June 29, 2006 for the Key West, Florida (Stock Island) project, a 47 Megawatt, low sulfur oil-fired combustion turbine power plant. This plant is 100% owned by FMPA and operated under contract by Keys Energy Services, the municipal electric utility serving Key West and the lower Florida Keys. The unit was available for commercial operation on July 1, 2006.

FMPA, along with three other utilities, at September 30, 2006 were negotiating for a 3,200 acre site in North Florida for a potential future location to build an 800 megawatt coal-fired power plant. Other utilities involved in the construction project, along with FMPA are JEA, the city of Tallahassee and Reedy Creek Improvement District. See **Note X** in the Notes to Financial Statements for further information.

FMPA has joined with six other public gas and electric utilities in five different states to form a gas supply agency called Public Gas Partners, Inc. (PGP). This agency was created to secure economical, long-term wholesale natural gas supplies for its seven members in order to stabilize and reduce the cost of natural gas. See **Note X** in the Notes to Financial Statements for more information.

INTEREST ARBITRAGE AND REBATE

As a result of lower interest rates on outstanding debt in contrast to higher yields on investments, the Agency has the following remaining potential arbitrage rebate liabilities as of September 30, 2006:

•	St. Lucie Project	$ 2,081,553
•	All-Requirements Project	$ 38,539
•	Tri-City Project	$ 63,370
•	Stanton II Project	$ 514,170
Total		$ 2,697,632

See **Note XV** in the Notes to Financial Statements for further information regarding the arbitrage rebate liabilities.

REQUEST FOR INFORMATION

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

FLORIDA MUNICIPAL POWER AGENCY
STATEMENTS OF NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2006
(000's US$)

	----------------------------	----------------------------	----------------------------	Business-Type Activities	----------------------------	----------------------------	----------------------------	
ASSETS	**AGENCY**	**POOLED LOAN FUND**	**ST. LUCIE PROJECT**	**STANTON PROJECT**	**ALL-REQ PROJECT**	**TRI-CITY PROJECT**	**STANTON II PROJECT**	**TOTALS**
Current Assets:								
Cash and Cash Equivalents	$ 2,372	$ -	$ 2,960	$ 2,030	$ 64,622	$ 420	$ 2,441	$ 74,845
Investments	5,809		48,874	16,209	42,403	3,446	21,396	138,137
Participant Accounts Receivable	1,356		1,899	2,073	39,550	821	4,654	50,353
Fuel Stock and Other Inventory				722	23,092	258	1,020	25,092
Other Current Assets	554	158	370	293	35,014	50	378	36,817
Restricted Assets Available For								
Current Liabilities		280	205	4,312	11,054	2,722	6,514	25,087
Total Current Assets	**$ 10,091**	**$ 438**	**$ 54,308**	**$ 25,639**	**$ 215,735**	**$ 7,717**	**$ 36,403**	**$ 350,331**
Non-Current Assets:								
Restricted Assets:								
Cash and Cash Equivalents	$ 1,531	$ 16,722	$ 1,052	$ 2,855	$ 25,674	$ 1,823	$ 5,067	$ 54,724
Investments	19,763	18,503	61,515	6,564	242,865	4,039	8,078	361,327
Accrued Interest	99	250	414	90	2,213	43	76	3,185
Pooled Loan Receivables								
From Members		9,018						9,018
Pooled Loan Receivables								
From Projects		12,318						12,318
Less Portion Classified as Current		(280)	(205)	(4,312)	(11,054)	(2,722)	(6,514)	(25,087)
Total Restricted Assets	**$ 21,393**	**$ 56,531**	**$ 62,776**	**$ 5,197**	**$ 259,698**	**$ 3,183**	**$ 6,707**	**$ 415,485**
Capital Assets:								
Electric Plant	$ -	$ -	$ 195,878	$ 71,370	$ 284,563	$ 29,347	$ 169,964	$ 751,122
General Plant	6,107		10,841	112	2,619	36	159	19,874
Less Accumulated Depreciation								
And Amortization	(2,056)		(119,046)	(32,768)	(86,324)	(13,549)	(46,809)	(300,552)
Net Capital Assets	**$ 4,051**	**$ -**	**$ 87,673**	**$ 38,714**	**$ 200,858**	**$ 15,834**	**$ 123,314**	**$ 470,444**
Construction in Progress					72,600			$ 72,600
Total Capital Assets, Net	**$ 4,051**	**$ -**	**$ 87,673**	**$ 38,714**	**$ 273,458**	**$ 15,834**	**$ 123,314**	**$ 543,044**
Deferred Costs:								
Net Costs Recoverable From								
Future Participant Billings	646		54,221	12,064	9,234	8,537	14,687	99,389
Other	4		1,637	705	29,060	388	3,782	35,576
Total Deferred Costs	**650**	**-**	**55,858**	**12,769**	**38,294**	**8,925**	**18,469**	**134,965**
Total Non-Current Assets	**26,094**	**56,531**	**206,307**	**56,680**	**571,450**	**27,942**	**148,490**	**1,093,494**
TOTAL ASSETS	**$ 36,185**	**$ 56,969**	**$ 260,615**	**$ 82,319**	**$ 787,185**	**$ 35,659**	**$ 184,893**	**$ 1,443,825**
LIABILITIES AND NET ASSETS								
Current Liabilities:								
Payable From Unrestricted Assets:								
Current Portion of Pooled Loan								
Notes Payable	$ 130	$ -	$ -	$ -	$ 45,001	$ -	$ -	$ 45,131
Accounts Payable & Accrued Liabilities	1,433	491	2,313	3,051	82,148	1,086	2,531	93,053
Total Current Liabilities From								
Unrestricted Assets	**$ 1,563**	**$ 491**	**$ 2,313**	**$ 3,051**	**$ 127,149**	**$ 1,086**	**$ 2,531**	**$ 138,184**
Payable From Restricted Assets:								
Current Portion of Long-Term								
Revenue Bonds	$ -	$ -	$ -	$ 3,010	$ 5,010	$ 2,040	$ 4,280	$ 14,340
Accrued Interest on Long-Term Debt		280	205	1,302	6,044	682	2,234	10,747
Total Current Liabilities From								
Restricted Assets	**-**	**280**	**205**	**4,312**	**11,054**	**2,722**	**6,514**	**25,087**
Total Current Liabilities	**$ 1,563**	**$ 771**	**$ 2,518**	**$ 7,363**	**$ 138,203**	**$ 3,808**	**$ 9,045**	**$ 163,271**
Liabilities Payable From Restricted Assets:								
Commercial Paper Notes		55,274						55,274
Accrued Decommissioning Expenses	21,393		39,046					60,439
Total Liabilities Payable From								
Restricted Assets	**$ 21,393**	**$ 55,274**	**$ 39,046**	**$ -**	**$ -**	**$ -**	**$ -**	**$ 115,713**
Long Term Liabilities:								
Long-Term Revenue Bonds,								
Less Current Portion			218,848	66,961	613,167	28,987	172,413	1,100,376
Long-Term Loans - Taxable				1,438	5,815	514	2,254	10,021
Pooled Loan Notes Payable	2,100			6,557		2,350	1,181	12,188
Advances from Participants					30,000			30,000
Other Liabilities		924	203					1,127
Total Long-Term Liabilities	**2,100**	**924**	**219,051**	**74,956**	**648,982**	**31,851**	**175,848**	**1,153,712**
TOTAL LIABILITIES	**$ 25,056**	**$ 56,969**	**$ 260,615**	**$ 82,319**	**$ 787,185**	**$ 35,659**	**$ 184,893**	**$ 1,432,696**
Net Assets:								
Invested in Capital Assets, Net	1,825		(129,538)	(38,547)	(162,111)	(17,669)	(53,032)	(399,072)
Restricted		333	23,527	8,207	37,116	5,223	10,987	85,393
Unrestricted	9,304	(333)	106,011	30,340	124,995	12,446	42,045	324,808
TOTAL NET ASSETS	**$ 11,129**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ 11,129**

The accompanying notes are an integral part of these financial statements

FLORIDA MUNICIPAL POWER AGENCY
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2006
(000's US$)

	AGENCY	POOLED LOAN FUND	ST. LUCIE PROJECT	STANTON PROJECT	ALL-REQ PROJECT	TRI-CITY PROJECT	STANTON II PROJECT	TOTALS
OPERATING REVENUE:								
Billings To Participants	$ -	$ 4,139	$ 31,072	$ 23,953	$ 540,320	$ 10,006	$ 36,524	$ 646,014
Amounts to Be Recovered From (Refunded To) Participants		(86)	(1,223)	(1,724)	(31,385)	(524)	1,504	(33,438)
Sales to Others			3,100	347	15,754	124	544	19,869
Total Operating Revenue	**$ -**	**$ 4,053**	**$ 32,949**	**$ 22,576**	**$ 524,689**	**$ 9,606**	**$ 38,572**	**$ 632,445**
OPERATING EXPENSES:								
Operation and Maintenance	$ -	$ -	$ 11,882	$ 3,218	$ 37,722	$ 1,152	$ 5,015	$ 58,989
Fuel Expense				11,577	213,078	4,146	18,531	247,332
Nuclear Fuel Amortization			2,208					2,208
Spent Fuel Fees			432					432
Purchased Power			2,513		229,279			231,792
Transmission Services			363	708	20,755	289	1,059	23,174
General and Administrative	8,005	680	2,924	873	10,311	460	1,178	24,431
Interest Expense		3,476						3,476
Depreciation	410		7,040	1,921	10,213	783	4,309	24,676
Decommissioning			2,660					2,660
Capitalized Development Projects And Allocated Costs	(8,477)							(8,477)
Total Operating Expense	**(62)**	**4,156**	**30,022**	**18,297**	**521,358**	**6,830**	**30,092**	**610,693**
Total Operating Income (Loss)	**$ 62**	**$ (103)**	**$ 2,927**	**$ 4,279**	**$ 3,331**	**$ 2,776**	**$ 8,480**	**$ 21,752**
NON-OPERATING INCOME (EXPENSE)								
Interest Expense	$ (89)	$ -	$ (9,822)	$ (3,393)	$ (13,067)	$ (1,488)	$ (8,044)	$ (35,903)
Amortization of Debt Related Costs	(1)		(3,175)	(449)	(843)	(604)	(1,407)	(6,479)
Investment Income	306	103	8,063	1,097	6,717	349	1,351	17,986
Development Fund Fees	940							940
Total Non-Operating Income (Expense)	**$ 1,156**	**$ 103**	**$ (4,934)**	**$ (2,745)**	**$ (7,193)**	**$ (1,743)**	**$ (8,100)**	**$ (23,456)**
Change in Net Assets Before Regulatory Asset Adjustment	1,218	-	(2,007)	1,534	(3,862)	1,033	380	(1,704)
Regulatory Asset Adjustment			2,007	(1,534)	3,862	(1,033)	(380)	2,922
Change in Net Assets After Regulatory Adjustment	1,218	-	-	-	-	-	-	1,218
• Net Assets at Beginning of Year	$ 9,911	$ -	$ -	$ -	$ -	$ -	$ -	$ 9,911
• Net Assets at End of Year	$ 11,129	$ -	$ -	$ -	$ -	$ -	$ -	$ 11,129

The accompanying notes are an integral part of these financial statements

FLORIDA MUNICIPAL POWER AGENCY

STATEMENTS OF CASH FLOWS

PROPRIETARY FUNDS

For the Year Ended September 30, 2006

(000's US$)

	----------Business-Type Activities----------							
	AGENCY	POOLED LOAN FUND	ST. LUCIE PROJECT	STANTON PROJECT	ALL-REQ PROJECT	TRI-CITY PROJECT	STANTON II PROJECT	TOTALS
Cash Flows From Operating Activities:								
Cash Received From (Paid To) Customers	$ 9,061	$ 71,032	$ 34,363	$ 24,182	$ 603,494	$ 10,102	$ 36,926	$ 789,160
Cash Paid to Suppliers	(2,449)	(4,156)	(19,617)	(16,528)	(536,529)	(6,074)	(25,375)	(610,728)
Cash Paid to Employees	(5,121)							(5,121)
Cash Paid To (Received From) Participants	526		1,973	(273)	25,279	(690)	452	27,267
Net Cash Provided by (Used in) Operating Activities	**$ 2,017**	**$ 66,876**	**$ 16,719**	**$ 7,381**	**$ 92,244**	**$ 3,338**	**$ 12,003**	**$ 200,578**
Cash Flows From Investing Activities:								
Proceeds From Sales and Maturities Of Investments	$ 15,908	$ 131,824	$ 317,896	$ 23,156	$ 581,917	$ 9,271	$ 38,252	$ 1,118,224
Crystal River 3 Decommissioning Deposits And Interest Earnings	2,216							2,216
Purchases of Investments	(18,122)	(111,425)	(324,433)	(24,491)	(854,743)	(10,203)	(41,167)	(1,384,584)
Custodial - Purchases of Investments	(1,315)							(1,315)
Other Receivables and Net Costs Recoverable Income Received on Investments	306	100	6,092	1,033	6,500	317	1,226	15,574
Net Cash Provided by (Used in) Operating Activities	**$ (1,007)**	**$ 20,499**	**$ (445)**	**$ (302)**	**$ (266,326)**	**$ (615)**	**$ (1,689)**	**$ (249,885)**
Cash Flows From Capital & Related Financing Activites:								
Proceeds from Issuance of Bonds	$ -	$ 35,669	$ -	$ -	$ 395,845	$ -	$ -	$ 431,514
Payments of Bond Principal and Issuance Costs	0	0		(2,905)	(6,411)	(1,995)	(4,215)	(15,526)
Capital Expenditures - Utility Plant	(114)		(6,998)	(825)	(84,755)	(294)	(265)	(93,251)
Principal Payments - Long-Term Debt	(175)	(140,879)		(477)	(113,741)	(170)	(240)	(255,682)
Letter of Credit (LOC) Draws					61,001			61,001
Letter of Credit (LOC) Payments					(16,000)			(16,000)
Interest Paid on Debt	(89)	(379)	(9,669)	(3,437)	(10,123)	(1,507)	(8,079)	(33,283)
Cash Received - Development Fund	940							940
Net Cash Provided by (Used in) Capital & Related Financing Activities	**$ 562**	**$ (105,589)**	**$ (16,667)**	**$ (7,644)**	**$ 225,816**	**$ (3,966)**	**$ (12,799)**	**$ 79,713**
Net Increase (Decrease) in Cash and Cash Equivalents	**$ 1,572**	**$ (18,214)**	**$ (393)**	**$ (565)**	**$ 51,734**	**$ (1,243)**	**$ (2,485)**	**$ 30,406**
Cash and Cash Equivalents - Beginning	$ 2,331	$ 34,936	$ 4,405	$ 5,450	$ 38,562	$ 3,486	$ 9,993	$ 99,163
Cash and Cash Equivalents - Ending	$ 3,903	$ 16,722	$ 4,012	$ 4,885	$ 90,296	$ 2,243	$ 7,508	$ 129,569
Consisting of:								
Unrestricted	2,372		2,960	2,030	64,622	420	2,441	74,845
Restricted	1,531	16,722	1,052	2,855	25,674	1,823	5,067	54,724
Total	**$ 3,903**	**$ 16,722**	**$ 4,012**	**$ 4,885**	**$ 90,296**	**$ 2,243**	**$ 7,508**	**$ 129,569**
Reconciliation of Operating Income to Net Cash Provided By(Used In) Operating Activites:								
Operating Income (Loss)	$ 62	$ (103)	$ 2,927	$ 4,279	$ 3,331	$ 2,776	$ 8,480	$ 21,752
Adjustment to Reconcile Net Operating Income to Net Cash Provided By (Used In) Operating Activities:								
Depreciation and Decommissioning	410		9,701	1,921	10,212	783	4,309	27,336
Amortization of Nuclear Fuel			2,208					2,208
Changes in Assets and Liabilities Which Provided (Used) Cash:								
Inventory			(918)	(207)	(1,351)	(74)	140	(2,410)
Receivable From (Payable to) Participants	661	105,081	3,509	(118)	609	(117)	(1,052)	108,573
Prepaids	(72)		(165)	(3)	(382)		47	(575)
Accounts Payable and Accrued Expenses	505		(420)	58	(20,966)	47	222	(20,554)
Amounts To Be Refunded			(315)	1,569	91,853	(49)		93,058
Loans To Participants	528							528
Other Receivables	(77)	(38,102)	192	(118)	8,938	(28)	(143)	(29,338)
Net Cash Provided By (Used In) Operating Activities	$ 2,017	$ 66,876	$ 16,719	$ 7,381	$ 92,244	$ 3,338	$ 12,003	$ 200,578

The accompanying notes are an integral part of these financial statements.

I. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

This structure allows each member the option of whether to participate in a project, to participate in more than one project, or not to participate in any project. Each of the projects are independent from the other and the project bond resolutions specify that no revenues or funds from one project can be used to pay the costs of any other project. As of September 30, 2006, FMPA has 30 members.

B. Basis of Accounting

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

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

In accordance with Governmental Accounting Standards No. 20, FMPA has elected not to follow Financial Accounting Standards Board (FASB) pronouncements issued subsequent to November 30, 1989 in accounting and reporting for its operations. FMPA has adopted the provisions of Governmental Accounting Standards Board (GASB) GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, which is an amendment of GASB Statement No. 3.

I. Summary of Significant Accounting Policies (continued)

B. Basis of Accounting (continued)

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

1. Fund Accounting

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

The Agency operates the following major funds:

- The Agency Fund, which accounts for general operations beneficial to all members and projects,
- The Pooled Loan Fund, which accounts for operations of pooled financing of loans to other FMPA projects and members for utility-related projects
- The St. Lucie Project, which accounts for ownership interest in the St. Lucie Unit 2 nuclear generating facility,
- The Stanton Project and the Tri-City Project, which account for respective ownership interests in the Stanton Energy Center (SEC) Unit 1, a coal-fired generation facility,
- The All-Requirements Project, which accounts for ownership interest in SEC Unit 1, SEC Unit 2, Stanton Unit A, Indian River Combustion Turbine Units A, B, C and D, Cane Island Units 1, 2 and 3, and FMPA's Key West Combustion Turbine Units 2 and 3. Also included in All-Requirements Project is the purchase of power for resale to the participants as well as the purchase of equipment necessary for dispatching requirements and 100% ownership of Key West Combustion Turbine Unit 4 and Treasure Coast Energy Center (a Combined Cycle currently under construction), and
- The Stanton II Project, which accounts for ownership interest in SEC Unit 2.

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

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

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

I. Summary of Significant Accounting Policies (continued)

B. Basis of Accounting (continued)

2. Capital Assets

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

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

3. Inventory

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

4. Cash Equivalents

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

- Time deposits (not including certificates of deposits)
- Money market funds
- Flexible repurchase agreements

5. Investments

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

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

I. Summary of Significant Accounting Policies (continued)

B. Basis of Accounting (continued)

6. Debt Related Costs

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

7. Compensated Absences

Liabilities related to Compensated Absences are recognized as incurred in accordance with GASB Statement No. 16 and are included in accrued expenses. Regular, full-time employees in good standing, upon resignation or retirement, are eligible for vacation and sick/personal pay. At September 30, 2006, the liability for unused vacation was $313,995 and $221,312 for unused sick/personal leave.

8. Allocation of Agency Fund Expenses

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

9. Billing to Participants

Participant billings are designed to systematically provide revenue sufficient to recover costs. Rates and budgets can be amended by the Board of Directors or the Executive Committee at any time.

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

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

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

I. Summary of Significant Accounting Policies (continued)

B. Basis of Accounting (continued)

9. Billing to Participants (continued)

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

10. Income Taxes

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

11. Use of Estimates

The management of FMPA has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with GAAP. Examples of major areas where estimates are used include the estimate for useful lives of property, plant and equipment and the estimate for the nuclear decommissioning liability. Actual results could differ from those estimates.

12. Derivative Financial Investments

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

II. Loans Receivable

All loans receivable are of the Pooled Loan Fund. They are comprised of $12.4 million for FMPA-related undertakings and $9.0 million for loans receivable from member cities, net of Undistributed Proceeds of $31.5 million (valued at market). Amounts for the FMPA-related undertakings are recoverable from each project and are identified in Note IX, Long-Term Debt, by project.

III. Nuclear Decommissioning Liability

1. St. Lucie Project

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

To comply with the NRC's financial capability regulations, FMPA established an external trust fund (Decommissioning Trust) pursuant to a trust agreement with Wachovia Bank. This agreement requires that the St. Lucie Project make annual deposits to the Decommissioning Trust which, together with investment earnings and amounts previously

III. Nuclear Decommissioning Liability (continued)

A.. St. Lucie Project (continued)

on deposit in the Trust, are anticipated to result in sufficient funds in the Decommissioning Trust at the expiration of the current operating license to meet the project's share of the decommissioning costs. This is reflected in the St. Lucie Project's Balance Sheet as Restricted Cash and Investments ($40) million and Accrued Decommissioning Expense ($39.0 million), for the sole purpose of paying the St. Lucie nuclear decommissioning costs. Based on a 1998 site-specific study approved by the Florida Public Service Commission in 2002, Unit 2's decommissioning costs are estimated to be $1.938 billion (in 2000 dollars). FMPA's share is estimated to be $170 million (in 2000 dollars). The Decommissioning Trust is irrevocable and funds may be withdrawn from the Trust solely for the purpose of paying the St. Lucie Project's share of costs for nuclear decommissioning.

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

B. Crystal River Unit 3

As a service to six of the minority owners of the Crystal River Unit 3 (CR3) Power Plant, FMPA acts as Trustee for the CR3's decommissioning liability. FMPA invests the monies collected from the participants in a Decommissioning Trust. This is reflected in the Agency Fund Balance Sheet as Restricted Cash and Investments and Accrued Decommissioning Expense, for the sole purpose of paying the CR3's nuclear decommissioning costs. There is approximately $21.4 million in the accounts at September 30, 2006.

IV. Capital Assets

A description and summary as of September 30, 2006, of Capital Assets by fund and project, is as follows:

A. Agency Fund

The Agency Fund contains the general plant assets of the Agency that are not associated with specific projects. Depreciation of general plant assets is computed by using the straight-line method over the expected useful life of the asset. Expected lives of the different types of general assets are:

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

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

IV. Capital Assets (continued)

A. Agency Fund (continued)

The activity for the Agency's general plant assets for the year ended September 30, 2006 was as follows:

	September 30, 2006			
	Beginning Balance	*Increases*	*Decreases*	*Ending Balance*
		(000's US$)		
General Plant	$ 5,962	$ 208	$(63)	$ 6,107
Development Projects in Progress	30	1	(31)	-
General Plant in Service	$ 5,992	$ 209	$(94)	$ 6,107
Less Accumulated Depreciation	(1,669)	(404)	17	(2,056)
General Plant in Service, Net	$ 4,323	$(195)	$(77)	$ 4,051

B. St. Lucie Project

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

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

St. Lucie plant asset activity for the year ended September 30, 2006 was as follows:

	September 30, 2006			
	Beginning Balance	*Increases*	*Decreases*	*Ending Balance*
		(000's US$)		
Electric Plant	$ 188,880	$ 10,622	$(3,624)	$ 195,878
General Plant	1,208			1,208
Nuclear Fuel	8,655	7,003	(6,025)	9,633
Electric Utility Plant in Service	$ 198,743	$ 17,625	$(9,649)	$ 206,719
Less Accumulated Depreciation	(112,307)	2,351	(9,090)	(119,046)
Utility Plant In Service, Net	$ 86,436	$ 19,976	$(18,739)	$ 87,673

C Stanton Project

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

IV. Capital Assets (continued)

C. Stanton Project (continued)

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

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

Stanton Unit 1 plant asset activity for the year ended September 30, 2006, was as follows:

	Beginning Balance	*Increases*	*Decreases*	*Ending Balance*
	September 30, 2006			
		(000's US$)		
Electric Plant	$ 70,545	$ 923	$(98)	$ 71,370
General Plant	112			112
Utility Plant in Service	$ 70,657	$ 923	$(98)	$ 71,482
Less Accumulated Depreciation	(30,848)	(1,920)		(32,768)
Utility Plant In Service, Net	$ 39,809	$(997)	$(98)	$ 38,714

E. All-Requirements Project

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

The All-Requirements Project's current utility plant assets also consist of 100% ownership in Key West Stock Island Unit 4 (commercially operational in 2006) which accounts for $25.4 million of capital assets and the Treasure Coast Energy Center that is currently under construction.

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

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

• Stanton Energy Center Units 1 and 2	40 years
• Stanton Energy Center Unit A	35 years
• Cane Island Units 2 and 3	30 years
• Cane Island Unit 1	25 years
• Key West Units 2 and 3	25 years
• Key West Stock Island Unit 4	23 years
• Indian River Units A, B, C and D	23 years
• Computer Equipment	9 years

IV. Capital Assets (continued)

E. All-Requirements Project (continued)

All-Requirements plant asset activity for the year ended September 30, 2006 was as follows:

	September 30, 2006			
	Beginning Balance	Increases	Decreases	Ending Balance
	(000's US$)			
Electric Plant	$ 259,209	$ 26,288	$(934)	$ 284,563
General Plant	2,488	138	(7)	2,619
Construction Work in Progress	13,330	85,308	(26,038)	72,600
Utility Plant in Service	$ 275,027	$111,734	$(26,979)	$ 359,782
Less Accumulated Depreciation	(76,112)	20	(10,232)	(86,324)
Utility Plant in Service, Net	$ 198,915	$111,754	$(37,211)	$ 273,458

F. Tri-City Project

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

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

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

Tri-City Project plant asset activity for the year ended September 30, 2006 was as follows:

	September 30, 2006			
	Beginning Balance	Increases	Decreases	Ending Balance
	(000's US$)			
Electric Plant	$ 29,054	$ 328	$(35)	$ 29,347
General Plant	36			36
Utility Plant in Service	$ 29,090	$ 328	$(35)	$ 29,383
Less Accumulated Depreciation	(12,766)	(783)		(13,549)
Utility Plant in Service, Net	$ 16,324	$ (455)	$(35)	$ 15,834

G. Stanton II Project

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

IV. Capital Assets (continued)

6. Stanton II Project (continued)

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

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

Stanton Unit 2 plant asset activity for the year ended September 30, 2006 was as follows:

	September 30, 2006			
	Beginning Balance	*Increases*	*Decreases*	*Ending Balance*
		(000's US$)		
Electric Plant	$ 169,698	$ 872	$(606)	$ 169,964
General Plant	159			159
Utility Plant in Service	$ 169,857	$ 872	$(606)	$ 170,123
Less Accumulated Depreciation	(42,500)	(4,309)		(46,809)
Utility Plant in Service, Net	$ 127,357	$(3,437)	$(606)	$ 123,314

V. Cash, Cash Equivalents and Investments

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

A. Cash and Cash Equivalents

At September 30, 2006, FMPA's Cash and Cash Equivalents consisted of demand accounts, Florida State Board of Administration (SBA) money market accounts, two other money market accounts, and flexible repurchase agreements, which are authorized under FMPA ordinances and various bond resolutions. Cash and cash equivalents are held at three financial institutions, the State Board of Administration and with one commodity dealer. All of FMPA's demand deposits at September 30, 2006 were insured by Federal Depository Insurance Corporation (FDIC) or collateralized pursuant to the Public Depository Security Act of the State of Florida. Current unrestricted cash and cash equivalents are used in FMPA's funds' and projects' day-to-day operations.

B. Investments

FMPA adheres to an investment policy based on the requirements of the bond resolutions. The policy requires diversification based upon security type, issuing institutions and duration. All of the fund and project accounts have specified requirements with respect to investments selected and the length of allowable investment. Investments at September 30, 2006 were insured or registered and held by its agent in FMPA's name. Changes in the fair value of investments are reported in current period revenues and expenses. All of FMPA's fund and project investments can be sold at any point due to cash flow needs, changes in market trends or risk management strategies.

V. Cash, Cash Equivalents and Investments (continued)

B. Investments (continued)

Foreign Currency Risk

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

Interest-Rate Risk

FMPA's investment policy requires that funds generally be invested to match the anticipated cash flow. All fund and project accounts have a specified maximum maturity for investments and the majority of FMPA's funds are required to be invested for less than five years. All project funds and accounts are monitored using weighted average maturity analysis as well as maturity date restrictions.

Concentration of Credit Risk

Each project is separate from the others and as such, each project is evaluated individually to determine the credit and interest rate risk. FMPA's investment policy prohibits investments in commercial paper that exceed 50% of any of the projects' or the Agency's assets. For the last five years, FMPA has not invested more than 25% of any one project in commercial paper. All commercial paper must be rated in the highest rated category by a nationally recognized bond rating agency at the time of purchase. Money market funds rated in the highest rated category are allowed as well as those collateralized with specific high-quality instruments. These investments must not exceed 20% for any of FMPA's funds or projects. As of September 30, 2006, investment types held by any one issuer (investments issued or explicitly guaranteed by the US Government and investments in mutual funds, external investment pools and other pooled investments are excluded) that represent 5% or more of the projects' investment assets are listed below:

All-Requirements Project:	
Morrigan Funding	6.82%
Pooled Loan Fund	
Rhineland Funding	11.57%
Stanton II Project	
Ford Motor Company	8.54%
Tri-City Project	
Ford Motor Company	9.82%
Neturne Funding	7.89%

Custodial Credit Risk

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

V. Cash, Cash Equivalents and Investments (continued)

B. Investments (continued)

1. Agency Fund

Cash, cash equivalents and investments on deposit for the Agency at September 30, 2006 are as follows:

	September 30, 2006	Weighted Average Maturity (Days)	Credit Rating
Restricted (Crystal River 3)	*(000's US$)*		
Cash and Cash Equivalents	$ 1,531		
US Gov't/Agency Securities	10,219	633	AAA & AAA/Aaa
Commercial Paper	9,544	2	A1 P1
Total Restricted	$ 21,294		
Unrestricted			
Cash and Cash Equivalents	$ 2,372		
US Gov't/Agency Securities	5,809	901	AAA & AAA/Aaa
Total Unrestricted	$ 8,181		
Total	**$ 29,475**		

2. Pooled Loan Fund

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

Cash, cash equivalents and investments on deposit for the Pooled Loan Fund at September 30, 2006 are as follows:

	September 30, 2006	Weighted Average Maturity (Days)	Credit Rating
Restricted	*(000's US$)*		
Cash and Cash Equivalents	$ 16,722		
US Gov't/Agency Securities	13,986	57	AAA & AAA/Aaa
Commercial Paper	4,517	79	A1 P1
Total Restricted	$ 35,225		
Total	**$ 35,225**		

V. Cash, Cash Equivalents and Investments (continued)

B. Investments (continued)

C. St. Lucie Project

Cash, cash equivalents and investments for the St. Lucie Project at September 30, 2006 are as follows:

	September 30, 2006 (000's US$)	Weighted Average Maturity (Days)	Credit Rating
Restricted			
Cash and Cash Equivalents	$ 1,052		
US Gov't/Agency Securities	28,285	1,216	AAA & AAA/Aaa
Municipal Bonds	8,728	6,237	AAA
Commercial Paper	24,502	3	A1 P1
Total Restricted	$ 62,567		
Unrestricted			
Cash and Cash Equivalents	$ 2,960		
US Gov't/Agency Securities	10,168	1,107	AAA & AAA/Aaa
Municipal Bonds	36,329	7,485	AAA
Commercial Paper	2,377	53	A1 P1
Total Unrestricted	$ 51,834		
Total	**$ 114,401**		

4. Stanton Project

Cash, cash equivalents and investments for the Stanton Project at September 30, 2006 are as follows:

	September 30, 2006 (000's US$)	Weighted Average Maturity (Days)	Credit Rating
Restricted			
Cash and Cash Equivalents	$ 2,855		
US Gov't/Agency Securities	5,080	1,522	AAA & AAA/Aaa
Commercial Paper	1,484	2	A1 P1
Total Restricted	$ 9,419		
Unrestricted			
Cash and Cash Equivalents	$ 2,030		
US Gov't/Agency Securities	16,101	1,436	AAA & AAA/Aaa
Commercial Paper	108	146	A1 P1
Total Unrestricted	$ 18,239		
Total	**$ 27,658**		

V. Cash, Cash Equivalents and Investments (continued)

B. Investments (continued)

5. All-Requirements Project

Cash, cash equivalents and investments for the All-Requirements Project at September 30, 2006 are as follows:

	September 30, 2006	Weighted Average Maturity (Days)	Credit Rating
Restricted	*(000's US$)*		
Cash and Cash Equivalents	$ 25,674		
US Gov't/Agency Securities	213,684	376	AAA & AAA/Aaa
Commercial Paper	29,181	37	A1 P1
Total Restricted	$ 268,539		
Unrestricted			
Cash and Cash Equivalents	$ 64,622		
US Gov't/Agency Securities	28,391	415	AAA & AAA/Aaa
Commercial Paper	41,886	56	A1 P1
Options/Futures	(27,874)	378	A1+ AA+
Total Unrestricted	$ 107,025		
Total	**$ 375,564**		

6. Tri-City Project

Cash, cash equivalents and investments for the Tri-City Project at September 30, 2006 are as follows:

	September 30, 2006	Weighted Average Maturity (Days)	Credit Rating
Restricted	*(000's US$)*		
Cash and Cash Equivalents	$ 1,823		
US Gov't/Agency Securities	3,007	1,254	AAA & AAA/Aaa
Commercial Paper	1,032	2	A1 P1
Total Restricted	$ 5,862		
Unrestricted			
Cash and Cash Equivalents	$ 420		
US Gov't/Agency Securities	2,497	1,601	AAA & AAA/Aaa
Commercial Paper	949	146	A1 P1
Total Unrestricted	$ 3,866		
Total	**$ 9,728**		

V. Cash, Cash Equivalents and Investments (continued)

B. Investments (continued)

7. Stanton II Project

Cash, cash equivalents and investments for the Stanton II Project at September 30, 2006 are as follows:

	September 30, 2006	Weighted Average Maturity (Days)	Credit Rating
Restricted	*(000's US$)*		
Cash and Cash Equivalents	$ 5,067		
US Gov't/Agency Securities	5,642	1,084	AAA & AAA/Aaa
Commercial Paper	2,436	19	A1 P1
Total Restricted	$ 13,145		
Unrestricted			
Cash and Cash Equivalents	$ 2,441		
US Gov't/Agency Securities	18,001	1,337	AAA & AAA/Aaa
Commercial Paper	3,395	126	A1 P1
Total Unrestricted	$ 23,837		
Total	**$ 36,982**		

VI. Derivative Financial Instruments

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

A. Swap Agreements

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

Credit Risk

The swap agreements are subject to credit risk. All of the counterparties have credit ratings of at least A1/A+/AA by two or more nationally recognized credit rating organizations. The maximum loss due to credit risk as of September 30, 2006 is listed, by project, in the tables that follow. As part of the swap agreements, if the provider's credit rating drops below certain levels and a termination value indicates an amount that would be payable to the Agency, collateral (or cash in some circumstances) would need to be posted by the counterparty with a third-party custodian if the value of the termination payment exceeds certain threshold levels. Conversely, the Agency would have to post collateral for the same reason in some circumstances.

For the 2003 B-1 & 2003 B-2 and the 2004 issue, the Agency purchased swap termination insurance and thereby is not obligated to post collateral should there be a decline in a project's credit rating. If the insurance is drawn on to pay a termination payment, the Agency would be required to reimburse the insurance company over a period of time. Prior to 2003, the payment amounts are netted out on each payment date on a weekly basis on

VI. Derivative Financial Instruments (continued)

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

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

Interest Rate Risk
FMPA has entered into swap agreements to fix the interest rate on variable rate bonds for the entirety of the term of the bonds. As interest rates increase above the swap rates, the value of these swaps will increase. As rates decrease below the swap rates, the values will decrease. Depending on the special terms of the swap agreement, collateral may have to be posted.

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

Termination Risk
Termination values ("fair value") are listed in the following tables as of September 30, 2006. These amounts vary with changes in the market. The swaps may be terminated by the Agency if the counterparty's credit quality falls below certain levels. The Agency or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. If the swap is terminated, the variable rate bonds would no longer carry a synthetic fixed interest rate. If, at the time of the termination, the swap has a negative fair value, the Agency would be liable to the counterparty for a payment equal to the swap's fair value. The Agency also has an optional right to terminate with certain notice requirements for swap agreements completed in 2005 and 2006.

Rollover Risk
The Agency is exposed to rollover risk (entering into new swaps after the termination of the then existing swap) on swaps that may be terminated prior to the maturity of the associated debt. If these swaps are terminated prior to the maturity of the bonds, the Agency will not realize the synthetic fixed rate offered by the swaps on the underlying debt issues by entering into new swaps.

VI. Derivative Financial Instruments (continued)

A. Swap Agreements (continued)

1. St. Lucie Project

Swaps Currently Effective
(000's US$)

Notional Amount	*Effective Date*	*Fixed Rate Paid*	*Variable Rate Received*	*Term Date*	*Fair Value***	*Counterparty Credit Rating*
Series 2000						
$ 17,150	7/03/2006	3.444%	72% LIBOR*	10/01/2021	$ 438	Aa3/A+/AA-
Series 2002						
$ 27,200	7/10/2002	3.88%	BMA Swap*	7/01/2007	$ 257	Aa3/A+/AA-
27,200	7/01/2005	4.14%	BMA Swap*	7/01/2011	895	Aa3/A+/AA
27,200	7/10/2006	4.24%	BMA Swap*	7/01/2010	612	Aa1/A+/AA-
27,200	7/01/2002	3.88%	BMA Swap*	7/01/2007	257	Aa1/AA-/AA+
27,200	7/01/2005	4.14%	BMA Swap*	7/01/2011	895	Aa1/AA-/AA+
27,200	7/03/2006	4.24%	BMA Swap*	7/01/2010	612	Aa1/AA-/AA+
73,125	7/03/2006	3.444%	72% LIBOR*	10/01/2021	1,870	Aa3/A+/AA-
8,525	7/03/2006	3.444%	72% LIBOR*	10/01/2021	218	A1/A+/AA
$244,850					$ 5,616	

*floating to fixed
**() denotes that termination value payable to the dealer if swap had been terminated 9/30/06.

Swaps to Become Effective at Future Dates

$ 27,200	7/03/2007	3.481%	72% LIBOR*	7/01/2021	525	Aa3/A+/AA-
27,200	7/03/2010	3.595%	72% LIBOR*	7/01/2021	303	Aa3/A+/AA-
27,200	7/03/2011	3.632%	72% LIBOR*	10/1/2021	239	Aa3/A+/AA-
27,200	7/03/2007	3.481%	72% LIBOR*	10/1/2021	525	A1/A+/AA
27,200	7/02/2010	3.595%	72% LIBOR*	10/1/2021	303	A1/A+/AA
27,200	7/01/2011	3.632%	72% LIBOR*	10/1/2021	239	A1/A+/AA
$163,200					$ 2,134	

*floating to fixed
** ( ) denotes that termination value payable to dealer if swap had been terminated 9/30/06.

2. Stanton Project

Swaps Currently Effective
(000's US$)

Notional Amount	*Effective Date*	*Fixed Rate Paid*	*Variable Rate Received*	*Term Date*	*Fair Value***	*Counterparty Credit Rating*
Series 1997						
$ 10,890	10/01/2006	4.003%	72% LIBOR*	10/1/2019	$(333)	Aa3/AA-
Series 2000						
$ 4,425	10/01/2006	4.022%	72% LIBOR*	10/1/2019	$(142)	Aa3/AA-
Series 2003						
$ 19,950	7/09/2003	3.478%	72% LIBOR*	10/1/2019	$ 335	Aa3/AA-

*floating to fixed
** ( ) denotes that termination value payable to dealer if swap had been terminated 9/30/06.

VI. Derivative Financial Instruments (continued)

A. Swap Agreements (continued)

3. All-Requirements Project

Swaps Currently Effective
(000's US$)

Notional Amount	*Effective Date*	*Fixed Rate Paid*	*Variable Rate Received*	*Term Date*	*Fair Value***	*Counterparty Credit Rating*
Series 2000						
$ 20,125	10/01/2006	3.669%	72% LIBOR*	10/1/2025	$ 144	Aa2/AA+/AA+
Series 2000-1						
$ 30,000	10/01/2006	3.667%	72% LIBOR*	10/1/2030	$ 199	Aa3/AA-
Series 2000-2						
$ 25,000	10/01/2006	3.7085%	72% LIBOR*	10/1/2030	$ 30	A1/A+/A+
$ 15,000	10/01/2006	3.667%	72% LIBOR*	10/1/2030	$ 100	Aa3/A+
$ 40,000					$ 130	
Series 2003B-1						
$ 35,750	7/09/2003	3.581%	72% LIBOR*	10/1/2025	$(40)	Aa3/AA-
Series 2003B-2						
$ 54,900	7/09/2003	4.0765%	BMA Swap*	10/1/2025	$(2,197)	Aa1/AA/AA+
$ 90,650					$(2,237)	
Series 2006A						
$ 6,250	3/30/2006	3.72%	CPI Swap*	10/1/2013	$(197)	Aa3/A+/AA-
$ 6,580	3/30/2006	3.79%	CPI Swap*	10/1/2014	$(210)	Aa3/A+/AA-
$ 7,935	3/30/2006	3.86%	CPI Swap*	10/1/2015	$(258)	Aa3/A+/AA-
$ 6,980	3/30/2006	3.91%	CPI Swap*	10/1/2016	$(235)	Aa3/A+/AA-
$ 6,245	3/30/2006	3.72%	CPI Swap*	10/1/2013	$(196)	Aa3/A+/AA-
$ 6,580	3/30/2006	3.79%	CPI Swap*	10/1/2014	$(207)	Aa3/A+/AA-
$ 7,930	3/30/2006	3.86%	CPI Swap*	10/1/2015	$(253)	Aa3/A+/AA-
$ 5,175	3/30/2006	3.91%	CPI Swap*	10/1/2016	$(172)	Aa3/A+/AA-
$53,675					$(1,728)	
Series 2006B-1						
$ 55,447	10/1/2006	3.6975%	72% LIBOR*	10/1/2027	$ 238	Aa3/A+/AA-
Series 2006B-2						
$ 55,447	10/1/2006	3.701%	72% LIBOR*	10/1/2027	$ 232	Aa1/A+/AA
Series 2006B-3						
$ 55,447	10/1/2006	3.649%	72% LIBOR*	10/1/2027	$ 314	Aa3/A+/AA-
Series 2006B-4						
$ 10,387	10/1/2006	3.656%	72% LIBOR*	10/1/2026	$ 46	A1/A+/A+
$ 868	10/1/2006	3.612%	72% LIBOR*	10/1/2026	$ 5	Aa3/AA-
$ 19,900	10/1/2006	3.665%	72% LIBOR*	10/1/2026	$ 97	A1/A+/A+
$ 23,300	10/1/2006	3.737%	72% LIBOR*	10/1/2035	$ 87	Aa3/AA-/A+
$ 54,455					$ 235	
Series 2006C						
$ 45,000	10/1/2006	5.175%	100% LIBOR*	10/1/2025	$(128)	Aa3/AA-/A+

VI. Derivative Financial Instruments (continued)

A. Swap Agreements (continued)

3. All-Requirements Project (continued)

Bonds Authorized
Series Not Yet Designated
(000's US$)

Notional Amount	Effective Date	Fixed Rate Paid	Variable Rate Received	Term Date	Fair Value**	Counterparty Credit Rating
$ 55,000	10/1/2006	3.745%	72% LIBOR*	10/1/2025	$(239)	Aa2/AA+/AA+

*floating to fixed
** ( ) denotes that termination value payable to dealer if swap had been terminated 9/30/06.

4. Stanton II Project

Swaps Currently Effective
(000's US$)

Notional Amount	Effective Date	Fixed Rate Paid	Variable Rate Received	Term Date	Fair Value***	Counterparty Credit Rating
Series 2000						
$ 23,300	10/1/2006	4.071%	72% LIBOR*	10/1/2027	$(1,049)	Aa3/AA-
$ 17,425	10/1/2006	4.049%	72% LIBOR*	10/1/2027	$(723)	Aa3/AA-/A+
$ 40,725					$(1,772)	
Series 2002						
$ 1,040	4/30/2002	3.77%	CPI Rate + 1.14	10/1/2008	$ 11	Aa3/A+/AA-
1,415	4/30/2002	3.94%	CPI Rate + 1.27	10/1/2009	15	Aa3/A+/AA-
1,490	4/30/2002	4.06%	CPI Rate + 1.35	10/1/2010	15	Aa3/A+/AA-
3,220	4/30/2002	4.17%	CPI Rate + 1.39	10/1/2011	25	Aa3/A+/AA-
1,730	4/30/2002	4.26%	CPI Rate + 1.40	10/1/2012	5	Aa3/A+/AA-
$ 8,895					$ 71	
Series 2004						
$ 29,375*	8/05/2004	3.8625%	BMA Swap**	10/1/2027	$(373)	Aa2/AA+/AA+
$ 29,400*	8/05/2004	3.8625%	BMA Swap**	10/1/2027	(373)	AA1/AA-/AA-
$ 58,775					$(746)	

*floating to fixed
**converts to 72% LIBOR 10/01/2006
*** ( ) denotes that termination value payable to dealer if swap had been terminated 9/30/06.

B. Natural Gas Futures, Contracts and Options

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

VI. Derivative Financial Instruments (continued)

B. Natural Gas Futures, Contracts and Options (continued)

All NYMEX transactions are entered into as hedges against the volatility of natural gas prices. The Agency at September 30, 2006, had futures and options contracts outstanding in the following amounts, covering the fiscal years 2007 through 2012.

	Thousands of mmBtu			Mark-to-Market
	Futures	Options	Physical	at 9/30/06 (000's US$)
2007	10,990	(810)	6,388	$ (22,378)
2008	8,210	(120)	6,405	(4,643)
2009	1,610		4,444	(861)
2010			4,054	-
2011	90		2,047	1
2012	30			7
	20,930	(930)	23,338	$ (27,874)

Although the Agency marks every position to market daily for management reporting purposes, it does not trade on these contracts. A margin account is maintained with the Agency's brokerage firm. Option premiums paid and collected and market gains and losses realized on contract sales of futures expirations are booked as cost of energy. For fiscal year 2006, the Agency recorded a realized net gain of $2.7 million.

Basis Risk

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

Credit Risk

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

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

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

FMPA is subject to the accounting requirements of FASB Statement No. 71, *Accounting for the Effects of Certain Types of Regulation.* Billing rates are established by the Board of Directors and are designed to fully recover each project's costs over the life of the project, but not necessarily in the same year that costs are recognized under generally accepted accounting principles (GAAP). Instead of GAAP costs, annual participant billing rates are structured to systematically recover current debt service requirements, operating costs and certain reserves that provide a level rate structure over the life of the project which is equal to the amortization period. Accordingly, certain project costs are classified as deferred on the accompanying Statement of Net Assets as a regulatory asset, titled "Net Costs Recoverable

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

from Future Participant Billings, until such time as they are recovered in future rates. Types of deferred costs include depreciation and amortization in excess of bond principal payments, prior capital construction interest cost, bond issuance costs and gains/losses resulting from debt restructuring.

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

VIII. Restricted Net Assets

Bond resolutions require that certain designated amounts from bond proceeds and project revenues be deposited into designated funds. These funds are to be used for specific purposes and certain restrictions define the order in which available funds may be used. Other restrictions require minimum balances or accumulation of balances for specific purposes. At September 30, 2006, all FMPA projects were in compliance with requirements of the bond resolution.

The restricted assets of the funds and projects consist primarily of cash, cash equivalents and investments, including accrued interest. Segregated restricted net assets at September 30, 2006 are as follows:

(000's US$)

	Agency Fund	Pooled Loan Project	St. Lucie Project	Stanton Project	All-Req Project	Tri-City Project	Stanton II Project
Debt Service Funds	$	$ 280	$ 9,624	$ 6,839	$ 20,674	$ 4,679	$ 10,887
Reserve & Contingency Funds			13,382	2,670	241,527	1,226	2,334
Decommissioning Fund	21,393		39,975		8,551		
Project Fund		(731)					
Revenue Fund		2,670					
Loans Receivable*		54,592					
Commercial Paper Notes		(55,274)					
Accrued Interest on Long-Term Debt		(280)	(205)	(1,302)	(6,044)	(682)	(2,234)
Other Liabilities		(924)	(203)				
Accrued Decommissioning Expense	(21,393)		(39,046)				
Less Undistributed Proceeds					(227,592)		
Total Restricted Net Assets	$ -	$ 333	$ 23,527	$ 8,207	$ 37,116	$ 5,223	$ 10,987

*2006 net of undistributed proceeds of $31,514 in Pooled Loan Project

Restrictions of the various bank funds are as follows:

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

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

VIII. Restricted Net Assets (continued)

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

- The Depository Trust Fund Account (exclusive of the All-Requirements Project) includes amounts held by the Trustee for the benefit of Florida Gas Utility (FGU) to support credit standing in purchases of natural gas supplies for the All-Requirements Project. Credit support deposits are required for gas purchase services from FGU.
- Decommissioning Funds are restricted and are funded for the payment of costs related to the decommissioning, removal and disposal of FMPA's ownership on nuclear power plants.
- Project Funds are restricted under the terms of the Pooled Loan agreements, and are used for the acquisition, construction and capitalized interest, as specified by the participants.
- Revenue Funds are restricted under the terms of outstanding Pooled Loan resolutions.
- Loans Receivable Funds are restricted under the terms of outstanding Pooled Loan agreements.

IX. Long-Term Debt

A. Debt

FMPA enters into long-term debt to fund different projects. The type of long-term debt differs among each of the projects. A description and summary of long-term debt at September 30, 2006, is as follows:

1. Agency Fund

The Agency Fund had two loans payable to the Pooled Loan Fund in fiscal year 2006. Interest is payable monthly at a variable rate tied to the interest rates paid on the Pooled Loan Fund debt. Interest rates on the loans varied from 2.70% to 3.57% during the fiscal year ended September 2006.

	2006 (000's US$)				
Business-Type Activities	***Beginning Balance***	***Increases***	***Decreases***	***Ending Balance***	***Amounts Due Within One Year***
Pooled Loan 1998	$ 50	$	$(50)	$	$ -
Pooled Loan 1999	2,355		(125)	2,230	130
Total Business-Type Activities	$ 2,405	$ -	$(175)	$ 2,230	$ 130

2. Pooled Loan Fund

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

IX. Long-Term Debt (continued)

A. Debt (continued)

2. Pooled Loan Fund (continued)

At September 30, 2006, the outstanding commercial paper notes total $55,3 million. The commercial paper notes bear interest at a rate that varies periodically as determined by the dealer and remarketed at prevailing market rates.

	2006 (000's US$)				
Business-Type Activities	*Beginning Balance*	*Increases*	*Decreases*	*Ending Balance*	*Amounts Due Within One Year**
Commercial Paper Notes	$160,570	$ 35,583	$(140,879)	$ 55,274	$ -
Total Business-Type Activities	$160,570	$ 35,583	$(140,879)	$ 55,274	$ -

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

Interest is paid periodically, ranging from 1 to 270 days. During the fiscal year ended September 30, 2006, interest rates ranged from 2.45% to 4.05%.

The commercial paper notes are further collateralized by an irrevocable long-term letter of credit with Wachovia Bank N.A. in an amount sufficient to pay the outstanding principal plus 65 days accrued interest at an assumed rate of 10%. The letter of credit expires August 22, 2009, with an annual extension unless Wachovia Bank N.A. gives notice during the 60-day period prior to August 22, 2007. At September 30, 2006, the fee paid on the letter of credit was 38 basis points on the amount of paper outstanding plus interest on the outstanding amount at 10% for 65 days. Amounts payable to the bank under the letter of credit are due on demand and bear interest at the lower of prime rate plus 2% or the maximum rate permitted by law. There were no draws outstanding on the letter of credit at September 30, 2006.

3. St. Lucie Project

	2006 (000's US$)				
Business-Type Activities	*Beginning Balance*	*Increases*	*Decreases*	*Ending Balance*	*Amounts Due Within One Year*
Revenue Bonds:					
Refunding 2000	$ 17,150	$	$	$ 17,150	$ -
Refunding 2002	244,850			244,850	-
Less Deferred Refundings And Discounts	(46,225)	3,073		(43,152)	-
Total Business-Type Activities	$215,775	$ 3,073	$ -	$218,848	$ -

The variable interest rates ranged between 2.40% and 3.85% for the year ended September 30, 2006.

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

IX. Long-Term Debt (continued)

A. Debt (continued)

4. Stanton Project

	2006 (000's US$)				
Business-Type Activities	*Beginning Balance*	*Increases*	*Decreases*	*Ending Balance*	*Amounts Due Within One Year ***
Revenue Bonds:					
Refunding 1997*	$ 10,890	$	$	$ 10,890	$ -
Refunding 2000	4,425			4,425	-
Refunding 2002	40,380		(2,880)	37,500	2,985
Refunding 2003	19,975		(25)	19,950	25
Less Deferred Premiums And Discounts	(3,143)	$ 349	$	$ (2,794)	$ -
Total Revenue Bonds	$ 72,527	$ 349	$(2,905)	$ 69,971	$ 3,010
Other Liabilities:					
Pooled Loan #1	$ 6,130	$	$(325)	$ 5,805	$ -
Pooled Loan #2	818		(47)	772	-
Less Undistributed Proceeds	(20)			(20)	-
Total Net Pooled Loans	$ 6,928	$	$(372)	$ 6,557	$ -
Wachovia Bank Taxable	1,524		(86)	1,438	-
Total Other Liabilities	$ 8,452	$	$(458)	$ 7,995	$ -
Total Business-Type Activities	$ 80,979	$ 349	$(3,363)	$ 77,966	$ 3,010

*These bonds are re-marketed weekly. The average rates were 2.59% and 3.95% for the year ended September 30, 2006.
**Amounts due within one year reflect payments due at October 1. The last scheduled payment was October 1, 2006. Pooled Loan and Wachovia Bank taxable loan payments for October 1, 2006 were paid September 29, 2006 as October 1, 2006 was a Sunday.

The variable interest rates ranged from 2.224% to 3.95% for the year ended September 30, 2006.

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

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

Loans Payable to Pooled Loan Fund

The Stanton Project has two loans payable to the Pooled Loan Fund at September 30, 2006. Interest is payable monthly using the variable rate tied to the interest rates paid on the Pooled Loan Fund debt. Interest rates on the loan varied from 2.70% to 3.57% during fiscal year ended September 30, 2006. The first loan payable balance is due in 13 annual principal payments ranging from $325,000 to $655,000, with the final payment due October 1, 2018. The second loan balance is due in 13 annual principal payments ranging from $47,000 to $80,000 with the final payment due October 1, 2018. Both loans are subordinate to the other debt of the project.

Loan Payable to Wachovia Bank

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

IX. Long-Term Debt (continued)

A. Debt (continued)

5. All-Requirements Project

Business-Type Activities	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year *
	2006 (000's US$)				
Revenue Bonds:					
Refunding 2000 (June)	$ 20,125	$	$	$ 20,125	$ -
2000 (August)	70,000			70,000	-
Refunding 2003A (July)	57,140		(4,605)	52,535	4,835
Refunding 2003B (July)	90,825		(175)	90,650	175
2006A (March)		125,020		125,020	-
Refunding 2006B (March)		225,825		225,825	-
2006C (March)		45,000		45,000	-
Less Deferred Refundings And Discounts	(13,308)	2,330		$ (10,978)	-
Total Revenue Bonds	$ 224,782	$ 398,175	$(4,780)	$ 618,177	$ 5,010
Less Amortized Premium/Discount:					
Pooled Loan #1	$ 3,464	$	$(3,464)	$	$ -
Pooled Loan #2	13,185		(13,185)		-
Pooled Loan #3	8,618		(8,618)		-
Pooled Loan #4	6,015		(6,015)		-
Pooled Loan #5	645		(645)		-
Pooled Loan #6	4,946		(4,946)		-
Pooled Loan #7	33,000		(33,000)		-
Pooled Loan #8	17,765		(17,765)		-
Pooled Loan #9	25,000		(25,000)		-
Total Net Pooled Loans	$ 112,638	$ -	$(112,638)	$ -	$ -
Wachovia Taxable #1	1,200		(68)	1,132	
Wachovia Taxable #2	5,718		(1,035)	4,683	-
Total Other Liabilities	$ 119,556	$ -	$(113,741)	$ 5,815	$ -
Total Business-Type Activities	$ 344,338	$ 398,175	$(118,521)	$ 623,992	$ 5,010

*Amounts due within one year reflect payments due October 1, 2006. Pooled loans and Wachovia Bank taxable loans are due on or before October 1 and since the October 1 payment fell on a weekend in 2006, the current portion was paid and recorded during fiscal year 2006. As a result of this payment, the current portion for fiscal year 2006 is zero. The next scheduled payment is October 1, 2007.

The variable interest rates ranged from 2.21% to 3.95% for the year ended September 30, 2006.

The Series 2000, 2000-1, 2000-2, 2003B-1, 2003B-2, 2006B, and 2006C bonds are subject to redemption prior to maturity at the election of FMPA on any interest payment date at a call rate of 100%. The Series 2003A and 2006 A Bonds are not subject to redemption prior to maturity.

IX. Long-Term Debt (continued)

A. Debt (continued)

5. All-Requirements Project (continued)

Loans Payable to Pooled Loan Fund

The All-Requirements Project has substantially pre-paid nine of the loans payable to the Pooled Loan Fund at September 30, 2006. The remaining balances were paid on October 1, 2006. Interest rates on the loans varied from 2.70% to 3.57% during fiscal year ended September 30, 2006. These loans are subordinate to the other debt of the project.

Loans Payable to Wachovia Bank

In December 2003, the All-Requirements Project entered into a taxable loan with Wachovia Bank to finance a partial interest in the brine plant facility at the Stanton Energy Center. In addition, the All-Requirements Project borrowed $7,641,000 to finance the purchase of a seven year service contract from General Electric for the Cane Island Unit 3.

Line of Credit

The All-Requirements Project approved a Line of Credit of $100 million with Wachovia Bank. At September 30, 2006, $45,001,000 was outstanding and classified as part of current portion of Pooled Loans and Notes Payable. Subsequent to year-end, Wachovia Bank extended the Line of Credit for an additional year. The Line of Credit will now mature in November 2007.

6. Tri-City Project

	2006 (000's US$)				
Business-Type Activities	*Beginning Balance*	*Increases*	*Decreases*	*Ending Balance*	*Amounts Due Within One Year **
Revenue Bonds:					
Refunding 2003	$ 36,930	$	$(1,995)	$ 34,935	$ 2,040
Less Deferred Refundings and Discounts	(4,458)	550		(3,908)	-
Total Revenue Bonds	$ 32,472	$ 550	$(1,995)	$ 31,027	$ 2,040
Plus Amortization of Premium/Discount					
Pooled Loan #1	$ 2,195	$	$(115)	$ 2,080	$ -
Pooled Loan #2	294		(24)	270	-
Less Undistributed Proceeds	(8)	8			-
Total Net Pooled Loans	$ 2,481	$ 8	$(139)	$ 2,350	$ -
Wachovia Taxable	545		(31)	514	-
Total Other Liabilities	$ 3,026	$ 8	$(170)	$ 2,864	$ -
Total Business-Type Activities	$ 35,498	$ 558	$(2,165)	$ 33,891	$ 2,040

*Amounts due within one year reflect payments due October 1, 2006. Pooled loans and Wachovia Bank taxable loans are due on or before October 1 and the current portion was paid September 29th and recorded during fiscal year 2006. As a result of this payment, the current portion for fiscal year 2006 annual statement is zero. The next scheduled payment is October 1, 2007.

Loans Payable to Pooled Loan Fund

The Tri-City Project has two loans payable to the Pooled Loan Fund at September 30, 2006. Interest is payable monthly at a variable rate tied to the interest rates paid on the Pooled Loan Fund debt. Interest rates on the loans varied from 2.70% to 3.57% during fiscal year 2006. The loans have payable balances due in 13 annual principal payments ranging from $115,000 to $235,000 and $17,000 to $29,000 respectively, with the final payments due October 1, 2018. These loans are subordinate to other debt of the project.

NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2006

IX. Long-Term Debt (continued)

A. Debt (continued)

6. Tri-City Project (continued)

Loan Payable to Wachovia Bank

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

7. Stanton II Project

	2006 (000's US$)				
Business-Type Activities	*Beginning Balance*	*Increases*	*Decreases*	*Ending Balance*	*Amounts Due Within One Year **
Revenue Bonds:					
Refunding 2000	$ 40,725	$	$	$ 40,725	$ -
Refunding 2002	79,240		(3,025)	76,215	3,120
Refunding 2003	17,150		(1,090)	16,060	1,110
Refunding 2004	58,800		(50)	58,750	50
Less Deferred Premiums and Discounts	(16,150)	1,143		(15,057)	-
Total Revenue Bonds	$179,765	$ 1,143	$(4,165)	$ 176,693	$ 4,280
Other Liabilities:					
Pooled Loan	$ 1,285	$	$(105)	$ 1,181	$ -
Less Undistributed Proceeds	(30)	30			-
Total Net Pooled Loans	$ 1,255	$ 30	$(105)	$ 1,181	$ -
Wachovia Taxable	2,389		(135)	2,254	-
Total Other Liabilities	$ 3,644	$ 30	$(240)	$ 3,435	$ -
Total Business-Type Activities	$183,409	$ 1,173	$(4,405)	$ 180,128	$ 4,280

*Amounts due within one year reflect payments due October 1. Long-term loans are due on or before October 1 and were paid September 29, 2006. The current portion was paid and recorded during fiscal year 2006. As a result of this payment, the current portion for fiscal year 2006 is zero. The next scheduled payment is October 1, 2007.

The variable interest rates ranged from 2.25% to 3.80% for the year ended September 30, 2006.

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

Loan Payable to Pooled Loan Fund

The Stanton II Project has one loan payable to the Pooled Loan Fund as of September 30, 2006, which originated on December 19, 2003. Interest is payable monthly at a variable rate tied to the interest rates paid on the Pooled Loan Fund debt. Interest rates on the loan varied from 2.70% to 3.57% during the fiscal year ended September 30, 2006.

IX. Long-Term Debt (continued)

A. Debt (continued)

7. Stanton II Project (continued)

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

B. Major Debt Provisions (All Projects)

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

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

C. Defeased Debt

The following bonds have been defeased in substance. Since investments consisting of governmental obligations are held in escrow for payment of principal and interest, the bonds are not considered liabilities of FMPA for financial reporting purposes. The principal balances of the defeased bonds at September 30, 2006 are as follows:

Dated	Description	Defeased Portion Amount Originally Issued	Balance at September 30, 2006
		(000's US$)	
May 1983	St. Lucie Project Revenue Bonds, Series 1983	$280,075	$ 26,185

IX. Long-Term Debt (continued)

D. Annual Requirements

The annual cash flow debt service requirements to amortize the non current portion of long-term bond debt outstanding as of September 30, 2006 are as follows:

Fiscal Year Ending September	St. Lucie Project	Interest Rate Swaps, Net	Stanton Project	Interest Rate Swaps, Net	All-Req Project	Interest Rate Swaps, Net	Tri-City Project	Stanton II Project	Interest Rate Swaps, Net	Totals
2007	$ -	$ 10,018	$ 5,576	$ 614	$ 13,188	$ 19,519	$ 3,398	$ 8,178	$ 4,285	$ 64,776
2008		9,855	5,570	614	21,618	19,513	3,407	8,113	4,283	72,973
2009		9,855	5,573	614	21,768	19,509	3,397	8,188	4,241	73,145
2010		9,767	5,576	614	21,754	19,501	3,405	8,245	4,182	73,044
2011		9,435	5,575	614	21,867	19,494	3,401	8,307	4,119	72,812
2012 - 2015		36,911	22,283	2,456	88,783	76,469	13,617	36,936	15,594	293,049
2016 - 2020		46,139	37,403	1,542	131,570	79,140	13,610	46,154	17,221	372,779
2021 - 2025	262,000	9,228			203,525	53,308		50,400	13,193	591,654
2026 - 2030					113,400	12,408		56,975	3,944	186,727
2031 - 2035					11,400	1,783				13,183
Total Principal & Interest	$262,000	$141,208	$ 87,556	$ 7,068	$648,873	$320,644	$ 44,235	$231,496	$ 71,062	$ 1,814,142
Less:										
Interest		141,208	17,801	7,068	24,728	320,644	11,340	44,076	71,062	637,927
Unamortized Loss on refunding	43,152		3,872		16,755		5,533	15,997		85,309
Add:										
Unamortized Premium (Discount), net			1,078		5,777		1,625	990		9,470
Total Net Debt Service Requirement at September 30, 2006	$218,848	$ -	$ 66,961	$ -	$613,167	$ -	$ 29,987	$172,413	$ -	$ 1,100,376

Variable rates for the Stanton CPI Bonds averaged 5.44%; the All-Requirements CPI Bonds averaged 4.559% in fiscal year 2006.

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

X. Commitments and Contingencies

A. Participation Agreements

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

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

Operational control of the electric generation plants rests with the operating utility and includes the authority to enter into long-term purchase obligations with suppliers. FMPA is liable under its participation agreements for its ownership interest of total construction and operating costs. Further contracts with Orlando Utilities Commission (OUC) include commitments for purchases of coal. Through participation with OUC, FMPA has minimum annual purchases of coal through 2012 as shown below:

Project	2007	2008	2009	2010	2011	2012
			(thousands of tons)			
Stanton Project	165	143	135	105	95	24
All-Requirements Project	184	159	150	116	105	26
Tri-City Project	59	51	51	37	34	8
Stanton II Project	259	224	224	164	148	37

X. Commitments and Contingencies (continued)

B. Other Agreements

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

1. St. Lucie Project

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

- The St. Lucie Project, a joint owner of St. Lucie Unit 2, is subject to the Price Anderson Act, which was enacted to provide financial protection for the public in the event of a nuclear power plant accident. During 2005, the Price Anderson Act was extended for twenty years. As the first layer of financial protection, FPL has purchased $300 million of public liability insurance from pools of commercial insurers on behalf of all joint owners. The second layer of financial protection is provided under an industry retrospective payment plan. Under this plan, St. Lucie Unit 2 is subject to an assessment of $100.59 million per reactor with a provision for payment of such assessment to be made over time, as necessary, which limits the payment in any one year to no more than $15 million per reactor and adjusts the payout for inflation in the future. FMPA is liable for its ownership interest of any assessment made against St. Lucie Unit 2 under this plan.

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

X. Commitments and Contingencies (continued)

B. Other Agreements (continued)

1. St. Lucie Project (continued)

- In addition to the Decommissioning Trust Fund, the St. Lucie Project has also recorded a liability for its estimated portion of the costs for the decommissioning and the decontamination of the United States Department of Energy nuclear fuel enrichment facilities, as provided for by the National Energy Policy Act of 1992 (Energy Act). The Energy Act states that utilities with nuclear reactors will contribute an aggregate total of $150 million annually, for a period of 15 years, up to a total of $2.25 billion (in 1992 dollars) for decommissioning and decontamination costs. The St. Lucie Project has $203,052 (in current dollars) recorded as a remaining liability to be funded, compared to a total liability of $1,304,726 (in current dollars). The Energy Act also provides that these costs are "necessary and reasonable costs of fuel and shall be fully recoverable in rates in all jurisdictions in the same manner as other fuel costs." The St. Lucie Project intends to recover these deferred costs from its participants through billings.

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

- In June 2004, the Agency entered into a Forward Sale Agreement and a Credit Support Agreement for the St. Lucie Project with Merrill Lynch. The Credit Support Agreement requires the Agency to establish a collateral account with the Trustee that must contain cash and securities that have a market value of $7.5 million. This collateral is posted for the benefit of Merrill Lynch should the Agency be unable to keep its commitments under the Forward Sale Agreement. Under the Forward Sale Agreement, Merrill Lynch is required to deliver and the Trustee is required to purchase certain eligible securities on behalf of the St. Lucie Project. Under this Agreement, the securities or securities and cash to be delivered will guarantee the project an annual effective yield of 6.22% between January 1, 2006 and July 1, 2026 on the semi-annual amounts deposited. It is expected that the amounts invested pursuant to the Forward Sale Agreement will be used to redeem auction rate bonds outstanding for this project.

2. All-Requirements Project

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

X. Commitments and Contingencies (continued)

B. Other Agreements (continued)

2. All-Requirements Project (continued)

Supplier	End of Contract	Minimum Contract Liability (millions)
Gainesville Regional Utilities	12/31/2006	$ 0.044
Progress Energy Florida	12/31/2010	11.495
Florida Power & Light	5/31/2013	13.392
Lakeland Electric	12/14/2007	4.189
Calpine Energy Services	12/31/2009	28.688
Orlando Utilities Commission	12/31/2006	0.210
Southern Company-Florida	9/03/2013	43.691
Oleander 5 Purchase	12/16/2032	211.696
Total Minimum Liability		$313.405

Other Agreements are as follows:

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

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

- The All-Requirements Project has entered into several commitments for natural gas transportation services to supply fuel to its owned and leased generation facilities. Below are the current commitments:

Pipeline	Daily Volume (mmBtu/day)	Annual Cost ($000)	Expiration	Primary Delivery Usage
Fl Gas Transmission	12,500	$3,508	2015	Cane Island
Fl Gas Transmission	12,500	$3,508	2021	Cane Island
Fl Gas Transmission	7,300	$1,024	2072	Treasure Coast
Fl Gas Transmission	15,324	$2,996	2017	Ft. Pierce/ Treasure Coast
Gulfstream Natural Gas	10,000	$2,154	2013	Cane Island

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

- The All-Requirements Project entered into commitments for natural gas transportation with both Florida Gas Transmission (10,000 mmBtu/day with an annual cost of $2.808 million) and TECO-Peoples Gas (up to 20,000 mmBtu/day with an annual minimum bill charge of $.75 million) for additional transportation capacity

X. Commitments and Contingencies (continued)

B. Other Agreements (continued)

2. All-Requirements Project (continued)

to the planned Treasure Coast Energy Center. These commitments are not effective until May 2008.

- The All-Requirements Project has entered into a take and pay contract with Florida Gas Utility for approximately 5,600 mmBtu per day or firm natural gas supply . This natural gas is priced at a first of the month discounted index price. This contract will not be effective until December 1, 2008 and has a term of 20 years with a notional value of $165 million at 9/30/06.

- The All-Requirements Project has entered into a natural gas deal for physical gas purchases with Florida Gas Utility that extends through September 2010. Under this agreement, the All-Requirements Project will purchase a specific amount of gas with a total notional value of approximately $63.6 million as of September 30, 2006.

- On August 5, 2004 and August 11, 2004, the city of Vero Beach requested arbitration against FMPA pursuant to Section 5(F) of the Capacity and Energy Sales Contract between FMPA and Vero Beach. The city asserted that FMPA underpaid Vero Beach for generation resources (capacity credits) for fiscal year 2005 by $6,720,000 and will underpay fiscal year 2006 Capacity Credits by $8,034,000. FMPA considers Vero Beach's arbitration requests for fiscal years 2005 and 2006 to be legally insufficient and bound by the Arbitration Panel's previous decision in favor of FMPA for fiscal year 2004 which determined that FMPA had complied with the rate setting methodology established by the Capacity and Energy Sales Contract and that Vero Beach was not entitled to any additional compensation. Accordingly, FMPA will not arbitrate fiscal years 2005 and 2006 capacity credits.

- FMPA is under a contractual agreement to have generation facilities in Key West, Florida, at a minimum level of 60% of the island utility's peak capacity requirements. FMPA has completed construction in Key West, Florida (Stock Island) of a 47 MW low sulfur oil-fired combustion turbine power plant. This plant is owned by FMPA and operated by Keys Energy Services, the municipal electric utility serving Key West and the lower Florida Keys.

- FMPA has acquired land in Ft. Pierce, Florida for a future generation site for a natural gas power plant. The Treasure Coast Energy Center Unit 1 has a total budget not to exceed $258 millions. Permitting activities are complete and construction on this facility commenced in August 2006. As of September 30, 2006, $72.9 million has been spent.

- FMPA, along with three other utilities, have contracted to purchase a 3,200 acre site in North Florida for a potential future site to build an 800 megawatt coal-fired power plant. Other utilities involved in the construction project include JEA, the city of Tallahassee and Reedy Creek Improvement District.

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

X. Commitments and Contingencies (continued)

B. Other Agreements (continued)

2. All-Requirements Project (continued)

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

- On November 16, 2004, FMPA signed an agreement with six other public gas and electric utilities in five different states to form a gas supply agency called Public Gas Partners, Inc. (PGP), a Georgia nonprofit corporation. This agency was created to secure economical, long-term wholesale natural gas supplies for its seven members in order to stabilize and reduce the cost of natural gas. The members of PGP, along with FMPA, include Municipal Gas Authority of Georgia, Florida Gas Utility, Lower Alabama Gas District, Patriots Energy Group, Southeast Alabama Gas District and Tennessee Energy Acquisition Corporation.

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

  On November 1, 2004, FMPA entered into a PSA as a 21.97% participant of PGP Pool Gas Supply Pool No. 1 (PGP Pool #1). PGP Pool #1 was formed by all of the participants. PGP Pool #1 has targeted an initial supply portfolio capable of producing 68,000 mmBtu per day of natural gas or 248 Bcf over a ten year period. In January 2006, PGP Pool #1 purchased natural gas reserves that have the current capability of producing approximately 13,346 mmBtu per day of natural gas and approximately 6,700 mmBtu per day equivalent of oil for $269 million. This acquisition was financed through the issuance of interim debt issued by PGP. FMPA's share of this transaction is approximately $59.1 million.

  On October 1, 2005 FMPA entered into a PSA as a 25.90% participant of PGP Pool Gas Supply Pool No. 2 (PGP Pool #2). PGP Pool #2 was formed to participate in specific transactions that have different acquisition criteria than PGP Pool #1. PGP Pool #1 has targeted a total expenditure limit of $200 million with FMPA's share being $52 million as authorized by the Board (before step-up provisions which would increase ARP's commitment to a maximum of $65 million). The other members of PGP Pool #2, along with FMPA, include Municipal Gas Authority of Georgia, Patriots Energy Group, Southeast Alabama Gas District and Tennessee Energy Acquisition Corporation. PGP Pool #2 completed several acquisitions of natural gas reserves in 2005 for a cumulative purchase price of approximately $81 million with FMPA's share being approximately $21 million.

X. Commitments and Contingencies (continued)

B. Other Agreements (continued)

2. All-Requirements Project (continued)

As of September 30, 2006 PGP was authorized to submit bids totaling $27.1 million to purchase several properties for PGP Pool #2.

XI. Capacity and Energy Sales Contract

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

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

XII. Mutual Aid Agreement

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

XIII. Employment Benefits

A Deferred Compensation Plan (in accordance with the Internal Revenue Code Section 457) and a Defined Contribution Pension (money purchase) Plan (under the Internal Revenue Code Section 401(a)) are offered to the Agency's full-time employees who become fully vested after six months of employment. FMPA's contribution is 10% of the individual's gross base salary for the 401(a) plan. Total payroll for the year ended September 30, 2006 was $4.7 million, which approximates covered payroll.

The Agency's contribution may be made to either plan at the discretion of the employee. Additionally, an employee may contribute to the Deferred Compensation Plan so that the combined annual contribution does not exceed $15,000 for 2006. Assets of both plans are held by ICMA Retirement Corporation, the Plan Administrator and Trustee.

Expenses for the Deferred Compensation Plan during fiscal years 2006 were $0 and expenses for the Defined Money Purchase Pension Plan were $467,848. Funds from these plans are not

XIII. Employment Benefits (continued)

available to employees until termination or retirement, however funds from either plan can be made available, allowing an employee to borrow up to one half of their balance in the form of a loan.

FMPA also offers paid group health insurance to retired, full-time employees over the age of 55 who have a combined total of at least 900 months of age plus months of active service. This insurance is secondary to Medicare. Currently, FMPA has six retirees receiving this benefit. The cost to FMPA for fiscal year 2006 was approximately $35,073. Expenses for post-retirement health care benefits are recognized as premiums when due.

XIV. Risk Management

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

These contracts subject FMPA to varying degrees and types of risk. The Agency has purchased commercial insurance that management believes is adequate to cover these various risks. FMPA elected to self-insure the Agency's risk for general liability. It is the opinion of general counsel that FMPA may enjoy sovereign immunity in the same manner as a municipality, as allowed by Florida Court of Appeals rulings. Under such rulings, Florida Statutes' limit of liability for claims or judgments by one person for general liability is $100,000 or a total of $200,000 for the same incident or occurrence. At no point have settlements exceeded coverage in the past two fiscal years.

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

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

XV. Interest Arbitrage and Rebate

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

The potential arbitrage liability at September 30, 2006 for each of the projects is as follows:

•	All-Requirements Project	$ 38,539
•	St. Lucie	$ 2,081,553
•	Stanton II Project	$ 514,170
•	Tri-City Project	$ 63,370

XVI. Related Party Transactions

A. Governing Members and Committees

Each of the 30 members of FMPA appoints a member to the Board of Directors of FMPA (the Board). The Board has responsibility for developing and approving FMPA's budget, hiring of the General Manager and General Counsel and establishing the Agency's bylaws, which govern how FMPA operates and the policies which implement such bylaws. The Board also authorizes all debt issued by FMPA. The Board elects a Chairman, Vice-Chairman, Secretary, Treasurer and an Executive Committee. The Executive Committee consists of nine members of the Board, elected by the Board, plus the current FMPA Chairman, Vice Chairman, Secretary and Treasurer of the Board. The officers of the Board also serve in the same positions of the Executive Committee.

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

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

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

B. Florida Gas Utility (FGU)

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

XVII. Subsequent Events

City of Vero Beach

Arbitration

Last year the Agency received the award of the Panel of Arbitrators deciding all contested issues in the arbitration in favor of FMPA, and awarding certain of FMPA's costs (totaling $25,000) to be paid by the city of Vero Beach. In December 2006, the All-Requirements Project voted to collect the total award of $959,597.01 from Vero Beach.

Contract Rate of Delivery

The city of Vero Beach has notified FMPA that it will limit its All-Requirements Service, as defined in the All-Requirements Power Supply Project Contract (ARP Contract) as permitted pursuant to Section 3 thereof. The limitations will commence January 1, 2010 and continue for the term of the ARP Contract. No further action has been taken by Vero Beach.

Taylor Energy Center – Taylor County, FL

The All-Requirements Project authorized hedging interest rates on its future debt related to the Taylor Energy Center in the notional amount of $700 million. It is planned to use floating-to-fixed interest rate swaps priced off of 72% of the one-month LIBOR rate. The 800 Megawatt power plant will be located in Taylor County, FL. Groundbreaking of the plant is planned for 2008; commercial operation could begin in 2012. The cost for this project is estimated at $2 billion; the power plant will create 1,500 construction jobs and 180 permanent jobs.

XVII. Subsequent Events (continued)

Taylor Energy Center – Taylor County, FL (continued)

On September 19, 2006 Taylor Energy Center began the permitting process for a proposed coal-fueled electrical power plant. A filing was made at the Florida Public Service Commission to determine whether the power is needed to reliably meet the All-Requirements Project participants' needs. The next step in the licensing process is to file an application at the Department of Environmental Protection. This process is expected to take two years.

Taylor Energy Center announced on November 16, 2006 that it has finalized contracts to purchase property for the proposed electrical power plant in Taylor County, FL. Purchase and sale agreements were signed with two land owners for 3.200 acres.

The Taylor County Board of County Commissioners unanimously voted on November 20, 2006 to give preliminary approval to a land-use change for the Taylor Energy Center. The amendments change approximately 3,000 acres to a power generation facility land use. This proposal will next go to the State of Florida for review.