A PLATINUM YEAR

OUC 2000 ANNUAL REPORT

RECORD-BREAKING RELIABILITY

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minimum power interruptions

A+ in f

on time and under budget

. . . expanded

OUC is at the top of the charts

coordinated community involvement

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surpassed stric

expanded our list of products and services like never befor

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Robert C. Haven, P.E.
General Manager and Chief Executive Officer

Carol P. Wilson, Ph.D.
Commission President

WHAT A YEAR!

OUC went platinum in fiscal 2000. In almost every area of our business, OUC shattered old records and climbed the charts with new achievements.

Revenues rose to new heights. We expanded our list of products and services like never before. Our service reliability, historically among the nation's best, got even better.

Looking to the future, we did considerable legwork last year on an important new power generation initiative. In partnership with Southern Company, we're planning to expand our Stanton Energy Center to meet our region's growing energy demands while also better positioning OUC for a deregulated marketplace. The undertaking will give OUC more self-owned generation as well as additional purchased capacity, strengthening our mix of power resources.

Our coolest deal of the year, literally, was our contract to pump chilled water for air conditioning to the Orange County Convention Center. The 20-year agreement not only connects *OUCooling* to one of the country's largest convention facilities, it puts our chilled water business in the heart of Orlando's red-hot hotel district on International Drive. We also negotiated two other important deals with Orange County: a long-term electric service agreement and long-term agreement for reclaimed water at our power plants.

As low rainfall levels dried out Central Florida last spring, we turned up the volume on our water conservation efforts. By communicating our "waterwise" message on television, radio and in the newspaper, we stressed the importance of protecting our Floridan aquifer and ensuring a plentiful water supply for the future.

As usual, we continued earning our name as The *Reliable* One. In Orlando and St. Cloud, we kept the number of power interruptions to a minimum and shortened the duration of ones that did occur.

In light of electric industry restructuring, the Federal Energy Regulatory Commission issued an order in late 1999 requiring utilities to create regional transmission organizations, or RTOs. To that end, OUC collaborated with other Florida utilities and power marketers to propose a statewide entity dubbed Grid Florida. Participants in this new organization will either sell their transmission assets to the new entity or retain ownership of their assets while giving Grid Florida control over them.

If fiscal 2000 meant just one thing to OUC, it's this: Taking care of our customers has never been more central to our mission. ***We're not selling electricity and water — we're selling customer satisfaction.*** And that means giving people flexible solutions at competitive prices, responding quickly to their questions, and working toward better, more cost-effective ways to serve them. From our reliability enhancements to our internal efficiencies to our environmental stewardship, last year was one for the record books.

And we're just getting tuned up.

Tony Engelmeyer – Senior Engineer
Sue Mansingh – Energy Specialist
Dan Woodell – Watch Engineer
Claston Sunanon – Director of Power Marketing
Jack Lyons – Instrument Controls Tech I

C06

Now We're Rockin'

We successfully ran through our sound check last year for the staging of a major power generation project. After months of considering how best to proceed, we settled on a joint development initiative with Southern Company, the nation's largest producer of electricity.

Starting as soon as fall 2001, a combined-cycle generation unit will be constructed at OUC's Stanton Energy Center in east Orange County. The unit (two natural gas-fired, low-emission combustion turbines coupled with a steam turbine) will produce more than 600 megawatts of capacity and could be operational as soon as 2003.

The additional generation will meet the future electricity demands of our fast-growing region and help keep OUC's rates competitive for years to come.

Atlanta-based Southern Company, selected as a project partner from among some of the country's premier energy companies, will own 65 percent of the new unit's output. OUC will own 28 percent of the output, with the Kissimmee Utility Authority and Florida Municipal Power Agency owning smaller shares. Under a 10-year contract, OUC, KUA and FMPA will purchase all of Southern's generating capacity at the new unit. Options in the contract could extend it for an additional 20 years.

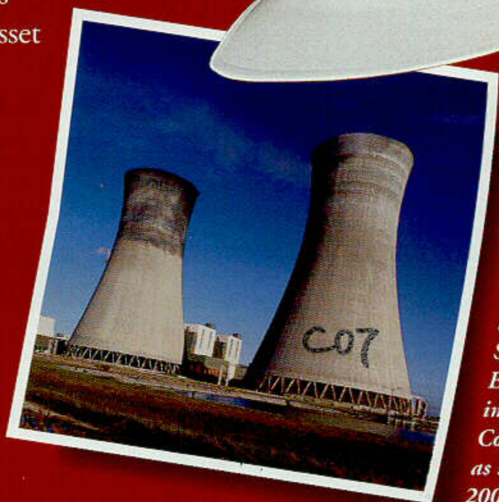
Before agreeing on joint development, OUC explored two other options: tackling the project alone or having a third party build the entire asset.

"After careful consideration, the joint development route emerged as the best way to meet our increasing capacity needs while continuing to provide our customers with cost-competitiveness," says Fred Haddad, Vice President of OUC Power Resources.

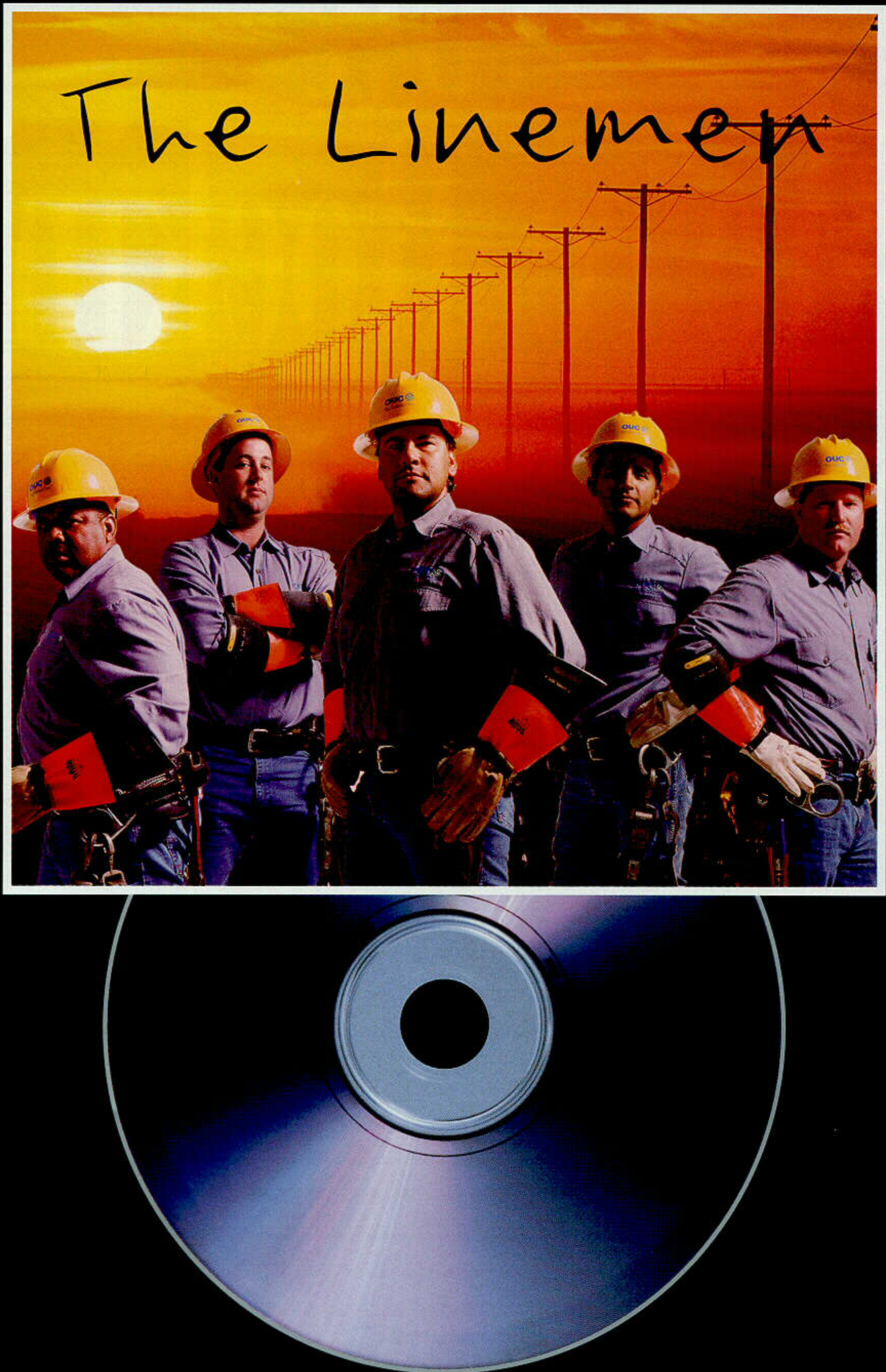
The Stanton expansion is the latest step in OUC's asset restructuring program, a comprehensive plan to optimize our power generation resources. The first step was selling our oldest power plant assets, the Indian River steam units, for $210 million in cash while striking a deal to continue using their output.

The second step was implementing an Energy Risk Management Plan. The disciplined system helps us manage and stabilize fuel purchases through a variety of conservative, non-speculative financial practices. Members of our Energy Risk Management group track every blip on the energy market radar screen. "It's crucial that we do this, especially in today's volatile electric market," Haddad says.

At OUC, we'll have the energy to rock 'n' roll for a long time to come.



Another generation unit will be constructed at OUC's Stanton Energy Center in east Orange County, starting as soon as fall 2001.



Spencer Barnes – Lead Line Technician
Jason Spivey – Trouble Technician
Sam Smiling – Line Technician III C08
Victor Mendoza – Line Technician II
Chris Wohlfart – Lead Line Technician

Our Greatest Hit: *Reliability*

★★★★★

OUC electric crews aren't just keeping the lights on. They're also drumming up good customer relationships.

In fiscal 2000, crews found new ways to minimize service interruptions and other impacts of system maintenance on the customer. Aside from performing work safely and effectively, line technicians are determining how repair and construction affects customers "downstream" from a job — and they're making sure their work is as transparent as possible to the public.

"OUC crews are putting on their customer service hardhats as well as their safety hardhats," says Ken Ksionek, Vice President of the utility's Electric Distribution Business Unit (EDBU).

Not only has OUC bolstered reliability for the likes of Universal Orlando and Orlando International Airport, we're also doing all we can for individual residential customers. In one neighborhood, OUC linemen delayed a planned outage so Miriam Lancaster could finish baking a lemon pie in her oven. "This was an act of courtesy one does not usually receive from large corporations nor their employees," Ms. Lancaster wrote in a letter to the linemen's supervisor.

Despite the turbulent nature of operating a "wires" company — juggling multiple construction jobs, troubleshooting and always re-assessing priorities — our electric distribution unit earned an A+ in financial management last year. Actual spending under the business unit's capital plan came within 1.7 percent of its projected $22.2 million budget.

Also last year, EDBU surveyed the condition of its nearly 90,000 poles, transformers and other electrical distribution equipment. We simultaneously collected Global Positioning Satellite coordinates for each component, enabling us to map the exact location of each piece.

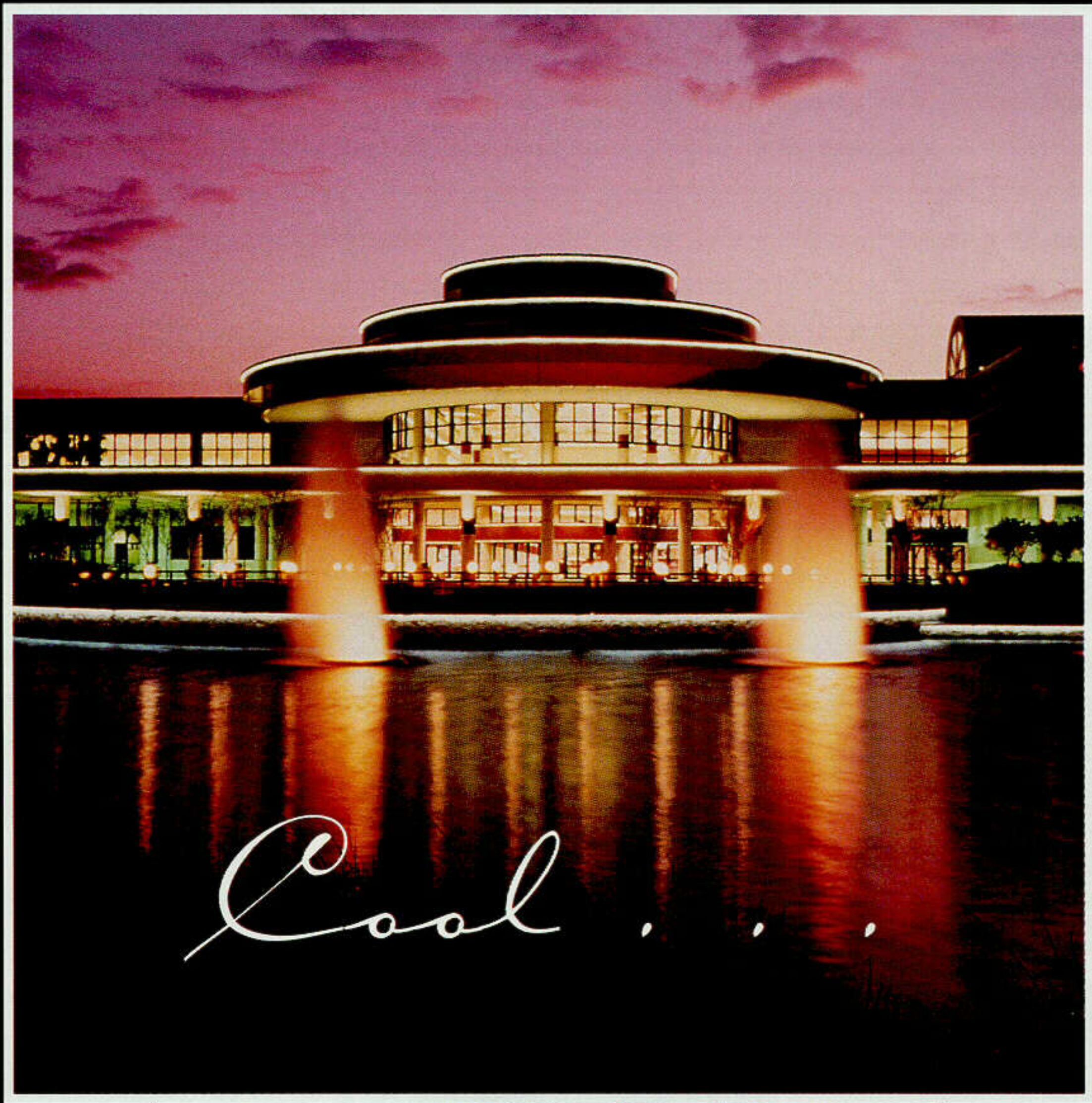
OUC has reduced the frequency and duration of power interruptions across Orlando and St. Cloud. When storms strike, electric crews mobilize quickly to restore service.

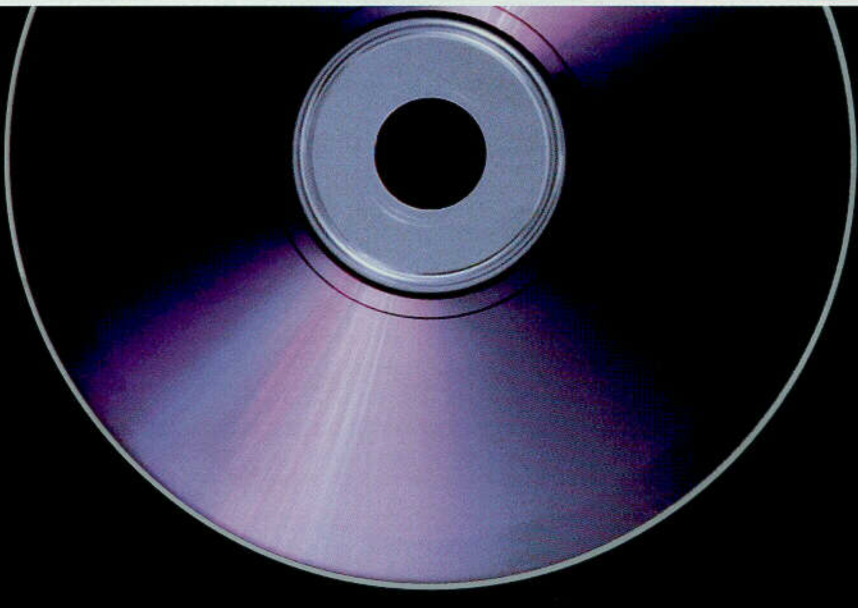
With Central Florida growing fast and furious, OUC hammered out its most aggressive five-year plan for new electric substations. And with our new commercial lighting division, OUConvenient *Lighting*, we stepped up street light installation and maintenance across the OUC service territory. We also handled extensive street lighting contracts with large commercial accounts and such government agencies as the Greater Orlando Aviation Authority, City of Orlando and Orange County.

In a project with both practical and academic value, electric distribution employees began installing interactive solar energy panels at local high schools. The first installation, at Edgewater High School, powers a concession stand and gives science students hands-on experience with renewable energy.

Of course we continued to reduce the frequency and duration of power interruptions. While we kept the average electrical outage below 35 minutes in Orlando, we managed to improve St. Cloud's average to 65 minutes — down from nearly 140 minutes in 1997, when we began operating that city's electric system.

When it comes to keeping the juice flowing, OUC is at the top of the charts.





The Orange County Convention Center,
OUCooling's "Hit of the Year"

C10

The Year's Star Performer

OUCooling won more adoring fans last year by enabling commercial property owners to bypass the expense — and headache — of operating their own air-conditioning chillers.

Aside from connecting new customers to our downtown Orlando chilled water plant, we were selected to build on-site chiller systems for Sheraton's Vistana Villages timeshare development in south Orange County as well as the upscale Mall at Millenia in south Orlando.

Our biggest hit of the year was *OUCooling's* contract to pump chilled water for the Orange County Convention Center's air-conditioning system. Not only does the 20-year agreement connect *OUCooling* to one of the nation's largest and fastest-growing convention complexes, it puts our chilled water business in the heart of Orlando's burgeoning hotel district along International Drive.

Under the agreement with Orange County, *OUCooling* will take ownership of the Convention Center's existing chillers and link them to the *OUCooling* plant at a nearby Lockheed Martin facility. By turning over the operation to OUC, county officials expect to save $10 million by not having to expand the Convention Center's existing chiller system.

"In addition to avoiding these up-front capital costs, we can use the land previously set aside for expanding our chiller system for other purposes," says Tom Ackert, Executive Director of the Convention Center. "It's also comforting to know we're handing off the system's operation and maintenance to such a reliable partner."

***OUCooling* is a reliable, cost-effective chilled water service for commercial and industrial air-conditioning systems. Water is cooled to 37 degrees at a central chiller plant and piped to customers before repeating the cycle.**

Established in 1997, *OUCooling's* first project was building a chilled water plant for the Lockheed Martin electronics complex in south Orange County. The following year, the venture — a partnership between OUC and Trigen-Cinergy Solutions — constructed a "district cooling" plant in downtown Orlando, which presently is under contract to serve eight customers (the latest include the Grand Bohemian Hotel, Embassy Suites Hotel and Lincoln Plaza office tower).

In addition to securing new *OUCooling* customers, our commercial account executives continued signing local businesses to long-term electric service agreements in fiscal 2000. We negotiated 175 new contracts valued at $27 million in annual electric revenue. That upped the total value of our 10-year electric service deals to $85 million a year.

Proudly, we added a few major-league customers to our long-term partner list. Among them: Orange County government and Florida Hospital, the state's second-largest hospital system.

When The *Reliable* One serenades its customers, nobody sings more sweetly.

H_2OUC

C12

In Harmony

With Our Natural Resources

At OUC, we're creating a more tuneful existence with our environment. Nowhere is this more evident than in the area of water conservation.

Though we've always stressed the importance of saving water, last year's conservation campaign was our most aggressive yet. We launched a multi-media blitz that carried our message across OUC's entire service territory and beyond.

Early in the dry season, we ran television, radio and newspaper promotions urging citizens to water their lawns wisely. Because irrigation accounts for half of our region's total water consumption, we decided that dispensing easy-to-understand watering tips was the best way to achieve real results.

OUC has turned up the volume on its water conservation efforts, urging people to water their lawns and gardens more responsibly.

We then prepared a full-color brochure educating our customers about the precious Floridan aquifer — our underground water source — and showing them ways to save water inside and outside their homes. To further motivate people to conserve, we assigned a full-time staffer to educate schoolchildren, homeowners and other consumers on the virtues of using less water.

After three straight years of low rainfall levels, OUC is working carefully with water management districts and other utilities to identify solutions for the short- and long-term viability of our precious water resources.

Separately, fiscal 2000 marked the official end of *Water Project 2000*, OUC's largest-ever water treatment upgrade. Through the five-year initiative — finished on time and under budget — we've shifted to an ozone disinfection process that produces great-tasting water we proudly call H_2OUC. Not only does the advanced treatment system require far less chlorine, it makes it easier for OUC to surpass the strict drinking water regulations in place to protect consumers. *Water Project 2000* also resulted in improved water system reliability.

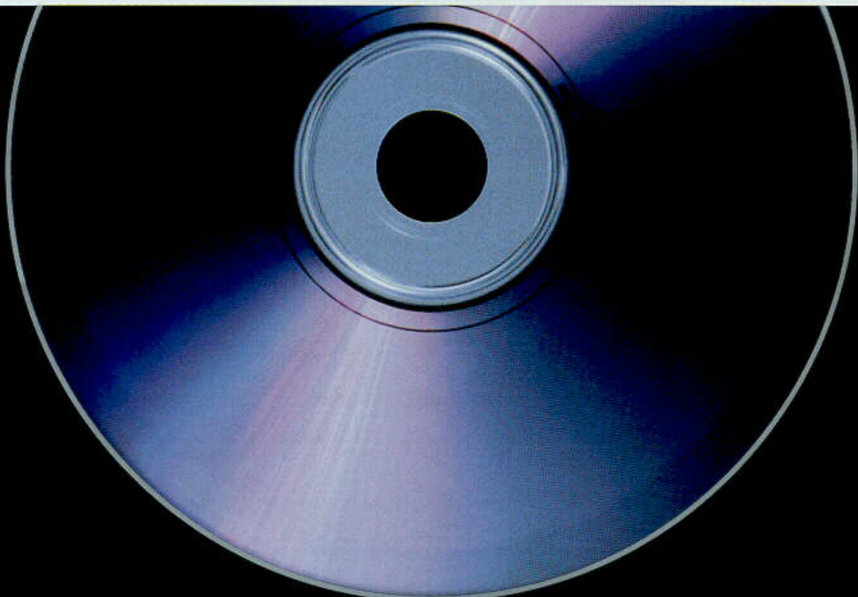
OUC's ozonated water has generated rave reviews. In a blind taste test conducted by the on-air talent at local radio station

OUC's ozone treatment process not only produces great-tasting water, it makes it easier for the utility to surpass strict drinking water regulations in place to protect consumers.

WDBO-AM, H_2OUC emerged victorious over two other municipal varieties and even one bottled brand. More importantly, our customers are happier with their water, according to a survey conducted last year by an independent research firm. Of the respondents who said they noticed a change in the quality of OUC water, most (76 percent) cited improvements in taste.

As OUC continues providing a reliable supply of drinking water, we're also planning for our community's future — by keeping in harmony with our natural resources.

C13



Stacy Isabelle – Manager of Marketing

Roseann Harrington – Director of Marketing, Communications and Community Relations

Cephas Donaldson – Chief Printer

C14

Reaching Our Audience LOUD & CLEAR

To communicate with a diverse and fast-growing customer base, OUC's marketing department writes, arranges and produces in all styles. This flexibility came in handy last year, when we carried out more public information and promotional initiatives than ever before.

We amplified the company's most pressing messages, from water conservation to Halloween safety, and laid the groundwork for the launching of new products and services. All the while, we never missed a beat with our *Reliable* One branding efforts, reinforcing OUC's reputation as a friendly, dependable provider.

The utility was particularly zealous last year in getting the word out about its street light maintenance program.

"Our street light promotion was designed to build awareness of lighting issues in preparation for the launch of our commercial lighting program, OUConvenient *Lighting*," says Roseann Harrington, Director of Marketing, Communications and Community Relations.

Through two high-visibility media campaigns — one just before Halloween in October, the other coinciding with the start of Daylight Savings Time in March — OUC stressed the importance of well-lit neighborhoods, prompting repair calls from across our service area. Helping us get our safety message across was Orlando Police Chief Jerry Demings, who gladly appeared in our television, radio and print promotions.

With our eye-catching customer newsletters, Water Quality Report and Web site, we delivered other important news and information directly to customers. And by maintaining open, responsive relationships with the press, our media relations professionals generated ongoing coverage of the utility's latest products and announcements.

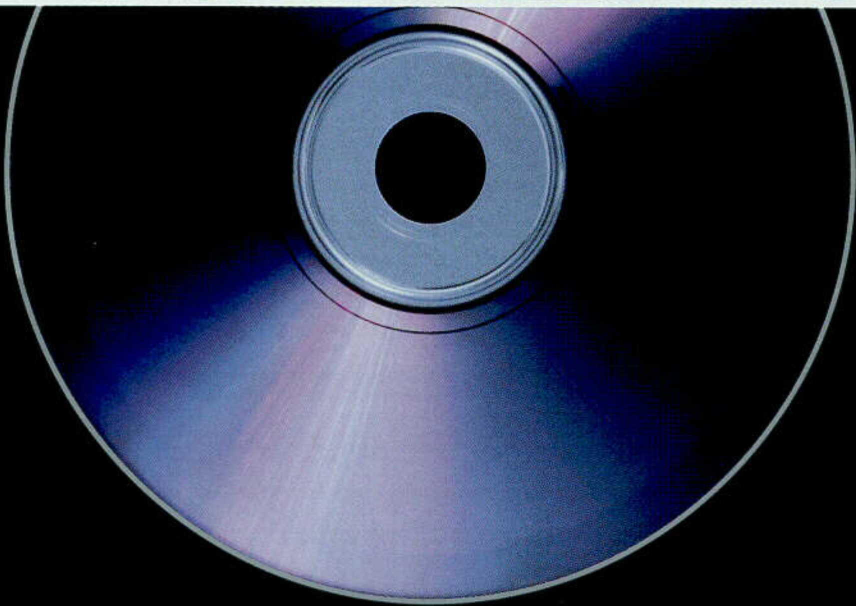
Through market research and focus group sessions last year, OUC received feedback from the public on a broad range of issues, keeping us in touch with customer preferences and helping us better shape all of our promotional activities.

Proudly, we coordinated community involvement at all levels of the organization, inspiring employee participation in fundraisers like the American Cancer Society's Relay for Life and Junior Achievement Bowl-A-Thon. Fiscal 2000 also marked our first year as title sponsor of the OUC Half Marathon & 5K in downtown Orlando, which is presented by Florida Citrus Sports and is one of

the Southeast's premier foot races. During the race, OUC actually puts taps on fire hydrants to provide the runners with our refreshing, great-tasting drinking water.

Whether we're communicating with our customers, our employees or the greater Central Florida community — we always strike the right chords.

OUC's marketing department produces a variety of informational and promotional material for customers, including energy-efficiency guides, water conservation brochures and newcomer packets.



Tom Washburn – Chief Information Officer

C16

In Rhythm With Technology

We began orchestrating several major technological improvements in fiscal 2000. Most notably, we laid the groundwork for online customer bill payment, a system that should be operational by mid-2001.

While this payment option is sure to please the Web-savvy crowd right away, we figure many of our more traditional customers will join us in cyberspace once they recognize how convenient the system is.

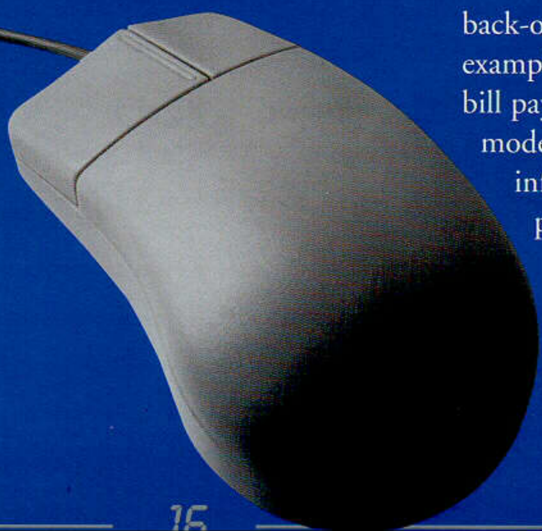
Speaking of the Internet, we rolled out OUConsumption *Online* last year so our commercial customers could track their energy-load data right from their desktops. Almost immediately, some of our largest customers subscribed to the service, including the sprawling Universal Orlando theme park.

We also enhanced our Web site by making it easier to navigate, expanding its content and designing a friendlier, more colorful look. Not only are more customers visiting our site to request electric and water service, they're going there for details about OUC's energy-efficiency programs and other helpful services.

We're committed to continually improving our Web site's functionality. After all, the online frontier is still a work in progress — and OUC intends to follow an Internet strategy that expands with our customers' needs.

With technology playing a larger role in all we do, OUC created the position of Chief Information Officer. After months of interviewing highly qualified candidates from outside the company, it became clear that the right person for the CIO spot was already with us. Appointed to the position was Thomas Washburn, a tech-minded OUC veteran who retains his old title as Vice President of the Electric Transmission Business Unit.

OUC is always looking for ways to enhance the usefulness of its Web site. Next on the agenda: online bill payment.

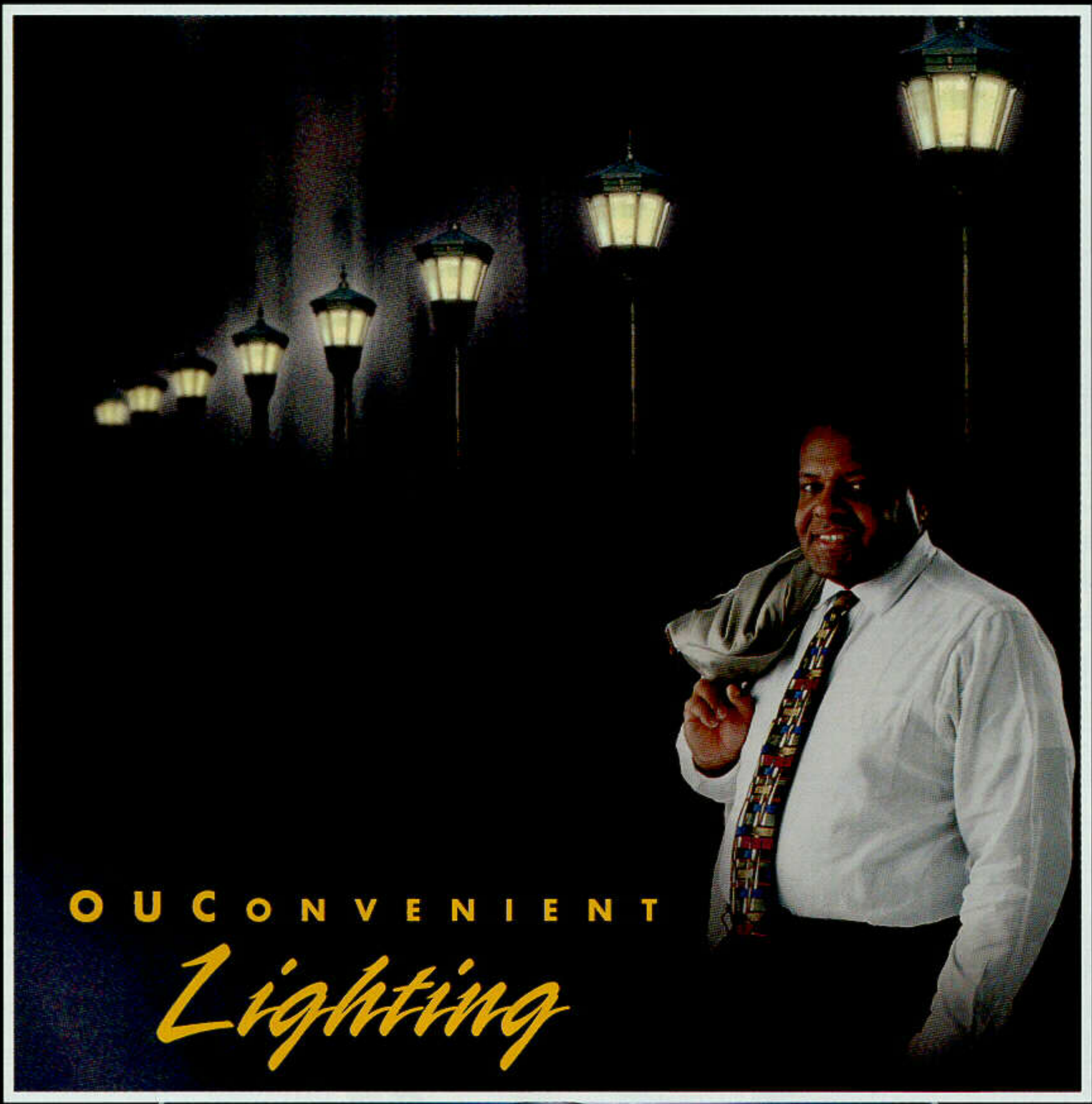


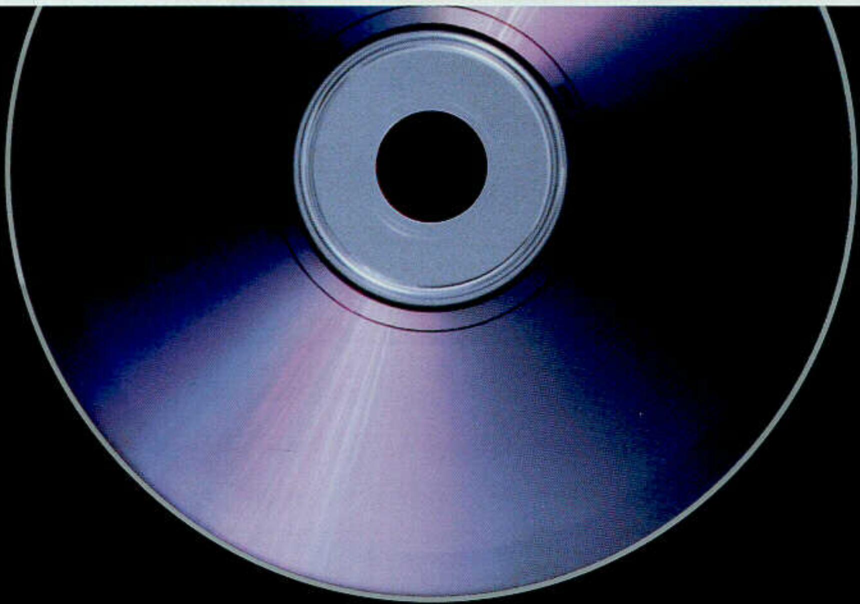
"All of our technology initiatives share a common theme," Washburn explains. "They're all geared toward making things easier for the customer."

Stay tuned for more e-business initiatives. We're particularly excited about our plans for an online customer energy audit as well as an online materials purchasing system — an internal tool aimed at saving money on everything from transformers and utility poles to computers and office supplies.

Along with OUC's technological advances come efficiencies to our back-office functions. For example, as we develop our online bill payment solution, we're also modernizing our customer information and accounts payable systems.

At OUC, we're upbeat about the future — and how technology will help get us there.





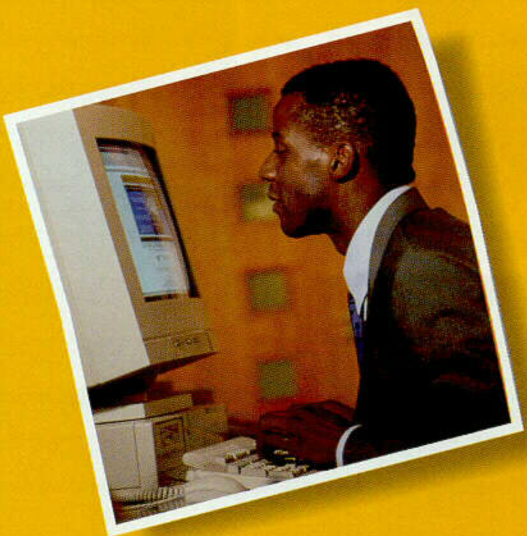
Byron Knibbs – Director of Business Development

C18

New Releases

We shifted our customer service tempo into double-time last year, introducing an unprecedented array of new products and services — all aimed at making life easier for consumers.

In the fall, we launched OUConvenient *Lighting*, a new division that provides complete outdoor lighting services for industrial parks,



OUConsumption Online allows businesses to track their energy-load data right from their desktops.

sports complexes, gated communities and other developments. Under the program, OUC purchases, installs and maintains all street lights and other exterior lighting for a monthly service fee. That means developers can use the capital they would have spent on lighting equipment for other money-making ventures.

Before moving forward with OUConvenient *Lighting*, we went to our commercial customers for feedback on the concept. They quickly affirmed our hunch that the service would be a smash hit. In fact, the program lured several customers before the first brochure was mailed.

"We're not waiting for customers to tell us what they want," says Doug Spencer, Vice President of the OUCustomer *Connection*. "We're going to folks and asking them to tell us, honestly, how OUC can be more helpful."

For instance, commercial accounts told us they wanted to track their energy-load data via the Internet. So we rolled out OUConsumption *Online*, a service that enables businesses to identify wasteful usage patterns and determine how to alter patterns to reduce monthly charges.

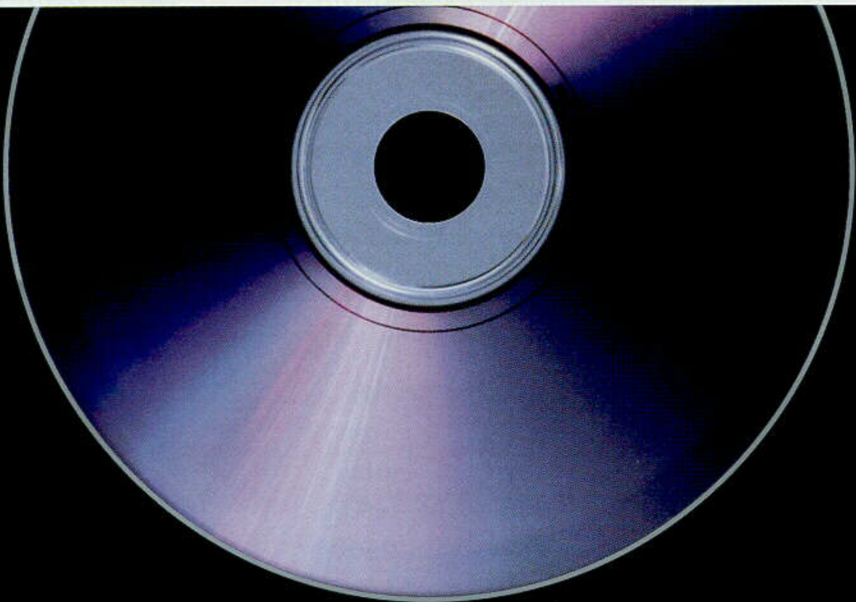
For conservation-minded residential customers, we produced a video version of OUC's traditional Home Energy Audit. The step-by-step video walks viewers through a typical home, detailing ways to improve energy and water efficiency. While this quickly proved to be a winner with do-it-yourselfers, it also educated customers receiving actual on-site audits by OUC personnel. Soon, we'll be producing the Home Energy Audit in a flashy CD-ROM format.

In another effort to simplify matters for the customer, OUC consolidated metering operations under one business unit — the OUCustomer *Connection*. And we revamped our Development Services division to become the single point of contact between the development community and OUC.

Look for us to introduce even more products and services as we strive to meet our market's changing demands. After all, customer satisfaction is OUC's signature tune.

OUC's new commercial lighting division provides outdoor lighting services for industrial parks, sports complexes, gated communities and other developments.

C19



Charlie Wright – Director of Security
Cynthia Santana – Buyer
Paul Kunz – Coordinator of Fleet/Facilities Division
Charlie Doud – Senior Environmental Engineer
Lou Calatayud – Training Administrator

C20

Our Backup Band
Never Misses A Beat

OUC Corporate Services kept a steady rhythm last year supporting all areas of our company — and improving internal efficiencies.

By forging innovative vendor alliances, the business unit has found new ways to cut costs across the organization. For example, under an agreement with a supplier of electrical transformers, OUC takes delivery of the units on a just-in-time basis, sharply reducing inventory expense. Money that would have been tied up in stock now earns investment income.

OUC has found an additional source of income by providing automotive repair and maintenance to local government organizations.

In another money-saving move, we contracted with NAPA last year to run our automotive parts purchasing and disbursement operations. The agreement eliminated the need for OUC to carry standing inventory of replacement parts and enabled us to minimize labor costs in this area. We also switched office supply vendors, saving a projected $20,000 a year. And we found a new pager service, saving $7,000 a year. After all, every dollar counts.

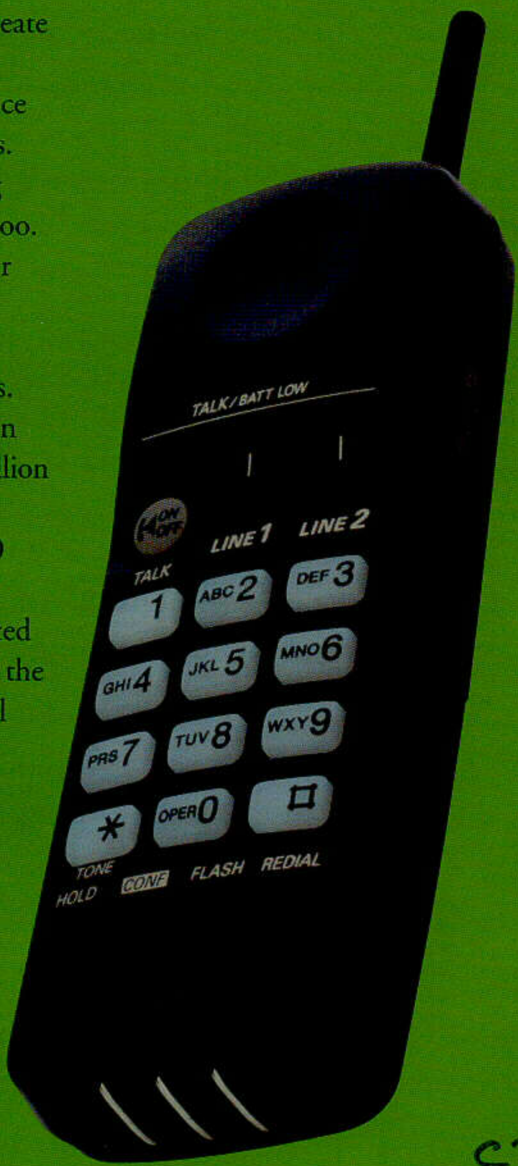
"We're looking in every corner of our organization for ways to create cost savings and operational efficiencies," says Al Frazier, Vice President of Corporate Services.

Corporate Services is finding additional sources of income, too. The Fleet/Facilities division, for instance, provides automotive repair and maintenance to numerous government agencies. Since the program's inception in 1995, it has generated $1.4 million in revenues — more than $350,000 of that in fiscal 2000 alone. This external business provides a good return, estimated at 15 percent gross profit. And the income is supplemented by fuel sales to our automotive clients. During fiscal 2000, we generated $11,930 in gross profit from the sale of 59,652 gallons of fuel.

The Risk Management/Safety division is also contributing to OUC coffers. Last year, the division generated $17,000 by providing training classes to more than 20 clients in the public and private sectors.

Meanwhile, Corporate Services continues making improvements to its many other support functions, from human resources to environmental engineering to security.

With Corporate Services providing the backup, our band never misses a beat.



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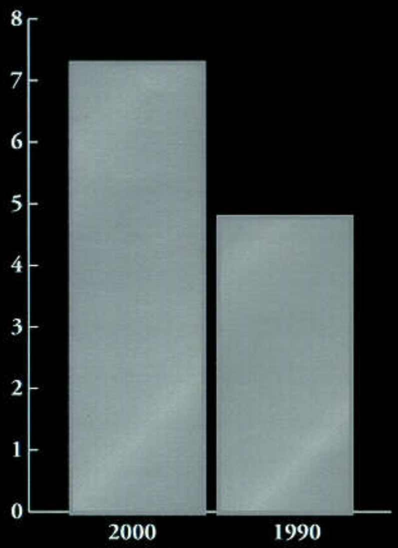
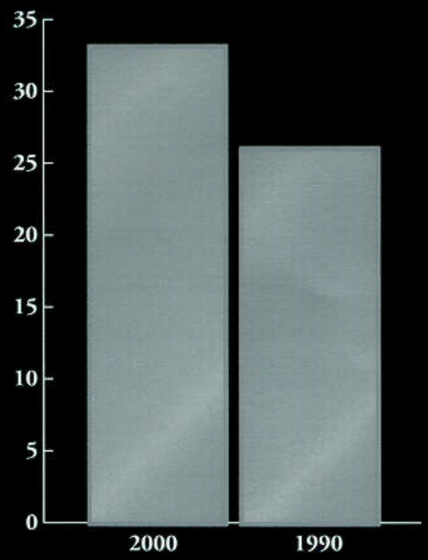
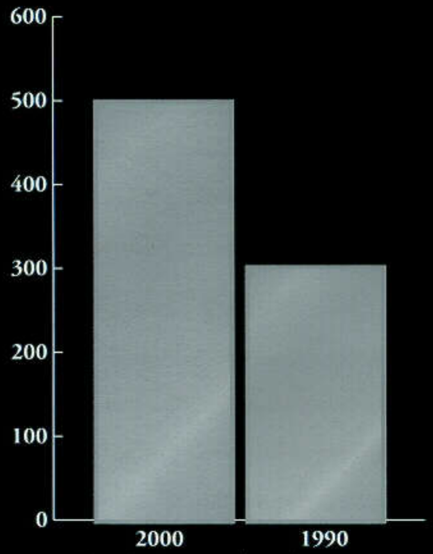


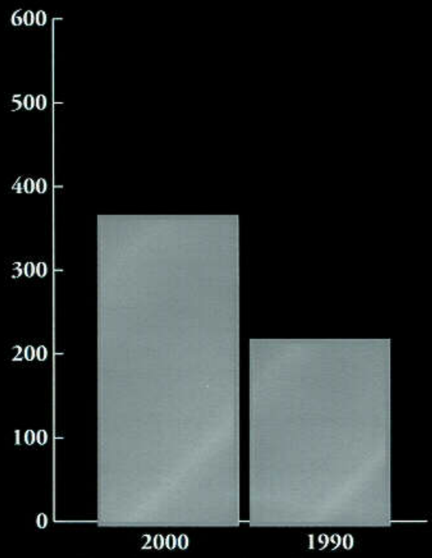
Total Electric Sales
(In Millions of Megawatt Hours)



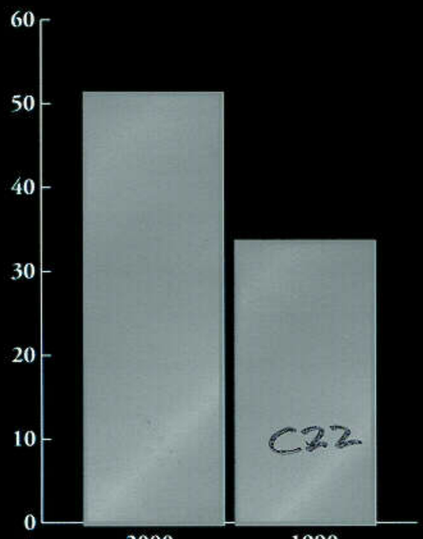
Total Water Sales
(In Billions of Gallons)



Total Operating Revenues
(In Millions of Dollars)

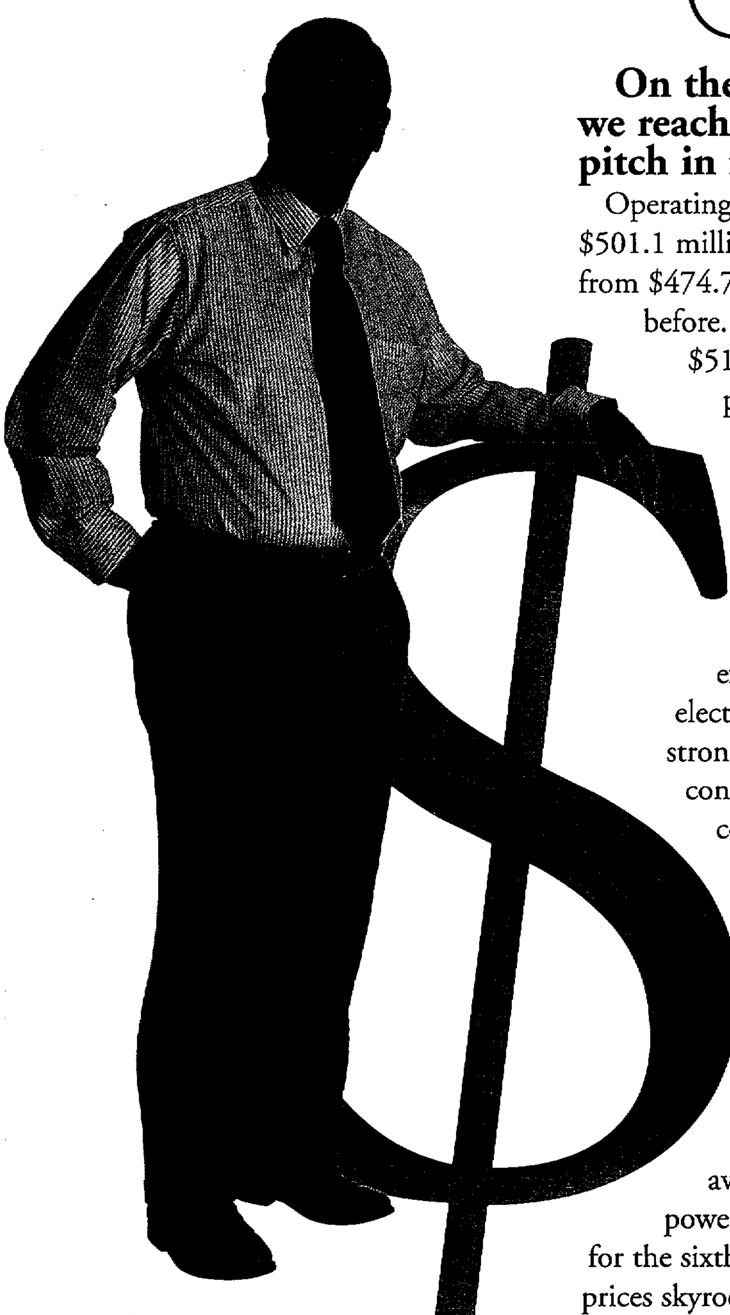


Total Operating Expenses
(In Millions of Dollars)



Net Income
(In Millions of Dollars)

Hitting All The Right Notes



John Hearn —
Vice President and Chief Financial Officer

On the financial front, we reached near-perfect pitch in fiscal 2000.

Operating revenues rose to $501.1 million, up 5.6 percent from $474.7 million the year before. Net income exceeded $51 million. Dividend payments to our owner, the City of Orlando, reached nearly $31 million.

Driving this favorable performance were higher-than-expected wholesale electric revenues as well as strong retail electric consumption. Water consumption also was strong, rising 6.9 percent to 33.2 billion gallons, an increase largely attributed to the year's unusually dry spring and summer.

Meanwhile, OUC's average retail price of power remained the same for the sixth straight year. As fuel prices skyrocketed during the year, we planned for small rate adjustments to take effect Oct. 1, 2000 (the start of our current fiscal year).

Incidentally, our adjustments were eclipsed by much larger rate increases enacted by neighboring utilities. Fortunately our fuel diversity, long-term fuel contracts and other risk management methods minimized the impact of the rising costs.

To help prepare for deregulation, OUC began setting aside money in 1998 to reduce liabilities and related fixed costs. We earmarked $46.1 million for that purpose in fiscal 2000, bringing the fund's total to $130.8 million.

As usual, OUC's credit ratings remained strong, with current senior lien bond ratings of AA+, Aa1 and AA from Fitch Investors Service, Moody's Investors Service and Standard & Poor's, respectively.

"OUC is in a strong position, both financially and operationally," says Vice President and Chief Financial Officer John Hearn. "Our current management team was fortunate to inherit OUC's legacy of financial and operational strength. Our job is to maintain that legacy and continually enhance it."

When it comes to dollars and sense, OUC hits all the right notes.

(Dollars in Thousands)

STATISTICAL HIGHLIGHTS

	2000	1999	% Increase (Decrease)	1990
	Years Ended Sept. 30			
Combined Operations				
Operating Revenues	$ 501,131	$ 474,738	5.6%	$ 303,877
Total Operating Expenses	407,979	352,502	15.7%	218,496
Interest and Other Income	49,783	18,542	168.5%	18,307
Interest and Other Expenses	91,628	88,798	3.2%	70,113
Net Income	51,307	51,980	-1.3%	33,575
Payments to City of Orlando	45,116	45,009	0.2%	24,339
Utility Plant (Net book value)	1,512,663	1,550,483	-2.4%	962,929
Equity	598,431	565,860	5.8%	345,967
Long-term Debt	1,388,343	1,411,849	-1.7%	898,483
Total Assets	2,366,211	2,186,069	8.2%	1,352,227
Debt Service Coverage:				
Senior lien	4.32x	4.28x	0.9%	2.71x
Junior lien	3.77x	3.67x	2.7%	4.74x
Combined debt	2.23x	2.20x	1.4%	1.99x
Senior Bond Ratings (1)	AA+,Aa1,AA	AA+,Aa1,AA		AAA,Aa1,AA
Electric Business Unit				
Operating Revenues	$ 454,236	$ 431,360	5.3%	$ 284,009
Total Operating Expenses	$ 377,143	$ 321,734	17.2%	$ 204,166
Fuel and Purchased Power	$ 204,656	$ 154,633	32.3%	$ 102,823
Departmental Operations (2)	$ 172,487	$ 167,101	3.2%	$ 101,343
Total Sales (MWH)	7,354,621	7,679,546	-4.2%	4,783,809
Total Retail Sales (MWH)	4,685,011	4,443,104	5.4%	3,444,566
Commercial/Industrial Sales	3,112,966	2,950,327	5.5%	2,208,222
Residential Sales	1,572,045	1,492,777	5.3%	1,236,344
Sales for Resales (MWH)	2,669,610	3,236,442	-17.5%	1,339,243
Total Active Services (3)	146,765	141,202	3.9%	117,451
Residential	126,776	121,628	4.2%	101,381
Commercial/Industrial	19,989	19,574	2.1%	16,070
Average Annual Residential Use (KWH)	12,657	12,467	1.5%	12,380
Average Revenue per KWH				
Residential Sales	7.66¢	7.65¢	0.1%	7.67¢
Heating Degree Days	452	350	29.1%	477
Cooling Degree Days	3,389	3,637	-6.8%	3,763
Gross Peak Demand (MW)	1,028	1,020	0.8%	838
Water Business Unit				
Operating Revenues	$ 46,895	$ 43,378	8.1%	$ 19,868
Total Operating Expenses	$ 30,836	$ 30,768	0.2%	$ 14,331
Sales (In Thousands of Gallons)	33,185,930	31,048,530	6.9%	26,106,095
Total Active Services	117,935	115,957	1.7%	98,594
Residential	94,643	93,678	1.0%	83,008
Commercial/Industrial	11,190	11,111	0.7%	9,963
Irrigation	12,102	11,168	8.4%	5,623
Average Annual Residential Usage (Gal.)	180,000	173,000	4.0%	169,000
Average Revenue per 1000 gallons				
Residential Sales (Dollars not in thousands)	$ 1.49	$ 1.45	2.8%	$ 0.79
Rainfall (inches)	39.6	44.6	-11.2%	35.4
Peak Pumping (Million Gallons per Day)	181.1	155.6	16.4%	162.8

1. Bond Rating Agencies: Fitch Investors Service Inc., Moody's Investors Service, and Standard & Poor's, respectively.
2. All expenses less fuel and purchased power.
3. Total Active Services represents all metered services exclusive of St. Cloud, Florida.

Audited Financial *Statements*

Orlando Utilities Commission

September 30, 2000 and 1999

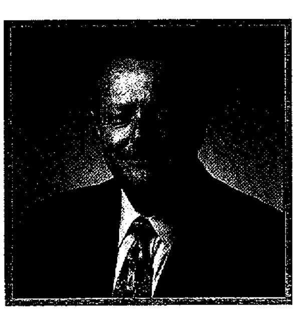
Dr. Carol P. Wilson
President

Richard L. Fletcher, Jr.
First Vice President

Tico Perez
Second Vice President

Ray D. McCleese
Immediate Past President

The Honorable Glenda Hood
Mayor - Commissioner



Robert C. Haven, P.E.
General Manager and CEO

Commission Members & Officers

Carol P. Wilson, Ph.D.
President

Richard L. Fletcher, Jr.
First Vice President

Tico Perez
Second Vice President

Ray D. McCleese
Immediate Past President

Glenda E. Hood
Mayor - Commissioner

Robert C. Haven, P.E.
Secretary

John E. Hearn
Betty J. Perrow
Sharon L. Knudsen
Assistant Secretaries

Management

Robert C. Haven, P.E.
General Manager and
Chief Executive Officer

Frederick F. Haddad, Jr.
Vice President
Power Resources Business Unit

Kenneth P. Ksionek
Vice President
Electric Distribution
Business Unit

Thomas E. Washburn
Vice President
Electric Transmission
Business Unit and
Chief Information Officer

Douglas M. Spencer
Vice President
OUCustomer Connection

John E. Hearn
Vice President and
Chief Financial Officer
Financial Services

Alvin C. Frazier
Vice President
Corporate Services

Thomas B. Tart, Esq.
Vice President and
General Counsel

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(Dollars in Thousands)

BALANCE SHEETS Orlando Utilities Commission

ASSETS	September 30 2000	1999
Utility Plant — Notes B and C		
In Service:		
Electric	$1,626,201	$1,729,330
Water	311,621	293,348
Common	125,918	108,067
Allowances for depreciation and amortization (deduction)	(594,383)	(625,695)
	1,469,357	**1,505,050**
Construction work in progress	43,306	45,433
Total Utility Plant	**1,512,663**	**1,550,483**
Restricted Assets — Notes D and E		
Debt service and related funds	176,603	176,754
Construction and related funds	61,898	77,952
Renewal and replacement fund	47,883	43,724
Customer meter deposits	13,420	14,339
Total Restricted Assets	**299,804**	**312,769**
Current Assets		
Cash and investments — Note E	39,097	37,510
Customer accounts receivable, less allowance for doubtful accounts (2000 — $2,019, 1999 — $2,992)	70,557	54,599
Accrued utility revenue	21,826	21,101
Fuel for generation inventory	3,650	13,792
Materials and supplies inventory	26,603	29,014
Accrued interest receivable	8,271	2,342
Miscellaneous receivables and prepaid expenses	17,107	9,182
Total Current Assets	**187,111**	**167,540**
Other Assets		
Self-insurance fund	4,589	4,741
Liability reduction fund — Notes D and E	307,422	84,745
Stabilization funds — Notes D and E	43,757	39,535
Minibond sinking funds — Note E	-	14,840
Deferred interest expense	8,977	9,385
Unamortized debt issuance costs	1,888	2,031
Total Other Assets	**366,633**	**155,277**
Total Assets	**$2,366,211**	**$2,186,069**

See notes to the financial statements.

(Dollars in Thousands)

CAPITALIZATION	September 30 2000	1999
Equity		
Retained earnings:		
Reserved for debt service	$ 114,039	$ 113,931
Reserved for renewal and replacement	47,883	43,724
Unreserved — invested in or designated for plant and working capital	297,867	277,873
Total Retained Earnings	**459,789**	**435,528**
Contributed capital — Note G	138,642	130,332
Total Equity	598,431	565,860
Long-Term Debt — Note H		
Bond and note principal	1,501,385	1,532,723
Unamortized discount and deferred amount on refunding	(113,042)	(120,874)
Total Long-Term Debt (Net)	**1,388,343**	**1,411,849**
Total Capitalization	1,986,774	1,977,709
LIABILITIES		
Current Liabilities — payable from restricted assets		
Accrued interest payable on notes and bonds	36,520	36,538
Current portion of long-term debt — Note H	38,336	40,719
Customer meter deposits	13,420	14,339
Total Current Liabilities from Restricted Assets	**88,276**	**91,596**
Current Liabilities — payable from current assets		
Accounts payable and accrued expenses	45,820	37,200
Billings on behalf of state and local governments	9,937	9,196
Accrued payments to the City of Orlando — Note J	8,373	9,348
Total Current Liabilities	**64,130**	**55,744**
Other Liabilities and Deferred Credits		
Deferred gain on sale of assets	135,203	-
Deferred revenue	90,089	57,080
Water and electric construction deposits and other	1,739	3,940
Total Other Liabilities and Deferred Credits	**227,031**	**61,020**
Total Liabilities	379,437	208,360
Total Capitalization and Liabilities	**$2,366,211**	**$2,186,069**

See notes to the financial statements.

(Dollars in Thousands)

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS

	Year Ended September 30 2000	1999
Operating Revenues:		
Electric retail	$304,321	$ 290,735
Electric resale	138,793	133,227
Water revenues	46,895	43,378
Other revenues	11,122	7,398
Total Operating Revenues	**501,131**	**474,738**
Operating Expenses:		
Fuel for generation and purchased power	204,656	154,633
Unit/Department expenses	107,167	106,846
Depreciation and amortization	68,558	64,365
Payments to other governments and taxes — Notes J and P	27,598	26,658
Total Operating Expenses	**407,979**	**352,502**
Operating Income	93,152	122,236
Non-Operating Income (Expense):		
Interest income	40,986	18,542
Amortization of deferred gain on sale of assets	8,797	
Interest expense and other	(91,628)	(88,798)
Net Income	**51,307**	**51,980**
Retained earnings at beginning of year	435,528	411,187
Dividends to the City of Orlando — Note J	(30,784)	(31,188)
Depreciation of contributed utility plant	3,738	3,549
Accumulated Retained Earnings at End of Year	**$ 459,789**	**$ 435,528**

See notes to the financial statements.

(Dollars in Thousands)

STATEMENTS OF CASH FLOWS

	Year Ended September 30	
	2000	**1999**
Cash Flows from Operating Activities		
Operating Income	$93,152	$122,236
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization of plant charged to operations	68,558	64,365
Depreciation and amortization charged to fuel costs	827	1,173
Depreciation of vehicles and equipment charged to Unit/Department	1,090	1,859
Changes in operating assets and liabilities:		
Decrease/(Increase) in receivables and accrued revenue	(11,719)	15,689
(Increase)/Decrease in fuel and materials and supplies inventories	8,174	(52)
Increase in accounts payable and accruals	9,852	7,356
Increase/(Decrease) in deposits payable and deferred items	(4,389)	1,509
Increase in stabilization and deferred revenue accounts	24,417	1,459
Net cash provided by operating activities	**189,962**	**215,594**
Cash Flows from Non-Capital Financing Activities		
Dividend payment to the City of Orlando	(32,088)	(30,250)
Net cash used in non-capital financing activities	**(32,088)**	**(30,250)**
Cash Flows from Capital and Related Financing Activities		
Debt interest payments	(78,486)	(81,631)
Principal payments on long-term debt	(41,088)	(24,305)
Debt issuances	6,400	104,000
Debt issuances expenses paid	(467)	(513)
Construction and acquisition of utility plant	(79,859)	(87,868)
Proceeds relating to sale of Indian River steam units	187,995	-
Contributed capital	5,880	5,106
Net cash used in capital and related financing activities	**375**	**(85,211)**
Cash Flows from Investing Activities		
Proceeds from sales and maturities of investment securities	323,146	188,918
Purchases of investment securities	(603,858)	(284,625)
Investment income	35,047	20,457
Net cash provided by investing activities	**(245,665)**	**(75,250)**
Increase in Cash and Cash Equivalents	(87,416)	24,883
Cash and Cash Equivalents at Beginning of Year	141,721	116,838
Cash and Cash Equivalents at End of Year	**$ 54,305**	**$141,721**

NOTES TO FINANCIAL STATEMENTS

Note A — Summary of Significant Accounting Policies

The financial statements of the Orlando Utilities Commission (OUC) are presented in conformity with generally accepted accounting principles as applicable to governments. The existing hierarchy provides that accounting guidance should first be sought in statements of the Governmental Accounting Standards Board (GASB). If the GASB has not issued a standard applicable to a situation, then pronouncements of the Financial Accounting Standards Board (FASB) are presumed to apply except as described below under Measurement Focus and Basis of Accounting. Additionally, the financial statements are presented substantially in conformity with accounting principles and methods prescribed by the Federal Energy Regulatory Commission (FERC), except for the method of accounting for contributed capital described in the notes to the financial statements.

The following is a summary of the more significant accounting policies:

Reporting Entity: OUC was created in 1923 by a Special Act of the Florida Legislature as a statutory commission of the State of Florida. OUC consists of five members, including the Mayor of the City of Orlando. Members — with the exception of the Mayor, who is an ex-officio member of OUC — serve without compensation and may serve no more than two consecutive four-year terms. The process for new member selections begins when the Nominating Board of the City of Orlando, which for this purpose functions only as a screening committee, submits the names of three persons to OUC for consideration. OUC may nominate one of these persons or reject all three. The nominee is then subject to election or rejection by the Orlando City Council. Once elected, OUC members cannot be removed for any reason by the City Council.

OUC meets the criteria of an "other stand-alone government" as defined in Statement 14 of the Governmental Accounting Standards Board, *The Financial Reporting Entity.* No component units exist as defined in Statement 14; however, OUC has undivided interests in a number of power plants through participation agreements, as described in Note C. Under these arrangements, the title to the property is held in the proportion of each party's interest and each party is obligated for its share of operations. There are no separate entities or organizations associated with the agreements. OUC reports its proportionate share of assets, liabilities, revenues and expenses that are associated with the joint operations on its financial statements.

New Accounting Pronouncements: The Governmental Accounting Standards Board (GASB) has recently issued Statement of Governmental Accounting Standards No. 33, *Accounting and Financial Reporting for Non-exchange Transactions* (SGAS 33) — Statement of Governmental Accounting Standards No. 34, *Basic Financial Statements — and Management's Discussion and Analysis — for State and Local Governments* (SGAS 34) and Statement of Governmental Accounting Standards No. 36, *Recipient Reporting for Certain Shared Non-exchange Revenues* — an amendment of GASB Statement No. 33 (SGAS 36). OUC has not elected early implementation of these statements in fiscal 2000.

Measurement Focus and Basis of Accounting: OUC operates the electric and water system in a manner similar to private business; therefore, operations are accounted for as an enterprise fund where costs (expenses, including depreciation) of providing services to customers on a continuing basis are recovered through user charges. OUC's financial statements are prepared on an accrual basis of accounting.

OUC is a regulated enterprise and, as such, applies accounting principles permitted under Statement of Financial Accounting Standards No. 71 — *Accounting for the Effects of Certain Types of Regulation* (SFAS 71). Under SFAS 71, certain expenses and revenues are deferred and recognized in accordance with rate actions of OUC's governing board.

OUC has elected to not apply FASB statements and interpretations issued after November 30, 1989, as permitted by Statement No. 20 of the Governmental Accounting Standards Board, *Accounting and Financial Reporting for Proprietary Funds and other Governmental Entities that use Proprietary Fund Accounting.*

Budgets: Revenue and expense budgets are prepared on an annual basis in accordance with OUC's budget policy and bond resolutions and submitted to OUC for approval prior to October 1 of the fiscal year. Legal adoption of budgets is not required. Actual revenues and expenses are compared to the budgets on a line item basis within departments and an analysis of variances report is prepared and submitted to OUC each month as required by OUC's budget policy and bond resolutions.

Utility Plant: Utility plant is stated at historical cost, which includes cost of contract work, labor, materials and allocated indirect charges for equipment, supervision and engineering and labor related costs. Donated assets are recorded at the cost provided by the developer, which approximates fair market value at date of donation. OUC charges the cost of repairs and minor replacements to maintenance expense. The cost of electric or water plant retired or otherwise disposed of, together with removal costs less salvage, is charged to accumulated depreciation at such time as property is removed from service.

Utility plant is depreciated using the straight-line method over the estimated service lives of the various classes of depreciable property. Depreciation as a percentage of average depreciable plant was 3.34 percent in 2000 and 3.00 percent in 1999.

Cash and Investments: OUC discloses all investments at fair value, with the exception of investments in the Florida Local Government Surplus Funds Trust Fund (SBA), an external 2a7-like investment pool, which is presented at share price.

(Dollars in Thousands)

Note A — Significant Accounting Policies (continued)

OUC records all investments, with the exception of the funds held in the Debt Service Reserve funds and the SBA, at fair market value. The Debt Service Reserve funds, in accordance with a SFAS 71 amendment, are recorded at cost in-line with the OUC's intention to hold these investments to maturity. As noted above, the SBA funds are recorded at their share price.

OUC is authorized to invest in the Surplus Funds Investment Pool Trust Fund administered by the State Board of Administration of Florida, obligations of the United States Treasury and its various agencies, interest-bearing time certificates of deposit, repurchase agreements, reverse repurchase agreements, state and local government obligations, bankers' acceptances and prime commercial paper.

Repurchase agreements are purchases of securities with a simultaneous agreement that the dealers or banking institutions will repurchase them in the future at the same price plus a contract rate of interest. The market value of the securities underlying repurchase agreements exceeds the cash received, providing a margin against a decline in market value of the securities. Except for overnight repurchase agreements with OUC's depository bank, securities underlying repurchase agreements are held in OUC's accounts by a third party. If the dealers default on their obligations to repurchase these securities from OUC, OUC would suffer an economic loss equal to the difference between the market value plus accrued interest of the underlying securities and the agreement obligation, including accrued interest.

Statements of Cash Flows: For purposes of the Statements of Cash Flows, cash and cash equivalents include all cash and investment accounts (including restricted assets) with a maturity of three months or less when purchased.

Customer Accounts Receivable: OUC bills customers monthly on a cyclical basis and accrues revenues at the end of the fiscal year for electric and water consumed but not billed. See "Rates and Revenues" below.

The customer accounts receivable balance of $70,557 and $54,599 at September 30, 2000 and 1999, respectively, includes billings on behalf of state and other local governments. The net liability of $9,937 and $9,196 at September 30, 2000 and 1999, respectively, (billings on behalf of state and local governments less expenses) represents the September billings of these governments.

Fuel for Generation and Materials and Supplies Inventory: Fuel oil, coal and materials and supplies inventories are stated at average cost. Nuclear fuel is included in electric utility plant and amortized to fuel expense as it is used.

Unamortized Debt Issuance Costs: Unamortized debt issuance costs represent issuance costs related to bond issuances which are amortized using the bonds outstanding method and recorded net of accumulated amortization.

Regulatory Assets and Liabilities: In accordance with SFAS 71, OUC has deferred revenues and costs based on rate actions by the governing board. The following includes amounts presented on the balance sheets as a result of these actions:

	September 30	
Description	**2000**	**1999**
Regulatory Assets:		
Deferred interest expense	$ 8,977	$ 9,385
Regulatory Liabilities:		
Deferred gain on sale of assets	135,203	-
Deferred wholesale trading profits	25,805	17,545
Rate stabilization	33,841	31,416
Fuel stabilization	8,394	6,699
Customer retention stabilization	1,522	1,420
Health Insurance Reserve	427	-
Total regulatory liabilities included in deferred revenue	69,989	57,080
Deferred transmission access revenue	19,608	-
Other deferred revenue	492	-
Total deferred revenue	$ 90,089	$ 57,080

Below is a description of each regulatory account. Included in each account is interest earned on the cash and investments designated to fund these regulatory liabilities.

- ***Deferred Interest Expense:*** Deferred interest expense on bonds represents interest costs on Series 1993 and 1993B bonds which are in excess of interest cost that would have been incurred on short-term debt. OUC elected to defer this additional interest cost for rate-setting purposes until fiscal 1996. Deferred interest expense on bonds is amortized to interest expense over the life of the Series 1993 and 1993B bonds, amounting to $408 in both 2000 and 1999.

- ***Deferred Gain on Sale of Assets:*** On October 5, 1999, OUC sold its steam units at the Indian River Plant (IRP) and received a pre-payment from the buyer for twenty (20) years worth of transmission access. OUC received approximately $208,000, net of transaction costs, realized a gain of approximately $144,000 on the sale of assets, and recognized approximately $20,000 of deferred transmission access revenue. A portion of the gain on sale of assets ($45,000), is being systematically recognized over a four (4) year period to offset generating facility demand payments (Note K), $8,797 of which was recognized in fiscal 2000.

- ***Deferred Wholesale Trading Profits:*** This account represents excess budgeted profits generated from wholesale operations.

(Dollars in Thousands)

Note A — Summary of Significant Accounting Policies (continued)

- ***Electric and Water Rate Stabilization:*** These accounts were established for costs (revenues) that are to be recovered by (used to reduce) rates in period other than when incurred (realized).
- ***Fuel Stabilization:*** This account was established in accordance with guidelines from the Public Utilities Regulatory Policies Act of 1978 (PURPA) and represents the difference between costs charged to customers and fuel costs incurred.
- ***Customer Retention Stabilization:*** This account was established to assist in retaining existing customers and attracting new customers, funded during fiscal year 1999, with an allocation of customer charges based on kilowatt hours used.
- ***Health Insurance Reserve:*** This account was established to mitigate unexpected spikes in medical costs to OUC employees.

Contributed Capital: Amounts received for construction of utility plant and utility plant contributed by developers are recorded as capital contributions. Depreciation applicable to contributed utility plant is included as an operating expense in determining net income and is subsequently charged against contributed capital from retained earnings.

Interest Rate Swap Agreements: OUC enters into interest rate swap agreements to modify interest rates on outstanding debt. Other than the net interest expenses resulting from those agreements, no amounts are recorded on the financial statements.

Unamortized Discount and Deferred Amount on Refunding: Unamortized discount on outstanding bonds is amortized using the bonds outstanding method and is recorded net of accumulated amortization. Deferred amount on refunding represents deferred losses on bond refundings which are amortized over the shorter of the lives of the refunded debt or refunding debt using the straight-line method and are recorded net of accumulated amortization.

Compensated Absences: OUC records compensation for unused vacation and sick leave as an expense in the year in which the vacation and sick leave is earned in accordance with the GASB Statement No. 16, *Accounting for Compensated Absences.* At September 30, 2000 and 1999, annual vacation leave earned but not taken was $693 and $632; sick leave accumulated but not taken was $2,591 and $2,597, respectively.

Rates and Revenues: Each year, OUC's staff performs a rate adequacy study to determine the electric and water revenue requirements. Based on this study, current cost of service studies, and regulations of the Florida Public Service Commission regarding electric "rate structure," OUC's staff develops its electric and water rate schedules which are presented to OUC at a public workshop and then presented for approval at a subsequent Commission meeting.

OUC staff makes its determination of revenue requirements using the cost of service rate base method and includes construction work in progress in the rate base. Therefore, in accordance with proper ratemaking theory, OUC does not use an allowance for funds used during construction (AFUDC) in determining revenue requirements. Since OUC's level of revenue requirements and subsequent revenue is determined without regard to AFUDC, OUC does not capitalize interest on construction work in progress for electric and water projects on which rates are based.

Operating revenues are recorded based on actual billings to customers plus an estimate for accrued unbilled electric and water consumption at the end of each fiscal year.

Reclassifications: Certain reclassifications have been made to the 1999 financial statements to conform with the 2000 presentation.

Note B — Utility Plant

The following is a summary of utility plant at September 30, 2000, by major classes:

Description	Power Resources	Transmission	Distribution	Water	Chilled Water	Shared Services	Total
Land	$ 13,173	$ 8,012	$ 44	$ 3,957		$ 1,745	$ 26,931
Generating plant	716,667						716,667
Water wells				12,230			12,230
Structures and improvements	263,245	74,041	2,644	28,448	24,497	56,481	449,356
Equipment	4,208	146,931	398,421	275,604	7	33,385	858,556
Total utility plant	997,293 *	228,984	401,109	320,239	24,504	91,611	2,063,740
Allowance for depreciation	(290,110)	(65,616)	(127,623)	(58,946)	(1,377)	(31,427)	(575,099)
Allowance for decommissioning	(19,284)						(19,284)
Construction work in progress	5,751	8,451	15,222	12,450	632	800	43,306
Net utility plant	$693,650	$171,819	$288,708	$273,743	$ 23,759	$60,984	$1,512,663

* See Note A - Deferred on Sale of Assets - related to the sale of the steam units at the Indian River Plant site.

(Dollars in Thousands)

Note B — Utility Plant (continued)

The following is a summary of utility plant at September 30, 1999, by major classes:

Description	Power Resources	Transmission	Distribution	Water	Chilled Water	Shared Services	Total
Land	$ 13,644	$ 6,279	$ 44	$ 3,940		$ 1,745	$ 25,652
Generating plant	811,149						811,149
Water wells				13,109			13,109
Structures and improvements	287,039	73,989	2,549	14,919	18,162	55,292	451,950
Equipment	6,647	133,972	388,645	266,154		33,467	828,885
Total utility plant	1,118,479	214,240	391,238	298,122	18,162	90,504	2,130,745
Allowance for depreciation	(352,264)	(60,076)	(116,890)	(55,183)	(600)	(24,430)	(609,443)
Allowance for decommissioning	(16,252)						(16,252)
Construction work in progress	8,432	13,120	7,874	14,541	545	921	45,433
Net utility plant	$758,395	$167,284	$282,222	$257,480	$ 18,107	$66,995	$1,550,483

Note C — Jointly Owned Operations

OUC maintains several participation agreements all of which it has been determined do not meet the criteria of a joint venture as specified in Statement 14 of the Governmental Accounting Standards Board.

OUC Operated: OUC maintains fiscal, budgetary and operating control of several power generation facilities for which there are undivided participant ownership interests. These undivided ownership interests are with the Florida Municipal Power Agency (FMPA) and Kissimmee Utility Authority (KUA). Each agreement is limited to the generation facilities with provisions relative to the use of common and external facilities. These agreements and the related ownership interests have remained consistent for the years ending September 30, 2000 and 1999 and are as follows:

Facility Name	Agreement Year	Total Facility Net Megawatt Capacity	FMPA Undivided Ownership Interest	KUA Undivided Ownership Interest	Net OUC Undivided Ownership Interest	Net OUC Megawatt Capacity
Stanton Unit No. 1 (SEC 1)	1984 & 1985	440	26.63%	4.82%	68.55%	302
Stanton Unit No. 2 (SEC 2)	1991	440	28.41%		71.59%	315
Indian River Combustion Turbines (A&B)	1988	96	39.00%	12.20%	48.80%	47
Indian River Combustion Turbines (C&D)	1990	236	21.00%		79.00%	186

Through September 30, 2000, OUC has maintained an agreement with Orange County, Florida to share operating costs of a waste water treatment facility at the SEC 1 and SEC 2 site. OUC operates the facility and has received from Orange County annual fees amounting to $879 and $1,099 during the years ending September 30, 2000 and 1999, respectively. Beginning in October 2000, Orange County will no longer share the operating costs of the waste water treatment facility (classified as a reduction to SEC 1 and SEC 2 operating and maintenance expenses).

Non-OUC Operated: OUC maintains an undivided participant interest with Florida Power & Light at the St. Lucie Unit No. 2 nuclear generation facility, with Florida Power at the Crystal River Unit 3 nuclear generation facility and with the City of Lakeland at the McIntosh Unit 3 coal-fired generation facility. In each of these agreements fiscal, budgetary and operational control is not maintained by OUC. These agreements and the related ownership interests have remained consistent for the years ending September 30, 2000, and 1999 and are as follows:

Facility Name	Agreement Year	Total Facility Net Megawatt Capacity	OUC Undivided Ownership Interest	Net OUC Megawatt Capacity
St. Lucie Unit 2	1983	853	6.09%	52
McIntosh Unit 3	1978	340	40.00%	136
Crystal River Unit 3	1975	835	1.60%	13

(Dollars in Thousands)

Note C — Jointly Owned Operations (continued)

Nuclear Decommissioning Costs: OUC funds nuclear decommissioning costs for St. Lucie Unit No. 2 and Crystal River Unit No. 3 on an annual basis in accordance with the estimate included in the Florida Service Commission's (FPSC) docket #941352-EI issued December 12, 1995. A trust fund has been established to provide certain financial assurances that funds will be available when needed for required decommissioning activities. The annual funding is calculated based on an estimated earnings rate of 6.5% expected over the life of the trust. The total obligation of OUC, as approved by the FPSC, for the St. Lucie Unit No. 1 was $22,495 (in 1995 dollars) of which $8,032 and $10,367 are not presented on OUC's Balance Sheet at September 30, 2000 and 1999, respectively. The total obligation of OUC, as approved by the FPSC, for the Crystal River Unit No. 3 was $6,480 (in 1995 dollars) of which $1,659 and $2,356 are not presented on OUC's Balance Sheet at September 30, 2000 and 1999, respectively. The recorded amount of $14,463 and $12,128 for St. Lucie Unit No. 1 and $4,821 and $4,124 for the Crystal River Unit No. 3, at September 30, 2000 and 1999, respectively, is included in the allowance for decommissioning in net utility plant. A related amount has been set aside as a restricted asset in a trust fund (see Note D - Restricted Assets). Estimated costs of decommissioning are periodically adjusted in response to requirements of the FPSC and the Nuclear Regulatory Commission (NRC).

Plant balances for SEC 1, SEC 2, McIntosh Unit No. 3 and the Indian River Plant Combustion Turbines include the cost of common and/or external facilities. At the other plants participants pay user charges to the operating entity for the cost of common and/or external facilities. Allowance for depreciation and amortization of utility plant in service is determined by each participant based on their depreciation methods and rates relating to their share of the plant. During fiscal years 2000 and 1999, OUC authorized an additional $2,900 and $4,200, respectively, in amortization of its interest in the St. Lucie Unit No. 2 nuclear generating plant.

The following is a summary of OUC's net share of each jointly owned plant.

Year Ended	St. Lucie Unit No. 2	McIntosh Unit No. 3	Crystal River Unit No. 3	Stanton Energy Center Unit No. 1	Stanton Energy Center Unit No. 2	Indian River Combustion Turbines
9/30/2000	$36,619	$65,420	($1,440)	$256,543	$294,482	$38,558
9/30/1999	$45,960	$67,329	($1,353)	$264,639	$303,468	$39,730

Note D — Restricted and Internally Designated Assets

Certain cash and investments are externally restricted by bond resolutions, nuclear generation facility decommissioning trusts and customer agreements. OUC's restricted assets consist of the following accounts:

	September 30 2000	1999
Debt service and related funds — Note H:		
Principal and interest funds	$ 62,564	$ 62,823
Debt service reserve funds	114,039	113,931
Total debt service and related funds	176,603	176,754
Construction and related funds:		
Nuclear generation facility decommissioning funds	19,284	17,290
Construction funds	42,614	60,662
Total construction and related funds	61,898	77,952
Renewal and replacement fund	47,883	43,724
Customer meter deposits	13,420	14,339
Total restricted assets	$ 299,804	$ 312,769
The restricted assets consist of:		
Cash	$ 85	$ 423
Investments	297,826	310,130
Accrued interest receivable	1,893	2,216
	$ 299,804	$ 312,769

Internally designated assets include certain cash and investments that have been internally designated by OUC's governing board and earn the same interest rate as OUC's operating investment portfolio. These funds are comprised of the following:

- ***Liability Reduction Fund:*** Funds established from various sources including the sale of the Indian River Plant, deferred wholesale trading profits and restricted operating funds.

- ***Stabilization Funds:*** Three stabilization funds have been established in conjunction with regulatory liabilities recorded in accordance with SFAS 71 (see Note A) and are as follows:

(Dollars in Thousands)

Note D — Restricted and Internally Designated Assets (continued)

	September 30 2000	1999
Liability reduction fund		
Restriction of operating cash	$ 105,000	$ 67,200
Indian River sale proceeds	176,617	
Wholesale trading profits	25,805	17,545
Total liability reduction funds	307,422	84,745
Stabilization Funds		
Fuel stabilization	8,394	6,699
Rate stabilization	33,841	31,416
Customer retention stabilization	1,522	1,420
Total stabilization funds	$ 43,757	$ 39,535

Note E — Cash and Investments

At September 30, 2000 and 1999, OUC's bank balances were $13,297 and $13,949, respectively, and the ledger balances were $5,315 and $11,851, respectively. The bank balances were covered by federal depository insurance or collateralized by a pool of U.S. Government securities held in trust by a third party bank in the name of OUC's banking institution.

OUC invested funds throughout the year with the Local Government Surplus Funds Investment Pool Trust Fund (the "Surplus Funds Investment Pool"), an investment pool administered by the State Board of Administration of Florida. Throughout the years ended and as of September 30, 2000 and 1999, the Surplus Funds Investments Pool contained certain floating rate notes which were indexed based on the prime rate and/or one and three month London Interbank Offered Rate rates. These investments, represented approximately .5% and 3.4% of the Surplus Funds Investment Pool portfolio at September 30, 2000 and 1999, respectively. Funds held with the Surplus Funds Investment Pool at September 30, 2000 and 1999 totaled $50,559 and $17,591, respectively.

In the following schedule OUC's investments are summarized and categorized to give an indication of the level of risk assumed by OUC at September 30, 2000 and 1999. Category 1 includes investments that are insured or registered or for which the securities are held by OUC or its agent in OUC's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the bank's trust department or agent in OUC's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the bank's trust department or agent but not in OUC's name.

Surplus Funds Investment Pool investments are not categorized because they are not evidenced by securities that exist in physical or book entry form.

Investments	Category 1	2	3	Carrying Amount	Fair Value
September 30, 2000:					
Repurchase agreements	$ 7,000	-	$ 12,094	$ 19,094	$ 19,094
U.S. Government securities	259,592	-	-	259,592	262,202
Other U.S. and agency backed securities	361,728	-	-	361,728	362,127
	$ 628,320	-	$ 12,094	$ 640,414	$ 643,423
September 30, 1999:					
Repurchase agreements	$ 30,000	-	$ 7,782	$ 37,782	$ 37,782
U.S. Government securities	187,305	-	-	187,305	189,244
Other U.S. and agency backed securities	242,715	-	-	242,715	242,846
	$ 460,020	-	$ 7,782	$ 467,802	$ 469,872

(Dollars in Thousands)

Note E — Cash and Investments (continued)

These investments are held in the following accounts:

Investment reconciliation		September 30 2000	1999
Restricted assets		$299,804	$312,769
Cash and investments		39,097	37,510
Accrued interest receivable		8,271	2,342
Self-insurance fund		4,589	4,741
Liability reduction fund		307,422	84,745
Stabilization funds		43,757	39,535
Minibond sinking funds		-	14,840
		702,940	496,482
Less:	Cash from restricted assets	(85)	(423)
	Accrued interest receivable from restricted assets	(1,893)	(2,022)
	Cash from cash, investments and other	(1,718)	(6,302)
	Accrued interest receivable	(8,271)	(2,342)
	Surplus Fund Investment Pool	(50,559)	(17,591)
Total investments		640,414	467,802
Cash and cash equivalents		54,305	141,721
Investments and other		638,471	350,397
Accrued interest		10,164	4,364
		$702,940	$496,482

Note F — Self-Insurance

OUC's self-insurance program covers a portion of its workers' compensation, general liability and automobile liability exposures. A self-insurance cash and investments account is used to pay claims as incurred. Changes in the balances of the self-insurance program liability during fiscal years 2000 and 1999 were as follows:

	September 30 2000	1999
Balance, beginning of year	$ 479	$ 496
Claims and changes in estimates	363	431
Payments of claims	(454)	(448)
Balance, end of year	$ 388	$ 479

Under the self-insurance program, OUC is liable for all claims up to certain maximum amounts per occurrence on an annual basis. Claims in excess of the maximum amounts are covered by insurance. Claims have not exceeded these maximum amounts in any of the past three fiscal years. The maximum amounts at September 30 are as follows:

	September 30 2000	1999
Workers' compensation	$ 250	$ 250
General liability	1,000	1,000
Automobile liability	1,000	1,000

OUC's transmission and distribution system is not covered by insurance, since such coverage is generally not available.

It is the opinion of general counsel that the Orlando Utilities Commission, as a statutory commission, may enjoy sovereign immunity in the same manner as a municipality, as allowed by Florida Court of Appeals rulings. Under said rulings, Florida Statutes limit liability for claims or judgements by one person for general liability to $100 or a total of $200 for the same incident or occurrence; greater liability can result only through an act of the Florida Legislature. Furthermore, any defense of sovereign immunity shall not be deemed to have been waived or the limits of liability increased as a result of obtaining or providing insurance in excess of statutory limitations. It is also the opinion of general counsel that OUC, as a municipal utility, is statutorily immune from suit for malicious prosecution.

Note G — Contributed Capital

Changes in Contributed Capital are as follows:

	September 30 2000	1999
Source:		
Distribution	$ 1,860	$ 6,045
Transmission	2,265	291
Water	7,755	7,140
Power Resources	168	-
Total additions	12,048	13,476
Depreciation	(3,738)	(3,549)
Contributed Capital at the Beginning of the Year	130,332	120,405
Contributed Capital at the End of the Year	$138,642	$130,332

(Dollars in Thousands)

Note H — Long-Term Debt

Long-term debt principal outstanding is as follows:

	Issue Date	2000	1999
SENIOR LIEN:			
Series 1992 and 1993, 4.75% to 6% due serially to 2013 and 5.0% to 5.125% due in term form in years 2019 and 2023	December 1992 and September 1993	$ 472,275	$ 494,005
Series 1996A issued in Term Rate Mode with a mandatory purchase date of 2001 at an interest rate of 4.25%	November 1996	60,000	60,000
Series 1996B issued as a Fixed Rate Bond due 2011 at a rate of 5.10% or a yield of 5.24%	November 1996	39,995	39,995
		572,270	594,000
JUNIOR LIEN:			
Series 1989D, 1991A and 1992A, 5.00% to 6.75% due in term form in years from 2017 to 2027	December 1989 through August 1992	443,845	443,845
Series 1993A and 1994A, 4.10% to 5.50% due serially 2000 to 2012 and 5.00% to 5.50% in term form in years 2012 to 2023	June 1993 and January 1994	220,715	221,740
Series 1993B, 4.55% to 5.40% due serially 1999 to 2009, 5.25% in term form in year 2023 and Select Auction Variable Rate Securities and Residual Interest Bonds, 5.60% and 5.664% due 2013 and 2017	August 1993	131,190	134,060
		795,750	799,645
OTHER DEBT:			
Series 1990AA, 7.10% Capital Appreciation Bonds, "Minibonds," maturing February 8, 2000	March 1990		15,094
Series 1998A, B and C and 1999A Revenue Bond Anticipation Notes with annual and variable rates from 3.5% to 4.48% due 2003 to 2004	September 1998 and September 1999	160,000	160,000
Line of credit — Note P	September 1998	11,701	4,703
		171,701	179,797
Less current portion		(38,336)	(40,719)
Total Long-Term Debt		$ 1,501,385	$ 1,532,723

Following is a schedule of annual principal and interest sinking fund requirements on the revenue bonds and interest on other notes outstanding at September 30, 2000:

Fiscal Year Ending	Principal	Interest	Total
2001	$ 28,225	$ 79,732	$ 107,957
2002	29,475	78,197	107,672
2003	91,250	76,685	167,935
2004	132,750	72,381	205,131
2005	34,810	66,543	101,353
Thereafter to maturity	1,184,875	734,911	1,919,786
Total	$ 1,501,385	$ 1,108,449	$ 2,609,834

(Dollars in Thousands)

Note H — Long-Term Debt (continued)

Senior Lien Bonds: The senior lien bonds are payable and secured by a first lien upon and pledge of the net revenues derived by OUC from the operation of the water and electric system and from certain investment income.

OUC has covenanted in the senior lien bond resolution to fix, establish and maintain rates and collect such fees, rentals or other charges for the services and facilities of the water and electric system, which shall be adequate at all times to pay in each fiscal year at least one hundred twenty-five percent (125%) of the annual debt service requirements for the bonds, and that the net revenues shall be sufficient to make all other payments required by the terms of the senior bond resolution.

The senior bond resolution establishes the Revenue Fund Account, Renewal and Replacement Fund Account and Sinking Fund Account, which is comprised of the Interest, Principal, Investment, Bond Redemption, Debt Service Reserve and Demand Charge Component accounts.

In accordance with the senior bond resolution, gross revenues derived from the operation of the water and electric system are to be deposited in the Revenue Fund and shall be applied only in the following manner:

1. Revenues are first to be used to pay the current operating expenses of the water and electric system and then all Sinking Fund and Renewal and Replacement Fund requirements.

2. The balance of any revenues remaining in the Revenue Fund shall, at the option of OUC, be used (A) for any lawful purpose in connection with the water and electric system and (B) to make any payments of funds to the City of Orlando; provided however, that none of the revenues is ever to be used for the purposes described in (A) and (B) unless all payments required in (1) above, including any deficiencies for prior payments, have been made in full to the date of such use, and OUC shall have fully complied with all covenants and agreements contained in the bond resolution.

Junior Lien Bonds: The junior lien bonds are payable from, and secured by, a lien upon and a pledge of the net revenues derived by OUC from the operation of the water and electric system and certain investment income, subject to the prior lien thereon of OUC's outstanding senior lien bonds.

OUC has covenanted in the junior lien bond resolution to fix, establish and maintain such rates and collect such fees, rentals or other charges for the services and facilities provided in each fiscal year, net revenues which will be adequate after the deduction of amounts required to be deposited from net revenues in each fiscal year to provide for the annual debt service requirement for senior lien bonds, to fund any debt service reserve requirement for such senior lien bonds and to make any required deposit to other funds and accounts established under documents evidencing or securing senior lien bonds at all times to pay in each fiscal year the sum of at least (I) one hundred percent (100%) of the annual debt service requirement for the bonds issued pursuant to the resolution and any pari passu additional bonds hereafter issued for the then current fiscal year and (II) one hundred percent (100%) of the amount required to be deposited into the Demand Charge Component Account for the then current fiscal year, and that such net revenues will be sufficient to make all other payments required by the terms of the resolution and that such rates, fees, rentals or other charges shall not be reduced so as to be insufficient to provide adequate revenues for such purposes.

The junior lien bond resolution establishes the Sinking Fund which includes the Interest, Principal, Bond Redemption and Demand Charge Component Accounts. In accordance with the resolution gross revenues are to be applied in accordance with the senior lien bond resolution and then to be applied to the Junior Lien Sinking Fund accounts.

Defeased Bonds: Refunding proceeds were invested in United States obligations in irrevocable Escrow Deposit Trust Funds. Such United States obligations mature at such time so as to provide sufficient funds for the payment of maturing principal and interest on the Refunded Bonds. All interest earned or accrued on the United States obligations has been pledged and will be used for the payment of the principal and interest on each respective bond series.

All Refunded Bonds are treated as extinguished debt for financial reporting purposes and have been removed from the balance sheet.

Defeased debt principal outstanding is as follows:

Refunded Series	Refunding Series	Final Payment	Outstanding as of Refunding	Remaining Principal @ 9/30/00	Remaining Principal @ 9/30/99
1973	1978	2003	$ 13,525	$ 3,000	$ 4,000
1975B	1978	2005	9,730	4,695	4,795
1976	1978	2002	8,500	2,000	3,000
1978 (1)	1978	2008	94,650	1,715	2,450
1978	1985	2006	110,330	72,315	74,475
1978A	1985	2008	40,000	24,260	26,595
1978B	1985	2003	75,000	26,840	35,155
1982	1985	2003	110,000	46,285	54,260
1989C	1993A	2000	75,000	-	75,000
1991A (2)	1994A	2020	120,440	120,440	120,440
			$657,175	$301,550	$400,170

(1) Special Obligation Bonds, Series 1978.
(2) The Series 1994A bonds only refunded a portion of the Series 1991A Bonds.

(Dollars in Thousands)

Note H — Long-Term Debt (continued)

Related Debt Information: On December 1, 1996, OUC entered into two additional interest rate swap agreements in the notional amounts of $60,000 and $40,000. These agreements provide that OUC receives fixed rates of 4.2843% and 4.976%, respectively, and owes interest calculated at a variable rate based on the BMA (Bond Market Association) Rate. The agreements terminate on October 1, 2001 and October 3, 2011, respectively.

Under the swap agreements, only the net difference in interest calculated at fixed and variable rates is actually exchanged with the counter party. The notional amounts are the basis on which interest is calculated; however, the notional amounts are not exchanged. A termination of the swap may result in OUC's making or receiving a termination payment. However, OUC does not anticipate nonperformance by the counter party.

OUC has no material operating or capital leases.

Note I — Electric Supply Agreements

Power Sales Contracts: The following table provides a summary of OUC's power sales contracts with other companies.

	Unit Sales		System Sales		Total	
Year	No. of Contracts	Amount of Sales MW	No. of Contracts	Amount of Sales MW	No. of Contracts	Amount of Sales MW
2001	3	225	2	116	5	341
2002	3	203	2	132	5	335
2003	3	182	2	134	5	316
2004	2	140	1	121	3	261
2005	1	43	1	128	2	171
2006	1	22	1	117	2	139
2007	0	0	1	139	1	139
2008	0	0	1	142	1	142

Note J — Payments to the City of Orlando and Orange County

Two types of payments are made to the City of Orlando pursuant to agreements between OUC and the City of Orlando: a revenue-based payment and an income-based dividend payment. The revenue-based payment is calculated at six percent of gross retail electric and water billings to customers within the City. This payment is made pursuant to a policy established by OUC and classified as an operating expense. The income-based dividend payment, which is recorded as a reduction of retained earnings rather than as an operating expense, is calculated using 60% of net income. Dividends for fiscal 2000 and 1999 amounted to $30,784 and $31,188, respectively, including accrued dividends at September 30, 2000 and 1999 of $6,784 and $8,087, respectively.

Payments are also made to Orange County, pursuant to a policy established by OUC. These payments are based on one percent of gross retail electric billings within the County but outside the city limits of the City of Orlando.

Note K — Commitments and Contingent Liabilities

1. OUC and the other participants in SEC 1 and SEC 2 have entered into coal supply contracts which expire in 2005 and 2006, with renewal and/or market price reopeners of five years on both contracts. The contracts require minimum annual purchases as follows:

2001	$39,497
2002	$40,130
2003	$40,776
2004	$41,434
2005	$42,105
2006	$11,468

2. OUC and the other participants in SEC 1 and SEC 2 have also agreed to a contract that expires on December 31, 2007 for rail delivery of the units' coal purchases.

3. OUC and the other participants have entered into a contract for the supply of 1,000,000 MMBTU's of methane gas for SEC 1 and SEC 2. The term of contract expires on December 31, 2007.

4. OUC has entered into contracts which expire in 2004 and 2014 with ten year renewal options for natural gas transportation capacity. The contracts require minimum annual capacity charges. These capacity charges have been reduced due to the permanent release of some of the transportation capacity volumes which were associated with the sale of the Indian River Steam units. The minimum annual capacity charges are as follows:

2001	$4,834
2002	$4,834
2003	$4,822
2004	$4,931
2005	$4,980
2006-2014	$5,030

(Dollars in Thousands)

Note K — Commitments and Contingent Liabilities (continued)

5. In connection with the sale of assets described in Note A, OUC has entered into a purchase power agreement for generation capacity at the Indian River plant site. This agreement extends through 2003 with options to extend the agreement through 2007. The contract requires minimum annual capacity charges ranging from $28,000 to $31,000 annually, through 2003.

Note L — Pension Plans

Defined Benefit Plan

Plan Description: OUC maintains a single-employer, defined benefit pension plan for all employees who regularly work 20 or more hours per week and were hired prior to January 1, 1998. Under provisions of the pension plan, employees who participate receive a pension benefit equal to 2.5% of the highest three consecutive years average base earnings times years of employment. A maximum of 30 years service is credited. Benefits are vested after 5 years of service.

OUC is the administrator of the plan. OUC established the plan and has the authority to make changes thereto. The plan does not issue stand-alone financial reports, but does receive annual actuarial reports.

Funding Policy: The pension plan agreement requires OUC to contribute, at a minimum, amounts actuarially determined. The current rate of contribution required by OUC is 6.19% of annual covered payroll. Required participant contribution obligations are 4% of earnings until the later of age 62 or completion of 30 years of service, with no required contributions thereafter. The benefit reduction for early retirement is 1% per year.

Annual Pension Cost and Net Pension Asset: OUC recognizes annual pension cost in accordance with GASB Statement No. 27, *Accounting for Pensions by State and Local Government Employers.* GASB Statement No. 27 also requires recognition of a net pension asset or obligation for the cumulative differences between annual pension cost and employer contributions to the plan. Pension cost and the net pension asset have been calculated as follows:

	September 30	
	2000	**1999**
Annual required contribution	$2,152	$2,391
Interest on net pension asset	(106)	(110)
Adjustment to annual required contribution	94	37
Annual pension cost (per actuary)	2,140	2,318
Contributions made	(2,229)	(2,468)
Increase in net pension asset	89	150
Net pension asset beginning of year	1,284	1,134
Net pension asset end of year	$1,373	$1,284

The annual required contributions were determined as part of the October 1, 1999 and 1998 actuarial valuations using the aggregate actuarial cost method. The actuarial assumptions included (a) an 8.25% investment rate return (net of administrative expenses), (b) a projected salary increase of 6% per year, (c) an inflation component of 4% per year and (d) no post-retirement benefit increases. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The over-funded pension asset is being amortized on a level dollar basis over a closed period of 15 years.

Three-Year Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of (APC) Contributed	Net Pension Asset
September 30, 2000	$2,152	104%	$1,373
September 30, 1999	$2,391	103%	$1,284
September 30, 1998	$3,127	104%	$1,134

Defined Contribution Plan

All employees who regularly work 20 or more hours per week and were hired on or after January 1, 1998, are required to participate in a defined contribution retirement plan established under section 401(a) of the Internal Revenue Code and administered by OUC. In addition, employees hired prior to January 1, 1998, were offered the option to convert their Defined Benefit Pension Account to this plan. The plan was created by resolution of OUC.

Under the plan, each eligible employee, upon commencement of employment, is required to contribute 4% of their salary, with OUC making a matching contribution of 4%. In addition, OUC will match up to 2% for additional voluntary contributions. Employees are fully vested after one year of employment. Total contributions for the year ended September 30, 2000 were $1,085 ($491 employer and $594 employee).

In October 1999, an amendment to the Defined Benefit Pension Plan was approved, authorizing the plan administration to permit employees at the Indian River Plant to withdraw from OUC's Defined Benefit Plan and transfer to OUC's Defined Contribution Plan. With the sale of the IRP steam units, IRP employees were given the option to make their benefits portable should they choose to change employers.

Note M — Other Post-employment Benefits

In addition to the pension benefits described in Note L, OUC has a policy to provide health care benefits and life insurance coverage to all employees who retire on or after attaining age 55 with at least 10 years of service or at any age after completing 25 years of service. Currently 448 retirees meet the eligibility requirements. Retirees may also elect to provide health care insurance for their qualifying dependents by paying 35 percent of the calculated premium. Medical benefits will be available, but not subsidized, for employees who retire under the Defined Contribution Pension Plan. OUC is a secondary provider for those retirees and/or their dependents who are eligible for Medicare benefits.

OUC's health care plan is administered through an insurance company on a self-insurance program with an additional purchased insurance policy to cover those claims over $150. In this plan, the insurance company administers the plan and processes the claims according to benefit specifications, with OUC reimbursing the insurance company for its payouts. Expenses are recorded by OUC when paid to the insurance company. Total post-employment health care costs recognized by OUC for the years ended September 30, 2000 and 1999, were $2,864 and $2,070, respectively. Post-employment life insurance costs during the same periods were $26 and $20.

Note N — Regulation and Competitive Environment

According to existing laws of the State of Florida, the five board members of the Orlando Utilities Commission act as the regulatory authority for the establishment of electric and water rates. The Florida Public Service Commission (FPSC) has authority to regulate the electric "rate structures" of municipal utilities in Florida. It is believed that "rate structures" are clearly distinguishable from the total amount of revenues which a particular utility may receive from rates, and that distinction has thus far been carefully made by the FPSC.

Prior to implementation of any rate change, OUC notifies customers individually, holds a public workshop, and files the proposed tariff with the FPSC.

Florida Public Service Commission: As noted above, the FPSC has jurisdiction to regulate electric "rate structures" of municipal utilities. In addition, the Florida Electric Power Plant Siting Act and the Transmission Line Siting Act have given the FPSC exclusive authority to approve the need for new power plants and transmission lines. The FPSC also exercises jurisdiction under the Florida Energy Efficiency and Conservation Act as related to electric use conservation programs and prescribes conformance to the Federal Energy Regulatory Commission's Uniform System of Accounts. The FPSC also approves territorial agreements and settles territorial disputes.

Environmental and Other Regulations: Operations of OUC are subject to environmental regulation by Federal, State and local authorities and to zoning regulations by local authorities. OUC's interconnection agreements with investor-owned utilities are subject to review and approval by the FERC. FERC also exercises jurisdiction over OUC under the Public Utility Regulatory Policies Act of 1978.

In accordance with FERC Order No. 2000, the state of Florida has begun the formation of a Regional Transmission Organization (RTO). The RTO is an independent organization intended to develop market driven congestion management as well as provide one-stop shopping for all transmission and eliminate pancake rates (the layering of rates for each time a trade crosses a corporate boundary). OUC is actively participating with the other utilities in the state of Florida to detail the establishment of this organization and ensure the success of this organization by the December 2001 deadline date. Currently several options are under consideration on how the transmission assets owned by each utility will be transferred to the RTO.

Competition: The electric utility industry is facing increasing competitive pressure. OUC currently faces competition from other suppliers of electrical energy to wholesale customers and from alternative energy sources for other customer groups. Various states, other than Florida, have either enacted legislation or are pursuing initiatives designed to deregulate the production and sale of electricity. By allowing customers to choose their electricity supplier, deregulation is expected to result in a shift from cost-based rates to market-based rates for energy production. Similar initiatives are also being pursued on the federal level. Although the legislation and initiatives vary substantially, common areas of focus include when market-based pricing will be available for retail customers, what existing prudently incurred costs in excess of the market-based price will be recoverable and whether generation assets should be separated from transmission, distribution and other assets. Further, other aspects of the business, such as generation assets and long-term purchase power commitments, would need to be reviewed to assess their recoverability in a changed regulatory environment.

(Dollars in Thousands)

Note O — Business Segments

The following is a summary of the significant information:

	Electric	Water	Total
Year Ended 9/30/00:			
Operating revenues	$ 454,236	$ 46,895	$ 501,131
Depreciation and amortization	56,967	11,591	68,558
Operating income	77,093	16,059	93,152
Net income	47,452	3,855	51,307
Dividends to the City of Orlando	28,471	2,313	30,784
Construction work in progress additions	44,210	23,793	68,003
Net working capital	110,628	12,353	122,981
Total assets	2,007,966	358,245	2,366,211
Long-term debt — net	(1,173,020)	(215,323)	(1,388,343)
Total equity (accumulated retained earnings and contributed plant)	(475,463)	(122,968)	(598,431)

	Electric	Water	Total
Year Ended 9/30/99:			
Operating revenues	$ 431,360	$ 43,378	$ 474,738
Depreciation and amortization	56,276	8,089	64,365
Operating income	109,626	12,610	122,236
Net income	46,584	5,396	51,980
Dividends to the City of Orlando	27,951	3,237	31,188
Construction work in progress additions	52,246	24,630	76,876
Net working capital	100,405	11,392	111,797
Total assets	1,818,384	367,685	2,186,069
Long-term debt — net	(1,191,096)	(220,753)	(1,411,849)
Total equity (accumulated retained earnings and contributed plant)	(447,758)	(118,102)	(565,860)

Note P — Major Contracts and Agreements

Interlocal Agreement between OUC and the City of St. Cloud: On April 25, 1997, OUC entered into an interlocal agreement with the City of St. Cloud (STC) to assume responsibility for providing retail electric energy services to all STC customers and to assume control and operation of STC's electric transmission and distribution system and certain generation facilities. In return, OUC is obligated to pay STC 9.5% of retail sales provided to STC customers (a minimum of $2,361 annually, unless certain events occur) and to pay STC approximately $2,232 annually, less certain contingent credits, for use of its electric system. The term of the Agreement commenced May 1, 1997 and continues in effect until September 30, 2022. OUC's revenue includes $28,247 and $25,880 for fiscal 2000 and 1999, respectively, as a result of this agreement.

Agreement between OUC and Trigen Cinergy Solutions: OUC entered into an agreement dated June 23, 1998, with Trigen Cinergy Solutions (TCS), whereby TCS will provide interim funding for the Downtown Chilled Water project up to $35,000. As of September 30, 2000 and 1999, OUC had borrowed $11,701 and $4,703, respectively, in funding from TCS for the project. As of May, 2001, OUC will repay TCS and obtain alternative funding, as needed. OUC will be the sole owner of the chillers once construction is completed. The chillers will provide chilled water for air conditioning buildings in the downtown area.

OUC shares profits and losses with TCS in accordance with the agreement. OUC also includes profits from the Chilled Water project in its calculation of a transfer of payments to the City of Orlando as described in a separate agreement dated August 17, 1998.

Deloitte & Touche

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INDEPENDENT AUDITORS' REPORT

To the Commissioners of the
Orlando Utilities Commission:

We have audited the accompanying balance sheets of the Orlando Utilities Commission ("OUC") as of September 30, 2000 and 1999, and the related statements of revenues, expenses, and changes in retained earnings and of cash flows for the years then ended. These financial statements are the responsibility of OUC's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of OUC as of September 30, 2000 and 1999, and the results of its operations and its cash flows for the years 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 November 15, 2000 on our consideration of OUC's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, and contracts. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Deloitte & Touche LLP

November 15, 2000

Deloitte Touche
Tohmatsu

OUC

The *Reliable* One®

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PRICEWATERHOUSECOOPERS

Seminole Electric Cooperative, Inc.

Consolidated Financial Statements
December 31, 2000

PRICEWATERHOUSECOOPERS

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Report of Independent Certified Public Accountants

To the Board of Trustees
Seminole Electric Cooperative, Inc.

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of revenue and expenses and patronage capital and of cash flows present fairly, in all material respects, the financial position of Seminole Electric Cooperative, Inc. and its subsidiaries ("Seminole") at December 31, 2000 and 1999, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of Seminole's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements 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. These 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 23, 2001 on our consideration of Seminole's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations and contracts. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

PricewaterhouseCoopers LLP

Tampa, Florida
February 23, 2001

SEMINOLE ELECTRIC COOPERATIVE, INC.
CONSOLIDATED BALANCE SHEET

ASSETS	December 31, 2000	December 31, 1999
Utility plant:		
Plant in service	$ 832,917,419	$ 816,608,845
Construction work in progress	175,429,951	47,456,951
	1,008,347,370	864,065,796
Less accumulated depreciation and amortization	(365,344,771)	(343,463,693)
Utility plant, net	643,002,599	520,602,103
Investments:		
Investments in associated organizations	4,515,036	5,937,113
Funds held by trustees and special funds	57,732,797	55,390,059
Total investments	62,247,833	61,327,172
Current assets:		
Cash and cash equivalents	46,586,838	102,323,000
Other current investments	0	47,647,947
Receivables, principally for sale of electricity	102,893,051	29,748,208
Inventories, at average cost:		
Materials and supplies	17,057,179	16,433,486
Fuel	27,775,174	22,683,554
Prepayments and other	704,834	615,220
Total current assets	195,017,076	219,451,415
Deferred charges	116,251,272	112,313,922
	$ 1,016,518,780	$ 913,694,612

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

SEMINOLE ELECTRIC COOPERATIVE, INC.
CONSOLIDATED BALANCE SHEET

	December 31, 2000	December 31, 1999
EQUITY AND LIABILITIES		
Equity:		
Memberships	$ 1,000	$ 1,000
Patronage capital	71,499,037	69,882,439
Donated capital	31,715	31,715
Total equity	71,531,752	69,915,154
Long-term liabilities:		
Long-term debt	770,148,017	691,393,025
Obligations under capital leases	790,155	15,623,300
Other	6,245,030	5,530,475
Total long-term liabilities	777,183,202	712,546,800
Current liabilities:		
Current portion of:		
Long-term debt	23,306,406	21,391,404
Obligations under capital leases	221,997	2,958,500
Accounts payable	63,608,155	30,796,549
Other accrued liabilities	53,662,243	50,229,266
Total current liabilities	140,798,801	105,375,719
Deferred gain on sale-leaseback of plant	12,682,929	14,098,698
Other deferred credits	14,322,096	11,758,241
Commitments and contingencies (Notes 10 and 11)		
	$ 1,016,518,780	$ 913,694,612

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

SEMINOLE ELECTRIC COOPERATIVE, INC.
CONSOLIDATED STATEMENTS OF REVENUE AND EXPENSES AND PATRONAGE CAPITAL

	December 31,	
	2000	1999
Operating revenue	$ 582,655,459	$ 557,740,268
Operating expenses:		
Operation:		
Fuel	158,854,364	160,892,029
Other production expenses	54,613,238	54,697,645
Purchased power	239,751,383	211,624,244
Transmission	33,677,095	27,274,117
Administration and general	17,248,783	16,547,472
Depreciation and amortization - non-fuel	25,043,340	25,045,683
Lease of coal-fired plant	28,514,746	28,747,426
Write-off of deferred charges	0	5,867,448
	557,702,949	530,696,064
Operating margins before interest charges	24,952,510	27,044,204
Interest expense net of amounts capitalized	35,342,519	35,720,429
Operating deficits	(10,390,009)	(8,676,225)
Patronage capital credits	104,101	138,384
Net operating deficits	(10,285,908)	(8,537,841)
Non-operating income:		
Interest income	12,130,746	10,374,579
Other income, net	402,371	685,707
Net margins	2,247,209	2,522,445
Patronage capital, beginning of year	69,882,439	67,983,761
Patronage capital retirements	(630,611)	(623,767)
Patronage capital, end of year	$ 71,499,037	$ 69,882,439

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

SEMINOLE ELECTRIC COOPERATIVE, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the years ended December 31, 2000	1999
Cash flows from operating activities:		
Net margins	$ 2,247,209	$ 2,522,445
Adjustments to reconcile to cash:		
Depreciation and amortization	38,904,608	38,237,138
Gain on lease/leaseback	(1,168,023)	(1,168,023)
Lease expense/lease payment difference	2,158,951	(688,318)
Write-off of deferred charges	0	5,867,448
Change in assets and liabilities:		
Receivables	(73,144,843)	(6,853,059)
Inventories	(5,715,313)	16,224,440
Prepayments and other	(89,614)	2,117,210
Deferred charges	(17,254,026)	(57,081,745)
Other long-term liabilities	(32,087)	(227,511)
Accounts payable	32,811,606	6,172,057
Other accrued liabilities	4,214,399	18,122,901
Deferred credits	0	(4,347,863)
Total adjustments	(19,314,342)	16,374,675
Net cash (used in)/provided by operating activities	(17,067,133)	18,897,120
Cash flows from investing activities:		
Utility plant additions, net of retirements	(147,818,674)	(36,223,117)
Proceeds from/(purchases of) investments, net	48,686,583	(7,172,038)
Net cash used in investing activities	(99,132,091)	(43,395,155)
Cash flows from financing activities:		
Proceeds from long-term borrowings	100,000,000	71,970,000
Payments of long-term debt	(21,336,679)	(15,255,715)
Payments of capital lease obligations	(17,569,648)	(2,699,135)
Payments of patronage capital credits	(630,611)	(623,767)
Payments of refinancing premiums	0	(20,197)
Net cash provided by financing activities	60,463,062	53,371,186
Net (decrease)/increase in cash and cash equivalents	(55,736,162)	28,873,151
Cash and cash equivalents, beginning of year	102,323,000	73,449,849
Cash and cash equivalents, end of year	$ 46,586,838	$ 102,323,000
Supplemental disclosure: Interest paid	$ 35,746,181	$ 24,113,496

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

SEMINOLE ELECTRIC COOPERATIVE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - THE COOPERATIVE:

Seminole Electric Cooperative, Inc. (Seminole) is a generation and transmission cooperative (G & T). It is responsible for meeting the electric power and energy needs of its distribution cooperative members operating within the State of Florida. Seminole's rates are established by its Board of Trustees, which is composed of representatives from each member cooperative.

Seminole constructed and operates two coal-fired generating facilities (Seminole Unit No. 1 and Unit No. 2) near Palatka, Florida with approximately 650 megawatts of net output per unit. These units are connected to the Florida bulk power supply grid through Seminole's 230 kV transmission lines and associated facilities. Both units commenced commercial operation in 1984.

At December 31, 2000, 167 employees or approximately 40% of the total workforce were covered by a four year collective bargaining agreement with Utility Workers Union of America expiring on June 30, 2003.

Seminole holds a 1.6994% undivided ownership interest in the Crystal River Unit No. 3 (CR3) nuclear power plant operated by Florida Power Corporation (FPC). Seminole also owns various transmission facilities connecting Seminole to an Independent Power Producer (IPP) as well as individual members to the Florida bulk power grid.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Seminole complies with the Uniform System of Accounts as prescribed by the RUS. The accounting policies and practices applied by Seminole in the determination of rates are also employed for financial reporting purposes. These policies and practices require management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Under the provisions of Statement of Financial Accounting Standards (SFAS) No. 71, "Accounting for the Effects of Certain Types of Regulation", Seminole's Board of Trustees prescribes rate-making recovery for certain transactions.

The consolidated financial statements include the results of operations and financial position of Seminole, Acuera Corp. (Acuera), Putnam Leasing Company A, Inc., Putnam Leasing Company B, Inc., and Putnam Leasing Company C, Inc., each wholly owned subsidiaries of

Seminole. Acuera owns a 1,300 acre site in Hardee County and Polk County, Florida which is leased, on a nonexclusive basis, to an IPP for its use associated with certain generating facilities constructed and owned by the IPP. The three leasing subsidiaries were established to facilitate the completion of the lease/leaseback transactions relating to one of Seminole's coal-fired generating facilities. All significant intercompany transactions have been eliminated.

Operating Revenue

Seminole has wholesale power contracts with each of its members, whereby the members must purchase all electric power and energy which the member shall require for the operation of its system within the State of Florida from Seminole to the extent that Seminole shall have such power, energy and facilities available. The only exception relates to contracts between several members and the Southeastern Power Administration, which provides less than 1% of the total energy required by all members.

Operating revenue consists primarily of sales of electric power and energy by Seminole and a facilities use charge for Seminole's transmission lines serving a single member cooperative. Member revenues include amounts resulting from a fuel and purchased power adjustment clause which provides for billings to reflect increases or decreases in fuel and fuel related purchased power costs. The levelized adjustment factor is based on costs projected by Seminole for a twelve-month period. Any over-recovery or under-recovery of costs plus an interest factor are to be refunded or billed to the members semi-annually. At the members' option, refunds of over-recoveries may be deferred with interest every six months until such time as the member elects to have the over-recovery including accumulated interest refunded. Under-recoveries of approximately $35 million and over-recoveries of approximately $4.5 million at December 31, 2000, and 1999, respectively, are recorded in accounts receivable or accrued liabilities until billed or refunded.

Included in operating revenue are approximately $568 million and $550 million of revenue from members for the years ended December 31, 2000 and 1999, respectively, of which approximately $63 million and $28 million primarily related to December sales are included in receivables at December 31, 2000 and 1999, respectively. During 2000, as a result of a settlement agreement with a power supplier, Seminole received a refund of $50.5 million plus interest from January 1, 2000 (see Note 11). A rate rebate in an amount equal to this refund including interest received was distributed to Seminole's members pursuant to a rate rider adopted by Seminole's Board of Trustees, and is reflected as a reduction to revenue from members.

Utility Plant

Utility plant owned by Seminole is stated at original cost. Such cost includes applicable supervisory and overhead cost, plus net interest charged during construction. The amounts of interest capitalized during 2000 and 1999 were approximately $5.6 million and $1.0 million, respectively. The cost of maintenance and repairs, including renewals and replacements of minor items of property, is charged to operating expense. The cost of replacement of depreciable property units, as distinguished from minor items, is charged to utility plant. The cost of units replaced or retired, including cost of removal, net of any salvage value, is charged to accumulated depreciation. Certain leased transportation equipment is valued at the total net present value of minimum lease payments.

Depreciation and Amortization of Utility Plant

Seminole provides for depreciation on owned utility plant using composite rates applied annually on a straight-line basis that will amortize the original cost of depreciable property over its estimated useful life. The average rates for 2000 and 1999 were as follows:

	2000	1999
Coal-fired production plant	3.10%	3.10%
Transmission plant	2.75%	2.75%
General plant	7.53%	7.25%
Nuclear production plant	4.51%	4.50%

Depreciation expense amounted to approximately $23.9 million for both 2000 and 1999.

Improvements to the leased coal-fired production plant are amortized over the remaining life of the base lease term. The related composite amortization rates were 7.0% and 6.08% for 2000 and 1999, respectively.

Amortization of leased assets under capital leases amounted to approximately $0.7 million and $2.7 million in 2000 and in 1999, respectively. Of these amounts, $0.5 million and $2.5 million in 2000 and 1999, respectively, relating to certain marine transportation equipment capital leases terminated in 2000, were recorded in deferred charges (see Note 11).

Amortization of Deferred Gain

Deferred gain on sale-leaseback of coal-fired production plant is being amortized on a straight-line basis over the base lease term of twenty-five years commencing in 1985 and is reflected as a reduction of operating expenses.

Gain on Lease/Leaseback

In December 1997, Seminole entered into three long-term lease/leaseback transactions for a portion of its Palatka generating station. These transactions are characterized as sales and leasebacks for income tax purposes, but are reflected as financing transactions for financial reporting purposes. Beginning in 1998, the net cash benefit to Seminole totaling approximately $26.9 million is being recognized on a straight-line basis over the twenty-three year leaseback period in the amount of approximately $1.2 million annually pursuant to SFAS No. 71 and as authorized by the Board of Trustees.

Deferred Charges

At December 31, 2000 and 1999, deferred charges included unamortized debt costs and related refinancing premiums of approximately $41.4 million and $43.4 million, respectively. These deferred charges will be recovered through rates over the remaining lives of the related debt ranging up to twenty years. During 1999, certain of the unamortized balances of refinancing premiums were written off as directed by the Board of Trustees and are included in the write-off of deferred charges in the amount of approximately $5.9 million. In December 1998 the Seminole Board of Trustees authorized the implementation of an expense deferral plan pursuant to the provisions of SFAS No. 71 relating to costs to be incurred associated with the coal transportation contract terminations (see Note 11). Anticipated marine equipment lease termination costs, operating costs of the leased marine equipment subsequent to coal transportation contract terminations, and certain other costs aggregating approximately $92.2 million have been deferred pursuant to this plan. Included in these costs is the net book value of approximately $8.2 million in 2000 and $17 million in 1999 relating to marine transportation equipment under capital leases terminated during 2000. The deferred costs associated with the coal transportation contract terminations are being amortized to fuel expense on a cost per ton basis through 2004, reflecting the shortest remaining term of the contracts terminated. Amortization of deferred costs associated with the coal transportation contract terminations was approximately $11.9 million and $11.8 million in 2000 and 1999, respectively. Amortization of other deferred charges amounted to approximately $2.6 million and $3.7 million in 2000 and 1999, respectively.

Long-Lived Assets

Seminole evaluates, on a regular basis, whether events and circumstances have occurred that indicate the carrying amounts of utility plant and deferred charges may warrant revision or may not be recoverable. Seminole measures impairment of these long-lived assets based on estimated future undiscounted cash flows from operations. At December 31, 2000, the net utility plant and net unamortized deferred charges balances are not considered to be impaired.

Deferred Credits

At December 31, 2000 and 1999, deferred credits primarily included deferred lease expense which represents the difference between cash payments and expense recognized on a straight-line basis related to the operating lease of certain generating facilities, and a reserve for CR3 decommissioning costs. These deferred credits have been authorized by the Board of Trustees.

Cash Equivalents

Seminole considers all short-term, highly liquid investments with an original maturity of three months or less to be cash equivalents.

Reclassifications

Certain reclassifications have been made to the 1999 statements to conform to current classifications. There were no changes in net margins as previously reported.

NOTE 3 - UTILITY PLANT:

	December 31, 2000	December 31, 1999
Owned property:		
Coal-fired production plant	$ 610,441,048	$ 596,190,181
Transmission plant	156,548,208	156,471,818
General plant	21,241,107	20,682,157
Nuclear plant, including fuel	22,273,734	21,765,904
	810,504,097	795,110,060
Transportation equipment under capital leases	2,538,591	2,538,591
Leasehold improvements of coal-fired production plant	19,874,731	18,960,194
	832,917,419	816,608,845
Construction work in progress	175,429,951	47,456,951
	1,008,347,370	864,065,796
Accumulated depreciation and amortization:		
Owned property	(355,115,962)	(334,618,232)
Leased transportation equipment	(1,616,989)	(1,405,619)
Leasehold improvements	(8,611,820)	(7,439,842)
	(365,344,771)	(343,463,693)
	$ 643,002,599	$ 520,602,103

NOTE 4 - INVESTMENTS:

	December 31, 2000	December 31, 1999
Investments in associated organizations:		
National Rural Utilities Cooperative Finance Corporation (CFC):		
Membership	$ 1,000	$ 1,000
Capital term certificates	1,451,561	2,346,681
Subordinated term certificates	2,498,473	3,024,376
Patronage capital certificates	552,394	548,264
Other	11,608	16,792
	$ 4,515,036	$ 5,937,113
Funds held by trustees and special funds:		
Pollution control bond funds	$ 14,889,550	$ 14,961,924
Nuclear decommissioning trust fund	4,556,500	4,342,157
Lease termination fund	38,286,747	36,085,978
	$ 57,732,797	$ 55,390,059

Investments in capital and subordinated term certificates and patronage capital certificates are considered to be held-to-maturity investments due to their nature and are carried at cost determined by specific identification.

It is not practical to estimate the fair value of CFC capital term certificates due to the nature and maturity of these investments. Of these investments, $1,451,561 are required as a condition of membership and of loans provided to Seminole by CFC. Of the approximately $1.5 million and $2.3 million carrying amounts at December 31, 2000 and 1999, respectively, $63,307 matures in 2075 and $918,124 matures in 2080. Both of these amounts pay 5% annual interest. Additionally, $364,283 matures in 2030 and pays 3% annual interest, and $105,846 in 2000, and $108,508 in 1999 bears no interest and amortizes through 2019. An additional non-interest bearing investment in these certificates totaling $892,459 at December 31, 1999, relating to an agreement between Seminole, CFC and the National Cooperative Services Corporation (an affiliate of CFC) was fully refunded in 2000.

Investments in CFC subordinated term certificates are required as a condition of guarantees provided to others by CFC on behalf of Seminole and are generally priced at market rates at the time of issuance. These investments bear interest at various rates with a combined average of approximately 6.3% and 6.4% at December 31, 2000 and 1999, respectively. At December 31, 2000 and 1999, the estimated fair values of these investments of approximately $2.4 million and $2.9 million, respectively, are based on the current rates offered by CFC for this type of required investment.

Funds held by trustees for pollution control bond funds are recorded at amortized cost and are considered to be held-to-maturity investments. The investments in the nuclear decommissioning trust fund (NDTF) are also considered held-to-maturity except for certain investments held by the NDTF which are invested in equity mutual funds and are valued at market prices for rate-making purposes. At December 31, 2000 and 1999, the estimated fair values of these funds of approximately $19.4 million and $18.9 million, respectively, are based on quoted market prices for the securities held by the trustees.

The lease termination fund, which has been invested in zero coupon government securities with a yield of 6.1% will be held to maturity (2020) and is not marketable; therefore, the fair market value is not determinable.

NOTE 5 - LONG-TERM LIABILITIES:

Long-Term Debt

	December 31, 2000	December 31, 1999
First mortgage notes payable to Federal Financing Bank (FFB), guaranteed by RUS, principal due in various installments through 2020, interest at fixed rates, from 4.934% to 7.295%	$ 580,250,090	$ 497,051,892
First mortgage notes payable to RUS, principal due in various installments through 2019, interest at 5.00%	7,093,927	7,371,048
Pollution control revenue bonds payable to the Putnam County Development Authority, guaranteed by CFC, principal due in various installments through 2014, interest at adjustable rates, currently 5.05% and 4.15%	129,850,000	133,950,000
First mortgage notes payable to CFC, principal due in various installments through 2019, interest at adjustable rates, currently 8.30%	8,390,127	8,547,883
Lease termination obligation payable to State Street Bank and Trust at maturity in 2020, interest imputed at a fixed rate of 3.05%	67,870,279	65,863,606
	793,454,423	712,784,429
Less current portion	(23,306,406)	(21,391,404)
	$ 770,148,017	$ 691,393,025

The estimated maturities and annual sinking fund requirements of all long-term debt, at interest rates as of December 31, 2000 for the four years subsequent to December 31, 2001, are presented below:

Year ending December 31,	Annual Maturities and Sinking Fund Requirements
2002	$ 27,200,287
2003	$ 29,735,812
2004	$ 31,642,892
2005	$ 33,734,734

On January 4, 1999, the interest rates on approximately $10.9 million of FFB debt, averaging 7.4%, were reset to rates averaging 5.06%, and were fixed to final maturity. Refinancing premiums in the amount of approximately $0.8 million were added to the outstanding balances of this debt. The refinancing premiums and additional costs of $23,000 were recorded as deferred charges and will be amortized through the remaining terms of the associated debt. During September and October, 1999, FFB debt in the amount of approximately $72 million was advanced to Seminole at a weighted average interest rate of 6.172%. During November and December, 2000, FFB debt in the amount of $100 million was advanced to Seminole at a weighted average interest rate of 5.66%.

Substantially all owned assets and leasehold interests other than the lease termination fund are pledged as collateral for the above mentioned debt to the United States of America (RUS and FFB) and CFC. The lease termination fund is pledged as collateral for the lease termination obligation to State Street Bank and Trust.

At December 31, 2000 and 1999, the estimated fair value of long-term debt including current portion but excluding the lease termination obligation, is approximately $747 million and $623 million, respectively. For Seminole's long-term debt with interest rates substantially fixed to final maturity, and for that portion that is subject to interest rate adjustment more than six months from year end, fair value is estimated based on the present value of the underlying cashflows. For that portion of long-term debt that reprices to market rates at intervals of six months or less, the carrying amount has been used as a reasonable estimate of fair value. The fair value of the lease termination obligation is not determinable since it is not marketable.

Obligations Under Capital Leases

At December 31, 2000, Seminole was obligated under a capital lease of rail transportation equipment which base lease term expires in 2004. The following is a schedule of future lease payments under the lease together with the present value of the net minimum lease payments as of December 31, 2000:

Year ending December 31,	
2001	$ 304,461
2002	304,461
2003	304,461
2004	304,460
2005	0
Thereafter	0
Total minimum lease payments	1,217,843
Less amount representing interest	(205,691)
Present value of minimum lease payments	1,012,152
Less current principal portion	(221,997)
	$ 790,155

This transportation equipment lease provides for renewal and option to purchase the equipment at fair market value at various dates or upon expiration. During 2000 and 1999, payments under the rail transportation equipment lease in the amount of approximately $0.3 million were included as a cost of fuel inventory and expensed based on the tons of coal burned throughout the year. Payments under marine transportation equipment leases in the amount of approximately $1.7 million and $4.3 million in 2000 and 1999, respectively, were recorded to deferred charges (see Notes 2 and 11).

NOTE 6 - NET MARGINS AND EQUITY RESTRICTIONS:

Under provisions of the RUS mortgage, until total equity equals or exceeds forty percent of total assets, the distribution of capital contributed by members is limited generally to twenty-five percent of patronage capital and margins of the next preceding year where, after giving effect to such distribution, the total equity will equal or exceed twenty percent of total assets. Distributions may be made, however, in such amounts as may be approved by RUS through waiver of the aforementioned restrictions. Such distributions to members totaled $630,611 and $623,767 in 2000 and 1999, respectively, representing amounts equal to 25% of 1999 and 1998 net margins, respectively. The RUS mortgage requires Seminole to design its wholesale rates with a view towards maintaining, on a calendar year basis, a Times Interest Earned Ratio (as defined in the agreement) of not less than 1.0 and a Debt Service Coverage Ratio (as defined in the agreement) of not less than 1.0. An RUS stipulation arising from the sale of tax benefits requires Seminole to design its wholesale rates to provide an annual Times Interest Earned Ratio of not less than 1.05.

In 2000 and 1999, Seminole achieved a Times Interest Earned Ratio of 1.05 and 1.06 respectively, and a Debt Service Coverage Ratio of 1.08 and 1.14, respectively.

NOTE 7 - LINES OF CREDIT:

Seminole has available uncommitted lines of credit totaling $75 million of which none were drawn at December 31, 2000 and 1999. RUS policy governs use of these funds.

NOTE 8 - INCOME TAXES:

Seminole is a non-exempt cooperative subject to federal and state income taxes and files a consolidated tax return. As a cooperative, Seminole is entitled to exclude patronage dividends from taxable income. Seminole's bylaws require it to declare patronage dividends in an aggregate amount equal to Seminole's federal taxable income from its furnishing of electric energy and other services to its member-patrons. Accordingly, such income will not be subject to income taxes.

Seminole's rate-making methods provide that any income taxes related to current operations are recognized as expense and are recovered through rates when currently payable. In addition, income tax credits are accounted for as a reduction of taxes currently payable in the period utilized. In 2000 and 1999, net operating losses of approximately $2.5 million and $14.2 million, respectively, were generated from non-patronage activity. At December 31, 2000, net operating losses and investment tax credits of approximately $118.2 million and $0.7 million are available to offset future taxable income and tax liabilities, respectively, expiring in years through 2020. Furthermore, alternative minimum tax (AMT) credits of approximately $2.5 million, which do not expire, are available to offset regular income tax liabilities.

Temporary differences in certain items of income and expense for tax and financial reporting purposes result primarily from depreciation, amortization and sale-leaseback of plant. Seminole has recorded the following noncurrent deferred tax asset, valuation allowance and noncurrent deferred tax liability in 2000 and 1999:

	2000	1999
Noncurrent deferred tax asset	$ 53,900,000	$ 51,000,000
Less valuation allowance	(47,500,000)	(47,300,000)
Net noncurrent deferred tax asset	6,400,000	3,700,000
Noncurrent deferred tax liability	6,400,000	3,700,000
Net noncurrent deferred tax asset/liability	$ -0-	$ -0-

Seminole excludes from its taxable income amounts derived from patronage activity. The deferred tax asset, valuation allowance and deferred tax liability are calculated solely based on non-patronage activity.

The noncurrent deferred tax asset reflects deductible temporary differences and net operating loss carryforwards at statutory rates plus investment tax credits and AMT credits. Based on Seminole's historical transactions and the exclusion of patronage dividends from taxable income, it is not anticipated that Seminole will have future taxable income sufficient to fully realize the benefit of the existing tax credits and net operating loss carryforwards at December 31, 2000. A valuation allowance has been recorded to reduce deferred tax assets relating to tax credits and net operating loss carryforwards. The valuation allowance increased from 1999 to 2000 due to the net operating loss generated in 2000, which is expected to expire unused, offset largely by a reduction due to the expiration of investment tax credits. The noncurrent deferred tax liability reflects taxable temporary differences at statutory rates.

NOTE 9 - EMPLOYEE BENEFITS:

Substantially all Seminole employees participate in the National Rural Electric Cooperative Association (NRECA) Retirement and Security Program (the Program), a defined benefit pension plan qualified under Section 401 and tax exempt under Section 501(a) of the Internal Revenue Code. Seminole's contributions amounted to approximately $2.6 million in 2000 and $2.0 million in 1999. In this multi-employer plan, which is available to all member cooperatives of NRECA, the accumulated benefits and plan assets are not determined or allocated separately by individual employer. Seminole also has a retirement savings plan for all employees that is qualified under Section 401(k) of the Internal Revenue Code. Seminole's contributions under the savings plan are based upon specified percentages of employee contributions and were approximately $631,000 and $628,000 for the years ended December 31, 2000 and 1999, respectively.

All employees are eligible to participate in the group health care coverage plan. Under this plan most employees have an option to choose either the Preferred Provider Plan or the Health Maintenance Organization Plan. Employees retiring on or after age 55 receive the benefit of being allowed to continue, at their expense, health care coverage under Seminole's group plan. In addition, these retirees may use a portion of their accumulated unused sick pay to apply toward these medical insurance premiums.

The following sets forth the plan's status reconciled with amounts reported in Seminole's consolidated balance sheets at December 31, 2000 and 1999. The plan is funded on a pay-as-you-go basis.

Accumulated postretirement benefit obligation (APBO):

	2000	1999
Active plan participants not yet fully eligible	$ 3,707,500	$ 4,110,800
Fully eligible active plan participants	540,700	620,000
Retirees and dependents	324,000	281,600
Other plan participants	33,000	48,900
Total APBO	4,605,200	5,061,300
Unrecognized gain/(loss) from past experience	940,300	(20,385)
Accrued postretirement benefit liability	$ 5,545,500	$ 5,040,915
Net periodic postretirement benefit cost included the following components:		
Service cost	$ 315,700	$ 375,200
Interest cost on accumulated benefit obligation	311,600	308,600
Amortization of actuarial gain	(38,100)	0
Net periodic postretirement benefit cost	$ 589,200	$ 683,800

A 9.0% increase in the cost of covered health care benefits was assumed for 2000. This rate is assumed to decrease incrementally to 5.5% in 2007 and remain at that level thereafter. The health care cost trend rate assumption has a significant effect on the amounts reported. For example, a 1% increase in the health care trend rate would increase the accumulated postretirement benefit obligation by $337,400 or 7.3% at year-end 2000 and net periodic cost by $49,800 or 7.9% for the year. The weighted average discount rate and rate of compensation increase used in determining the accumulated post-retirement benefit obligation for 2000 were 7.75% and 4.5%, respectively. The net effect of changes in assumptions for health care cost trend rates, weighted average discount rate and rate of compensation increase caused a decrease in the APBO at December 31, 2000. The unrecognized net gain in excess of ten percent of the APBO is being amortized over the fifteen remaining service years of active plan participants, in the amount of $38,100 per year.

<u>NOTE 10 - OPERATING LEASES</u>:

At December 31, 2000, Seminole was obligated under certain leases of generating facilities and rail transportation equipment for which base lease terms expire on various dates through 2009. The lease of the generating facilities contains a variable interest rate component that could affect future lease payments. During 2000, Seminole entered into a 7½ year lease for up to 527 railcars effective beginning July 2001. Base rental obligations under these leases are payable as follows:

Year ending December 31,	
2001	$ 34,926,539
2002	$ 36,280,609
2003	$ 36,972,745
2004	$ 37,656,481
2005	$ 38,334,217
Thereafter	$ 151,828,991

These leases generally provide for renewals and options to purchase facilities and/or equipment at fair market value at various dates or upon expiration.

Lease payments for the rail transportation equipment leases totaled approximately $0.7 million for both 2000 and 1999. These payments were included as a cost of fuel inventory and expensed based on the tons of coal burned throughout the year. Marine transportation equipment lease payments of approximately $2.6 million and $3.8 million in 2000 and 1999, respectively, were recorded to deferred charges (see Notes 2 and 11).

NOTE 11 - COMMITMENTS AND CONTINGENCIES:

Seminole is purchasing a significant portion of the coal for Seminole Units No. 1 and No. 2 under a long-term contract expiring in 2010. Contract terms specify minimum annual purchase commitments of 2.25 million tons, subject to force majeure conditions, and prices which are subject to adjustment for changes in costs. Total purchases under this long-term coal contract were approximately $58.7 million and $53.6 million in 2000 and 1999, respectively.

Prior to 1999, Seminole had long-term contracts with Mount Vernon Coal Transfer Company (MVCTC), Central Gulf Lines (CGL), Apalachicola Northern Railroad (ANR), and CSX Transportation Inc. (CSX), expiring through 2010, for transportation of substantially all coal purchases. Contract terms included a minimum cost as determined by a base quantity of tons shipped and prices, which were subject to adjustment for changes in costs.

On December 16, 1998, Seminole filed civil action asking the courts to determine equitable buy-out arrangements of its contracts with MVCTC, CGL, and ANR since mutually acceptable agreements had not been reached. Services provided to Seminole under these contracts with MVCTC, CGL, and ANR were discontinued on December 16, 1998 and January 21 and 22, 1999, respectively. In 1999 and 2000 Seminole entered into settlement agreements with each of the three parties which provide for the termination of all contractual relationships between the parties as of the respective date of discontinuance of services. Under the terms of these agreements Seminole made settlement payments to each of the parties, the amounts of which are subject to confidentiality agreements. These amounts have been included in deferred charges pursuant to the SFAS No. 71 expense deferral plan (see Note 2). These settlement agreements also provide for the dismissal of all litigation between the parties with prejudice. Also during 1999, Seminole gave notice to the lessors of certain leased marine transportation equipment of its intent to terminate these leases under the provisions of the lease agreements for economic reasons. Such terminations were completed during 2000 and the costs of termination have been deferred pursuant to the SFAS No. 71 expense deferral plan.

On January 4, 1999, Seminole began coal shipments utilizing lower cost all-rail transportation under a new agreement with CSX, having a minimum term of six years. Seminole is required to transport a significant portion of its coal and petcoke to be received at Seminole Unit No. 1 and Unit No. 2 under this new agreement. During 2000, Seminole exercised an option under it's agreement with CSX to displace, beginning July 2001, four train sets representing approximately one-half of the railcars provided by CSX under that agreement. Total charges under this contract were approximately $62.9 million and $53.1 million in 2000 and 1999, respectively.

Seminole has established an external NDTF in compliance with regulations prescribed by the Nuclear Regulatory Commission. The trust fund balance of approximately $4.6 million represents Seminole's cumulative share at December 31, 2000 of the estimated sinking fund reserve required to decommission CR3. Annual cash deposits will continue to be made to the NDTF representing Seminole's annual share of the projected sinking fund requirements. These amounts will be recovered from members through rates annually. Based upon a site specific study completed in 2000, Seminole's total share of the projected cost of decommissioning is approximately $8.8 million stated in 2000 dollars, and decommissioning expenditures are expected to occur over a twenty-six year period ending in the year 2041.

Seminole has various firm contracts with suppliers for purchased power with remaining terms ranging from one to fifteen years. These contracts require annual minimum take-or-pay capacity payments for the next five years as follows:

Year ending December 31,	
2001	$ 107.9 million
2002	$ 79.5 million
2003	$ 76.7 million
2004	$ 96.0 million
2005	$ 108.6 million

Total charges, including capacity payments, under these contracts were approximately $226.6 million and $154.4 million for 2000 and 1999, respectively.

In December 1998, Seminole signed a contract with Siemens Westinghouse Power Corporation and Overland Contracting Inc., a subsidiary of Black & Veatch, to build a 500 megawatt, gas-fired combined cycle generating facility at the existing 1,300 acre site leased from Acuera. The estimated total cost of the facility is approximately $233.6 million of which approximately $170.7 million had been expended at December 31, 2000. This facility will be funded through debt borrowed from FFB and certain restricted funds. The facility is scheduled for commercial operation on January 1, 2002, replacing capacity currently being purchased from another Florida utility.

In the normal course of business Seminole has ongoing disputes with some of its power suppliers. Additionally, some of the billings received by Seminole for purchased power are subject to adjustment based on the actual costs of the seller. During 2000 and 1999, several disputes were settled resulting in refunds relating to purchased power costs recorded in prior periods totalling approximately $51.9 million and $34,000, respectively, not including interest. Also during 2000 and 1999, refunds were received in the aggregate amounts of approximately $1.9 million and $1.7 million, respectively, not including interest, for adjustments to reflect actual costs related to power billings from prior periods. These amounts were recorded in both years as reductions to purchased power expenses.

Seminole is a party to litigation involving various other claims arising in the normal course of business. In the opinion of management the ultimate resolution of these matters will not significantly affect Seminole's financial statements.

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