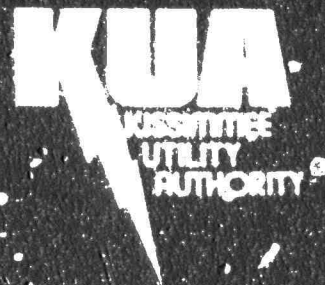


KISSIMMEE UTILITY AUTHORITY
199 Annual Report



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KISSIMMEE

UTILITY

AUTHORITY



FACING NEW DIMENSIONS

Smiling... Service... Satisfaction. This motto has been hallmark in the formative years of the Kissimmee Utility Authority. In March, 1985, the voters of Kissimmee approved establishing a separate entity from the city to provide electric service to the residents of this area; alas, the A was added to KUA. As a result, this challenged us to set new goals and reach new horizons. Fiscal year 1991 was a fast-paced year of success for KUA, marked by growth, commitment to the community and continued financial strength.

From its inception, KUA was off and running in many directions with new heights to reach. Without a doubt, the greatest challenge to the KUA over the last decade has been the growth of our area; yet, thanks to sound planning by KUA staff and Board of Directors, KUA has been able to meet that growth with no base rate increase since the Authority's origin in 1985.

Looking ahead, we at KUA have identified major capital projects that will help meet the need of system demands caused by rapid customer growth during the final years of the 20th century. These projects include the construction of a new gas turbine facility; installation of a new supervisory control and data acquisition (SCADA) system to better monitor and regulate the flow of energy requirements; improve-

ments to the transmission and distribution system, including three new substations; and the design and construction of a new administration facility currently in the hands of builders, architects and engineers.

With these new dimensions upon us and in the future, the total cost of these projects over a ten-year period will be approximately \$128 million. With five years under our belt, KUA as a separate entity, has been able to strengthen its financial position and has been able to fund all capital projects internally. By closely monitoring our expenses, we are making every effort to limit the amount of borrowing that will be needed in the future. KUA is committed to financial soundness in order to best serve our ratepayers - - now and in the future.

As evidenced by this report, 1991 found KUA busy diving into new things, not just testing the waters, to build a utility our customers can be proud of. KUA wasn't afraid to get a little wet in 1991.

Sound planning, customer dedication and commitment, and employees willing to soar above the rest will allow KUA to add to the quality of life throughout the area. An area we call home.



Richard L. Hord (left) and James C. Welsh

Richard L. Hord
Chairman

James C. Welsh
President & General Manager



Miles of transmission lines help KUA provide reliable electric service.

C O N T E N T S

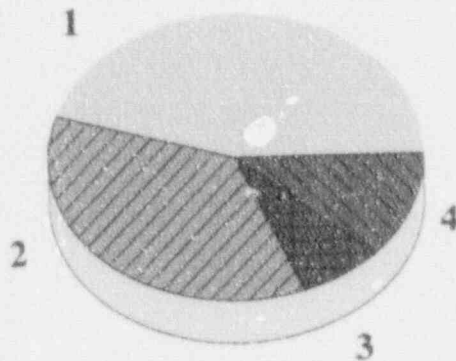
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**YEARS ENDED
 SEPTEMBER 30 % INCREASE
 1991 1990 (DECREASE)**

KWH Sales - (thousands)	678,602	645,578	5.1
KW Peak Demand - (thousands)	157	200	(21.5)
Customers - average number	34,632	32,209	7.5
Operating revenues - (thousands)	\$61,581	\$60,357	2.0
Fuel and purchased power expenses - (thousands)	\$24,882	\$23,301	6.8
Total operating expenses - (thousands)	\$48,943	\$45,824	6.8
KWH sales per residential customer	11,321	11,580	(2.2)
Average revenue per KWH residential sales - (excluding COPA)	\$.09277	\$.09368	(1.0)

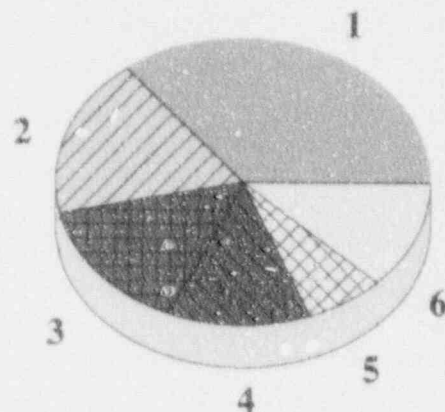
1991 CASH FLOWS

Where it came from



- 1. Residential Revenue 44.9%
- 2. Commercial Revenue 35.9%
- 3. Industrial Revenue 7.1%
- 4. Interest Revenue/Other 12.1%

Where it was used



- 1. Fuel & Purchased Power 35.5%
- 2. Operation & Maintenance 18.1%
- 3. Capital Improvements 15.0%
- 4. Debt Service 12.3%
- 5. Cash for Future Improvements 6.8%
- 6. Intergovernmental Transfers/ Other 12.3%

**Kissimmee Utility Authority
Financial Review**

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FINANCE

In fiscal 1991, KUA's operating revenues increased to \$62 million, compared to \$35 million only five short, yet fast-paced, years ago. Even with double-digit growth over these years, KUA has kept electric rates stable over the years.

With KUA's Megawatt hour sales growth averaging 11.5 percent a year since 1965, total KUA assets have grown to \$174 million as of September 30, 1991 to facilitate the enormous growth occurring in our service area. This is an increase of \$61 million since September 30, 1985. Of this amount, approximately half has been used to acquire additional plant and equipment, allowing KUA to provide affordable, reliable electric service at the flick of a switch. The remaining half has been designated toward future capital outlays. The Finance Department at KUA is continually planning for tomorrow as if it were today.

One of the challenges of growth is the demand that needed expansion places on an organization's cash resources. We have met that challenge by preparing a ten year plan which has projected the timing and cost of future projects and the effect that they will have on our overall financial resources. The Finance Department is committed to ensuring the future financial strength of KUA and to provide affordable service to our customers.

In the next decade KUA will add three new substations, a combustion turbine facility, 17 MW of generating power at Orlando Utilities Commission's Stanton Unit II, expansion of our transmission and distribution system, and a new administration building at a projected cost of over \$160 million.

A financing plan was developed in 1991 to provide the most optimal financing that could be obtained for KUA and provide the least cost to the ratepayers. This plan included refunding a prior bond issue to take advantage of lower

current tax exempt interest rates and issuing new money bonds in the amount of \$75,550,000 to provide construction funds to complete these projects on KUA's horizon. In spite of this large expansion plan required by growth in KUA's service area, KUA plans to keep rates stable throughout the decade. In order to accomplish this we are planning to hold increases in operation and maintenance expenses down throughout the coming years.

The financial condition of KUA has substantially improved since 1985, at which time KUA became a separate Authority. Since 1985, the debt to equity ratio has decreased from 5:1 in 1985 to 2:1 in 1991.

The debt service coverage ratio has increased 38%, from 2.37x in 1985 to 3.26x in 1991.

Besides financing, this department has also delved into other matters such as recently initiating a professional internal audit division. Internal Auditing is an independent appraisal function with the objective of examining and evaluating KUA's activities to promote efficient operations and provide reasonable assurance of proper controls over our resources.

In addition, KUA's Information Systems Division has coordinated the installation of a new computer system to meet the demands of customer growth. In order to provide customers with timely, useful information concerning KUA and electric issues, we have installed an electronic envelope billing system.

As KUA faces new dimensions, its outstanding financial health is a

"As KUA faces new dimensions, its outstanding financial health is a continuing matter of pride for its employees and customers," says KUA's Director of Finance, Jay Hostler.



continuing matter of pride for its employees and customers. KUA is working hard to build on this tradition of excellence on which it prides itself.



KUA's new electronic envelope billing machine greatly reduced time spent getting customer bills in the mail.

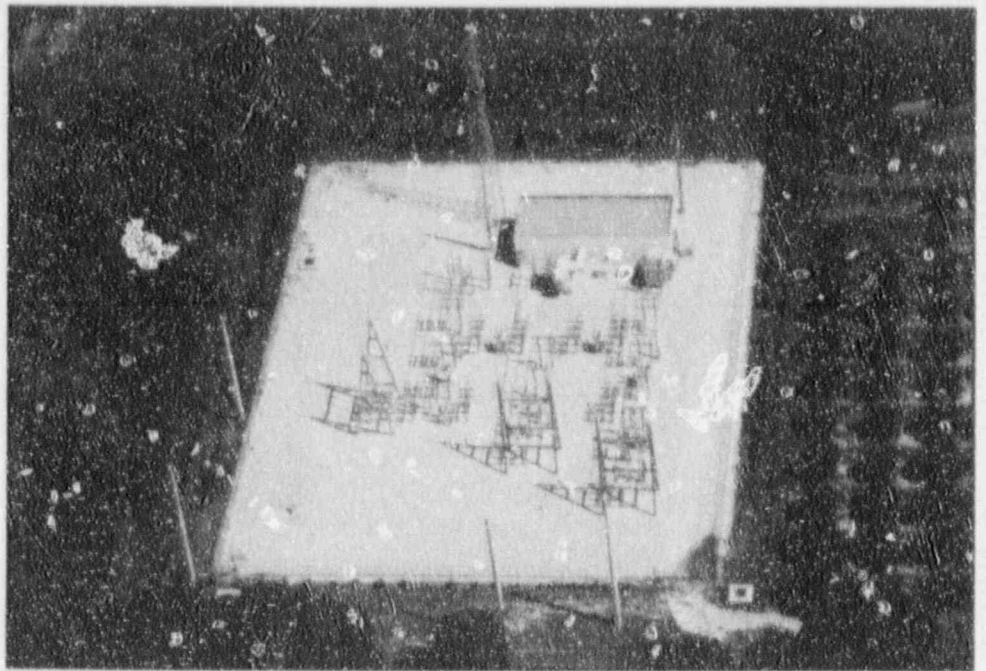
The Carl A. Wall Substation, one of two substations recently constructed, features a new low-profile design for better assimilation into the community. This substation helped increase KUA's distribution capacity by 50 percent. It is located off Boggy Creek Road, behind the Rose Hill Cemetery and the Osceola Memory Gardens.

60,000 square foot office complex located on Carroll Street. This complex will also house a new state-of-the-art energy control center. Consolidation of these functions at one location will maximize the operating efficiency of the various departments which must interact with each other on a daily basis. In order for these facilities to become reality in the future, planning was on our minds in 1991.

Managing the data associated with continual changes to our system became an enormous task in itself. Updating system drawings and facilities data created a tremendous workload. Recently we have installed an automated mapping and facilities management system to ease this situation. This system greatly enhances our efficiency in record keeping, production and revisions of drawings, maintenance scheduling, and engineering analysis.

Through all the changes we are experiencing, we strive to maintain our commitment to the community we serve. This department, as well as KUA as a whole, is committed to programs such as the one in conjunction with City officials to concentrate efforts toward providing increased lighting in potential high crime areas. These areas are given our top priority for the repair and installation of lighting.

Meeting the demands brought about by this level of



growth presents a tremendous challenge to KUA. Through the dedication of our Board of Directors, management, and staff we will continue to meet these challenges. Sound management and our committed employees will enable us to meet our organizational commitment of providing customers with an adequate and

reliable source of power at the lowest possible cost. While coping with today's growth, KUA is busy forecasting and planning for tomorrow.

Electricity not only helps provide us with the comforts of life, it also is a wonderful safety measure. KUA is committed to working hand-in-hand with City officials to give top priority to increased lighting in potentially high crime areas within KUA's service territory.



CUSTOMER RELATIONS



"Quality customer service means going that extra mile, taking that extra step and putting yourself in the customer's place. KUA believes that a commitment to that philosophy guarantees customer satisfaction," says KUA's Director of Customer Relations Chris Beck.

Customer satisfaction is one of our primary goals at KUA. We believe our customers are entitled to receive the finest service that KUA can provide. In keeping with this philosophy, customer support and confidence has been essential this past year toward enabling KUA to bring on-line numerous innovative technological programs to improve customer service. However, with the onset of high-tech means of service to take KUA and its customers into a new decade, back to the basics and what's important has never been stressed more. One-on-one contact between our customers and personnel in KUA Customer Relations has enabled us to determine first hand customer needs and desires and, most

importantly, how to effectively fulfill those needs. Our representatives work individually with our commercial and residential customers, searching for better and more cost-effective ways to serve them. While continuously being faced with the influx of new customers, KUA is faced with new needs and service requirements daily. Fortunately, KUA is continuously anticipating and striving to meet these needs quickly by expanding the duties of our Customer Relations Department to meet our customer growth. It has been KUA's goal over the last year to provide the highest-quality, lowest-cost energy services to our customers.

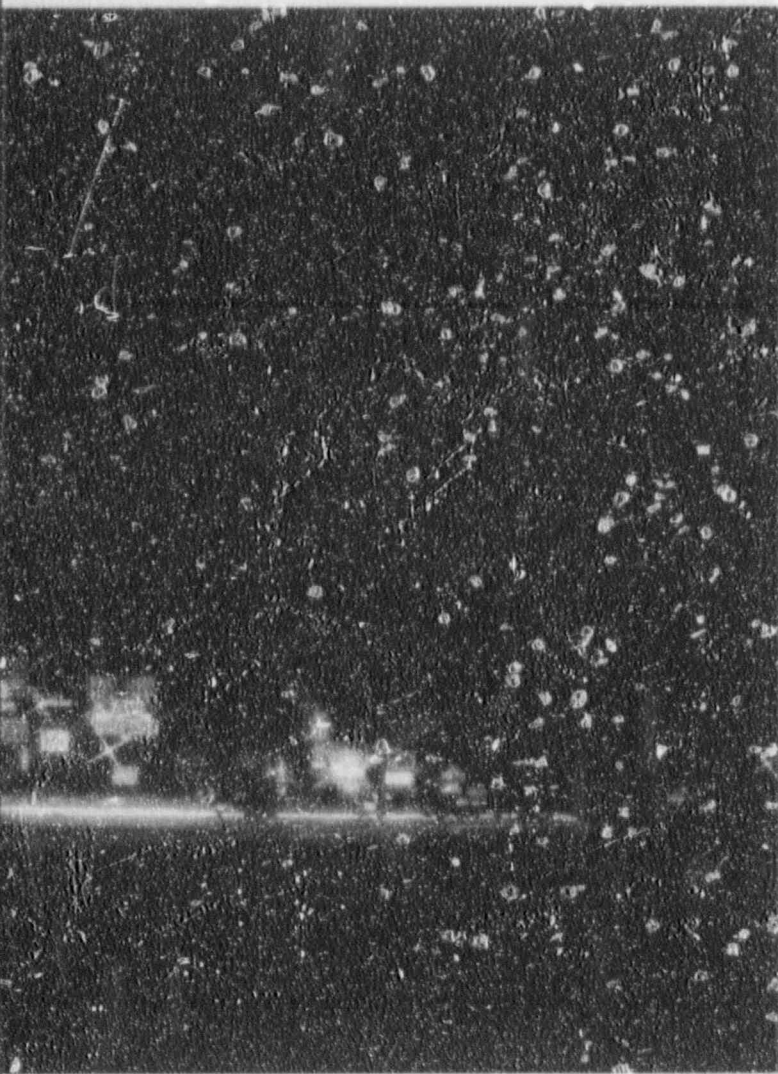
In striving to accommodate the needs of all our customers, KUA has, over recent years, taken a hard look at the way we process requests for service from our customers. As a result of this critical review, KUA worked to streamline the process of providing service to customers by implementing the KUA phone bank. Customers may now call KUA to process many types of requests for

service rather than make a trip to the KUA Administration Building.

Another convenient customer service function KUA made available to its customers recently was Bank Drafting. This voluntary service allows a customer's checking or savings account to be automatically debited for the amount of his or her bill on a set day each month. Bank Drafting has been a relief to many customers, especially those who travel frequently or who live part of the year away from our service territory. This type of "insurance policy" against forgetting to pay an electric bill has also been extremely helpful for senior citizens and those businesses whose check writing process is complicated and lengthy. With Bank Drafting, KUA utilized advanced microcomputer technology to provide its customers with the most efficient and convenient means of paying monthly utility bills.

Paying a utility bill has never been so easy. Recently, KUA also made available credit card payment which allows customers to pay monthly utility payments, as well as initial or additional deposits, by charging the amount on a MasterCard or Visa. A small fee is billed to those customers using the credit card payment option so the burden of the cost of this service does not fall to other customers not using the credit card option. Credit card payment has helped make our customers' household budgeting easier, especially during those months when unexpected expenses arise.

In a move to provide all customers with additional information regarding their utility bill, energy conservation, rates, and major utility projects, a new envelope style bill replaced the old postcard bill in 1990. The new format allowed for more privacy of billing information for the customer and for a return envelope to



fourth consecutive year, KUA has been awarded the Distinguished Budget Presentation Award and the Certificate of Achievement for Excellence in Financial Reporting by the Government Finance Officers Association of the United States and Canada. Both signify the highest forms of recognition for excellence in state and local government financial reporting.

It has been a busy and productive year indeed; but most importantly, KUA continued to uphold its commitment of making its customers the most important goal. In doing so, KUA has challenged its employees by measuring their performance, setting goals, providing the necessary training and giving them an opportunity to work together to solve whatever problem arose. In doing so, increasing the level of customer satisfaction has been the outcome.

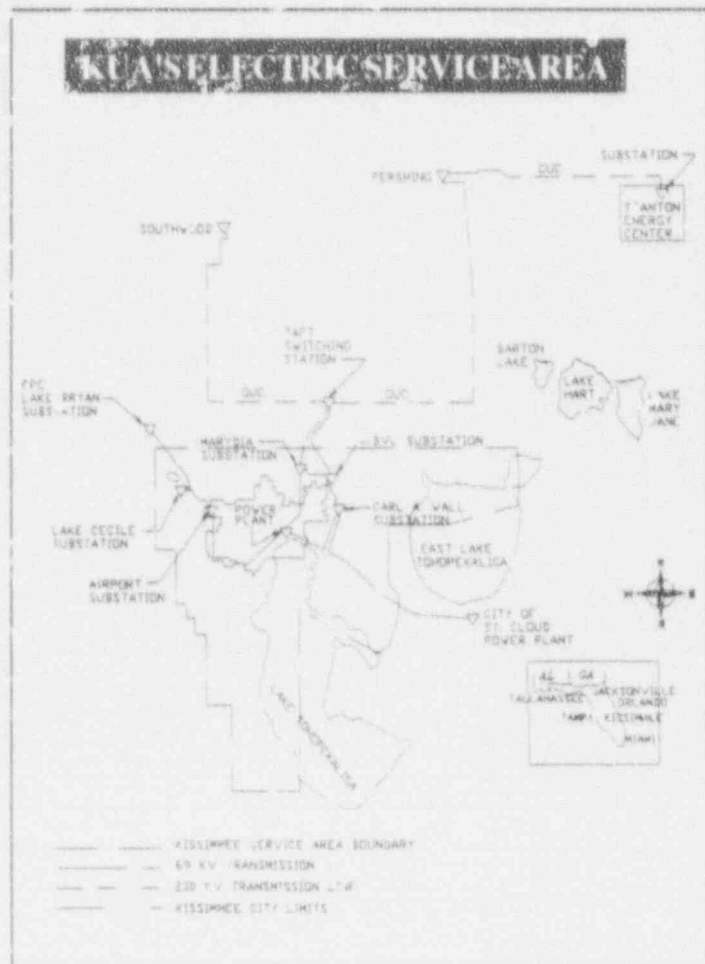
1991 is only the beginning of the new decade; 1991 is only the beginning of what KUA can accomplish.

Illuminating the night sky, the increasing number of lights seen on Vía Street -- the world's gateway to Walt Disney World -- is evidence of the vast growth in the area KUA is busy serving.

energized 2 new substations last year, the Carl A. Wall and the Lake Cecile substations, increasing KUA's distribution capacity by 56 percent to further meet the escalating demand on the system load. In the works is a new combustion-turbine power plant at Cane Island, as well as a new administrative facility combined with a state-of-the-art energy control center on Carroll Street. KUA worked at a driven pace in 1991 to install and upgrade infrastructures essential to serve the flood of new customers this past year.

Throughout this year of growth, KUA's service continued to be reliable and progressive with the development and continuation of many new customer service programs including credit card payments, bank drafting and lockbox. In addition, several new, exciting programs were born this year such as the SAVE Program -- a load management program -- and the Good Neighbor Program which is a voluntary customer contributory program to help those KUA customers who are less fortunate pay KUA utility bills during emergency situations.

In addition, KUA proudly continues to maintain its excellent standing in the financial community. That confidence is reflected in the fact that for the



POWER SUPPLY

Kissimmee is expected to continue as one of the nation's fastest growing metropolitan areas through 2010. Osceola County's population is projected to increase 41.7%, to 145,000, by 2000. For KUA which has continuously experienced an average 10.8% yearly growth increase in megawatt hours since its inception five years ago, such forecast means the local demand for power and facilities doubles every seven years. Such growth mandates that KUA's reaction be forward-thinking in its efforts to achieve new heights in performance and service in every aspect of its operations.

Innovations, imagination and joint action are bringing new dimensions of cost effectiveness and reliability to KUA's rapidly expanding electric system. The primary goal of KUA is to provide reliable electric service to its customers at the lowest possible cost in the best environmentally acceptable method. In order to accomplish this, KUA has diversified its power supply resources which are based on KUA's own generation, off-site generation through joint participation projects, and through long and short term purchase power contracts.

KUA's on-site generation at the Roy Hansel plant and the adjoining area consists of the following generating units: An approximate 50 MW combined



"Growth mandates that KUA's reaction be forward-thinking in its efforts to achieve new heights in performance and service in every aspect of its operations," says KUA's Director of Power Supply A.K. (Ben) Sharina.

cycle unit (30 MW gas turbine plus two 10 MW each steam turbines). In addition, this facility houses nine smaller dual fuel (natural gas and No. 2 fuel oil) diesel units of approximate total capacity of 20 MW, which brings the total capacity of the plant to approximately 70 MW. To maximize the operating efficiency of our generating units, we maintain an ongoing program to monitor important operating elements -- from the amount of fuel that they burn to the amount of air that they use for combustion.

Additionally, KUA has an approximate 5.2 MW ownership interest in Florida Power Corporation's 840 MW Crystal River 3 Nuclear Unit, a 4.8195% (20MW) interest in Orlando Utility Commission's (OUC) Stanton Energy Center Unit 1 and a 12.2% (ap-

proximately 11 MW) ownership in OUC's Indian River Combustion Turbine Units A & B. KUA also has an ownership entitlement through the Florida Municipal Power Agency (FMPA) for the share of approximately 7 MW of capacity from Florida Power & Light's St. Lucie Nuclear Power Plant Unit 2. KUA

also has secured firm purchase agreements with various utilities for short term and long term capacity and energy. The current agreements include those with the Orlando Utilities Commission, Florida Power Corporation (FPC) and Tampa Electric Company (TECO). These contracts are

for varied amounts of capacity during different years. In addition to the above-mentioned firm contracts, KUA also has economy interchange agreements with several other electric generating utilities in the State of Florida.

KUA's need for natural gas fuel is met through both firm and interruptible gas supply contracts with Florida Gas Transmission Company (FGT). These contracts constitute pure sales, as well as transportation service arrangements.

In order to meet the future demand caused by continued

with the Board in 1985 and has held the position of Secretary since that time.

Initially, a reporter for the Milwaukee Sentinel and Milwaukee Journal, Bobroff rose to positions of Associate Editor and Editor of several large newspaper publications throughout Florida. From 1962 to 1982, he held various positions with the Orlando Sentinel, including serving on the Editorial Board. Bobroff earned his very credible reputation in the field of journalism stemming from his college days at the University of Wisconsin.

Although retired as a reporter, Bobroff currently is an agricultural writer. In addition, this Osceola County resident of 31 years is President/Owner of Bobroff's, Inc., a national stamp approval business.

Harry Lowenstein



Harry Lowenstein is currently serving his first term in office, which began October 1, 1987. He holds the

position of Assistant Secretary.

Having been associated with the clothing industry since 1952, Lowenstein is the owner of one of

the city's oldest retail establishments, Goold's Department Store, located in Downtown Kissimmee. Lowenstein has been a resident of Osceola County for 19 years.

Arnold W. Jones

Businessman Arnold W. Jones is currently serving his second term on the KUA Board of Directors. Jones is no stranger to



KUA, having served as an original Board member in 1985, responsible for transforming the

utility to an authority.

Jones currently holds the position of President with Alden Equipment Company, Orlando, where he has been employed for 21 years. He has served in his current capacity as President for 10 years. In addition, Jones serves on the Board of Directors of Alden's parent company, Management Tech. Services in California.

Jones is a native Floridian, having been born in Daytona Beach, and has been a resident of Osceola County for 10 years.

John B. Pollet



Kissimmee Mayor John B. Pollet, an Ex-Officio Director, became a member of the

KUA Board of Directors in October 1990. Pollet's strong political background speaks for itself in placing him as a person dedicated to leadership.

Pollet served on the Kissimmee City Commission from 1977 to 1979, and he was appointed to the same in 1989 to fill an unexpired term of a resigning member. In October 1989, he was appointed Mayor to fill an unexpired term of a resigning incumbent. Upon completion of that term, he was elected Mayor - - a position he holds to date.

Pollet is a Life Insurance Agent with New York Life Insurance.



A Year Marked By Growth And Change . . .

Experiencing growth unparalleled to any in its history, the Kissimmee Utility Authority found itself continually setting higher goals and reaching new heights in 1991. With both hands on the wheel, KUA has been busy keeping ahead of the unprecedented growth that has occurred in its service area.

KUA is a municipal electric utility under the direction of a 6-member board of directors. In addition, KUA acts as a billing and customer service agent for the Water and Sewer and Refuse Departments of the

City of Kissimmee. Its service area covers the City of Kissimmee and some unincorporated areas, totaling 85 square miles.

New customers enter its service territory at an average of 233 new accounts a month, catapulting KUA as one of the fastest growing utilities in the state. This area of Central Florida, and ultimately that which KUA serves, is experiencing a phenomenal annual growth rate. Osceola County is projected to grow by 127% by the year 2020, according to the University of Florida. 1991 found KUA supplying electricity to 29,026 residential households and 5,450 commercial establishments.

To help contend with the continuous double-digit growth rate in Central Florida, KUA has continued its ownership interests in other utilities' power plants to keep up with the growth and acquire reliable, economical nuclear and coal-fueled power. KUA's assets include partnerships in Florida Power Corporation's Crystal River 3 Nuclear Unit, Orlando Utilities Commission's Stanton Energy Center Unit 1 and Indian River Combustion Turbine, and (through Florida Municipal Power Agency) Florida Power & Light's Saint Lucie Nuclear Power Plant - - marking an increase in assets of \$58 million since 1985.

In addition to this, KUA

KUA BOARD OF DIRECTORS



Richard L. Hord



Richard L. Hord was elected to his second term on the Authority's

Board of Directors in 1989 and has been busy serving as Chairman since that time.

Hord, President/Owner of Custom Plastics in Kissimmee, participated as a member of the Ad-Hoc Committee which spearheaded the formation of KUA as a separate entity from the City of Kissimmee. Subsequently, Hord served as a member of the Charter committee for the utility, as well as a member of KUA's founding Board of Directors, inaugurated October 1, 1985.

Formerly from Ohio, Hord has been an Osceola County

resident for 19 years. Prior to moving to Florida, he received an MS in Mechanical Engineering from Tri-State University in Indiana.

Dr. George A. Gant

Vice Chairman George A. Gant, an Ex-Officio Director during October 1985 to April 1988



while serving as Mayor of Kissimmee, is currently serving his third term as Director.

With a diverse medical background as a private practice physician, a physician for the state prison system and an aviation medical director behind him, he currently holds the position of

Osceola County Health Director. Gant earned his MD from the University of Miami School of Medicine in Coral Gables.

Involved in the community, Gant has been an active member of the Kissimmee City Commission for 13 years, serving as Mayor for seven years. He was born in Pahokee, Florida and has been an Osceola County resident for 31 years.

Bob Bobroff

Former newspaper journalist with 50 years of experience, Bob Bobroff was reappointed last



year to his second term on the KUA Board of Directors. Bobroff began his affiliation

BOARD OF DIRECTORS

Chairman

PRESIDENT & GENERAL MANAGER

Internal Audit
2

Assistant General Manager

Administrative Secretary

Director of Power Supply
71

Director of Transmission & Distribution Operations
55

Director of Planning & Engineering
23

Director of Customer Relations
54

Director of Finance
22

Director of Personnel & Risk Management
5

Director of Materials Management
7

Historical trend information presenting the Retirement Plan's progress in accumulating sufficient assets to pay benefits when due is presented in Table 9 of the Statistical Section of the KUA Comprehensive Annual Financial Report.

7. DEFERRED COMPENSATION PLAN

The KUA offers its employees a choice of two deferred compensation plans created in accordance with Internal Revenue Code Section 457. The plans are administered by the International City Managers Association (ICMA) and the United States Conference of Mayors (USCM). The plans, available to all KUA employees permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination or unforeseeable emergency (including death, retirement and disability).

The Internal Revenue Code section 457 requires that all amounts of compensation deferred, all property and rights purchased, and all income earned are (until paid or made available to employees or their beneficiaries) solely the property and rights of the KUA, subject only to the claims of the KUA's general creditors. Participants' rights under the plans are equal to those of general creditors of the KUA in an amount equal to the fair market value of the deferred account for each participant. Deferred Compensation accounts are stated at market value.

The ICMA and USCM are responsible for investment of funds, distribution of benefits and reporting to participants. The KUA believes that it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

8. REVENUE BONDS OUTSTANDING

The Revenue Bond resolutions provide for:

A. Establishment and maintenance of various funds:

- (1) Revenue Fund records all operating revenues and expenses of the system;
- (2) Sinking Fund records principal and interest requirements;
- (3) Bond Amortization Fund records funds held for the retirement of term bonds;
- (4) Reserve Fund records funds held for the maximum annual debt service requirement;
- (5) Renewal, Replacement and Improvement Fund is to be used only for making improvements, extensions and replacements to the system, and
- (6) Construction Fund records the cost of major additions to the system financed by revenue bonds.

B. Restrictions on the use of cash from operations in order of priority:

- (1) Deposits are made to the Revenue Fund to meet current operations according to the Budget;
- (2) Deposits to the Sinking Fund Account are required on or before the 25th day of each month equal to one-sixth (1/6) of the interest coming due on the next semi-annual interest payment date and one-twelfth (1/12) of the principal coming due on the next principal payment date;
- (3) Deposits to the Bond Amortization Fund are required on or before the 25th of each month equal to one-sixth (1/6) of the amortization installment coming due on the next semi-annual payment date;
- (4) Deposits to the Reserve Fund are to be made when required to maintain the Fund at the reserve requirements (maximum annual debt service); and
- (5) Deposits to the Renewal, Replacement and Improvement Fund are required each month in an amount equal to one-twelfth (1/12) of the adopted budget for that fund. The total annual deposit may not be less than 5% of the gross revenues for the preceding fiscal year after deducting 100% of the fuel expense and the energy component of purchased power expenses incurred in such preceding fiscal year. However, no such monthly deposit shall be required when the amount in such fund shall at least equal \$1,500,000.

C. Early redemption: The bond ordinance provides for early redemption of outstanding bonds, except original issue discount bonds, at call rates varying from 100% to 102% of the instruments' face value, dependent upon the call date. Original issue discount bonds may be redeemed early at call rates of 80% to 100% of the face value, dependent upon the call date.

D. Investment restrictions:

- (1) Funds of the Sinking Fund, Bond Amortization Fund, Reserve Fund and Renewal, Replacement and Improvement Fund are required to be continuously secured in the same manner as municipal deposits of funds are required to be secured by the Laws of the State of Florida; and
- (2) Monies on deposit in the Sinking Fund and the Bond Amortization Fund shall be invested only in direct obligation of, or obligations the principal of and interest on which are guaranteed by the United States of America and which do not permit redemption prior to maturity at the option of the Authority. Monies on deposit in the Revenue Fund, Reserve Fund and Renewal, Replacement and Improvement Fund may be invested as described above as well as in obligations rating an "A" or better from Moody's Investors Service, Inc., bank time deposits represented by certificates of deposit and bankers acceptances, repurchase agreements, commercial paper which has the highest investment grade rating and shares of investment companies which invest principally in United States government securities.



(left) Dispatchers at KUA's Marydia Substation, current home of the SCADA system, utilize the equipment to acquire up-to-the-second information concerning the electrical functioning of the KUA system. Late 1992, KUA will bring on line its new SCADA system. (below) To maximize the operating efficiency of our generating units, Power Plant Mechanics maintain an ongoing program to monitor and repair important operating elements.

growth, KUA has embarked on several projects that will add capacity to KUA's generating system. In FY 1991, planning for a new gas turbine facility, known as Cane Island, has been initiated. This new facility will provide KUA with approximately 40 MW of peaking capacity and is scheduled to be completed by October 1993.

KUA has been offered and is planning to avail the opportunity to participate in OUC's Stanton Energy Center No. 2 coal unit for the share of approximately 17 MW of capacity. Further, KUA has been continuing negotiations with FPC, FMPA, and TECO for any possibility of participating in those utilities' future planned generating units.

For better control of all the available resources, including the transmission and distribution system, and in order to replace the existing outdated equipment, KUA is currently in the process of acquiring a new Supervisory Control and Data Acquisition

(SCADA) system which will be installed at the new Administrative and Energy Control facility currently under construction and expected to be operational by October 1992.

KUA set the ball rolling in 1991 toward the formation of its new load management program. The SAVE (Shifting Adds Value To Energy) Program is expected to go on-line mid 1992. This program is designed to ease the demand for electricity on those few days when electricity use is at its peak. Existing KUA customers who sign up for the program will be entitled to have their household water heater and air conditioner/heating unit controlled (turned off and on) via a radio signal during these periods of high use. Anyone who has pulled a building permit after December 31, 1991 must participate in SAVE as a condition of service with KUA. Participating customers will receive a monthly incentive on their KUA utility bill. The amount of that incentive will be based on what level of control the customer has chosen.



Reliable service is a phrase that we take seriously at KUA. Sound management and dedicated employees have enabled us to provide reliable electric service during this year of enormous growth. As they say about the chicken and the egg, you can't have one without the other. And so it goes with growth and change. They go hand in hand. Everything must change. As growth takes place, change is bound to follow. As you can see, KUA's Power Supply Department has been planning and laying the groundwork for our trip through the last decade of this century - - one that is sure to be fueled by growth.



KUA's on-site generation at the Roy Hansel plant and the adjoining area consists of an approximate 50 MW combined-cycle unit (a 30 MW gas turbine and two 10 MW each steam turbines). In addition, this facility houses nine smaller dual fuel (natural gas and No. 2 fuel oil) diesel units of approximate total capacity of 20 MW, which brings the total capacity of the plant to approximately 70 MW.

PLANNING & ENGINEERING

Serving the center of one of the fastest growing areas in the country, KUA continues to grow at an accelerated rate. This enormous growth has certainly had a major impact on the KUA system. For the ten year period from 1981 to 1991, we have seen the annual average number of residential customers increase at a rate of 9.4 percent, while residential energy usage has increased at a rate of 10.5 percent. During the same time frame, commercial energy usage has increased at a rate of 12 percent. As evidence of growth, we set a record peak demand of 200 megawatts in December of 1989. This compares to a peak demand of 64 megawatts in 1980. Due to the thriving economy of the area, projections indicate a continued strong growth pattern. Even conservative estimates project that we will see our net energy for load increase at an annual average rate of 6 percent from 1990 to 2000. Planning and constructing additional facilities to meet such a high system demand is a continual process that kept us busy in 1991.

During the past five years we have constructed two new distribution substations, the Lake Cecile substation and the Carl A. Wall substation. Funded internally by revenues and bond proceeds, each substation features a new low-profile design to better fit into the community. Both have state-of-the-art digital relays and are completely remote controlled

through KUA's Energy Control Center. These two new facilities increased KUA's substation capacity 50 percent. Also, we have added an additional interconnection to a neighboring utility in order to increase the reliability and capacity of our import capabilities.

"Enormous growth has certainly had a major impact on the KUA system. Planning and constructing additional facilities to meet such a high system demand is a continual process that kept us busy in 1991," says KUA's Director of Planning & Engineering Ken Davis.

System expansions certainly do not stop there. Current plans call for the construction of three additional distribution substations during the next five-year period. Substantial additions to our transmission system will also be constructed in order to bring our new gas turbine generating facility on line during the mid 1990s.

The growth of KUA does not cease with additions to the transmission, distribution, and generating systems. Additional office, warehouse, and maintenance facilities are also required. Mid 1992, the majority of our administrative and engineering personnel will relocate to a new



be included for the customer's use. This envelope style also allows KUA to include monthly bill stuffers allowing customers to be informed about matters at KUA or within the industry that pertain to them, conservation information, as well as community events happening that month.

As a result of initiating the new style bill, KUA is also now taking advantage of lockboxing technology. The return envelope provided to customers for bill paying purposes is bar coded for delivery directly to a banking facility which opens and electronically scans bill payments and posts them to the customer's account via computer link to KUA's mainframe computer. This system not only speeds up the bill paying process, it increases accuracy and helps KUA avoid the expense of hiring additional employees to process payments.

And speaking of payments, a new collection process was initiated by KUA's Credit and Collections Division that has allowed Customer Relations to increase recovery of old, unpaid utility bills, saving KUA approximately 5 times the cost of the employee manpower involved in the collection effort. Left uncollected, unpaid bills directly impact the entire customer base.

KUA Customer Relations has also worked to bring the meter reading process into the 20th Century by converting to an electronic meter reading package. The handheld electronic devices now used by our readers increases their accuracy and productivity, as well as speeds up the processing of meter reads. Because readings are processed electronically, KUA has again avoided the cost of hiring new employees to manually key each individual read into the system.

During 1991, Customer Relations also continued its newly initiated current diversion program that seeks out and investigates suspected cases of meter tampering and theft of utility services discovered through a variety of means, most of which are reports from utility meter readers, field service personnel and neighbors. KUA

investigated 1,892 cases in 1991. While only a small portion of the approximately 150 to 200 cases of tampering investigated on a monthly basis proves to be a true case of utility theft, left undetected the impact of diverted power affects every customer.

KUA's commitment to the community and its customers is exactly that - a continued com-



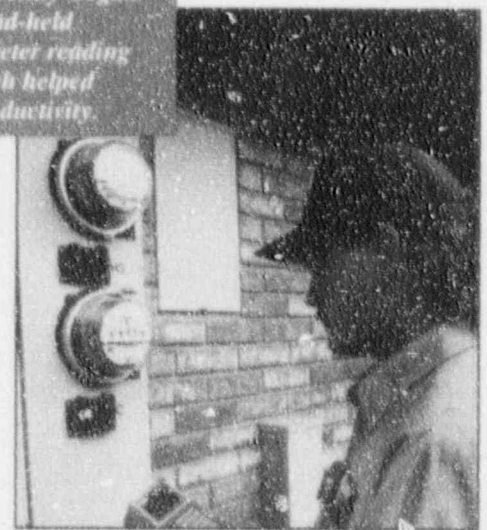
(Left) Our Customer Relations Department is continuously striving to meet KUA customer needs. (Below) KUA Meter Readers currently began utilizing hand-held electronic meter reading devices which helped increase productivity.

mitment. The utility's energy conservation program, seen most often as free home or business energy audits, continues to benefit all types of customers. In addition to helping almost 500 KUA customers per year maintain control over their energy use, this service helps KUA avoid higher than normal peaks. KUA's commitment is also seen in the Osceola County school system through work done with the future leaders of tomorrow. Support Services personnel can be seen going into classrooms demonstrating how electricity works, the importance of safety around electricity, and the necessity of conservation. KUA Customer Relations is also partners in education with the school system's Project COPE for school-age parents. Donating an hour or two a week, Customer Relations Representatives voluntarily show these young adults the importance of a high school education and allow them to get a feel of the

business world - helping them get a handle on the future. This year also found KUA on the road with its newly formed Speakers Bureau, developed to inform our customers about different aspects of KUA and the utility industry, from past and present KUA projects to electromagnetic fields, that we feel customers want and need to know.

And without a doubt, KUA, in conjunction with the United Way, was proud to introduce the Good Neighbor Program to the community in November, 1991. This program helps KUA customers experiencing financial difficulty pay utility bills in emergency situations. It is designed so that customers who can afford and want to help others can make voluntary contributions to this special fund. Whether the customer

makes a monthly contribution, which shows up as a line item on his or her monthly KUA bill, or makes a one-



time donation, all money collected in this fund is turned over to the Human Services Council, a United Way funded agency, which assumes the responsibility of distributing the funds to those in need.

Quality customer service means going that extra mile, taking that extra step and putting yourself in the customer's place. KUA believes that a commitment to that philosophy guarantees customer satisfaction.

TRANSMISSION & DISTRIBUTION

Since the early 1970s, the KUA Transmission & Distribution Department has been called on to meet the system's heavy growth rate required by the increase of customers moving to the area, due to the heavy tourist industry that abounded in the area. The growth rate over this period has been one of the highest in the state and presented growing pains for the department by imposing increased construction requirements.

The Distribution System in 1975 consisted of 10 distribution feeders from two substations; those being the Hansel Plant and the Airport Substation. Today, the Distribution system has 30

feeders, served from six substations, with three additional substations planned in the near future.

From 1975 to the present, our Distribution feeder loads increased from approximately 45 megawatts to a system peak in 1989 of 200 megawatts.

With this growth, the department itself has grown in size, as required to meet the system installations demands. In 1975 the Transmission & Distribution Department consisted of approximately 15 employees and has grown to 51 in 1991. As of October, 1, the Distribution Department received a new name -- Transmission & Distribution Department to more clearly identify the responsibilities of its recent division addition, Electrical Maintenance Division (previously part of the Transmission Division housed in Power Supply).

Due to the large increase in vehicular construction equipment, inventory requirements and personnel facilities required to keep in step with the system's growth, this department settled into its

new home on Bermuda Avenue. At this site, the department also began a Transportation Division, which is responsible for repair and maintenance of all KUA vehicular fleet. From bucket trucks to pickup trucks, this fleet has grown to approximately 85 units.

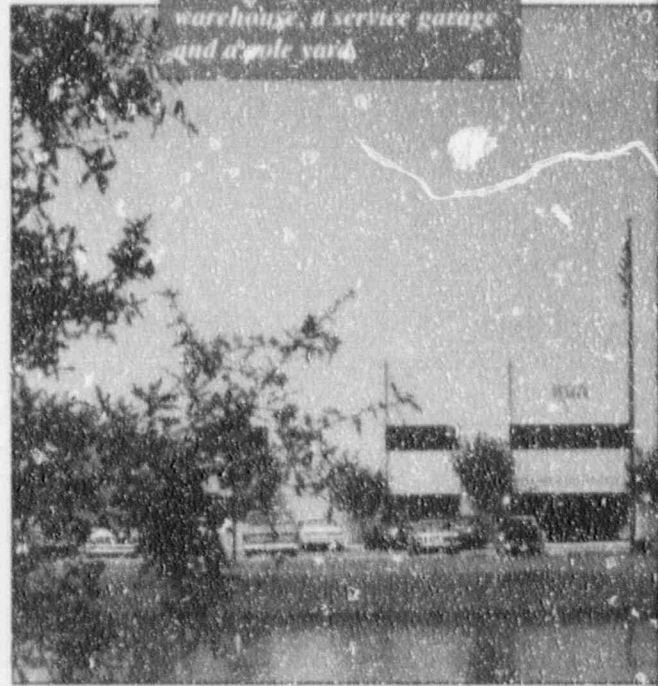
During 1992, plans are to

construct an electric maintenance shop at this site for electrical equipment repair, further expand-

The new Transmission & Distribution and Materials Management complex, located at 250 N. Bermuda Ave., recently became home to these two departments, not to mention a supply warehouse, a service garage and a golf yard.



"The Transmission & Distribution Department is continually striving to maintain a high level of service to its customers, whether that involves line extensions or system maintenance," says KUA's Director of Transmission & Distribution Ken Lackey.



ing our Transmission & Distribution accomplishments.

The Transmission & Distribution Department is continually striving to maintain a high level of service to its customers within KUA's 85 square mile service territory. This department's employees, and KUA itself, take pride in the high-quality, top-notch workmanship our crews provide, in addition to routine line clearing programs, line extensions, system maintenance, routine checks of street lighting and distribution systems, and around-the-clock-emergency response for system problems.

MATERIALS MANAGEMENT

1989 found KUA passing out congratulations and exclaiming "It's a department!". Last year was the birth of a new department for KUA. The Materials Management Department began independent purchasing operations from the City of Kissimmee's Purchasing Department. This centralized purchasing system, which uses competi-



tive bidding whenever possible, was established for in-house operation to better accommodate KUA's particular needs. Materials Management, which is a public purchasing organization that operates under Florida Statutes, took to its new Warehouse/Office facilities becoming neighbors and sharing facilities with KUA's Transmission & Distribution Department at 2850 N. Bermuda Avenue. From here, Materials Management assumed responsibility for all KUA inventory operations after overcoming the tedious tasks of transferring over \$1

million of inventory from the City facilities.

The next major objective for this "new kid on the block" was to convert from a totally manual purchasing and inventory system to a totally automated system. This considerable task was carried out in several phases, one of which included establishing a logical stock number classification system for inventory and purchasing and tailoring it to the requirements of an automated system. Many other steps followed, such as the purchase and installation of the proper data processing equipment, hardware and software modifications, as well as enhancements that were necessary for a totally functional system. In September 1990, KUA was proud to announce that the automated purchasing function had become operational; in October, the inventory function followed.

KUA quickly realized the benefits of having a centralized automated purchasing and inventory system were enormous. Tracking of commodity purchases of stocked items, everything from electrical equipment materials to office supplies, and usage history occurs automatically. With a large variety of management reports available from the system, management is easily able to look at the big picture or specific details as necessary.

In addition, the faster and more accurate automated system greatly aids other KUA departments as well. User departments now have the capability to access the status of their purchase requests, deliv-

ery information, and inventory item costs with a simple inquiry into the system through a terminal. Overall, this accomplishment aids KUA in ensuring timely and reliable service to its customers.

In keeping up with the fast growth of KUA, Materials Management personnel have to be progressive in their thinking, while encouraging sound planning. One of the primary objectives of the department is to purchase materials,

equipment and services at the lowest possible cost, consistent with prevailing economic conditions, while establishing and maintaining a reputation for fairness and integrity. The department motto has come to be "The better we plan, the less we pay for those needed goods

"In keeping up with the fast growth of KUA, Materials Management personnel have to be progressive in their thinking while encouraging sound planning," says KUA's Director of Materials Management Jim Tillman.



and services." Of course, in the end, this highly conscientious attitude saves our customers hard-earned money.

PERSONNEL & RISK MANAGEMENT

Sparked by a spirit of teamwork, cooperation and commitment, KUA employees were confident in 1991 in their abilities to meet the challenges ahead. Team KUA - a force of 227 employees strong - demonstrated this continually through giving 110% in their jobs and by giving freely of their time and talent to respond to the needs of the community. This potential for team effort was continuously spurred during 1990-1991 by the KUA Personnel & Risk Management Department and the Employees' Organization Committee (EOC), identifying KUA as a "neighbor who cares".

As neighbors, ourselves, in this community where our friends and family play and reside, KUA is much more than just a place to work. To every employee, KUA offers a chance to return leadership, care, and support to a place we and our customers call home.

Employee participation was high during the 1990 EOC-sponsored annual Bass-A-Thon, a fishing tournament and picnic, allowing KUA to reel in a \$1,340 donation to the United Way.

Without a doubt, KUA employees are the lifeblood of this organization. With that idea in mind, Personnel organized a bi-annual Blood Drive which established an "account" to be drawn upon by those in need.

KUA turned five last year. Looking back on our formative years, we are satisfied. No regrets. To help say thank you for five successful years as a separate entity from the City of Kissimmee, KUA threw a birthday bash on October 1, 1990. The day-long event was celebrated by customers and employees alike, with presentations, refreshments and other activities - including a "scenic trip" around the Administrative

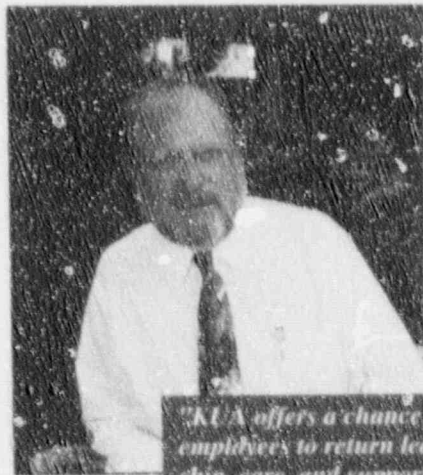
building parking lot in a bucket truck!

In addition, KUA employees strive to be pillars in the community by serving on boards, various civic clubs and associations, working hand-in-hand with the Osceola County School System and participating in Leadership Osceola County.

KUA employees possess something special. With KUA Personnel frequently processing approximately 150 to 250 applications each for many job openings at KUA, this is a well-known fact in the community. On August 16, 1991, KUA Personnel opened a

each of the different departments within the company. The EOC meets once a month and acts as a springboard for ideas and suggestions linking employees and management. The EOC also recognizes an Employee of the Month, and at the end of the year, an Employee of the Year; plans and prepares an annual employee Christmas party and family spring picnic; and organizes KUA participation in the annual local Christmas parade through the creation and entry of a float.

We are continuously proud of the hardworking, caring men and women at KUA who understand the importance of teamwork in providing the best possible service to our customers. KUA believes each employee is a vital link in the organizational chain. It is this spirit of service and dedication shared by KUA employees that enabled KUA in 1991 to achieve its position as one of the leading energy service companies and businesses in the area.



"KUA offers a chance for employees to return leadership, care, and support, such as participating in the annual Bass-A-Thon for United Way (below), to a community we and our customers call home," says KUA's Director of Personnel & Risk Management Neville Turner.

record 102 resumes for the same job opening in just one mail run. Employee benefits, such as health and life insurance and a non-contributory Pension Plan, are several of the many ways Personnel serves KUA employees, showing them they make the positive difference.

Also in place to serve KUA employees is the EOC, comprised of representatives from



10. REFUNDED BONDS

The KUA presently has outstanding serial bonds, which were refunded through the full cash defeasance method on January 4, 1973 and through the net cash defeasance method on February 25, 1982, January 25, 1983, December 31, 1985 and April 1, 1987 as follows:

ELECTRIC & WATER BOND ISSUES	AMOUNT OUTSTANDING	
	1991	1990
1963	\$ 690,000	\$ 905,000
1967	740,000	825,000
1971	850,000	850,000
1971-A	345,000	385,000
1973	2,975,000	3,030,000
1975	3,045,000	3,135,000
ELECTRIC REVENUE BONDS		
1977 Series A	\$ 17,020,000	\$ 17,505,000
1979-A	2,330,000	2,380,000
1982	46,260,000	46,750,000
1982-A	68,510,000	69,375,000
1984	<u>27,790,000</u>	<u>28,010,000</u>
	<u>\$170,555,000</u>	<u>\$173,150,000</u>

Since governmental obligations are held in escrow for the payment of principal and interest on these bonds, they are not liabilities to the KUA.

11. COMMITMENTS AND CONTINGENT LIABILITIES:

The KUA owns a portion of Florida Power Corporation's nuclear power plant at Crystal River, Florida. This plant is scheduled to be decommissioned beginning in the year 2015 and ending 2022. The KUA will be liable for approximately \$861,000 in decommissioning costs in 1989 dollars.

In June 1988, the Nuclear Regulatory Commission (NRC) required utilities to provide financial assurance that decommissioning funds would be sufficient and available when needed for NRC required decommissioning activities. On July 12, 1990 the KUA and the Florida Municipal Power Agency (FMPA) entered into an agreement whereby the FMPA would act as agent for the KUA and certain other Crystal River Unit 3 (CR3) participants to coordinate the administration of a trust fund. Contributions to this trust fund are not available to KUA for any other purpose except the decommissioning of CR3. On October 17, 1990 the KUA transferred \$436,231 to this trust account. KUA's balance in this Trust at September 20, 1991 including interest earnings was \$506,192. Future contributions will be made to this trust account as needed based on updated cost estimates and trust fund earnings.

The refunding and revenue bonds consist of the following serial and term bonds:

DESCRIPTION	FINAL MATURITY	ORIGINAL AMOUNT	AMOUNT OUTSTANDING 9/30/91	AMOUNT OUTSTANDING 9/30/90
Refunding Revenue Bonds-Series 1982A				
7.25% - 7.75%	10/01/92	\$71,500,000	\$ 2,605,000	\$ 3,470,000
4/1;10/1				
Refunding Revenue Bonds-Series 1985				
7.00% - 8.50%	10/01/17	36,875,000	35,770,000	36,165,000
4/1;10/1				
Electric Revenue Bonds-Series 1987				
4.40% - 6.80%	10/01/12	66,020,000	64,330,000	64,715,000
4/1;10/1				

9. CHANGES IN LONG-TERM DEBT

The following is a summary of bond transactions:

	1991	1990
Bonds Payable		
Beginning of Year	\$ 104,350,000	\$ 105,900,000
Bonds Retired	<u>(1,645,000)</u>	<u>(1,550,000)</u>
Bonds Payable at End of Year	<u>\$ 102,705,000</u>	<u>\$ 104,350,000</u>

The annual long-term debt service requirements are as follows:

YEAR ENDING SEPTEMBER 30	1991	1990
1991	\$ 0	\$ 8,564,178
1992	8,856,167	8,856,167
1993	8,838,229	8,838,229
1994	8,871,371	8,871,371
1995	8,847,977	8,847,977
1996	8,835,878	8,835,878
1997-2001	43,643,346	43,643,346
2002-2006	42,025,370	42,025,370
2007-2011	41,269,205	41,269,205
2012-2016	25,047,255	25,047,255
2017	<u>5,689,600</u>	<u>5,689,600</u>
TOTAL	\$201,924,398	\$210,488,576
LESS:		
Amt. representing interest	<u>(99,219,398)</u>	<u>(106,138,576)</u>
TOTAL AT PRESENT VALUE	<u>\$102,705,000</u>	<u>\$104,350,000</u>

12. SUBSEQUENT EVENT

On December 4, 1991 the KUA entered into an Bond Purchase Agreement to issue \$75,550,000 Kissimmee Utility Authority Electric System Improvement and Refunding Revenue Bonds, Series 1991, in December 1991. The Bonds are being issued to i) refund a portion of the KUA's outstanding Electric System Revenue Bonds, Series 1985, ii) finance a part of the cost of the acquisition and construction of additions, extensions and improvements to the System, iii) fund the Reserve account, and iv) pay the costs of issuance of the 1991 Bonds.

As stated in note five (5), the KUA entered into a Power Supply Acquisition Agreement with the Florida Municipal Power Agency (FMPA) in 1981. KUA contracted to receive approximately 7 MW of power from the St. Lucie nuclear power plant for the life of the plant. The amount of KUA's participation costs for 1991 and 1990 were \$3,649,054 and \$3,167,264 respectively. The participation costs for 1992 will be \$3,885,444. Future participation costs are not known at this time.

The KUA has purchase agreements with utilities whereby the KUA must pay capacity demand or reservation fees whether electricity or fuel is received from these utilities or not. The utilities involved and the charges paid are as follows:

	Expiration <u>Date</u>	Maximum Annual <u>Commitment</u>
Orlando Utilities Commission (OUC)	2019	\$ 1,545,435
Florida Power Corporation (FPC)	1995	4,532,124
Tampa Electric Company (TECO)	1992	2,235,945
Florida Gas Transmission (FGT)	NONE	<u>389,129</u>
		<u>\$ 8,702,633</u>

The charges paid to OUC, FPC and TECO are recorded as purchased power while charges paid to FGT are recorded as power generation expenses.

As a result of their ownership interest in CR3 and St. Lucie purchase power agreement the Authority is subject to the Price Anderson Act which was enacted to provide financial protection for the public in the event of a nuclear power plant accident. The first layer of financial protection was the purchase of \$200 million of public liability insurance from pools of commercial insurers. The second layer of financial protection is provided under an industry retrospective payment plan. Under that plan, owners are subject to an assessment of \$252 million per incident with provision for payment of such assessment to be made over time as necessary to limit the payment in any one year to no more than \$40 million per incident.

The Authority's share of these assessments would be approximately \$1,702,000 and \$270,000 respectively for CR3 and \$1,925,000 and \$305,000 respectively for St. Lucie.

The Authority has recently completed negotiations and executed a Participation Agreement with OUC to acquire a 3.8314% (17MW) undivided ownership interest in Stanton Energy Center Unit No. 2 (SEC 2), which is scheduled to be brought on line in 1997. The total cost of the Authority's interest in SEC 2 is estimated at \$28,666,000 which includes the Authority's purchase of a portion of certain existing common facilities at the Stanton Energy Center.

REPORT OF INDEPENDENT ACCOUNTANTS

Board of Directors
Kissimmee Utility Authority

We have audited the accompanying balance sheets of the Kissimmee Utility Authority as of September 30, 1991 and 1990, and the related statements of revenue, expenses and changes in retained earnings, and cash flows for the years ended September 30, 1991 and 1990. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards and Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our 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 the Kissimmee Utility Authority as of September 30, 1991 and 1990, and the results of its operations and its cash flow for the years then ended in conformity with generally accepted accounting principles.

As discussed in Note 1 to the financial statements, in October 1990 the Company changed its method of accounting for contributed capital by reclassing the balance as a reduction of plant and began amortizing the contributions over the life of the related plant.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The introductory and statistical sections, on which we express no opinion, are presented for purposes of additional analysis and are not a required part of the basic financial statements of Kissimmee Utility Authority.

Coopers & Lybrand

Tampa, Florida
November 22, 1991

**KISSIMMEE UTILITY AUTHORITY
BALANCE SHEETS
FOR THE YEARS ENDED SEPTEMBER 30, 1991 AND 1990**

ASSETS	<u>1991</u>	<u>1990</u>
UTILITY PLANT		
Property, plant and equipment	\$129,322,332	\$ 123,660,574
less: accumulated depreciation	(38,243,592)	(32,551,317)
	<u>91,078,740</u>	<u>91,109,257</u>
Construction in progress	6,244,445	1,601,399
Inventory - nuclear fuel	450,920	564,065
	<u>6,695,365</u>	<u>2,165,464</u>
TOTAL UTILITY PLANT	<u>97,774,105</u>	<u>93,274,721</u>
RESTRICTED ASSETS		
Debt service - Investments	4,695,064	9,211,484
- Cash and cash equivalents	11,476,205	4,949,936
Construction - Cash and cash equivalents	1,500,000	1,500,000
Customer deposits - Cash and cash equivalents	1,847,543	1,783,708
	<u>18,518,812</u>	<u>17,445,128</u>
TOTAL RESTRICTED ASSETS	<u>19,518,812</u>	<u>17,445,178</u>
DESIGNATED ASSETS		
Cash and cash equivalents designated for specific purposes	30,539,956	27,796,429
Deferred compensation plan assets	626,365	434,001
	<u>31,166,321</u>	<u>28,230,430</u>
TOTAL DESIGNATED ASSETS	<u>31,166,321</u>	<u>28,230,430</u>
CURRENT ASSETS		
Cash and cash equivalents	11,213,934	9,574,713
Accounts receivable	7,987,343	9,577,286
less: allowance for doubtful accounts	(156,146)	(403,757)
Notes receivable	18,002	23,626
Inventory	5,055,932	4,708,096
Prepaid expenses	45,884	122,448
Due from other governments	101,998	265,197
Deferred cost of power adjustment	0	1,191,385
	<u>24,266,947</u>	<u>25,068,994</u>
TOTAL CURRENT ASSETS	<u>24,266,947</u>	<u>25,068,994</u>
OTHER ASSETS		
Unamortized bond costs	1,066,910	1,125,803
	<u>1,066,910</u>	<u>1,125,803</u>
TOTAL ASSETS	<u>\$173,793,095</u>	<u>\$165,145,126</u>

See accompanying notes.

KISSIMMEE UTILITY AUTHORITY
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN RETAINED EARNINGS
FOR THE YEARS ENDED SEPTEMBER 30, 1991 AND 1990

	<u>1991</u>	<u>1990</u>
OPERATING REVENUES		
Metered sales	\$60,246,709	\$59,368,189
Other operating revenues	1,334,193	989,151
TOTAL OPERATING REVENUES	<u>61,580,902</u>	<u>60,357,340</u>
OPERATING EXPENSES		
Power generation	11,741,774	10,530,920
Purchased power	18,000,904	17,483,408
Transmission	1,092,957	876,468
Distribution	2,077,481	1,818,238
Customer Relations	2,341,973	1,704,500
Administrative and general	2,272,042	2,830,579
Payment to the City of Kissimmee	4,980,213	4,029,930
Depreciation	6,435,691	6,550,030
TOTAL OPERATING EXPENSES	<u>48,943,035</u>	<u>45,824,073</u>
OPERATING INCOME	<u>12,637,867</u>	<u>14,533,267</u>
NONOPERATING REVENUE (EXPENSES)		
Interest revenue	3,850,156	4,129,646
Interest expense	(7,427,924)	(7,427,416)
TOTAL NONOPERATING REVENUE (EXPENSES)	<u>(3,577,768)</u>	<u>(3,297,770)</u>
INCOME BEFORE CUMULATIVE EFFECT OF A CHANGE IN ACCOUNTING PRINCIPLE	9,060,099	11,235,497
CUMULATIVE EFFECT TO SEPTEMBER 30, 1990 OF A CHANGE IN ACCOUNTING FOR CONTRIBUTED CAPITAL	688,743	0
NET INCOME	9,748,842	11,235,497
RETAINED EARNINGS AT BEGINNING OF YEAR	<u>53,334,239</u>	<u>2,098,742</u>
RETAINED EARNINGS AT END OF YEAR	<u>\$63,083,081</u>	<u>\$53,334,239</u>

See accompanying notes.

**KISSIMMEE UTILITY AUTHORITY
BALANCE SHEETS
FOR THE YEARS ENDED SEPTEMBER 30, 1991 AND 1990**

CAPITALIZATION AND LIABILITIES	1991	1990
CAPITALIZATION		
Retained earnings - Reserved for debt service	\$ 10,503,230	\$ 10,503,230
- Unreserved	52,579,851	42,831,009
Total Retained Earnings	63,083,081	53,334,239
LIABILITIES		
LONG-TERM DEBT		
Revenue Bonds payable	100,625,000	102,705,000
less: unamortized bond discount	(4,926,116)	(5,255,716)
TOTAL LONG-TERM DEBT	95,698,884	97,449,284
CURRENT LIABILITIES (PAYABLE FROM RESTRICTED ASSETS)		
Current portion of revenue bonds	2,080,000	1,645,000
Accrued interest payable - revenue bonds	3,459,589	3,513,240
Contracts/retainages payable from construction	0	237,400
Customer advances for construction	678,756	518,986
Customer deposits	1,847,543	1,783,708
TOTAL CURRENT LIABILITIES (PAYABLE FROM RESTRICTED ASSETS)	8,065,888	7,698,334
DESIGNATED LIABILITIES (PAYABLE FROM DESIGNATED ASSETS)		
Due to employees under deferred compensation plan	626,365	434,001
TOTAL DESIGNATED LIABILITIES (PAYABLE FROM DESIGNATED ASSETS)	626,365	434,001
CURRENT LIABILITIES (PAYABLE FROM CURRENT ASSETS)		
Accounts payable	2,530,122	2,552,509
Due to other governments	1,917,289	2,441,810
Accrued taxes payable	544,170	460,244
Accrued salaries	190,406	166,376
Pension plan liability	264,866	264,866
Accumulated unused compensated absences	414,474	343,463
Deferred cost of power adjustment	457,550	0
TOTAL CURRENT LIABILITIES (PAYABLE FROM CURRENT ASSETS)	6,318,877	6,229,268
TOTAL LIABILITIES	110,710,014	111,810,887
TOTAL CAPITALIZATION AND LIABILITIES	\$173,793,095	\$165,145,126

See accompanying notes.

KISSIMMEE UTILITY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 1991 AND 1990

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Kissimmee Utility Authority (KUA) are presented in conformity with generally accepted accounting principles. The statements are substantially in conformity with accounting principles and methods prescribed by the Federal Energy Regulatory Commission and other regulatory authorities.

Entity Definition: The accompanying financial statements present the financial position, results of operations and cash flows of the KUA in accordance with NCGA Statement No. 3, "Defining the Governmental Reporting Entity", and subsequent interpretation No. 7 clarifying the application of Statement No. 3. The reporting entity for the KUA includes all functions in which the Board of Directors exercise oversight responsibility. Oversight responsibility includes, but is not limited to, financial interdependence, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters. As a result of applying the above reporting entity criteria, no other component units exist in which the KUA has any oversight responsibility which would require inclusion in the KUA's financial statements.

The Kissimmee Utility Authority was created effective October 1, 1985 by the City of Kissimmee Ordinance #1285 adopted on February 19, 1985 and ratified by the voters on March 26, 1985. The Authority Board has 6 members. The Mayor of the City of Kissimmee is a non-voting Ex-Officio member. The 5 voting members are nominated by the Board and ratified by the City Commission. The Authority has exclusive jurisdiction, control and management of the electric utility and the following factors indicate that the KUA is properly excluded from the City's financial statements:

1. Subsequent to Board appointments being ratified by the City Commission, there is no continuing relationship.
2. KUA management is selected by the Board.
3. The City has no authority to interfere with KUA's operation.
4. KUA is responsible for its financial affairs including rate setting and the disposition of any surplus.
5. The City does not guarantee KUA's outstanding debt.

Regulation: According to existing laws of the State of Florida, the six members of the KUA act as the regulatory authority for the establishment of electric rates. The Florida Public Service Commission (FPSC) has authority to regulate the electric "rate structure" 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.

**KISSIMMEE UTILITY AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 1991 AND 1990**

	<u>1991</u>	<u>1990</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating income	\$12,637,867	\$14,533,267
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Depreciation and amortization	6,015,078	6,751,704
Cumulative effect of accounting change	688,743	0
Interest on customer deposits	(107,934)	(68,572)
CHANGES IN CURRENT ASSETS AND LIABILITIES:		
Accounts receivable, net of reserves	1,232,332	(1,632,184)
Inventory	(37,836)	(1,742,189)
Due from other governments	160,199	128,013
Deferred cost of power adjustment	1,648,935	(1,160,207)
Accounts payable	(23,460)	545,634
Due to other governments	(524,521)	327,767
Other assets	82,188	(115,002)
Other liabilities	436,239	322,519
NET CASH PROVIDED BY OPERATING ACTIVITIES	21,900,830	17,884,060
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets and nuclear fuel	(11,977,136)	(10,267,488)
Principal paid on revenue bonds	(1,645,000)	(1,550,000)
Interest paid on revenue bonds	(6,985,147)	(7,087,182)
Capital contributed by developers	1,451,002	1,406,407
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	(19,156,281)	(17,498,263)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investment securities	0	(4,402,600)
Increase in deferred compensation plan assets	(192,364)	(123,682)
Proceeds from maturities of investment securities	4,457,443	4,439,672
Interest and dividends on investments	3,843,174	4,325,358
NET CASH PROVIDED BY INVESTING ACTIVITIES	8,108,253	4,238,748
NET INCREASE IN CASH AND CASH EQUIVALENTS	10,852,802	4,624,545
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	45,724,836	41,100,291
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$56,577,638</u>	<u>\$45,724,836</u>

see accompanying notes

The General Manager is authorized to approve all budget transfers and these transfers are reported to the Board of Directors monthly. Budget amendments which increase the adopted budget are approved by the Board of Directors. Both budget transfers and budget amendments were made during the fiscal year.

Operating expense budgets lapse at year end. Capital projects are budgeted for the project life rather than for the current fiscal year. The unexpended portion of project budgets do not lapse until the conclusion of the project.

Revenues: Kissimmee Utility Authority recognizes revenues when service is rendered to customers.

Utility Plant: Property, plant and equipment are stated at cost when purchased or constructed. Depreciation is provided using the straight-line method. The estimated useful lives of the various classes of depreciable property, plant and equipment are as follows:

Structures & Improvements	12 1/2 to 50
Generation Plant & Equipment	13 1/2 to 50
General Machinery & Equipment	6 2/3 to 40

The cost of maintenance and repairs, including renewal of minor items of property, is charged to operating expense as incurred. 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.

Nuclear Fuel: Amortization of nuclear fuel is based on cost, which is prorated by fuel assembly batch in accordance with the thermal energy that each assembly produces. The KUA is currently paying 1 mill per kWh for residual future disposal costs in addition to estimated labor and waste burial costs.

Inventories: Inventories are stated at the lower of cost or market, with cost determined using the weighted average cost basis.

Other Assets: Unamortized bond discounts and issuance costs on long-term debt are amortized over the life of the issue on a straight-line basis. The KUA considered the effective interest method of amortizing bond discounts and determined that no material difference results from the continued use of the straight-line method.

As noted above, the FPSC has jurisdiction to regulate electric "rate structures" of municipal utilities. In addition, the Florida Energy Efficiency and Conservation Act has given the FPSC exclusive authority to approve the construction of new power plants under the Florida Electrical Power Plant Siting Act. The FPSC also exercises jurisdiction under the National Energy Act, including electric use conservation programs.

Operations of the KUA are subject to environmental regulations by Federal, State and local authorities and to zoning regulations by local authorities. Federal and State standards and procedures that govern control of the environment can change. These changes can arise from continuing legislative, regulatory and judicial action respecting the standards and procedures. Therefore, there is no assurance that the units in operation, under construction, or contemplated will always remain subject to the regulations currently in effect or will always be in compliance with future regulations.

An inability to comply with environmental standards or deadlines could result in reduced operating levels or complete shutdown of individual electric generating units not in compliance. Furthermore, compliance with environmental standards or deadlines may substantially increase capital and operating costs.

Basis of Accounting: The Financial Statements are presented on the accrual basis of accounting. Under this basis, revenues are recognized in the period earned and expenses are recognized in the period incurred. Retail electric service rates are designed to recover debt service and operating fund requirements and exclude depreciation expense and other noncash expense items. This method of rate setting results in costs being included in the determination of rates in different periods than when these costs are recognized for financial statement purposes. The effect of these differences are recognized in the determination of net income in the period that they occur in accordance with the KUA's accounting principles.

Budget: The Kissimmee Utility Authority is required by charter to adopt an Annual Budget. The Budget is adopted on a basis consistent with generally accepted accounting principles.

The Kissimmee Utility Authority follows these procedures in establishing the annual budget:

1. The General Manager submits to the Board of Directors a proposed operating budget for the ensuing fiscal year. The operating budget includes proposed expenditures and the sources of funds to finance them.
2. During several workshops, which are open to the public, the staff and Board of Directors discuss and revise the submitted budget. A public hearing is conducted to obtain ratepayer comments.
3. The budget is approved by the Board of Directors and becomes the basis for operations for the ensuing fiscal year.

Payments to the City of Kissimmee: By charter the Kissimmee Utility Authority is required to pay to the City of Kissimmee a minimum of \$6.24 per 1,000 kWh. This payment is treated as an operating and maintenance expense in the statement of revenue, expenses and cash flows.

Reclassification: For comparability purposes certain reclassifications have been made to the 1990 financial statements to conform with the 1991 financial statement presentation.

Cash and Cash Equivalents: Cash and cash equivalents include short-term, highly liquid investments that are both readily convertible to known amounts of cash and whose original maturity is three months or less. These consist of repurchase agreements, the State Board of Administration Pool and the carrying amount of KUA's deposits with financial institutions.

2. DEPOSITS AND INVESTMENTS

Florida Statutes, the KUA Charter and Investment Policies authorize the investment of excess funds in time deposits or savings accounts of financial institutions approved by the State Treasurer, obligations of the United States Government and certain instruments guaranteed by the U.S. Government. Investments may include repurchase agreements. Revenue Bond Covenants also restrict the type and maturities of investments in the required trust funds (See Note 8).

Investments (excluding deferred compensation plan assets) are recorded at cost, which approximates market. Deferred compensation plan assets are stated at market value (see Note 7). Adjustments are made to cost for any premiums or discounts. Premiums and discounts are amortized over the life of the investments using the straight-line method.

Investments must be in KUA's name and placed in a safety-deposit box in a bank or institution carrying adequate safety-deposit insurance or represented by bank trust receipts which enumerate the various securities held.

The Statutes also require depositories of public funds to provide collateral each month at least equal to 50 percent of the average daily balance of all public deposits in excess of deposit insurance. Any loss not covered by the pledged securities and deposit insurance would be assessed by the State Treasurer and paid by other qualified public depositories.

Reserves: Reserves representing the excess of amounts provided for certain restricted asset accounts over the liabilities payable there from are established by a reservation of retained earnings. The restricted assets and liabilities are used to indicate a segregation of a portion of retained earnings equal to the net current assets that are restricted for meeting various covenants as may be specified and defined in the various revenue bond indentures. Usage of reserves has been limited to the following items:

- Reserve for Bond Retirement - restricted for future servicing of the revenue bonds.
- Reserve for Bond Asset Replacement - restricted for meeting of various contingencies as may be so specified and defined in the indenture (frequently referred to as renewal, replacement and improvement).

Designations: Certain designations are made in the financial records during the fiscal year to identify a portion of cash and investments intended to be used for specific purposes in a future period. Designated assets are as follows:

	SEPTEMBER 30	
	1991	1990
Decommissioning (Note 11)	\$ 110,294	\$ 483,500
Self Insurance	1,829,243	1,369,550
Capital Improvements	28,600,419	24,462,449
Rate Stabilization	0	1,480,930
Deferred Compensation Plan Assets	626,365	434,001
TOTAL	<u>\$ 31,166,321</u>	<u>\$ 28,230,430</u>

Contributed Capital: Prior to October 1, 1990 the Authority recorded contributed capital directly as Total Capitalization. In October 1990 the Authority changed its method of accounting for contributed capital by reclassifying the balance as a reduction of Plant and began amortizing the contributions over the life of the related plant. This method was adopted to conform with industry practices. The effect of the change in 1991 was to decrease depreciation expense and increase income before the cumulative effect of the change in accounting principles by approximately \$244,000. The amount of amortization related to years prior to October 1, 1990 was recorded as a cumulative effect adjustment. The pro forma amounts below reflect Net Income as if the current method had been in effect during the past two years.

	1991		1990	
	As Reported	Pro Forma	As Reported	Pro Forma
Cumulative Net Income	\$ 9,748,842	\$ 9,060,099	\$11,235,497	\$11,487,701

Deferred Cost of Power Adjustment: Deferred cost of power adjustment represents the KUA's cost of power adjustment revenues collected, but for which costs have not been incurred or costs that have been incurred, but for which cost of power adjustment revenues have not been collected.

At September 30, 1991 and 1990 the carrying amount of KUA's deposits with financial institutions was \$(518,508) and \$495,647 respectively, and the bank balance was \$248,334 and \$661,166 respectively. All bank balances are fully insured in accordance with Florida Statute 280, which established the multiple financial institution collateral pool.

3. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is comprised of the following at:

	<u>SEPTEMBER 30</u>	
	<u>1991</u>	<u>1990</u>
Nuclear production	\$ 4,418,212	\$ 4,041,243
Steam production	17,429,975	16,349,742
Other production	43,097,858	42,244,145
Transmission plant	21,454,602	21,458,401
Distribution plant	33,338,980	31,424,479
General	<u>9,582,702</u>	<u>8,142,564</u>
SUBTOTAL	\$ 129,322,332	\$123,660,574
Less: accumulated depreciation	<u>(38,243,592)</u>	<u>(32,551,317)</u>
TOTAL	<u>\$ 91,078,740</u>	<u>\$ 91,109,257</u>

4. CONSTRUCTION PROJECT INTEREST COST

In accordance with Statement of Financial Accounting Standards No. 62, "Capitalization of Interest Cost in Situations Involving Certain Tax-Exempt Borrowings and Certain Gifts and Grants," the KUA has recorded interest cost on long-term debt issued to finance specific capital projects as construction in progress. KUA capitalized interest of \$68,287 in 1990. There was no interest capitalized in 1991.

5. PARTICIPATION AND POWER SUPPLY AGREEMENTS

Kissimmee Utility Authority is party to the following participation and power supply agreements at September 30, 1991:

A. **Stanton Energy Center Unit No. 1 (SEC 1):** In 1984, the KUA entered into a Participation Agreement with Orlando Utilities Commission (OUC) to acquire a 4.8193% (20MW) undivided ownership interest in SEC 1 and to participate in the use of related common and external facilities. The capacity and energy of the KUA's ownership interest in SEC 1 is transmitted through OUC's transmission facilities to the KUA's transmission facilities. SEC 1 is part of the Stanton Energy Center, which involved the development of an approximately 3,200 acre plant site located approximately 20 miles northeast of the City of Kissimmee. In addition to SEC 1, the Stanton Energy Center is capable of accommodating three more units with a total capacity at the Stanton

At year end, the carrying amount and market value of investments (in thousands of dollars) classified by category of credit risk were:

	SEPTEMBER 30, 1991				
	CATEGORY OF RISK			CARRYING AMOUNT	MARKET VALUE
	1	2	3		
Repurchase Agreements	\$ —	—	6,087	6,087	6,087
U.S. Gov. Securities	—	436	—	436	466
U.S. Instrumental Sec.	<u>4,128</u>	—	—	<u>4,128</u>	<u>4,229</u>
	<u>\$ 4,128</u>	<u>\$ 436</u>	<u>\$ 6,087</u>	\$10,651	\$10,782
State Board of Administration Pool				<u>50,437</u>	<u>50,437</u>
Total Investments				<u>\$61,088</u>	<u>\$61,219</u>

	SEPTEMBER 30, 1990				
	CATEGORY OF RISK			CARRYING AMOUNT	MARKET VALUE
	1	2	3		
Repurchase Agreements	\$ —	—	6,390	6,390	6,390
U.S. Gov. Securities	4,403	451	—	4,854	4,885
U.S. Instrumental Sec.	<u>4,225</u>	—	—	<u>4,225</u>	<u>4,326</u>
	<u>\$ 8,628</u>	<u>\$ 451</u>	<u>\$ 6,390</u>	\$ 15,469	\$ 15,601
State Board of Administration Pool				<u>38,839</u>	<u>38,839</u>
Total Investments				<u>\$54,308</u>	<u>\$54,440</u>

Level of credit risk assigned to the above investments include:

- Category 1 - Insured or registered, or securities held by the Kissimmee Utility Authority or its agency in the Kissimmee Utility Authority's name.
- Category 2 - Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Kissimmee Utility Authority's name.
- Category 3 - Uninsured and unregistered, with securities held by the counterparty's trust department or agent but not in the Kissimmee Utility Authority's name.

The investments in the State Board of Administration Pool (representing approximately 82 percent of total investments) is collateralized in accordance with Florida Statutes. All investments are delivered to the SBA's custody bank and held for the SBA's account according to their instructions.

Repurchase agreements result entirely from a banking services agreement requiring overnight repurchase agreements of securities guaranteed by the United States Government. At September 30, 1991 and 1990, the balance sheet also includes \$130,567 and \$132,544 respectively of accrued interest on investments.

It has been determined that none of the participation agreements to which KUA is a party meet the criteria of a joint venture as specified by the National Council on Governmental Accounting Statement No. 7. The KUA lacks operational control over the SEC1, CR3, Indian River and FMFA projects. No separate governing authority exists for any of the projects.

According to the participation agreements, each participant must provide its own financing and each participant share of expenses for operations of the plants are included in the corresponding operating expenses of its own income statement. The amounts of utility plant in service do not include the cost of common and external facilities for which participants pay user charges to the operating entity. Accumulated depreciation on utility plant in service is determined by each participant based on their depreciation methods and rates relating to their share of each plant. Following is a summary of KUA's proportionate share of each jointly owned plant at:

	<u>SEPTEMBER 30, 1991</u>		
	<u>SEC 1</u>	<u>CR3</u>	<u>INDIAN RIVER</u>
Utility Plant in Service	\$ 17,429,978	\$ 4,418,212	\$ 2,678,954
Less: Accum. depreciation	<u>(2,009,261)</u>	<u>(1,775,467)</u>	<u>(241,630)</u>
Net Plant in Service	<u>\$ 15,420,717</u>	<u>\$ 2,642,745</u>	<u>\$ 2,437,324</u>

	<u>SEPTEMBER 30, 1990</u>		
	<u>SEC 1</u>	<u>CR3</u>	<u>INDIAN RIVER</u>
Utility Plant in Service	\$ 16,349,742	\$ 4,041,243	\$ 2,678,954
Less: Accum. depreciation	<u>(1,497,927)</u>	<u>(1,572,265)</u>	<u>(161,261)</u>
Net Plant in Service	<u>\$ 14,851,815</u>	<u>\$ 2,468,978</u>	<u>\$ 2,517,693</u>

6. PENSIONS

The KUA employees participate in a multiple-employer cost sharing Retirement Plan for both employees of the City of Kissimmee and Kissimmee Utility Authority (The Plan). The Plan was established in 1968 and amended and restated in 1975 to cover substantially all full-time employees, except City police officers and firefighters. Annual costs of the pension plan are actuarially computed and include amortization of past service costs over a 30 to 40 year period beginning January 1, 1974. An actuarial study was conducted at January 1, 1991 and 1990.

Energy Center of approximately 2000 MW. Each participant in the project financed their share of the cost independently and no liability exists for the debt service required by the other participants. KUA's cost was financed by the proceeds of the 1984 Bonds and revenues of the system. KUA's benefit in the Agreement is the added availability of capacity and energy of the facilities through its participation in future energy purchased and it does not otherwise maintain an ongoing financial interest or responsibility for the project.

Stanton Energy Center began commercial operations on July 1, 1987. The KUA does not exercise significant influence or control over operating or financial policies of OUC.

B. **Crystal River Unit No. 3 (CR3)**: In 1975, the KUA entered into a Participation Agreement with Florida Power Corporation (FPC) to purchase a .6754% undivided interest in their 806 net MW nuclear powered electric generating plant designated Crystal River Unit No. 3. The KUA is billed for its share of operating and capital costs. Capital costs are included in Property, Plant and Equipment and operating costs are included as power generation expenses. KUA's benefit in the Agreement is the added availability of capacity and energy of the facilities through its participation in future energy purchases and it does not otherwise maintain an ongoing financial interest or responsibility for the project.

The KUA does not exercise significant influence or control over the operating or financial policies of FPC.

C. **Indian River Combustion Turbine**: In 1988, the KUA entered into a Participation Agreement with Orlando Utilities Commission (OUC) to acquire a 12.2% (11.7 MW) undivided ownership interest in the Indian River Combustion Turbine and participate in the use of related common and external facilities. Each participant in the project financed their share of the cost independently and no liability exists for the debt service required by the other participants.

The KUA does not exercise significant influence or control over the operating or financial policies of OUC.

D. **Florida Municipal Power Agency (FMPA)**: In 1981, the KUA entered into a Power Supply Acquisition Agreement with the FMPA. KUA is to receive approximately 7 MW of power from the St. Lucie nuclear power plant. Costs associated with this agreement are included in purchased power expenses.

The KUA does not exercise significant influence or control over the operating or financial policies of FMPA.

The current year payroll for all KUA employees was \$6,583,168. Membership in the Plan is comprised of the following:

Retirees receiving benefits	36
Beneficiaries receiving benefits	27
Vested terminated employees	10
Active employees:	
Fully vested	97
Partially vested	119
Nonvested	<u>129</u>
	<u>418</u>

Normal retirement eligibility is defined as attainment of age 65 and completion of 10 years of credited service. Eligibility for early retirement is attained at age 55 and completion of 15 years of credited service. The Plan also provides for disability retirement and a death benefit. The prior year employee contribution rate was 1% (2% if member of bargaining unit) of basic annual compensation. A plan amendment in 1986 provides that the employee contribution rate be reduced 1% each year. The shortfall is handled through an increase in normal cost and through the establishment of a plan amendment base to be amortized over 30 years. KUA's contribution is calculated by the actuary based on membership. The administrative cost of the Plan is allocated proportionately between the City and KUA and paid separately.

As of January 1, 1991, the pension benefit obligation was calculated as follows:

Retirees and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits:	\$ 2,816,971
Current employees:	
Accumulated employee contributions including allocated investment income	931,091
Employer financed - vested	3,701,094
Employer financed - nonvested	<u>3,893,641</u>
Total pension benefit obligation	\$ 11,342,797
Less actuarial value of assets	<u>13,148,586</u>
Unfunded (assets in excess of) pension benefit obligation	<u>\$ (1,805,789)</u>

The actuarial assumptions used to compute contribution requirements were the same as those used to compute the pension benefit obligation. The pension benefit obligation is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the System's funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among Public Employees Retirement System (PERS) and employers.

The table below shows relevant data for the Plan as a whole and for KUA's portion where this was available:

	<u>1991</u>		<u>1990</u>	
<u>Total Plan:</u>				
Unfunded accrued liability	\$ 2,046,680		\$ 658,088	
Value of assets	13,148,586		12,173,234	
Vested benefits	7,449,156		6,359,395	
Nonvested benefits	573,381		435,592	
Normal Cost	851,406		695,768	
Amortization of Unfunded liability	171,582		60,939	
Interest Adjustment	76,724		56,753	
Actuarial funding requirement	1,099,712		813,460	
		% of		% of
		Total		Total
		<u>Plan</u>		<u>Plan</u>
<u>KUA'S Portion:</u>				
Vested benefits	3,083,013	41.4	2,601,030	40.9
Nonvested benefits	296,541	51.7	222,571	51.1
Normal Cost	393,539		301,495	
Amortization of Unfunded liability	76,654		27,020	
Interest Adjustment	35,264		24,639	
Actuarial funding requirement	505,457	45.9	353,154	43.4
		% of		% of
		Covered		Covered
		<u>Payroll</u>		<u>Payroll</u>
Covered Payroll	4,162,167		3,235,960	
Normal Cost	393,539	9.4	301,495	9.3
Amortization of Unfunded liability	76,654	1.8	27,020	.8
Employer Contributions	505,457	12.1	353,154	10.9

The Entry-Age Normal-Level Percentage of Pay actuarial cost method was utilized in the January 1, 1991 and 1990 valuations. The significant assumptions for this Plan are:

1. Life expectancy is calculated using the GA-1951 Male Mortality projected to 1965 by Scale C with a five-year set-back for females;
2. an interest return of 7.5% compounded annually;
3. a salary increase of 6% per year.

As of January 1, 1991, the plan included 418 employees at a total annual basic compensation of \$9,139,854. Of these numbers, KUA employees were 168 at a total annual basic compensation of \$4,162,167.

