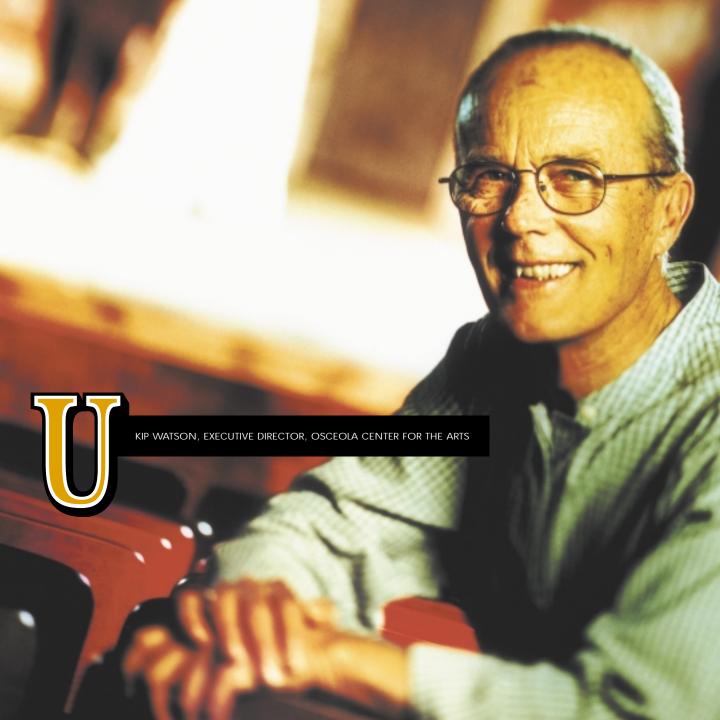
THE POWER OF

KISSIMMEE UTILITY AUTHORITY
2002 ANNUAL REPORT

KUA ANNUAL HIGHLIGHTS

Kissimmee Utility Authority, Celebrating the Power of U



2002 was a powerful year for

Kissimmee Utility Authority ...

and we're not just saying that

because we are an electric utility.

The word "powerful" is simply the

best word to describe our year.

THE POWER OF U

The Power of cUstomers

Last year, we empowered our customers. We made it possible for some to start their own businesses by playing a role in the revitalization of downtown Kissimmee. We made doing business with KUA easier by giving customers the option of doing business with us online. We passed along fuel charge savings, so our customers could save money, too; and we did our part to ensure small-business owners could continue to thrive in our community.

The Power of sUperior standards

We empowered employees to raise the bar for excellence within the company, and many of their accomplishments were formally recognized this year as we were named 2002 Business of the Year and a Top 100 Company for Working Families. One of our apprentice linemen used his skill to rope in top honors at the 2002 Florida Lineman's Rodeo, while another employee was honored for being the first woman to dedicate 25 years of service to our organization. As a team, all employees

worked together to ensure our readiness in the event of a disaster, such as a hurricane.

The Power of opportUnity

We also empowered employees to look beyond the scope of our business for new opportunities, and we took advantage of several of them in 2002. To bring greater reliability and the ability to seize future opportunities, we partnered with the Florida Municipal Power Agency (FMPA) by joining their All-Requirements Project. We expanded the services provided by KUA.net, our Internet Service Provider, including bringing service to Solivita, a community lacking connectivity to the information superhighway. Also, we partnered with the Kissimmee Gateway Airport to host a forum on how best to capitalize on broadband and wireless technologies for enhanced customer service and maximized efficiencies, a program that will continue to bring business to the airport and our community.



The Power of commUnity

Finally, we empowered the community. We made a difference by participating in community events, such as Relay for Life, and extending a hand to our neighbors through our Good Neighbor Energy Fund. We sought out leadership examples in the community and appreciated their good deeds. We partnered with the National Crime Prevention Council to bring an added sense of security to our community with the McGruff Truck program, and we partnered with several local agencies, including the YMCA and the Osceola Center for the Arts, to help those who help others. Finally, we helped the community extend a show of support for our nation after the terrorist attacks of September 11, 2001, by handing out more than 46,000 flags in a community of 47,800 residents.

The common theme, "U"

In addition to the word "power," the letter "U" signifying the word "you," was significant this year. At KUA, we function as a team, and each member of our team is vital to our operation. But

when we see our team, we see more than employees ... we also see a partnership with our customers and our community. While this annual report informs about the success of our year, it also pays tribute to the people who make our organization what it is today ... "U."

James C. Welsh

President & General Manager

James C. Weld

Larry W. Walter

Chairman





As a municipal utility, our customers are more than the people we serve; they are the lifeblood of our organization. The interests of our customers lie in the heart of our mission statement: to provide reliable and economical services to our customers while partnering with the community and the environment. In 2002, we made great strides to further our mission while ensuring continued reliability, low rates and top-notch quality service.

EMPOWERING SMALL BUSINESSES

When it comes to service, KUA goes above and beyond the traditional utility role of delivering electricity. We helped energize downtown Kissimmee with financial contributions, in-kind man-hours and the installation of new antique light poles that help give the downtown district character.

The improvements are part of what convinced small-business owner Brenda Miller to open her business in downtown Kissimmee three years ago, and ever since, Brenda's business has gone straight to the dogs ... literally. Brenda owns and

operates Sittin' Pretty, a dog grooming shop on Broadway Street.

After working as a hotel manager for 15 years, Brenda thought she needed a change in her professional life. It was a friend's "off-hand" comment that sent Brenda back to school ... dog grooming school. "I felt like I was training to be a beautician," she said. "I came to class and gave shampoos; I did a little clipping, and eventually I moved into more specialized services."

Once Brenda completed the course, she put her newfound skills to use working for a dog groomer. She enjoyed it so much that she decided to open her own business three years later, and before she knew it, she was welcoming her first four-legged customer to her own business, Sittin' Pretty.

"I've seen them all," she explained. "I have Chihuahuas that come in for baths, poodles that come in for shaping, and old English sheep dogs who prefer to be cut and vacuumed."

Brenda's business has grown. She grooms an average of 75 dogs a week and now employs three part-time employees and her husband to keep the books. While many of her customers hail from Kissimmee, she also has clients who travel from Davenport, Clermont and other surrounding areas to be pampered by her.

"I see my dogs around town quite often," Brenda said. "Usually they are walking in the park or patrolling the neighborhoods." Occasionally, Brenda happens upon a customer's owner in a store. "It's funny because I recognize the owner and associate him or her with their dog, and I'll say, 'Hey! You're Sparky's dad,'" she laughed.

One of Brenda's "regulars" recently decided he enjoyed his time at Sittin' Pretty too much to leave. "After being groomed, the owner had to work very hard to coax the golden retriever out of the store," she said. "I've never had one want to stay!"

At KUA, we think that's a powerful statement from a very happy customer, and it makes us proud that

we took part in revitalizing downtown Kissimmee. With clients like that, it looks like Brenda will be Sittin' Pretty in downtown Kissimmee for quite a while.

MAKING LIFE EASIER FOR OUR CUSTOMERS

New, interactive website

To help small-business owners and residential customers alike, and as part of our continued commitment to provide customers with efficient and convenient service, KUA completed a significant website enhancement project during 2002. Customers can now pay their electric bills, update account information, check their energy consumption history, report a streetlight outage, calculate their monthly energy consumption, schedule a free home energy audit, check current job openings, and apply for a job via www.kua.com, 24 hours a day, seven days a week. KUA also accepts bill payment via credit card for a small convenience fee of 3.5 percent.



To encourage use of the new, interactive website, KUA launched a "Don't Pay in May" campaign, where ten lucky KUA customers were randomly selected to have their utility bill paid after visiting the website. Total site visitors now exceed 47,000 per month, a 20% increase over 2001.

Makethemove.com

KUA is committed to doing more for customers than simply providing electrical service, so in 2001, we formed a partnership with MakeTheMove.com, a Denver-based online relocation service. Together we are taking the hassle out of moving. If you've ever moved, you know how time consuming canceling and setting up new household services can be. Now, KUA and MakeTheMove.com provide the necessary connections to expedite these tedious tasks. This free, innovative service allows relocating households to set up, transfer or disconnect their gas, cable TV, newspaper, telephone (local, long distance and wireless), internet service, postal change of address and more by filling out a few simple, secure online forms. Consumers are raving about the ability to execute multiple transactions in a convenient, one-stop shopping environment.

PASSING ALONG THE SAVINGS

When it comes to improving quality of life for our customers, KUA knows that along with quality service, comes a need for low-cost service, and, last year, KUA was able to reduce residential electric rates by 14 percent due to the decreasing cost of fuel used to generate electricity. The reduction brought our residential rates below those charged by Florida Power, City of St. Cloud and Peace River Electric Cooperative, all of which serve customers in Osceola County.

KUA is proud to say this decrease occurred in spite of an increased rate structure that went into effect October 1, 2001. The new rate structure was the third and final in a series of three rate increases, totaling 4.95 percent or 1.65 percent per year. The revenue generated by the new rate structure funded several large utility construction projects designed to enhance service and reliability to our

customers. No additional KUA rate increases are forecasted for the next ten years.

101 YEARS OF MEETING CUSTOMER NEEDS

KUA is proud of its strong heritage in Kissimmee. For more than 100 years, we've been part of the growth, development and progress of the community we serve. In 1901, the same year the city of Kissimmee began providing power to residents, Makinson Hardware signed on as KUA's first commercial customer. Though the store had already been open for 17 years and operating without electricity, the owners decided to take advantage of the nearby power plant in downtown Kissimmee and enhance their business with electric lights. One year later, Makinson Hardware began operating an electric conveyer system in its machine shop. Amazingly, the motor that operated the system remains in the store today.

"My grandfather came to Kissimmee in 1883 by train from Maryland," Makinson Hardware Owner Buster Makinson said. "He married Maude, the daughter of County Judge Murphy, and they had 14 children." The Makinson Hardware store has been passed down through generations of family members, and Buster proudly displays a photo frame in his store with their pictures. "My grandfather, my uncle, my father, my brother and then me," he explained. "I've been running the store for nearly 40 years now. I bought out my brother two years ago when he retired."

While the hardware store remains relatively small compared to the new mega home improvement centers, business continues to grow each year. In fact, Buster has actually developed positive relationships with his competitors. "The big chains send people here if they don't have something in stock," he said. "In a way, they're our friends, too."

Just as KUA believes it should do its part for the community, so does Makinson Hardware. Buster spends a great deal of time greeting tourists and visitors who stop in to see the state's oldest hardware store. Many of them expect to see old merchandise, dusty floors, dirty equipment and out-

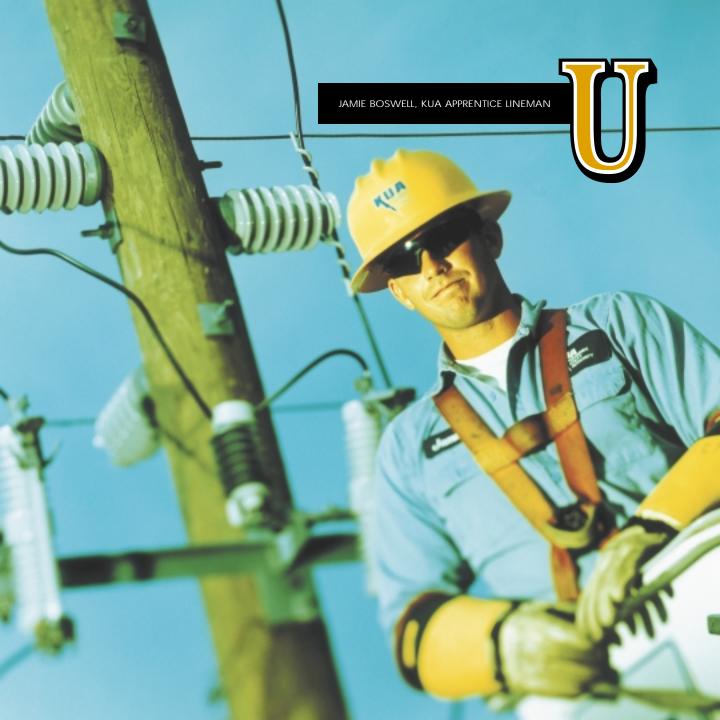
of-date machinery, but Buster surprises them with his modern facility. "Even though we are Florida's oldest hardware store, if we don't stay modern, we won't be here for long," he said.

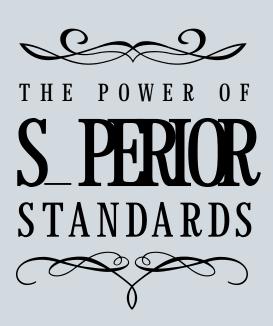
Tourists find out about Makinson Hardware from the listing in the Florida Registry, but local residents have come to treasure the historical horse sign in front of the Makinson Hardware building. "That sign has been around since 1945," Buster said. "We took it down two years ago to refurbish it, but it will always remain a fixture outside our business. That's how people know us ... the store with the horse sign."

The association with horses originates from the beginning of Makinson Hardware's history. The store housed a saddle shop, selling saddles, bridles, feed, and even buggies to be pulled by horses. In the 1950s, Buster's father visited a racetrack and returned with two life-size horse sculptures on wheels and placed them in front of the store. One of the horses was destroyed in a vehicle accident several years ago; however,

the other horse still remains in front of the store today. "We wheel him in every night and wheel him out every morning," Buster said. "People know our horses, even if they don't know the name of the store."

While Makinson Hardware has had to change with the times to keep their store modern, they have not parted ways with good, old-fashioned customer service and support for the community. KUA is proud to be associated with Makinson Hardware, and we look forward to keeping the lights burning on this family tradition for years to come.





It's the employees of KUA that allow us to keep up with the changing needs of our customers. By tracking growth and business trends and working directly with our customers, we demonstrate our commitment to building a strong community through helping businesses grow. KUA is proud of the deep-seated relationships our employees have cultivated with customers throughout the years. We recognize and understand that it's those relationships that enable us to exist and make us what we are today ... the community utility.

STRIVING FOR EXCELLENCE

As the community utility, we strive for excellence each and every day. Those efforts were evident last year as our dedicated employees showcased their talent and were rewarded in a variety of ways.

National financial award

In times of skepticism surrounding corporate honesty, KUA is proud to be the recipient of the Certificate of Achievement for Excellence in Financial Reporting for the 15th consecutive year for its 2001 comprehensive annual financial report (CAFR). The Certificate of Achievement is awarded by the Government Finance Officers Association of

the United States and Canada (GFOA) and is the highest honor awarded in the area of governmental accounting and financial reporting. Its attainment underscores our commitment to honesty, trust and truth in all of our business transactions.

2002 Business of the Year Award

The Kissimmee/Osceola County Chamber of Commerce also honored KUA by naming us the 2002 Business of the Year. We were singled out for our commitment to the community; strong support for a diverse, multi-cultural population; exemplary performance in customer service and innovative business practices.

Top 100 Company for Working Families

Adding to the honor of winning business of the year, KUA was also named by the *Orlando Sentinel* as one of the region's top 100 companies for working families for the fifth consecutive year. The award is bestowed upon progressive companies that create an environment of nurturing employees and supporting the family. It was KUA's unique programs for employee families, ongoing employee reward systems, excellent benefits package and in-house communications that brought the company into the spotlight.

WHAT GOES AROUND, COMES AROUND

Customer Service Representative Sarah Tompkins is just one shining example of why KUA received the designation as one of the top 100 companies for working families. She was honored this year for dedicating 25 years of service to KUA and is the first woman to reach a quarter-century of service in the utility's 101-year history.

When asked about reaching this milestone, Sarah said, "This was a personal goal I set for myself over 10 years ago. I have stayed this long because it is wonderful to work for a company that really cares about its employees. KUA has always been supportive of my involvement in community activities, and the people I work with are a wonderful group of individuals."

ROPING UP THE WIN

In the Lineman's Rodeo, participants straddle poles, not ponies. The danger comes not from bucking animals, but from the deadly burst of electrical power. In a profession where a mistake can mean disaster or death, the combination of skill, safety and speed is crucial. It is a testament to

the skill of our employees that KUA crews brought home five trophies from the 2002 Florida Lineman's Rodeo.

When KUA Apprentice Lineman Jamie Boswell competed in the 2002 Florida Lineman's Rodeo, he strove for nothing less than his personal best, and as it turned out, his personal best was good enough to earn him the title of top apprentice lineman in the state. "It was just my day," he said.

Jamie represented KUA in the Hurt Man Rescue, the Egg Climb and Fuse Replacement. He scored 100 percent with zero mistakes in all three events, but the competition was tough, and several other competitors, including KUA Apprentice Linemen Logan Murphy and Scott Grieves, received perfect scores as well. Ultimately, it was the speed in which Jamie completed each event that put him on top. "I never compromised safety for speed," Jamie said. "There is no room for error in this line of work."

While Jamie is honored to hold the title of top apprentice lineman, he is quick to shift the spotlight to his co-workers. "Trophies are nice, but I wouldn't trade anything for the knowledge I've gained,"

he said. "It's nice to see my name there, but the win belongs to KUA." Jamie humbly believes himself to be just one of many exemplary employees of the utility. "KUA hires the best. We have a great group of people here," he remarked.

More than receiving industry recognition for his talents, Jamie says he is grateful for the customers who recognize the efforts of KUA employees. "We honestly try our best to keep the lights on, and I think our customers know that," he concluded.

Jamie recalled a specific incident where he saw first-hand the appreciation of our customers after he assisted in the replacement of a failed transformer that left a neighborhood without electricity. The crew worked at dusk in the rain to restore power as quickly as possible, and when the homes began to light up, Jamie and the crew were surprised to hear clapping, whistling and abounding thanks from the residents. "It's a great feeling. Priceless," he said.

After nearly four years with KUA, Jamie is less than one year away from completing his apprenticeship and becoming a full-fledged lineman. He completed his classroom training at Valencia Community College and has excelled in his on-the-job training. Jamie's ultimate career goal is to become a first class lineman. "I will get there," he said. "That's what I was hired for."

HURRICANE SEASON AND MORE: MAKING SURE WE'RE READY

While Jamie works to become a first class lineman, he is also working to help the utility achieve first class status when it comes to handling disaster situations.

Although little can be done to prevent disasters from occurring, KUA employees believe readiness is key and that certain measures can be taken to ensure a safe, swift and speedy restoration in the event of an emergency.

One of the most likely threats to Central Florida is the threat of a hurricane. That's why KUA employees take time from their busy schedules to perform a disaster drill before hurricane season each year. Every employee plays a part in the testing of emergency equipment, measurement of response time, and evaluation of communication within the utility.

Although it's a drill, utility employees take it seriously, following the same procedures they would if the disaster was real.

The drill involves a wide range of activities, including a simulated power plant fuel spill, simulation of power line and substation damage, repair of utility vehicles in the field, back-up of all internal computer records, answering customer outage calls and logging them into a database, production of sandbags at both power plants, and the testing of all emergency generators. During the drill, KUA managers also throw out unexpected scenarios to test the readiness of employees, and after this year's drill, it was clear that our employees are ready.

Enhancing Security, Protecting our Assets

KUA is also working to be prepared for unexpected situations that came to light as a result of the tragic events of September 11, 2001. We recognize the critical nature of terrorist threats to power plant facilities, and we take seriously our responsibility to protect our assets and ensure continued electric reliability for our community.

As a result, our employees established an internal task force to scrutinize security issues and policies and resolve risks associated with potential threats. The result is a clearly defined security plan that included the purchase and installation of surveillance cameras, electronic perimeter fence sensors and proximity card readers for all exterior doors. KUA employees remain in a heightened state of alert and readiness while we continue to take steps to safeguard critical utility infrastructure.

GIVING MILITARY EMPLOYEES THEIR DUE

For those KUA employees who stand on reserve, ready to serve our nation, KUA's Board of Directors voted unanimously to back them with continued financial support. If they are called up for duty, KUA will provide full pay for the first 30 days, and then convert to paying the difference between their military pay and regular salaries for as long as they are active. Reservists will also receive ongoing health benefits and accrual of retirement time during military service. The Board believes the plan is a way to support employees who are sacrificing to serve and protect the freedom of our nation.





A RECORDING-BREAKING YEAR

Living in the land of opportunity affords Americans many luxuries, among them the ability to consume as much electricity as they need. We're certain KUA customers were not taking electricity for granted this year as bitter cold and high heat caused them to use enough electricity to set two new peak usage records for KUA, one in January at 275.3 MW and the second in August at 279 MW. Thanks to KUA's advance preparation in response to weather reports, we moved record amounts of electricity with minimal effects on service to customers.

System growth for most of the nation's utilities averages one to two percent annually. KUA's growth, however, averages 2-3 times the national average. The high numbers speak volumes about the booming population and wealth of opportunities in Osceola County.

WHERE THERE IS COOPERATION, THERE IS POWER

In an effort to ensure continued reliability and the ability to handle future years of record growth and peaks, KUA joined the Florida Municipal Power Agency's (FMPA) All-Requirements Project this year. The goal is to jointly plan and develop future power supply needs for the state of Florida. FMPA is a non-profit, joint-action agency formed by 29 municipal electric utilities across the state. Its primary purpose is to develop competitive power supply and related services.

The All-Requirements Project gives KUA the best of both worlds: a continued focus on the values of serving our local community, backed by the financial and technical resources of a statewide operation. As a result of membership in this organization, KUA will gain strength in its effort to enhance our already reliable service, while continuing to maintain low rates.

CANE ISLAND UNIT 3:

A DEDICATION OF HEARTFELT THANKS

In one of many anticipated joint projects, KUA and FMPA completed and inaugurated the third generating unit at the Cane Island Power Park. The new \$135.7 million generator is located on 1,027 acres in Intercession City, located nine miles southwest of Kissimmee.

The Joseph M. Tardugno Unit 3 is a 250-megawatt combined-cycle combustion turbine that joins Unit 1 (40 MW) & Unit 2 (120 MW) in establishing Cane Island as one of the most efficient and environmentally-friendly power plants in the nation.

KUA and FMPA share equal ownership in the Cane Island site. The electricity produced at Cane Island not only serves the energy needs of Osceola County, but also the needs of 200,000 customers in cities throughout Florida. Construction on Unit 3 began in December 1999.

"Unit 3 represents a significant capital investment in Osceola County," KUA President and General Manager Jim Welsh explained. "Operation of this power plant and excess energy sales will contribute to Central Florida's economy for many years to come." Additionally, the power plant employs 37 skilled operations personnel, who contribute economically and socially to our community.

Unit 3 is named in memory of Joseph M. Tardugno, former director of Leesburg's electric utility. Leesburg is one of 15 Florida cities served by the Cane Island plant. Joseph was killed in an automobile accident on Thanksgiving weekend in 1999 - two weeks before the Unit 3 groundbreaking. The unit was named after Joseph to honor his contributions to the unit and to the public power community. As we move forward, we will continue to honor his name and his work.

2

KUA.NET: MAKING CONNECTIONS, EXPANDING SERVICES

As our thriving local economy attracts new residents and businesses, KUA is focused on taking advantage of the opportunities presented by growth. One of those opportunities is through KUA.net, our Internet Service Provider.

KUA.net provides dial-up, high-speed and wireless Internet connectivity solutions, as well as web hosting, web design and data storage services to more than 6,800 customers in Osceola, Orange, Polk, Seminole and Sumter counties.

Our notable clients include the City of Bushnell, Florida Municipal Power Agency, Kissimmee/Osceola County Chamber of Commerce, Kissimmee-St. Cloud Convention & Visitors Bureau, Osceola County Health Department and Disney's Celebration Company.

KUA.net Ranked #2 ISP in Central Florida

This year, the Orlando Business Journal ranked

KUA.net the region's #2 ISP. The ranking is based on the total number of customers served. We attribute our rise in rankings to our locally-owned, locally-controlled business philosophy. We strive to provide a high level of personal service that customers can't get from regional or national providers.

"Goner" Virus is a goner

KUA.net's real-time virus scanning service spared our residential and business customers from the W32/Goner@MM virus in December. The Goner virus is a mass-mailing worm that spreads its infection using the ICQ network and by e-mail using Microsoft Outlook.

KUA.net was the first Internet Service Provider in Florida to provide real-time virus scanning on all inbound and outbound e-mail. The system stopped more than 350 infected Goner e-mail messages in the first two days.

KUA.net utilizes a combination of hardware and software that automatically checks each piece of

mail that runs through its servers for virus contamination. Real-time scanning means there are no delays to mail delivery, and KUA.net personnel continually update the system to ensure the latest virus strains are detected.

If a message is sent with an infected attachment, the message is halted and the attachment is destroyed. Both the sender and recipient receive an e-mail notification indicating that a virus was sent, detected and destroyed; the sender can then re-send a clean message.

Free Internet classes

While the Internet brings the world to the desktop of a PC, newcomers sometimes feel a little lost and intimidated. To help customers get the most out of their Internet connection, KUA.net offers free Internet classes on browsing, search engines, web design and e-mail.

KUA.net Hispanic users' group

Language barriers prevent many Hispanic households from receiving the full benefit of the Internet. To serve a growing Hispanic community in Central Florida, KUA.net hosted in 2002 free, quarterly Internet users' group meetings in Spanish. Members of the group benefited from the hearty exchange of ideas and sharing of information.

Live event webcasts

KUA.net is increasing visitors to the Kissimmee area with live Internet broadcasts of local special events. To name a few, KUA.net has broadcasted the Viva Osceola Festival Latino, Kissimmee's Holiday Extravaganza, the Osceola Art Festival and the Kissimmee JazzFest.

Cyber Café

And for those who just have to stay connected, KUA.net offers a complimentary Cyber Café at local community events. The Café uses KUA.net's state-of-the-art wireless network that delivers data at a speedy 11 Mbps (11 million bits per second) to allow event-goers to check their e-mail or surf the web.

Providing service to outlying areas: Solivita

Beyond Central Florida's major communications



corridor, rural communities struggle for access to the information superhighway. KUA.net sees those areas as opportunities and is working to remove that roadblock for rural residents. In 2002, the residents of Solivita, a 3,300-acre development located in northeast Polk County, sped to sign up for KUA.net when service began in their area. To ensure top-quality service, a full-time, on-site technician was hired to assist Solivita residents, plus we provide them access to a free help line in case they have questions or problems with their Internet access.

Mel Prado was one of KUA.net's first high-speed Internet customers in Solivita. He moved to Solivita from New Jersey eight months ago. Prior to his move, Mel spent two years hunting for the perfect place to live. "I was originally most interested in climate," he said. "I heard Ocala was ranked the third most desirable climate in the United States, but I never found a place there that I loved."

It was Mel's realtor who finally recommended he visit Solivita. "I knew right away," he said. "I

thought, 'This is it!'" But, Mel didn't want to make any rash decisions, so he told his realtor he'd need some time to think. Surprisingly, just twenty-four hours later, Mel found himself signing the papers to purchase his house in Solivita. "This is my kingdom," he said. "It feels like a resort. I have swimming pools, wonderful air to breath and lakes to walk around."

While Mel found happiness in his new community, he discovered that just one thing was missing ... a tie to the world outside of Solivita. "I can go dancing here, see a movie here, have dinner with a friend here, and, now, I can check the news in Peru from here," he exclaimed.

Mel uses his KUA.net Internet service to send e-mail to his children in California and New Jersey, to keep in touch with his grandchildren, and to remain in contact with family he has in Peru. He especially appreciates the convenience of having KUA.net staff onsite. "They are always wonderful about responding quickly and are very patient with my questions," he said.

THE POWER OF OPPORTUNITY

This isn't the first time Mel has pushed the envelope. He was the first agent in his New York Life Insurance office to have a computer on his desk 20 years ago. About high-speed Internet access Mel said, "You just need it. I'm glad I was able to get the power of the Internet in my kingdom of Solivita."

Even with all that Solivita was able to offer its residents, its rural location separated the community from established cable infrastructure and access to high speed Internet. Solivita came to KUA with the opportunity. We jumped at the chance.

We custom crafted a solution and shot a wireless Internet signal from our Hansel Power Plant in downtown Kissimmee across Lake Tohopekaliga directly to Solivita. When service began in February, more than 70 Solivita residents had signed up, proving our efforts were well received.

POWERFUL TAKE-OFFS, SMOOTH LANDINGS

As one of the state's fastest growing transportation and cargo hubs, the Kissimmee Gateway Airport is a vital link to the world for the Kissimmee community.

Located on 900 acres, the Kissimmee Gateway Airport provides a number of aviation services. "Anything you can think of flying, except for commercial airplanes, can and does come through this airport," Aviation Director Terry Lloyd said. He, along with the Airport Advisory Board appointed by the City Commission, manages the airport.

"We average about 400 operations, take-offs and landings per day," he said. "But on busy days, we could have more than 800 operations."

The airport benefits from the number of take-offs and landings because of a five-cent per gallon fuel flowage fee assessed to businesses that sell fuel at the airport. Last year, more than 1.7 million gallons were sold, a record high.



Business at the Kissimmee Gateway Airport continues to grow each year, due in large part to its location. "We are within five miles of two of the area's major hospitals," Terry said. "That brings us quite a bit of traffic in aero-medical evacuation."

The airport is also utilized by airplanes that check power lines and fight forest fires, local law enforcement helicopters, and high-lift helicopters that assist with construction projects in the area.

High-profile business people and celebrities visiting the Central Florida area also frequent the airport. The size of the airport and lack of commercial flights appeals to these passengers because it allows them to load and unload without the crowds and lengthy procedures associated with big airports.

A 1997 study concluded that the airport's direct economic impact on the local community was approximately \$81 million. At the time of the study, the airport did not have a control tower, but after a \$10 million construction project added a tower to the facility, the airport's impact on the community

is projected to be well over the \$100 million mark.

Although business is good, airport management is now looking to take advantage of broadband and wireless technology to enhance customer service, improve operational efficiency and keep business coming back to the airport for years to come.

KUA.net saw this as an opportunity to ensure continued growth in the community and partnered with the airport, the Kissimmee/Osceola County Chamber of Commerce and Osceola County's Economic Development Department to host a forum on how best to incorporate the technology into the airport's master plan.

Sharing similar goals for the Kissimmee area, KUA and the Kissimmee Gateway Airport are likely partners in this exciting venture, which is sure to keep our community growing strong.





At KUA, we believe it is our duty to provide more than excellent electric service. Employing over 300 workers gives us strength in numbers, and for more than 100 years, we have used those resources to help build our community. Our employees volunteer countless hours to a wide variety of local causes.

MAKING A DIFFERENCE

American Cancer Society's Relay for Life

A team of KUA employees laced up their tennis shoes and walked 18 consecutive hours during the American Cancer Society's annual "Relay for Life" fundraiser. The team raised more than \$4,500 in memory of Ted Pope, former general manager of neighboring Orlando Utilities Commission (OUC), who died of cancer in 2002.

KUA President & General Manager Jim Welsh was part of the team and walked 41 miles during the 18-hour event. He stopped only to change his shoes and socks. Jim finished second in overall distance to Mike Kloehn of Osceola

County Government, who walked 42 miles in sixteen hours.

NBA All-Star Reading Team

The new NBA All-Star Reading Team drafted Chris Gent, KUA's manager of corporate communications this year. As part of the local team, Chris will help facilitate the NBA's Read to Achieve campaign, a year-round program designed to help young people develop a life-long love for reading and on-line literacy, as well as encourage adults to read and talk regularly with children.

THE GOOD NEIGHBOR ENERGY FUND

Since September 11, 2001, as many as 88,000 people in Central Florida have experienced layoffs, reductions in work hours or reductions in salary, making it difficult to make ends meet. Thanks to the generosity of our customers and employees, \$37,915 was raised in 2002 to provide assistance to 237 individuals and families who faced a crisis.

The fund is a voluntary program designed to assist customers in paying their KUA utility bills during times of financial hardship or personal emergency. Customers contribute via their utility bills, and employees have contributions taken automatically from their paychecks. One-time donations are also gladly accepted, and KUA matches all contributions dollar for dollar. We applaud the generosity of our customers and employees who embody the power of a community working together.

SEEKING LEADERSHIP EXAMPLES

As KUA peers out into the community for examples of powerful leaders, two local business owners stand out as role models.

Nancy Adkins-Sexton and Danny Sexton, owners of Baker's Florist and Kissimmee Florist, are well-respected leaders in our community. Their involvement and dedication to making Osceola County a great place to live is exemplary.

Nancy moved to Central Florida from Medina, Ohio in 1986 and took an immediate interest in making her community a place she could call home. In 1996, Nancy purchased Baker's Florist, founded by Elise Baker who still lives in Kissimmee. In 1999, Nancy moved Baker's Florist to its current location on Broadway Street. "When I moved into the building, I thought, 'Wow. I have a home town again,'" she said. "The world is different in downtown Kissimmee. Other business owners wave 'hello' as they walk by, and that just really makes it feel like home here."

Nancy and Danny are visionaries. They believe they have the power to make a difference in Kissimmee and that their efforts will play a part in building a bright future for the community. To ensure those visions become a reality, Nancy serves on the County Board of Adjustments; is the president of the Downtown Business Association (DBA); and serves on the board of the Downtown Kissimmee Area Council. Danny is an active member of the Community Redevelopment Association (CRA) and the FTD Product Advisory

Board. Both Nancy and Danny are Rotarians, past presidents of the Central Florida Florist Association and floral chairs for the FTD national convention, which will be held at Gaylord Palms Resort in Kissimmee on July 18-20, 2003.

Every year at Thanksgiving, Nancy and Danny provide dinner for 30 needy families in Kissimmee, and at the beginning of each school year, they purchase school supplies for 50 students. "We don't do it for a pat on the back," Nancy said. "We do it to give back to our community."

Nancy was out of town on July 30, 2002, when the lives of two Kissimmee firefighters, Dallas Begg and Lt. John Mickel, son of KUA employee Cathy Mickel, were tragically claimed in a training exercise. Danny called Nancy to tell her of the heartbreak that had struck their community. "All he could say was that we needed to do something," she said. "So, we delivered fresh flowers to all of the fire stations in Osceola County to offer a small bit of light in a time of darkness, and to let them know that there is appreciation for what they do on

a daily basis." Nancy and Danny signed the cards 'From your friends in Osceola County' to let the firefighters know that the entire community was supporting them.

Nancy and Danny look forward to FTD National Good Neighbor Day each September, when everyone who enters their shop can receive a dozen roses free of charge. The only stipulation is that they gift 11 of the roses to 11 different people; they may, however, keep the 12th rose. One woman said she used the program as a way to meet her neighbors. A 7-year-old boy, asked for a dozen roses to distribute during his Meals on Wheels route. The boy, who delivered 80 meals per week, with his mother driving him, was thrilled when Nancy and Danny gave him eight dozen roses so that he would have a rose for everyone on his route.

Nancy and Danny hope to see Good Neighbor Day grow with every passing year. They say they want to be bombarded with requests for roses to be shared. "If we gave away 5,000 dozen roses, every person in Kissimmee would wind up with one," Nancy said. "What a way to spread the wealth. I want it to get huge in Kissimmee. That's my goal."

And KUA's goal is to keep an eye on progressive business owners like Nancy and Danny and to continue to try to follow their example of giving back to the community.

McGRUFF TRUCK® PROGRAM

One of the many ways KUA gives back to the community is through our McGruff Truck program, an innovative partnership with the National Crime Prevention Council, designed to offer an added measure of security for residents. In September 2002, KUA become the first Florida utility to team up with McGruff the Crime Dog to help safeguard children and adults.

All of KUA's 100 fleet vehicles are marked with a McGruff Truck symbol on the front and the back, making them easily identifiable as sources of help

in emergency situations, and our drivers are trained on how to provide assistance when approached by a child or an adult.

Elementary school D.A.R.E. and resource officers are teaching children about the KUA McGruff Truck program. Children now know to wave both hands above their head if they need assistance from a KUA McGruff Truck.

Since the program began, McGruff and the KUA McGruff Trucks have made a number of public appearances. To reinforce the new program, McGruff has visited with local law enforcement officers and attended several safety day programs and Flee to be Free school assemblies. McGruff even topped a KUA McGruff Truck in a local parade where children waved with excitement at recognizing the popular Crime Dog.

So far, KUA's McGruff Truck program has already helped one citizen in need of assistance. A 13year-old girl missed her school bus, locked herself out of her house, was without a cell phone to call



for help, and sat alone at the edge of her driveway ... waiting. A KUA meter reader, driving a McGruff Truck, contacted a school resource officer and stayed with the girl until the officer arrived to pick her up.

While we hope no one ever needs our help, our customers know they can rely on us if they do – and who better to rely on than KUA, the company that has been providing reliable electric and community service to Kissimmee residents for more than 100 years.

HELPING THOSE WHO HELP OTHERS

Two years ago, the Osceola County YMCA had less than 700 members. Today, the YMCA is a powerhouse, serving 3,000 children, teens, adults and seniors. KUA takes great pride in its association with the significant growth of our local YMCA. We provided funding and construction assistance for renovations and expansion of the facility.

Paul Manning, the executive director of the Osceola County YMCA, is proud of the success of the new, improved facility that has resulted in record membership growth. "We can thank the donors who supported the New Horizon Capital Campaign for our community's new YMCA," he said. "KUA generously made a commitment to the campaign that enabled us to perform a \$3 million renovation."

The expansions include a remodeled gym, a new wellness area with state-of-the-art exercise equipment, a child development area with flexible hours and enhanced children's programs, a new aquatic center, and a teen center. The next major phase of changes will include improvement of parking lot and outdoor field lighting.

The teen center provides a safe, fun environment for students to use after school. YMCA members check in and most stay until closing when their parents pick them up. "They can play basketball, ping-pong or table hockey, and they can shoot pool," Paul said. "There's an area for doing

homework, and when the pool opens soon, they'll be able to swim."

In Central Florida, learning to swim is a priority since drowning is the number one cause of death for children under the age of four. KUA's partnership with the YMCA is providing resources to the Osceola County School District that has added swimming lessons to kindergarten and first grade curriculum. Paul is grateful that the YMCA now has the facilities to provide such services. "We believe it's important to do everything we can to help safeguard the children in our community," he said. "Our goal is to provide first rate service in a community that needs us."

An Osceola High School teacher joined the YMCA as the changes began and committed to making changes in her life as well. She said exercising helped her lose a significant amount of weight, and she feels better and healthier. A senior couple attributes their active lifestyles to the fitness they get at the YMCA. A mother whose son frequents the teen center thanks the YMCA daily for providing

services that allow her son to spend time in a protected setting.

"These are just a few examples of the kinds of things that are happening here," Paul said, explaining that he is proud of the YMCA's success and looks forward to serving even more residents in the community.

As Paul and the YMCA continue to provide services that nurture the community, they can rest assured that KUA will be right there behind them, in support of their noble efforts.

ENCOURAGING CREATIVITY THROUGH ART

To increase public awareness of energy conservation, KUA sponsored a calendar art contest for all third, fourth and fifth grade Osceola County students. Out of 508 entries from 18 elementary schools, a jury of KUA employees selected 12 entries that were featured in KUA's 2002 Calendar of Energy Conservation. KUA also supports the Arts through financial contributions and program participation with the Osceola Center for the Arts, the hub of artistic expression in the county. The Center's goal is to promote, cultivate and foster interest and participation in the Arts by providing affordable and accessible programs and facilities ... and they've been doing it for 40 years. "We are celebrating our 40th anniversary this year," Executive Director Kip Watson said. "Over the last five years, we have experienced remarkable growth."

More than 65,000 citizens in Osceola County have taken advantage of the art classes and children's summer camp opportunities at the Center. Additionally, each year, the Center hosts six art gallery shows and four touring shows and produces five Broadway shows.

The Center reaches beyond the doors of its facility to bring art to our local schools. Last year, the Center contributed \$21,000 in cash and in-kind services to the Osceola County School District and awarded college scholarships to local students.

Kip is optimistic about the future of the Arts in the school system. "The old Tupperware building is now serving as the new Osceola County School for the Arts, and a 600-seat theater is being planned for Celebration, which will enable us to bring bigger acts into the community," he said.

One of the new and exciting programs offered by the Center is the Center Art Associates, an art outreach program that provides local artists exhibition opportunities. "In order to survive, the artists need to sell their art," Kip said. "The Center Art Associates program works with public offices in Osceola County to rotate artwork throughout the community." The program gives artists a chance to be on display, and it gives public offices a chance to enjoy interesting art on their walls. "It's a win-win situation for everyone," Kip said. Word of the program's success is quickly spreading as more and more artists submit work for consideration in the program.

KUA was among the first participants of the program with its Carroll Street lobby. In addition to



displaying the artwork, we also provide the artist's contact information for those who may desire to purchase or see more of the artist's work. In January 2002, approximately 3,500 customers came through our lobby, providing incredible exposure for the artist.

KUA is proud to support the Arts through programs like the Center Art Associates that benefit the community as a whole, while recognizing the unique talents of each individual artist. Capturing the flipside of that statement, Kip said, "Art is one-to-one, whether watching or participating. Each of us gets something different out of art. It's a reflection of our diverse community."

WAVING FLAGS IN SUPPORT OF OUR NATION

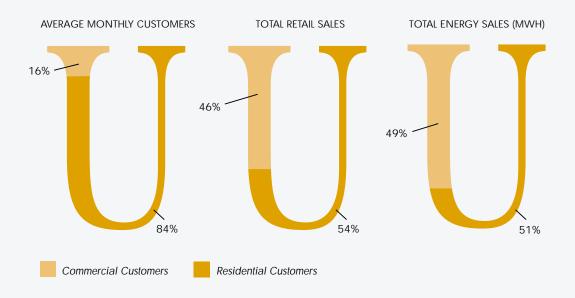
To encourage community support for our nation after the terrorist attacks on September 11, 2001, KUA distributed free American flags and lapel pins to customers. The result of this effort was heartwarming, as thousands of American flags flew

from car antennas and hung in offices and stores across Kissimmee. Patriotism in our community was running high, and by the end of the campaign, KUA had distributed more than 46,000 American flags in a city with 47,800 residents.

THE TIES THAT BIND US

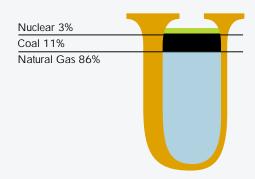
One of the best parts of being a municipal utility is the connection to the community, and at KUA that connection is powerful. Our employees exhibit an uncompromising sense of civic responsibility that extends beyond the county's electrical needs and into community programs and services. Since our customers are our owners, they are also investors. When they pay their electric bill, they are actually making an investment in the community ... an investment that provides vital public services, builds parks and bike paths, safeguards our children, encourages creativity through art, raises money for charitable causes and builds stronger community programs ... it is an investment where the return is both powerful and priceless.

RESIDENTIAL CUSTOMERS VS. COMMERCIAL CUSTOMERS



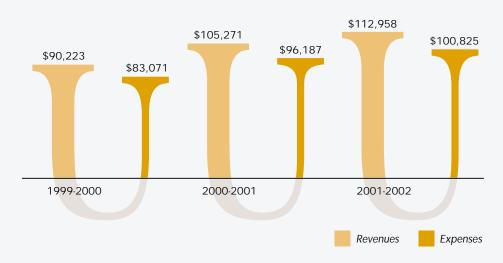
GENERAL FUEL MIX

2001-2002



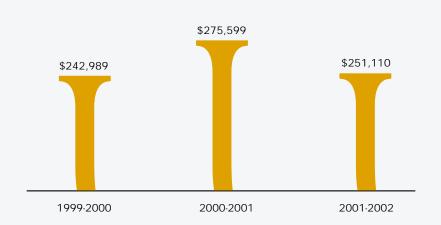
OPERATING REVENUES VS. OPERATING EXPENSES

Numbers In Thousands



LONG-TERM DEBT

Numbers In Thousands



FINANCIAL HIGHLIGHTS

(In Thousands of Dollars)	2001-02	2000-01	1999-00	1998-99	1997-98	
OPERATING REVENUES:						
Residential	\$48,318	\$51,488	\$43,248	\$39,353	\$37,803	
General Services	13,597	14,961	12,834	11,597	11,234	
General Services - Demand	13,924	15,671	12,899	12,776	14,723	
General Services - Large Demand	11,608	11,812	9,928	7,889	5,692	
Surcharge	116	0	2,144	1,959	1,932	
Outdoor Lighting	1,352	1,366	1,179	1,045	979	
TOTAL METERED SALES	88,915	95,298	82,232	74,619	72,362	
OTHER REVENUES	24,043	9,973	7,991	5,109	4,970	
TOTAL OPERATING REVENUES	112,958	105,271	90,223	79,728	77,332	
OPERATING EXPENSES:						
Fuel and Purchased Power	58,464	54,708	51,162	33,794	35,243	
Operating and Maintenance	22,201	23,063	14,408	20,519	18,307	
Depreciation and Amortization	13,170	11,612	10,961	10,644	10,380	
Intergovernmental Transfers	6,991	6,804	6,540	7,815	7,072	
TOTAL OPERATING EXPENSES	100,825	96,187	83,071	67,763	68,965	
OPERATING INCOME	12,133	9,084	7,152	11,965	8,368	
INVESTMENT INCOME	4,050	8,783	6,591	3,497	6,535	
INCOME BEFORE						
NON-OPERATING EXPENSE	16,183	17,867	13,743	15,462	14,903	
LESS NON-OPERATING EXPENSE						
Interest on Debt	11,256	13,895	13,103	11,912	12,427	
Other Interest	1,899	2,056	1,592	1,593	1,594	
Allowance for Borrowed						
Funds Used During Construction	0	(2,459)	(1,340)	0	0	
Costs to be Recovered						
From Future Revenues	316	1,299	(2,145)	(5,010)	(2,037)	
TOTAL	13,470	14,791	11,210	8,495	14,021	
CAPITAL CONTRIBUTIONS	1,670	935	0	0	0	
CHANGE IN NET ASSETS	2,713	3,076	2,533	1,958	882	
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OPERATING HIGHLIGHTS

ELECTRIC AND ISP OPERATIONS	Sep-02	Sep-01	% Increase (Decrease)	
OPERATING REVENUE	\$112,957,907	\$105,270,709	7.3%	
SELECTED OPERATING EXPENSES				
Fuel and Purchased Power	\$58,464,287	\$54,707,506	6.9%	
Departmental Operations	\$22,132,039	\$18,173,857	21.8%	
INTEREST REVENUES	\$4,050,444	\$8,782,983	(53.9%)	
INTEREST EXPENSE	\$11,255,511	\$11,435,440	(1.6%)	
DEBT SERVICE COVERAGE	1.99	1.86	7.0%	
EARNINGS BEFORE CUMULATIVE EFFECT	\$1,043,547	\$3,076,430	(66.1%)	
OF ACCOUNTING CHANGE				
PAYMENTS TO OTHER GOVERNMENTS	\$6,990,571	\$6,804,053	2.7%	
UTILITY PLANT (Net)	\$240,409,298	\$236,339,707	1.7%	
NET ASSETS	\$140,412,802	\$137,699,173	2.0%	
LONG-TERM DEBT	\$251,110,363	\$275,599,178	(8.9%)	
TOTAL ASSETS	\$436,892,259	\$456,528,702	(4.3%)	
TOTAL RETAIL SALES	\$88,914,602	\$95,298,374	(6.7%)	
1. Residential	\$48,317,467	\$51,487,959	(6.2%)	
Commercial/Industrial	\$40,597,135	\$43,810,415	(7.3%)	
SYSTEM PEAK DEMAND (MW)	262	252	4.0%	
TOTAL ENERGY SALES (MWH)	1,118,579	1,097,206	1.9%	
2. Residential (MWH)	569,115	555,168	2.5%	
Commercial/Industrial (MWH)	549,464	542,038	1.4%	
AVERAGE MONTHLY CUSTOMERS	48,599	47,238	2.9%	
3. Residential	40,889	39,369	3.9%	
Commercial/Industrial	7,710	7,869	(2.0%)	
AVERAGE MONTHLY RESIDENTIAL USAGE (MWH)	1.160	1.175		
AVERAGE MONTHLY RESIDENTIAL BILL	\$98	\$109	(9.6%)	
ANNUAL HEATING DEGREE DAYS	431	730	(41.0%)	
ANNUAL COOLING DEGREE DAYS	3,422	3,019	13.3%	
GENERAL FUEL MIX (%):				
Natural Gas	86%	66%	29.7%	
Coal	11%	26%	(59.2%)	
Nuclear	3%	8%	(57.1%)	
NET ENERGY FOR LOAD (MWH)	1,219,234	1,174,383	3.8%	
Net Generation (MWH)	1,351,648	604,543	123.6%	
Power Purchases (MWH)	389,030	638,189	(39.0%)	
Sales for Resale (MWH)	(553,639)	(98,904)	459.8%	

KUA MANAGEMENT

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Arthur J. Lacerte, Jr.

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Vice President of Power Supply

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Vice President of Information Technology

Kenneth L. Davis

Vice President of Engineering & Operations

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Vice President of Customer Service & Marketing

Joseph Hostetler

Vice President of Finance & Risk Management

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Algertha E. Diggs

Manager of Internal Audit

Chris M. Gent

Manager of Corporate Communications

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