



BEYOND MEASURE

Kissimmee Utility Authority 2004 Annual Report

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BEYOND MEASURE

At KUA, employees are the backbone of our organization. During the normal course of business, they consistently impress us with their drive, determination and passion. It is their dedication that makes it possible for us to fulfill our mission of providing reliable and economical services to our customers while partnering with the community and the environment.

Our employees don't settle for the status quo. They constantly strive to improve our business. Over the past year, the contributions of our employees have been beyond measure. In addition to battling three hurricanes, they provided unparalleled service to our customers, expanded our service offerings, and, in the process, acquired local, regional, statewide and national recognition for their work.

At KUA, it doesn't go without saying – our employees are our most valuable asset, and we strive to make KUA a place they want to work. We think we must be doing something right, because for the seventh consecutive year, KUA was named a "Top 100 Company for Working Families" by the Orlando Sentinel.

Another sign we might be doing something right – the longevity of our employees, who hold a combined 2,622 years of experience at KUA.

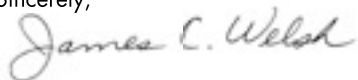
With such a strong, loyal group of employees at our side, we've always known we could weather any storm, but, quite honestly, we hoped we would never actually have to. Mother Nature had something else in mind, though, and sent not one, or two, but three disastrous hurricanes straight into the KUA service territory this year. With the poundings of Hurricanes Charley, Frances and Jeanne, hurricane season 2004 turned out to be our worst nightmare.

KUA was the hardest hit of any electric utility in Central Florida, but because of the efforts of our remarkable 300 employees, the story behind the 2004 hurricane season is one of bravery, heroics and teamwork. We are so proud of our employees. They put our customers' needs ahead of their own – even when nearly every employee was a victim of the storms in one way or another and dozens had their homes damaged or destroyed.

This year's KUA annual report is dedicated to our employees. The following pages are filled with their names, their achievements and the story of how they got us through the most devastating seven weeks in our history.

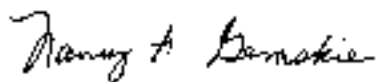
Read on – you will be amazed.

Sincerely,



James C. Welsh

President and General Manager



Nancy F. Gemske

Chairman of the Board



Seated, left to right: Grant Lacerte, vice president and general counsel, Dr. George Gant, mayor, Fred Cumbie, assistant secretary. Standing, left to right: Bill Hart, secretary; Jim Welsh, president and general manager; Nancy Gemske, chairman; Jim Kasper, director; Domingo Toro, vice chairman.

ONE-TWO-THREE PUNCH

During August and September, Florida saw unprecedented weather as four major hurricanes pulverized the state, leaving billions of dollars in damage and millions of Floridians without electricity. Collectively, the storms affected virtually every county in the state. The following is a recap of the three hurricanes that impacted KUA's service territory and the great lengths KUA employees went to in order to get the lights back on.

CATEGORY 4 HURRICANE CHARLEY

On Aug. 13, a powerful Category 4 Hurricane Charley slammed into Osceola County with winds in excess of 100 miles per hour. It was the most severe storm to hit Kissimmee in recorded history, and it left 100 percent of the homes and businesses served by KUA – 58,000 in all – without electric service.

The outer bands of the storm began to smash into KUA's service territory by 5 p.m. that day. By 8 p.m. widespread outages were reported, and by 11:30 p.m., the worst of the storm had left its mark on the area. As utility officials began the initial assessment to determine the extent of the outages, they knew it was severe based on the lack of power demand on the system and the fact that the KUA headquarters, itself, operated on emergency generation.



three hurricanes

seven times the
normal number
of crews

Around 12:30 a.m. on Aug. 14, KUA officials made the first calls for assistance from utilities participating in a statewide mutual aid agreement, and the first of the crews began arriving that afternoon.

KUA's transmission and distribution system sustained unprecedented damage. In just hours, what took decades to build was completely decimated. But KUA crews were up to the challenge and plunged into repair work immediately after the storm.

As if to pour salt in the wound, Hurricane Charley left behind eight consecutive days of thunderstorms and lightning, significantly hampering the restoration effort. But crews never let that get in the way of their number one priority – restoring the power.

KUA's customer service center operated 24 hours a day, and the regular staff was joined by KUA employees from other departments. KUA's field employees and the crews from other utilities worked 15-hour days for nearly two weeks following Charley. Every single KUA employee contributed to the effort. Non-field personnel coordinated the care and feeding of the more than 450 workers in the field. Much to their credit, KUA employees did all of this while their own families worked to recover from the destruction of the storm.

Finally the hard work began to pay off, and crews could see that there was light at the end of the tunnel. On Aug. 16, 54 percent of KUA customers had their power restored and on Aug. 25 more than 99 percent had service. Finally, on Aug. 27, crews had completed the grueling task of reconstructing the utility's entire electrical infrastructure, and power was restored to all homes and businesses able to safely receive it.

It took the blood, toil, tears and sweat of more than 450 line workers, tree trimmers and support personnel from across the nation to overcome the wreckage caused by Hurricane Charley. At the peak of storm restoration, more than seven times the normal number of crews were working to restore power, including crews from Fort Pierce Utilities Authority, Gainesville Regional Utilities, Keys Energy Services, Lakeland Electric, the City of Vero Beach, Southeast Power Corporation, Kohler, MasTec, MEAG Power, Overland Construction Services and Sumter Utilities. Asplundh and Wolf Tree supplied additional tree trimming crews.

CATEGORY 2 HURRICANE FRANCES

Just three days later, on Aug. 30, still numb but armed with lessons learned from Hurricane Charley; utility officials heeded warnings of a second potential hurricane and conducted a logistics meeting to begin emergency preparations.

Following the meeting utility officials obtained commitments for line workers and contractors from throughout the Southeast. In addition, contractor crews still rebuilding in Kissimmee agreed to remain in place to support a potential second restoration.

Hurricane Frances was a slow-moving Category 2 storm, and she took her time moving across the state. In all, it took almost 24 hours for the storm to travel from one coast of Florida to the other.

Frances made landfall as a Category 2 hurricane near Vero Beach in the early hours of Sept. 5 and blew into northern Osceola County at approximately 1 p.m. that day. By 5 p.m., more than 21,000 – or 36 percent – of KUA's customers were left in the dark. It was hard to believe it had happened again.

Officials dispatched crews and initiated damage assessment immediately after the storm. The restoration moved along quickly, and by midnight, more than two-thirds of KUA's affected customers were able to turn on their lights. They claimed victory at 5 p.m. on Sept. 7 – just two days after the storm.

When all was said and done, Frances caused less destruction to KUA's electrical system than Charley did, and utility officials deemed it unnecessary to call in additional crews to supplement the KUA crews and those from Asplundh, Kohler Construction and Southeast Power still in the area. The impact of slow-moving Frances was much different from that of speedy Charley. Her unhurried nature caused severe flooding, which made restoration efforts more arduous and caused KUA to have to suspend power in certain areas in the days following the storm as a safety precaution.

After this restoration was complete, KUA employees did not rest. Several crews traveled to assist in Lakeland, Gainesville and Fort Pierce – a few of the communities hardest hit by Hurricane Frances. The time crews spent helping other utilities is part of a mutual aid agreement and the least we could do for the many utilities that assisted us in the Hurricane Charley restoration.

CATEGORY 3 HURRICANE JEANNE

Unbelievably, less than three weeks after Frances, KUA officials learned another hurricane had set her eyes on Osceola County. On Sept. 25, they, once again, activated the storm emergency plan and made a request for assistance through a mutual aid agreement.

This time, officials were equipped with the knowledge of surviving not only one, but two previous hurricanes. That knowledge and experience proved invaluable as KUA crews prepared to take on their third hurricane restoration in only seven weeks.

Intense winds and rain from the loitering Category 3 Hurricane Jeanne began causing outages by 4:30 a.m. on Sept. 26. By 12:30 p.m. that day, Jeanne had knocked out power to 34,000 - or 59 percent - of KUA's 58,000 customers.

Damage assessment and restoration efforts began by 4 p.m., even before the storm had completely passed, and, for a third time, KUA line crews, tree trimmers and support personnel mobilized in full force. By 1 p.m. on Sept. 28, most of KUA's customers had power, and the complete restoration was finalized by 11 p.m. – only two days after the storm had defaced KUA's service territory.

IMMEASURABLE CONDITIONS AND CONTRIBUTIONS

Before Hurricanes Charley, Frances and Jeanne, the thought of rebuilding our electrical system three times in seven weeks was unimaginable. As we reflect on the factors that made it possible to survive and thrive after the events of this past hurricane season, we realize that amid the chaos of it all one thing remained constant – the sustaining factor of our employees. They worked harder than they've ever worked before, and they accomplished what may have been the most important mission of their professional careers so far. The daily contributions of our employees are certainly impressive, but it is their performance during times of crisis that is just truly immeasurable.

working
15-hour days

9,000 rpm

A MULTI-DIMENSIONAL PLAN

At KUA, we don't just sit back and wait for storms; we prepare for them with an aggressive, comprehensive pre-storm and restoration plan. As part of the plan, employees participate in an annual mock disaster drill to practice procedures used before, during and after a major event. The drill enables us to gauge strengths and weaknesses and to put improvements in place on an on-going basis. Prior to this year's storm season, all of KUA's 300 employees were trained as part of the drill.

Also at the beginning of every storm season, KUA increases its inventory of materials, equipment and tools that might be needed to repair storm damage.

Finally, and perhaps most significant in light of this year's hurricane season, is KUA's participation in the mutual aid agreement between the Florida Municipal Electric Association (FMEA) and Florida Municipal Power Agency (FMPA). The agreement is a reciprocal contingency plan that allows utilities to bring in emergency workers and supplies from other utilities and contractors in Florida and from other states during times of crisis. Never before has this agreement been utilized to the degree it was this year in Florida.

660 transformers
on hand

reduces electricity
from 7,620 volts to
120/240 volts

ASSESSMENT BEFORE ACTION

Immediately after hurricane-force winds diminish, KUA crews head out to the streets to assess and survey the damage. Only after the assessment is complete can the complex process of power restoration begin. All restorations occur in an organized fashion. Following is what a typical prioritized restoration process looks like:

- Coordinate with Florida Department of Transportation to ensure major highways are cleared so that emergency and utility crews can access secondary streets.
- Tree trimmers clear the way for utility crews.
- Repair damaged utility facilities that produce electricity and transmit it to customers.
- Restore power to essential community services, such as hospitals, police, fire and others.
- Repair facilities that deliver power to the greatest number of customers in the least amount of time.
- Repair facilities that serve small groups and individual customers.



INCHING TOWARD SUCCESS

KUA employees have learned a great deal about storm restoration in years past. We assisted other utilities after Hurricane Andrew in 1992 and after Hurricane Georges in 1998. We also learned from our direct experience with Hurricane Erin in 1995. But it seems nothing except the real thing could have prepared us to encounter three major hurricanes in the span of seven weeks.

Throughout the restoration processes for Hurricanes Charley, Frances and Jeanne, we learned real-life lessons about which parts of our restoration plan work and which ones need improvement. In fact, we were learning so quickly that we implemented new lessons from Charley in response to Frances and Jeanne and experienced much more efficient restoration times as a result.

To ensure we continue to improve our ability to handle future storms, KUA hired the former director of the Federal Emergency Management Agency (FEMA) to conduct an exhaustive independent assessment of our emergency preparedness for and our response to Hurricanes Charley, Frances and Jeanne. James Lee Witt Associates of Washington, D.C. performed an audit of KUA's emergency plans and procedures and provided a critique of the utility's performance. Modifications will be made to the restoration plan in the coming year in accordance with the report's assessment.

When it comes to which parts of the plan worked right, one of the most extraordinary lessons we learned was that we could count on the support of our vendors and community members. During this very difficult time, we all worked as one united team to get the community back on its feet. The support of our vendors and community members sped up the restoration process significantly and allowed us to remain true to our fundamental obligation to our customers – the obligation to serve. They came through for us again, and again and again.

867 miles of
electrical cable

34 years old

INVESTING IN THE COMMUNITY

It is only fitting that a community that supports its utility should be supported in return. This year KUA wanted to be sure its support measured up to that of the community and awarded 143 grants totaling \$163,625 to non-profit organizations in Osceola County. We selected grant recipients based upon program guidelines that foster leadership, education, environment, health, diversity and economic development in our 85-square-mile service territory.

"These grants reflect the ongoing commitment of KUA to support programs that help strengthen the fabric of our community and are among the wisest investments we make as a utility," said Jim Welsh, president and general manager.

Among this year's grant recipients are: "Flee to be Free" child abduction awareness campaign, low-income immunization programs through the Osceola County Health Department and YMCA's "Safe Start" program to fund youth swimming lessons for families unable to afford them. Grants also supported established organizations like Community Vision, Foundation for Osceola Education, The Nature Conservancy, Retired & Senior Volunteer Program (RSVP) and Osceola Center for the Arts.

KUA provided additional support in 2004 to critical human service agencies, including Community Action, Good Samaritan Village, Osceola County Children's Home, Osceola County Council on Aging and the Lodge of Kissimmee, Inc.



COOKIN' UP A STORM

Hurricanes Charley, Frances and Jeanne may be a distant memory, but Osceola County nonprofit groups continue cooking up a storm, thanks to a community grill provided by KUA.

In 2004, KUA's community grill was used by nearly two dozen nonprofit organizations, schools and churches that served meals to a combined total of 14,900 individuals. In addition, KUA's finance department used the cooker to prepare more than 5,000 meals for KUA and out-of-state line workers involved in post-hurricane power restoration efforts in August and September.

The trailer-mounted cooker, introduced by KUA in 2002, is made of stainless steel and features 40-square feet of cooking area powered by two 40-pound propane tanks that provide fast start-up time, fast cool-down time and precise temperature control. The cooker also has a 35-gallon water tank and collapsible stainless steel counters for added convenience.

KUA lends the grill free of charge to nonprofit groups for events located inside KUA's service territory. As an added bonus, KUA provides groups with a short training course on grill operation as well as complimentary propane and delivery and pickup of the cooker.

\$5.99 chef hat

19,900
meals served

A MEASURE OF KINDNESS

In another effort to provide aid to the community, KUA raised more than \$33,000 in 2004 for its Good Neighbor Energy Fund, which provides financial assistance to families who need help paying their monthly electric bill.

The Good Neighbor Energy Fund is maintained through voluntary contributions from customers and employees of KUA who wish to help people in crisis throughout Osceola County. In 2004, KUA and its customers raised \$33,200 including a \$16,600 dollar-for-dollar matching contribution from the utility.

"This fund helps stretch a family's budget and eliminates the decision about whether to buy groceries or pay bills," said Mike Geraghty, vice president of customer service and marketing. "When things are tough for our customers, we'd like them to be able to do both, and in light of the financial hardship hurricanes placed on our customers this year, the fund played a more significant role than ever before."

Since 1991, KUA and its customers have raised nearly \$425,000 and helped more than 2,500 families in financial crisis pay their electric bills. KUA works with local help agencies Community Action and Osceola County Council on Aging to distribute 100 percent of the money donated to the fund.

received \$112.15
from Good Neighbor
Energy Fund

32 pounds of
groceries

CONSERVING KILOWATTS

This year KUA made it worthwhile to conserve energy when the board of directors approved a new conservation rate that gives financial incentive to residential customers who use less power. Historically, KUA has charged a flat energy charge for each kilowatt-hour used by a customer, regardless of how much energy is used. Under the new rate, the energy charge is lower (\$0.06807 per kWh) if monthly consumption is less than or equal to 1,000 kWh and higher (\$0.07601 per kWh) if consumption is greater than 1,000 kWh.

For example, a customer using 900 kWh per month will realize a \$5.33 or 7.4 percent savings under the new rate, while a customer using 1,100 kWh would see an increase of \$2.18 or 2.5 percent. The monthly customer charge remains the same for all residential customers.

"Knowing that energy use for the average home is responsible for twice as much pollution as the average car is, KUA hopes the new rate will help motivate customers to make energy-wise decisions," said Mike Geraghty, vice president of customer service and marketing.



WHEN SECONDS COUNT

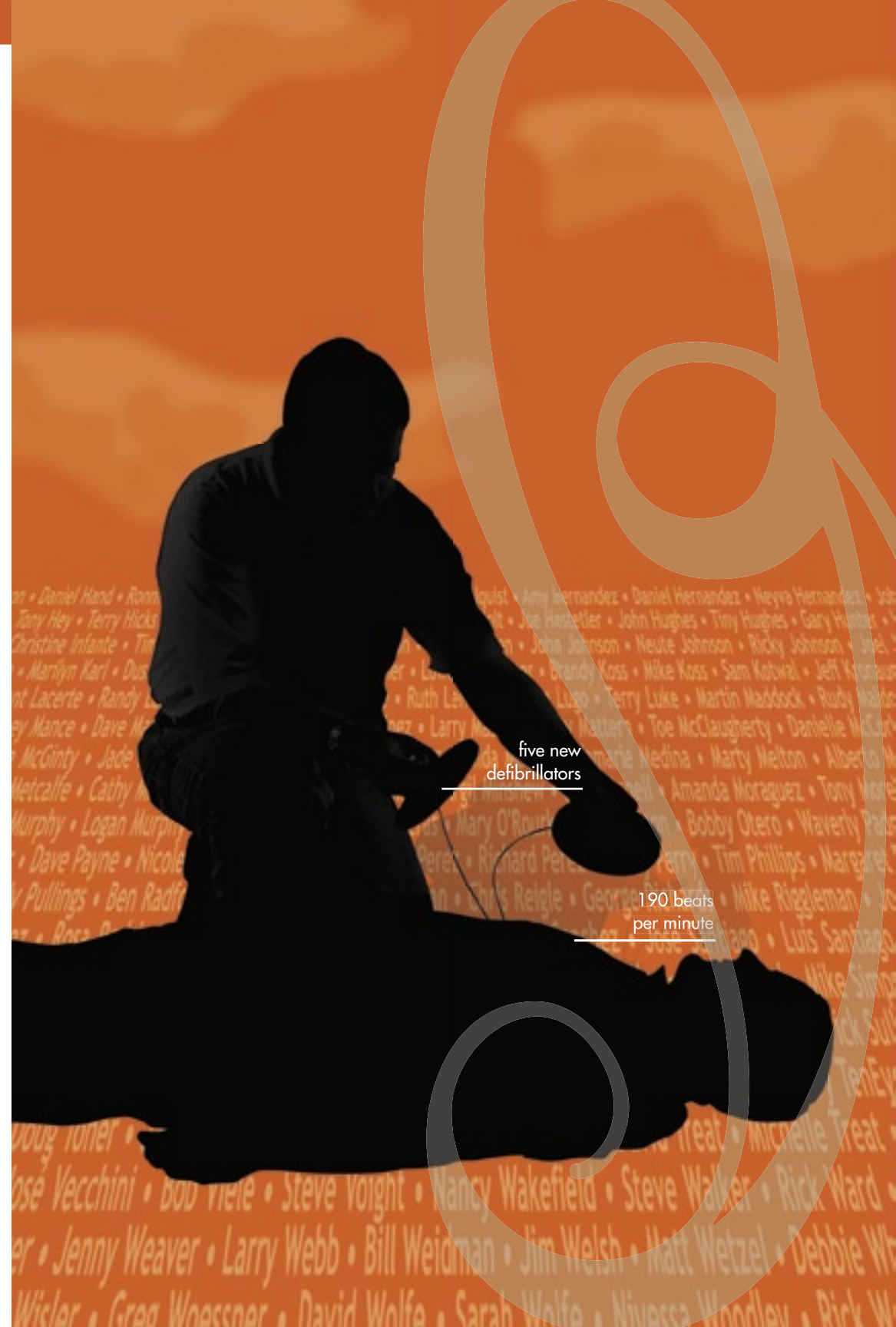
In an effort to save lives, KUA installed portable defibrillators for public use at all of the utility's Osceola County facilities. A defibrillator is a lifesaving device for individuals suffering from cardiac arrest or other medical emergencies.

Each year 12,800 Floridians suffer sudden cardiac arrest, either from heart disease or from trauma such as drowning or electrical shock, according to the American Heart Association. Without the use of an automated external defibrillator, more than 95 percent of those victims will die before reaching a hospital.

Automated external defibrillators are portable, computerized devices that deliver shocks to restore normal heartbeats in people suffering sudden cardiac arrest. Laypeople can safely use the devices with minimal training, largely because the defibrillators do not deliver a shock to a person who does not need one. Good Samaritan laws in Florida provide immunity and limit legal risks to non-medical people who use the devices in good faith. Although special training is not necessary, nearly 50 percent of KUA employees have attended classes on the correct use of the devices.

Roughly the size of a lunch box, the five defibrillators were purchased by KUA at a cost of \$2,400 each. KUA has installed the units at its customer service center, an electric substation, a vehicle service center/warehouse facility and both power plants. Installation of the defibrillator at KUA's customer service center alone stands to benefit the more than 16,000 customers who utilize the facility each month.

"It's one of those purchases you hope you never need to use," said Jim Welsh, president and general manager. "But when you do use it, it will instantaneously become invaluable."



five new
defibrillators

190 beats
per minute

QUANTIFIABLE RESULTS

This year the Florida Municipal Electric Association (FMEA) recognized KUA's ongoing commitment to community service with its 2003 Florida Community Service Award. The award is given annually to utilities whose achievement or sustained performance shows a commitment or the commitment of its employees to enhance the quality of life in a community. This is accomplished through social, cultural, educational, environmental and economic programs and by providing opportunity for employee involvement.

"I am delighted that KUA has received statewide recognition for its work in the local community," said Jim Welsh, president and general manager. "This award validates that we're making the right decisions for our utility and the citizens of Kissimmee. Our employees demonstrate a tremendous amount of pride in their work and in their community so that we can continue to claim Kissimmee as a truly great place to live, work and play."

The award is the highest honor an electric utility can receive from the statewide association that represents Florida's 32 municipally-owned electric utilities.

six consecutive
years

5 feet,
7 inches tall

GOING TO GREAT LENGTHS

When it comes to taking care of employees, KUA continues to go the extra mile, and it shows. For the seventh consecutive year, KUA was named a “Top 100 Company for Working Families” by the Orlando Sentinel.

The Orlando Sentinel, which compiles and prints the annual list, considers a number of areas to determine its annual rankings, including total benefit package, organizational culture, ways the company has fun, work-life balance offerings, and much more. KUA continues to be a corporate leader, earning recognition from the judges for its offerings of unique programs for employee families, an ongoing employee reward system and in-house communications.

“From our humble beginnings in 1901, we have gone out of our way to recognize the important contributions of all our employees and to treat them – as much as possible – like family,” said Wilbur Hill, vice president of human resources. “Everyone at KUA shares in this honor.”

The panel of judges was comprised of experts in the human resources and employee benefits arena as well as employees of the Orlando Sentinel who are knowledgeable about work/life initiatives and trends in the workplace.

3 years old

35 years old

32 years old

AN INCREASED MEASURE OF CONVENIENCE

Employees increased the ease of doing business with KUA this year by introducing a new in-person electronic bill payment service – customers can now pay their utility bills at 17 7-Eleven® locations in Osceola County.

KUA initiated the agreement with 7-Eleven after research showed nearly 50 percent of the utility's customers pay their bills in person, totaling more than 25,000 transactions per month.

KUA and 7-Eleven, Inc., the world's largest convenience retailer, formed a strategic alliance to offer in-person bill payment services with eMoney Systems, Inc. through 7-Eleven's Vcom® electronic kiosks. The new service, launched in July, enables 24-hour, touch-screen convenience for KUA customers through a variety of payment methods.

Customers can choose to pay their utility bills with cash, automated clearing house checking accounts and PIN-based ATM debit cards. Touch screen and directional instructions are user-friendly and available in English and Spanish. Receipts are issued for each payment, and KUA is electronically notified of the transaction.

Vcom is 7-Eleven's proprietary, financial services kiosk located in approximately 1,000 7-Eleven stores across the country. The self-serve machine allows customers to conduct ATM transactions, cash payroll and government checks, purchase money orders and transfer money through Western Union.

"Both KUA and 7-Eleven have large customer bases, and together, we are focused on bringing consumers added convenience," said Jef Gray, vice president of information technology.

The Vcom kiosks are also available at 123 7-Eleven locations in Central Florida and 276 throughout the state.

17 locations in
Osceola County

paying
\$121.49 bill

AN ADDED DIMENSION

By looking at the success of this fiscal year, you'd never know three major hurricanes interrupted the flow of daily business for more than eight weeks. One of our greatest success stories of 2004 is the expansion of the business. This year we launched local and long distance telephone service to the residents of Orange and Osceola counties. Kissimmee City Commissioner Steve Burke signed on as the utility's first customer in March.

In partnership with Sparks Communications of New Smyrna Beach, KUA now offers affordable, flat rate calling plans to residential and small business customers. Residential calling plans range from \$34.95 - \$57.95 per month and include local and long distance calling as well as popular features like call waiting, call forwarding, call block, speed dialing and voice mail.

In July we signed the 2,000th telephone subscriber and celebrated with just a little bit of fanfare by making a surprise visit to Steve and Sheila Rouch's Orlando home. KUA officials greeted the Rouch family with a large bouquet of balloons and a tech basket, loaded with technology goodies, including a cordless telephone, a CD shower companion stereo and a universal remote control, as well as 2,000 minutes of prepaid phone cards to be donated to the Shriners Hospital in Cincinnati, the Rouch's designated favorite charity. The phone cards are being distributed by the pediatric burn hospital to families who are referred from Central Florida.

Then, in October 2004, just seven months after launching the new service, we signed the 3,000th customer. "Having signed over 3,000 customers so quickly is a testament to the competitive product we have introduced to the marketplace," said Jef Gray, vice president of information technology. "We have kept our focus on the needs of our customers and have taken the lead in low-cost, top-level customer service and innovative telecommunication solutions."

5.9 cents
per minute

friend 1,200
miles away

CLIMBING TO HIGHER ALTITUDES

KUA line workers reached new heights this year, both in the line of duty and during competition. They brought home the nation's seventh best ranking from the American Public Power Association's 2004 Lineworkers' Rodeo and the best ranking among competing Florida utilities.

Fifty teams from throughout the United States gathered in San Antonio, TX in March to demonstrate the safety, skill and education of electric linemen. The rodeo consisted of five timed events, and KUA's team of Aaron Haderle, Logan Murphy and Joe Watson earned a perfect score of 500 out of 500 possible points. Bruce Thompson served as alternate.

KUA crews also brought home three trophies and the state's fourth best ranking from this year's 2004 Florida Lineman's Competition in Ocala.

Twenty-two teams and 20 apprentices from municipal utilities throughout Florida gathered for the competition. This rodeo consisted of five timed events, including a mystery event that wasn't revealed to participants until just before the rodeo began.

Two KUA teams competed in the journeyman competition. Team 1, featuring Aaron Haderle, Logan Murphy and Joe Watson, ranked fourth overall in Florida and received two event trophies. Team 2, featuring Mike Fulmore, Luis Santiago and Steve Walker, with alternate Jamie Boswell, ranked 18th overall.

In the apprentice competition, Chris Ketner earned a third place trophy for his perfect score in the brace and bit event.

"We are not at all surprised at the success of our line crews at this year's rodeos," said Jim Welsh, president & general manager. "Crew speed translates into quicker restoration of power for our customers in real life situations, and we've certainly seen our share of major restorations this year."

five timed
competition events

25 pounds
of gear



CERTIFICATIONS AND COMPUTATIONS

KUA field employees aren't the only ones bringing recognition to the utility this year – employees in the finance area collected a certification from the Association of Public Treasurers of the United States & Canada (APT) for its written investment policy.

The Investment Policy Certification recognizes KUA's successful development of a comprehensive written investment policy that meets criteria set forth by the Association. It is the policy of KUA to invest public funds in a manner that provides the maximum security with best investment return, while meeting the daily cash flow demands of the utility and conforming to all state/province and local statutes governing the investment of public funds.

"Certification of KUA's investment policy assures the citizens of Kissimmee that we conduct our cash and investment program in accordance with national standards," said Larry Webb, treasury manager. "The attainment of this certification is a major accomplishment and can be fully credited to the hard work of our employees in the finance area."

total investments of
\$138.5 million

40 hours
per week

GROWING IN DEPTH AND EXPERIENCE

KUA's board of directors is a dynamic group of individuals who set policy direction for the utility. Specifically, the board approves annual budgets, sets rates and approves major purchases. The board also directs KUA's general manager who is responsible for day-to-day operations of the utility.

This year the board added new member James R. Kasper, owner of Kasper Real Estate in Orlando. He is a 40-year resident of Kissimmee. Kasper currently serves on Osceola County's Industrial Development Board and previously served on the City of Kissimmee Parks and Recreation Board.

Another highlight this year was the election of Nancy Gemskie as chairman of the board. She is the first female to serve as chairman of the utility board since it was established in 1985. The board also elected Domingo Toro as vice chairman, Bill Hart as secretary and Fred Cumbie as assistant secretary.

40-year resident
of Kissimmee

14 meetings
per year

GEMSKIE RECEIVES FMEA'S MEMBER OF THE YEAR AWARD

Potentially the biggest highlight of the year came when the Florida Municipal Electric Association (FMEA) presented its prestigious Member of the Year Award to KUA's Nancy Gemskie during FMEA's annual conference in Amelia Island, FL.

Each year, FMEA honors one member in Florida who, through their actions and achievements, presents themselves as a mentor and role model in their local community as well as in the statewide utility industry.

Gemskie, a retired insurance executive, joined the KUA board of directors in October 2000 and has served as director, assistant secretary and vice chairman.

#1 utility official
in Florida

eight inches
off the ground

LOSSES OF GREAT MAGNITUDE

This year turned out to be tough in more ways than one. Along with everything else, we lost three dear friends.

In November 2003, Jeff Ling, former manager of production in the power supply department, passed away after a lengthy battle with cancer. During his tenure at KUA, he served as KUA's site representative during the construction of Cane Island Units 1, 2 and 3. After nearly 17 years with the utility, Jeff retired in March 2003. He will be remembered for his outstanding management style and insight.

In December 2003 we lost Christine A. Beck, former vice president of customer service and marketing, to cancer. She was 54. In her 15-year career at KUA, Beck weathered hurricanes, a tornado, winter freezes and massive technological upgrades to establish a high level of customer service for those who purchase utilities and Internet service from KUA.

Then, in March 2004, after an extended illness, we lost Bob Bobroff, who served ten years on the board of directors. He was 88.

Bobroff served as secretary on the KUA board from October 1985 – September 1995. During his tenure, the utility board approved the construction of two administrative facilities, a warehouse and distribution center, four electric substations and the Cane Island Power Park, a 1,027-acre power production facility in western Osceola County. At his final board meeting in 1995, the KUA board issued a proclamation that gave permanent name designation to the entrance road at the Cane Island power plant. The road is known as "Bobroff Boulevard."

Jeff, Chris and Bob will all be missed. We are forever grateful for their countless contributions to our utility.

loss of
three friends

two hands
clasped

ALLOCATING RESOURCES FOR SUCCESS

2004 was a hard-won year, but KUA's employees are resilient and looking forward to a more prosperous 2005.

Giving them the tools to move forward, KUA's board of directors adopted a \$196.1 million budget for FY 2005. The budget includes \$84.3 million for fuel and purchased power and \$32.4 million for construction and capital expenditures.

The budget also reflects a change in electric rates, reducing the fuel adjustment cost while increasing the base rate 5.7 percent. The average customer bill, however, remains relatively unchanged.

Capital expenditures include reliability enhancements to KUA's transmission and distribution system, construction of a new electric substation to serve the rapid growth in the Pleasant Hill Road area and preliminary work on a substation to serve the planned Osceola County convention center.

The budget also includes an \$8.8 million transfer to the City of Kissimmee for electric, Internet and telephone sales.

Overall customer growth for FY 2005 is expected to rise 5.4 percent while energy sales are forecasted to increase by 4.5 percent.

The budget includes an increase of 22 new positions (four full-time, 18 part-time), 16 of which will be housed in the utility's customer service department. The remaining positions will be located in the information technology department. KUA's total employee base will increase to 337 in FY 2005 with an annual payroll of \$21 million. The budget also reflects a market level adjustment of three percent for utility employees.

22 new
employment
positions

\$8.8 million
transfer to the
City of Kissimmee

COUNTLESS THANKS AND APPRECIATION

While it is the end of fiscal year 2004, it is the beginning of a whole new era for KUA. We leave this year a stronger, wiser, more experienced utility. We learned a whole lot this year, but the most meaningful lesson of all was the reminder of how dedicated and capable our workforce is. Thank you KUA employees, for all you accomplished this year.

300 employees

2,622 years
of combined
experience



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