

Reliability When It Matters Most

STATE OF KUA

2022 Annual Report



MESSAGE FROM THE CEO



KUA maintained its pledge to assist in enriching the quality of life for our customers during 2022. Our employee's commitment to service, professionalism, and compassion for our community during the year was extraordinary as they charged forward, implementing several new customer enhancements and organizational efficiencies to provide the best level of customer service and reliability possible. As our service territory continues to grow, nearing 100,000 customers, the expectations and complexities associated with that growth also increases. However, I am exceedingly confident that we are well positioned to succeed now and well into the future.

During 2022, inflationary pressures, supply chain constraints, and a volatile natural gas market certainly challenged our ability to deliver low-cost energy to our customers. We were not alone, as utilities across the country faced the very same challenges. Monthly inflation rates hovering around 8% resulted in increased costs for many of the goods and services we utilize to serve our customers. Lead times on commonly utilized electric distribution equipment such as transformers, switches and cable increased significantly, requiring more attention to project budgets, schedules and warehouse inventory levels. Despite these challenges, staff forged ahead and utilized their vast industry experience and expertise to i) prioritize projects and maintenance activities, ii) negotiate with vendors and suppliers to ensure the very best cost and availability for inventory items, and iii) offer strategic guidance to FMPA regarding their fuel hedging practices providing greater price certainty for our customers in the future.

KUA continued its excellence in reliability, leading most utilities in the state in terms of distribution reliability and generation resource availability. Our average system interruption duration and frequency remained among the lowest in the state at 34.03 minutes and 0.71 interruptions, respectively. Cane Island Units 3 and 4 combined availabilities again exceeded the national average with an availability factor of 89.63%, despite major unit outages and contractor performance concerns during the year. Major distribution feeder projects along Thacker Avenue/Flora Blvd and Ball Park Rd/Osceola Parkway provided additional capacity needed in the northwestern portion of the service territory to accommodate growth. Meanwhile, feeder extensions along Will Barber Road provided additional capacity in the southeastern portion of the service area to address significant residential growth. Additionally, over 54,500 linear feet of underground cable was replaced, which is the largest amount since the aged underground cable replacement program was implemented in 2017. Our efforts in these areas did not go unnoticed as APPA recognized KUA with their Excellence in Reliability award and Power Magazine named Cane Island as one of the top 5 gas-fired generating facilities in the world.

We closely monitored federal and state grant opportunities. We look forward to receiving responses from those agencies regarding our applications in an effort to secure additional funding to further enhance our electric grid outage prevention and resiliency, cybersecurity hardening, and EV charging infrastructure. KUA had several audits and risk assessments performed during 2022 on various systems and areas within the organization. A North American Electric Reliability Corporation (NERC) audit was performed by the Southeastern Reliability

Corporation (SERC) to assess KUA's compliance with federally mandated reliability standards. The audit yielded favorable results, which affirmed that the utility is running well from an operational compliance perspective. Additionally, a cybersecurity vulnerability and risk assessment on KUA's IT systems was also performed by a third-party vendor, which had favorable results with only a few recommendations, which have already been implemented.

Severe tropical weather is commonplace in Florida, and last year was no exception as two hurricanes moved through KUA's service area. The first, Hurricane Ian, swept through Osceola County in late September leaving approximately 15,000 customers without power at the height of the event. Staff worked around the clock to minimize the impact of outages on our customers. In fact, all customers who could receive power were fully restored within 36 hours, and 90% of customers were restored in 12 hours. Still, there were many in our community whose residences could not receive power due to damage and/or flooding. Our team partnered with the City/County to expedite inspections to restore power as quickly and safely as possible to those remaining customers. Flooded areas were restored by October 7 after the water receded.

A little over a month later, Hurricane Nicole struck an already saturated and flooded area, causing outages but to a lesser extent than Hurricane Ian. Several factors contributed to our success in responding to those storms, including our commitment to maintaining a robust and resilient electric system and the dedication of each and every KUA employee.

Throughout the year, there were many other enhancements to our operations and services to improve the overall experience for our customers. Among these included a new customer-facing outage map, customer portal enhancements to provide a one-stop shop for all KUA account services, including payments, and an increased scam awareness campaign to further educate and protect our customers from malicious fraud activity. A new electric vehicle (EV) webpage was added to kua.com to provide general information on EVs and charging options within the KUA footprint. Feasibility studies were conducted, which will pave the way for new service offerings such as customer surge protection.

KUA also maintained its strong financial position despite the economic uncertainty during 2022. Our superior financial strength is supported by KUA's ability to retain its "AA" Fitch Rating and outperform our investment portfolio benchmark.

Looking ahead, we have several major delivery projects in the queue to address future distribution contingency concerns and load growth. We will certainly continue to monitor and mitigate high natural gas prices and seek opportunities to maximize the benefits of our participation in the FMPA All-Requirements project. We also look forward to offering more capacity for our Community Solar Program, with new utility-scale solar projects being completed in early 2024.

I am extremely proud of the work we accomplished together in 2022 in service to our growing community. I look forward to continuing to deliver on our commitment to our customers and workforce.

Respectfully,

Brian Horton,
President & General Manager

BOARD OF DIRECTORS

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Director



Raymond Sanchez



UTILITY AT A GLANCE

Our Mission :

To provide reliable and economical services to our customers while partnering with the community and the environment.

Our Vision :

To be the right utility, providing the right services at the right time.

Employee Count : 291

Billed Electric Customers : 87,000 as of September 2022



As Kissimmee and Osceola County continue to experience growth, KUA continues to expand to meet the community's infrastructure needs, accommodating residential and commercial development. KUA's billed electric customers increased by 3 % to 87,000 customers at the end of FY 22. Additionally, our Mwh Energy Sales increased by 4.1 %, totaling 1,734,000 MwHs. Purchased power increased by 54.5% to \$178,464,000.

BILLED ELECTRIC CUSTOMERS

% Percentage increase

Fiscal Year		Billed Electric Customers
FY19	3.6%	78,000
FY20	3.9%	81,000
FY21	3.6%	84,000
FY22	3.0%	87,000

MWH ENERGY SALES

% Percentage increase

Fiscal Year		MWH Energy Sales
FY19	3.9%	1,624,000
FY20	0.4%	1,631,000
FY21	2.2%	1,666,000
FY22	4.1%	1,734,000

PURCHASED POWER

% Percentage increase

Fiscal Year		Purchased Power
FY19	4.7%	\$117,440,000
FY20	-6.8%	\$109,428,000
FY21	5.6%	\$115,503,000
FY22	54.5%	\$178,464,000

KUA Owned Miles of Transmission:

Total Overhead
73.26 miles

Total Underground
0.04 miles

Distribution:

Total Overhead
334.61 miles

Total Underground
782.02 miles

IMPROVING THE CUSTOMER EXPERIENCE

Reliability

SAIDI - System Average Interruption Duration Index: 34.03

LEGEND:



2020

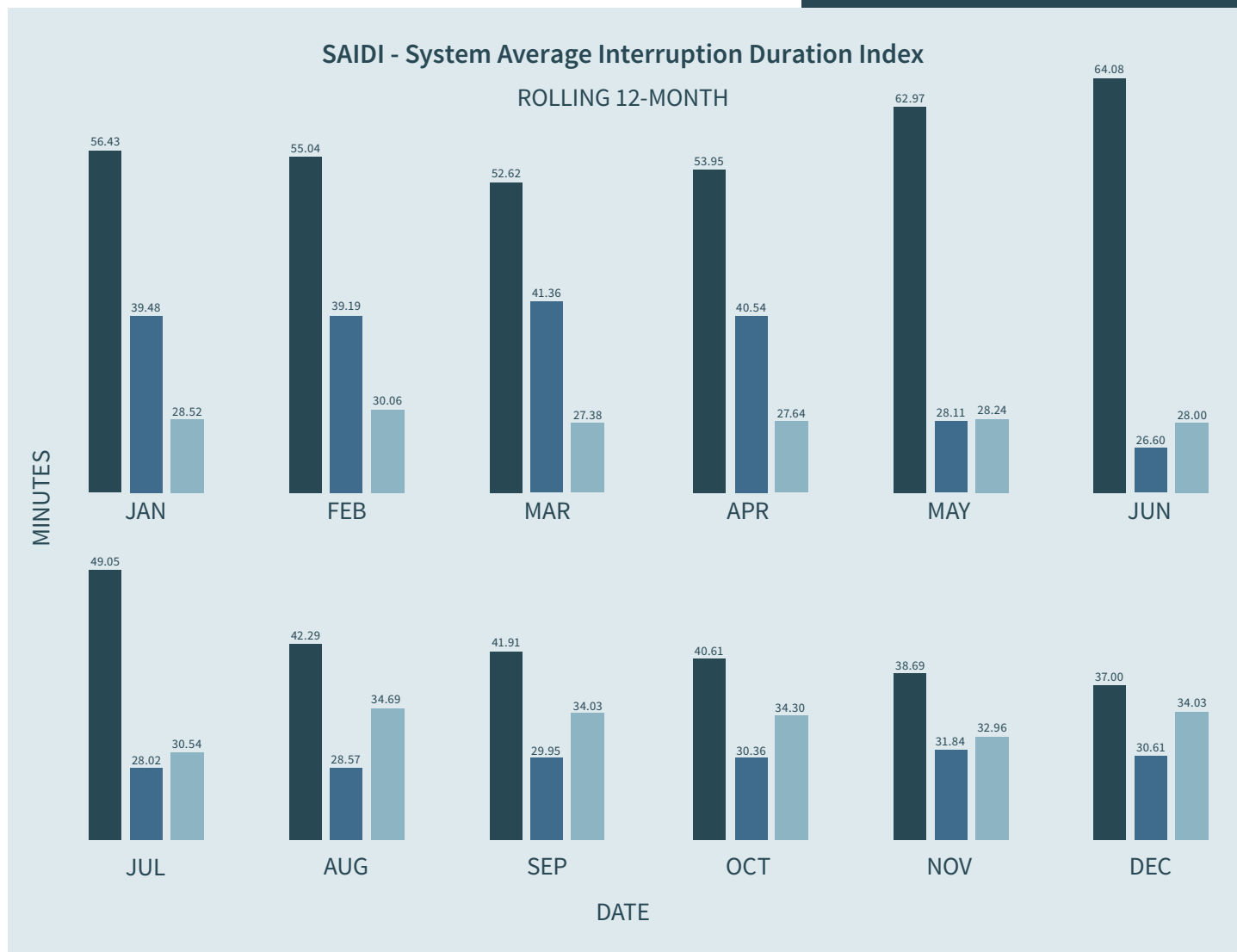


2021



2022

On average, KUA customers were out of service for **34 minutes** in 2022.



SAIFI - System Average Interruption Frequency Index: 71%

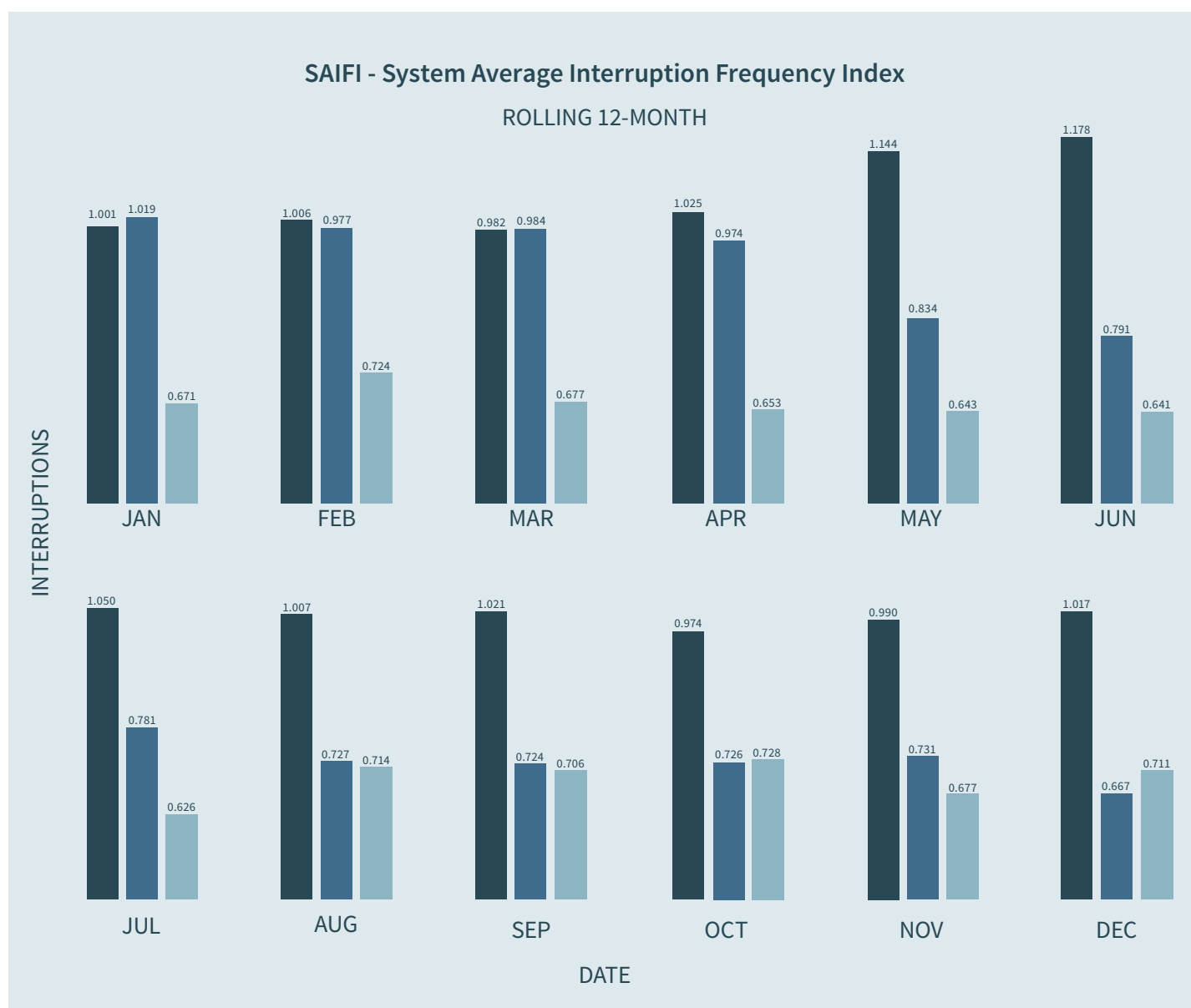


LEGEND:

2020

2021

2022

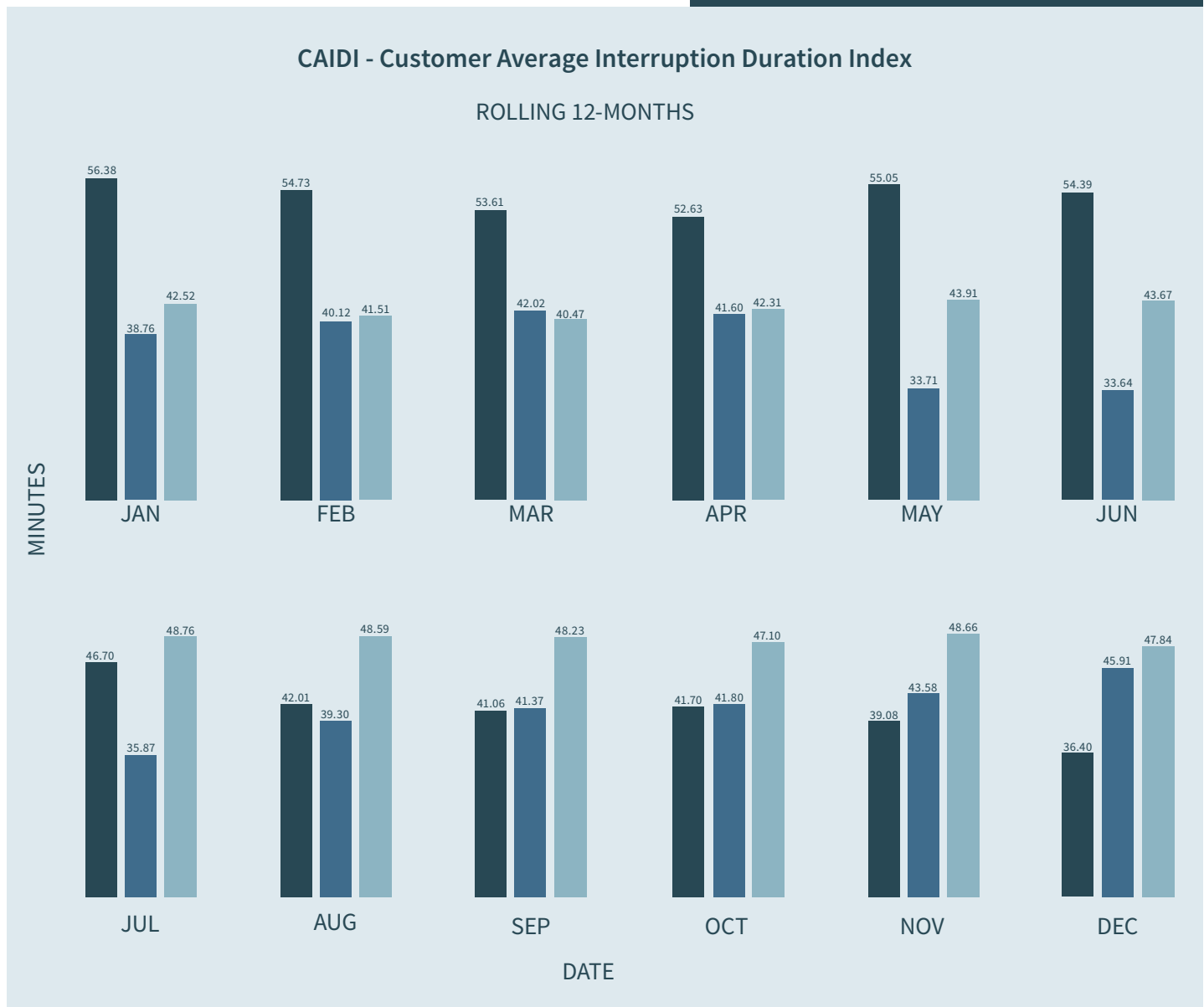


CAIDI - Customer Average Interruption Duration Index - 47.8

LEGEND:



The average KUA customer that experiences an outage is out for **48 minutes.**



Investment in Improving & Maintaining the Delivery & Generation Systems During FY22

KUA has spent **\$54 million** over the last 3 years in its electric infrastructure.

Capital Expenditures

Year	FY 2020	FY 2021	FY 2022	Total
Infrastructure Capital Expenditures*	28,506,947	21,388,385	20,139,961	70,035,293
Line Extension Contributed Capital	(2,688,389)	(2,408,020)	(3,455,858)	(8,552,267)
FMPA/Duke/COK Funded Contracts	(1,292,743)	(5,352,076)	(388,267)	(7,033,086)
Net Infrastructure Capital Expenditures*	24,525,815	13,628,289	16,295,836	54,449,940

* Excludes expenses in Cane Island paid directly by FMPA

Aged Underground Cable Replacement

Year	Length	Cost
2021	51,947 ft.	\$395,662.50
2022	54,890 ft.	\$472,387.21



Hurricane Season

Hurricane Ian and Nicole came six weeks apart right at the tail end of hurricane season, yet KUA was ready for the challenge.



KUA line crews restored **90%** of outages after Hurricane Ian in 12 hours, and all customers were **fully restored within 10 hours** after Hurricane Nicole.

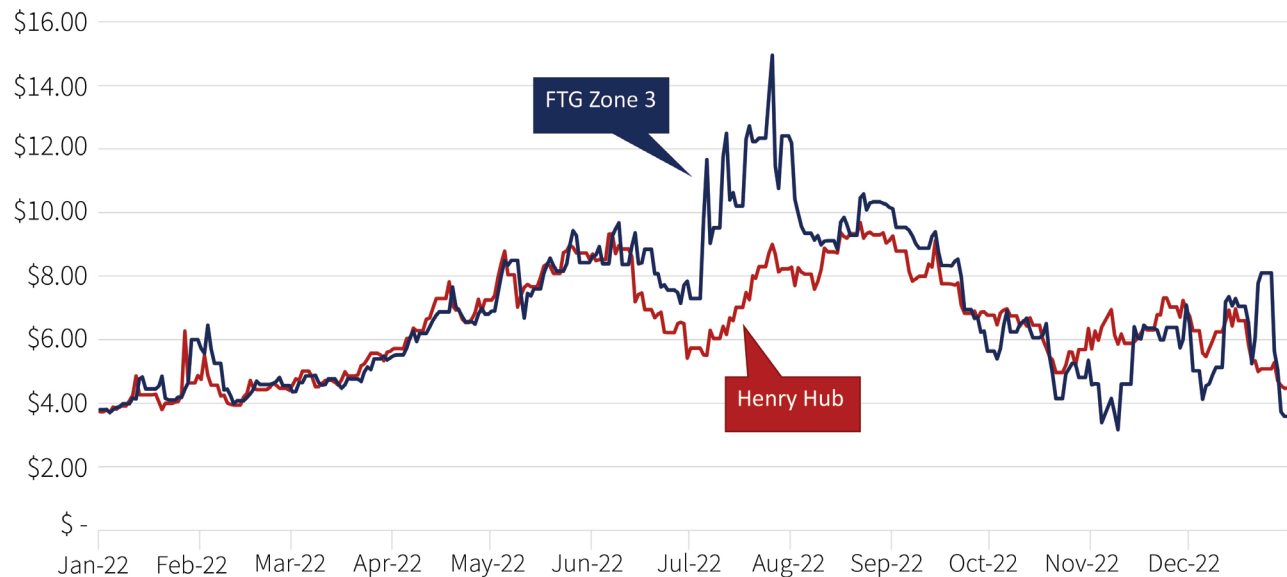
Affordability

FMPA Hedging Efforts

KUA used about **\$11.6 million** of reserve funds in the months of June, July, August, and September to help pay for natural gas and subsequently help lower customer electric bills. Through its partnership with the Florida Municipal Power Agency (FMPA), KUA's wholesale power provider, KUA was able to facilitate a fuel hedging program to help mitigate price volatility in the future.

Daily Henry Hub Vs. FTG Zone 3

The FGT Z3 Premium Annual Average Δ \$0.42



Community Assistance

KUA's Round-Up program has reached 7,443 customers since its launch in 2013. Administered by the Osceola Council on Aging, the Good Neighbor Fund distributed \$200,055 and assisted 668 customers in 2022 -- more than double the number of customers from the previous year. The fund provides emergency utility bill payment assistance to individuals and families facing a temporary financial crisis within the KUA service territory. The program gathers voluntary contributions from participating customers by "rounding up" the cent portion of their monthly bills to the next dollar. The fund has served an even greater community need during the summer and fall months, when customers saw higher than average bills due to record-high natural gas prices.



7,443

Round Up
Participants



Good Neighbor Fund Contributions			
Year	2020	2021	2022
Customers helped	569	310	668
\$ Distributed	\$154,949.96	\$90,779.08	\$200,055

Low Income Home Energy Assistance Program (LIHEAP) Funds

1,254 Customers were assisted with **\$1,581,866** in LIHEAP funds in 2022.

ENHANCEMENTS

Customer Portal

In mid-July, KUA launched its new customer portal, my.kua.com, allowing customers to manage their KUA services through a comprehensive set of tools in a user-friendly dashboard. The new portal allows customers to view and pay bills, which was previously done through eBill, along with enhancements such as the ability to start, stop and transfer service, make and view payment arrangements and go paperless.

Additionally, the portal enables customers to take control of their energy use through tools to help them stay on budget, such as setting up high usage alert notifications and creating historical markers to track how energy efficiency upgrades impact their bills. Customers can also now track consumption in weekly, daily, or 15 minute increments, helping identify potential avenues for reducing costs in their homes or business. The portal is accessible from all desktop and mobile devices and can be accessed in several languages through a translation tool.

EV

The utility has established itself as a leader in the EV sector. KUA has installed and commissioned 66 EV chargers to date, with more on the way. Our chargers span across our 85-square mile service territory in city parking lots, county parking lots, shopping malls, apartment complexes, and more. This type of innovation ensures that we remain competitive in serving our customers.

In addition, we enhanced our EV page on kua.com, ensuring that our customers have all of the information they need to know when researching if an electric vehicle is right for them. The new page includes information about types of EV's, chargers, and plugs/adaptors, a list of frequently asked questions, along with step-by-step video tutorials on how to use KUA's Level 2 and Level 3 charges using the Shell Recharge App.



Increased Scam Awareness Efforts

In August, KUA launched SCAMALERT, a text message program to alert customers about utility scams in real-time. Once a customer opts in by texting "SCAMALERT" to 877-582-7700, the feature sends users text alerts about active utility scams targeting KUA customers in real time. When KUA receives information about a local scam targeting customers, the utility will proactively send a text to those customers who have opted into the program. The text informs the customer that an active scam is occurring and directs them to visit kua.com/scamalert to learn more about it. Additionally, customers can also report a scam and view past scams. The number of customers enrolled in the program is at 229 customers. In addition to the new program, KUA continues to educate customers about scam awareness via in-person workshops and external communication via radio, newspaper, and social media.

Spanish Bills

As Osceola County's Hispanic population grows, it's important for KUA to adapt to its changing environment. KUA customers can now elect to receive their energy bill in Spanish in the mail or via its customer portal, my.kua.com. Customers who wish to take advantage of this new option can text "factura" to 877-582-7700. Once customers receive a confirmation text, the change will reflect on their next bill. A total of 54 customers have opted into the program.

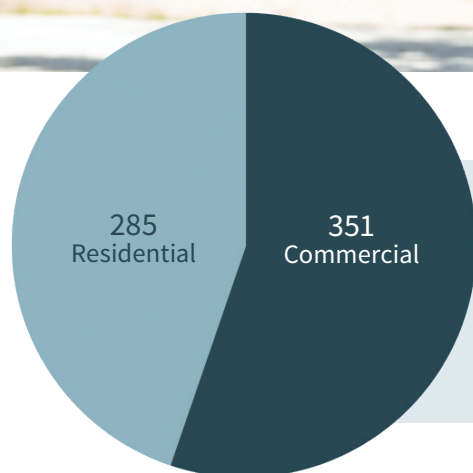
Newsletter

Amid rising questions about high energy prices over the summer, KUA was excited to launch its new customer newsletter, KUA Connections. The e-newsletter is sent to all customers via email on a quarterly basis. The purpose of the newsletter is to provide an additional avenue for customers to learn about KUA services, programs, and other important information. While all customers automatically receive the newsletter by default, they can unsubscribe at any time.

New Outage Map

KUA was proud to further our commitment to exemplary customer service with a new outage map powered by real-time data supported by the DataCapable Platform. In the event of a power outage, the enhanced map offers a location search and a mobile-friendly interface.

Community Solar Program



Community Solar Statistics

Customers

Fully Subscribed - 636

Residential - 285

Commercial - 351

Community Engagement

KUA participated in 20 community events in 2022, 11 of which included KUA's "Kids Zone," a fun-filled kids' area with free inflatable activities, and arts and crafts. KUA's Movie in the Park continues to be highly attended and highly anticipated within the community. In 2022, KUA ended its season with nearly 4,000 people enjoying the free family movie night.



Additionally, KUA hosted a career day for the local branches of the Boys & Girls Club of Central Florida. Students learned about the various career fields offered at KUA and experienced hands-on demonstrations, which included exploring our bucket trucks 50 feet in the air.



Customer Satisfaction

KUA's 2022 Customer Satisfaction Survey yielded above-average results, according to a third-party survey released by the utility. KUA exceeded residential Florida Public Power Data Source (PPDS) ratings by 16.5 percentage points and surpassed the National PPDS rating on average by 14.3 percentage points. KUA earned high marks for responding promptly to customer concerns, maintaining a modern and reliable infrastructure, and having knowledgeable and courteous employees. Across eight company characteristics, KUA scored 87.8 % in 2022 among residential customers for their overall satisfaction with KUA. Across the same eight company characteristics, KUA scored 85.1 % in 2022 among commercial customers for their overall satisfaction with KUA. In 2022 KUA updated the survey methodology to include both telephone and digital surveys. Switching the methodology from phone to combined phone and online increased accuracy, accessibility to customers, and honest feedback.



2022 Customer Satisfaction Survey Results - Residential Customers

Communicating with customers	78.1%
Responding promptly to customer questions & complaints	82.5%
Helping customers with energy conservation	69.5%
Being open & honest about company operations & policies	77.0%
Maintaining modern & reliable infrastructure	81.8%
Providing good service & value for the cost of electricity	80.0%
Community involvement	80.3%
Your overall satisfaction with KUA	87.8%

2022 Customer Satisfaction Survey Results - Commercial Customers

Communicating with customers	78.2%
Responding promptly to customer questions & complaints	80.8%
Helping customers with energy conservation	59.9%
Being open & honest about company operations & policies	65.1%
Maintaining modern & reliable infrastructure	83.0%
Providing good service & value for the cost of electricity	71.2%
Community involvement	76.6%
Your overall satisfaction with KUA	85.1%

MAINTAINING SUPERIOR FINANCIAL STRENGTH

Automated Metering Infrastructure (AMI)

AMI continues to provide tremendous value to KUA; with the technology fostering cross-functional collaboration, it continues to aid in faster response times, targeted messaging, and increased reliability during storm preparations and outage restorations. In FY 22, KUA completed **69,649** orders with the fastest run time of 5 seconds and an average run time of **52 seconds**.

In FY 22, KUA's AMI system assisted in the following:

- ✓ 10 Tampering's
- ✓ 14 Failing/Failed Transformers
- ✓ 16 Intermittent Connections
- ✓ 16 Unpermitted Electrical Work
- ✓ 22 Hot Sockets
- ✓ 297 High Consumptions



Completion of NERC Compliance Audit

SERC Reliability Corporation (SERC) conducted an Operations & Planning Standards Compliance Audit of Kissimmee Utility Authority (KUA) in late 2022. KUA submitted evidence for the team's evaluation of compliance with Requirements. The team reviewed and evaluated all evidence provided to assess compliance and delivered a clean audit with zero compliance issues.

Supply Chain Disruptions & Inflation

Despite nationwide supply chain disruptions and a year-over-year inflation rate of 8.2 %, KUA took proactive steps to address these issues and mitigate any potential impact on customers.

During the onset of the pandemic in 2020, our facilities division proactively increased KUA's materials and equipment inventory to ensure that the utility's emergency stock levels were met. Additionally, before hurricane season, meetings with suppliers were held to address a plan of action should a major hurricane threaten the KUA service territory.



Completion of Cyber Risk Assessment

KUA engaged an outside vendor to conduct a thorough cyber risk assessment, including internal and external penetration and vulnerability scans, reverse social engineering, phishing tests, and a gap analysis of migration toward NIST Standards. KUA received acclaim from the vendor for the results and practices of the information technology department and was rated as being within the top 10% or better of comparable utilities.



Audited Financials

Purvis & Gray Certified Public Accountants audited the accompanying financial statements of the business-type activities, the major fund, and the aggregate remaining fund information of the Kissimmee Utility Authority as of and for the years ended September 30, 2022 and 2021.

2022 Budget Highlights

- KUA's net position increased by **\$6.1 million**, or **1.9%**.
- KUA's net utility plant decreased by **\$4.2 million**, or **1.6%**.
- During the year, the Authority's operating revenues increased by **34.7% to \$259.2 million**, while operating expenses increased by **42.7% to \$249.5 million**.
- KUA's total long-term liabilities were reduced to **\$13.2 million**

Net Position

Date	9/30/2022	9/30/2021	9/30/2020
Capital Assets	\$256,085,615	\$260,286,265	\$251,098,920
Current and Other Assets	251,508,020	247,118,455	227,247,152
Total Assets	507,593,635	507,404,720	478,346,072
Deferred Outflows of Resources	22,268,008	5,460,177	2,621,448
Total Assets and Deferred Outflows of Resources	529,861,643	512,864,897	480,967,520
Long-Term Liabilities	13,200,000	23,200,000	33,200,000
Current and Other Liabilities	105,767,334	72,955,025	71,873,796
Total Liabilities	118,967,334	96,155,025	105,073,796
Deferred Inflows of Resources	81,282,191	93,184,671	70,368,245
Total Liabilities and Deferred Inflows of Resources	200,249,525	189,339,696	175,442,041
Net Position:			
Net Investment in Capital Assets	263,829,289	264,114,454	256,011,620
Restricted	13,735,063	13,735,063	8,735,063
Unrestricted	52,047,766	45,675,684	40,778,796
Total Net Position	\$329,612,118	\$323,525,201	\$305,525,479

CULTIVATING A GREAT WORKFORCE

Employee Education & Training

KUA is constantly improving processes as the utility industry continues to evolve. The utility's goal is to invest in employees by providing the best training as reasonably and responsibly as possible.

Internal Training -
2458 hours

External Training -
3241.30 hours



Employee Engagement

Over three months, KUA's Employees' Organization Committee (EOC) worked closely with executive staff members to revamp the utility's Employee Annual Survey. The new format, now known as the Employee Engagement Series, aims to increase communication through quarterly meetings while addressing areas of success and concern. Each quarter an overview of the meeting results are shared in the CEO's "Hear it from Horton" communication.



2022 Awards



Sue Kelly Community Service Award

American Public Power Association

The award recognizes “good neighbor” activities that demonstrate the commitment of the utility and its employees to the community.

Healthy Workforce Designation – Bronze Level

Cigna

The award recognizes organizations for the difference they are making in the health and well-being of their employees in areas such as program foundations and whole-person health.

Building Strong Communities Award

Florida Municipal Electric Association

The award recognizes Florida public power cities and utilities offering extra services to their local community other than those services normally supplied.

Digital Utility Transformation Award

Advanced Utility Systems

The award recognizes KUA for excellence in providing customer-centric innovation via multiple technology enhancements to improve the customer experience. KUA was selected for the award from over 100 international utilities across the US, Canada, and South America.

Top Power Plant Award

POWER Magazine

The award recognizes top-performing power plants worldwide that have distinguished themselves as industry leaders through equipment enhancements, innovative design, and successful operations.

Beautification & Innovation Award

Downtown Kissimmee Council – The Osceola Chamber

Every two months, the DKC selects a Downtown Kissimmee business or organization that has made significant

improvements to the exterior or interior areas of their business location. The DKC was proud to be able to name KUA and the City of Kissimmee February and March's recipients of the award.

Restoring Communities Award

Florida Municipal Electric Association

The award recognizes utilities for their mutual aid efforts to restore power in your own community or a fellow community in need following extreme weather or other events.

Excellence in Reliability Award

American Public Power Association

This award recognizes the nation's top quarter of municipal electric utilities for their reliability metrics.

Smart Energy Provider Designation

American Public Power Association

The SEP designation, which lasts for two years (Dec. 1, 2021, to Nov. 30, 2023), recognizes public power utilities for demonstrating leading practices in four key disciplines: smart energy program structure; energy efficiency and distributed energy programs; environmental and sustainability initiatives; and customer experience. KUA is one of more than 90 public power utilities nationwide that hold the SEP designation. KUA also earned the SEP designation in 2019.



Safety - Injury and Vehicle Metrics

Incident Rate (IR) 2022 = **3.37%** with **9** recordable injuries

Vehicle Crash Rate (VCR) 2022 = **3.65%** drove **819,959 miles** with **3** at fault crashes

Benefits

KUA is committed to providing its workforce with a competitive salary/benefits package. This year a 4% market-level adjustment was approved, which was competitive in the local market. KUA added \$200/mo toward dependent care contribution for 2023. Plan changes with health carrier Cigna were also negotiated to meet the needs of employees. These combined efforts led to additional savings or no increases in contributions.

Mutual Aid Assistance

In late June, Ocala Electric Utility requested assistance to help restore power after more than 10,000 customers were without power following a storm. KUA sent a crew of six to provide mutual aid for a two-day time frame.



2022 SNAPSHOTS





2022 STATE OF KUA