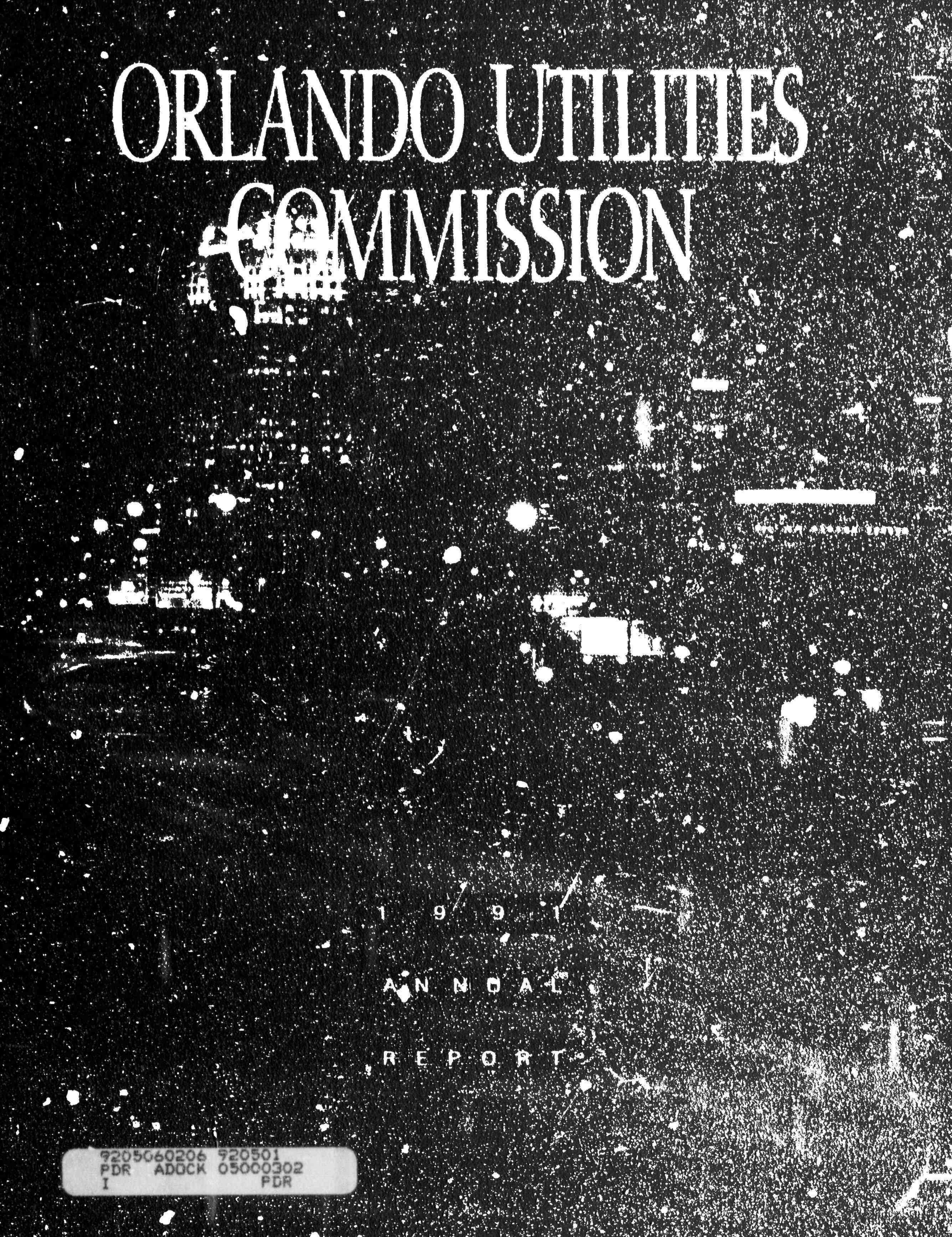
# ORLANDO UTILITIES COMMISSION



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A N N U A L

R E P O R T

# Contents





## Commission Profile

*The Orlando Utilities Commission is an electric and water utility serving 218,625 customers in the City of Orlando and unincorporated portions of Orange County. Through a variety of agreements, it also helps provide power to 13 other Florida cities. At the request of the city and its citizens, it was originally created by the Florida legislature in 1923. Although part of the government of the City of Orlando, it is governed by an independent commission and exercises full authority over its rates and operations.*


For more information about Orlando Utilities, contact **Tracy L. Smith, Managing Director of Communications, 500 South Orange Ave., Orlando, FL 32801. (407) 423-9100.**


NOTE: *The Central Florida Sheltered Workshop, Inc., a non-profit organization, provided mail handling services for this publication.*

# General Manager's Message

1991 was marked by many highlights. Electric sales and revenues rose in spite of slow economic conditions. Aggressive, innovative financing moves generated strong earnings. We kept the brakes on operating expenses. Combined operating revenues and other income reached a record level, and net income a near record. And we retained the top credit rating of any electric utility in the nation.

The year was also highlighted by the Governor of Florida and Cabinet giving unanimous approval to our plan to build a second generating unit at the Stanton Energy Center. Above all, our "stakeholders" benefitted.

At OUC, we serve a "triangle" of people who have a stake in our success. At the top are our most important stakeholders, our customers, who benefitted in many ways. Electric rates, unchanged for the fourth consecutive year, and water rates remained among the lowest in the state. Electric service improved in spite of a dramatic increase in thunderstorms. It was the most reliable in the state compared to our peers.

Our customers also continued to receive healthy, high quality water.

Do our customers think we're doing a good job? An overwhelming majority responding to a four-wave survey said we were.

The citizens of Orlando are also important stakeholders, and they benefitted, too. We were able to make a record "dividend" contribution to the City of Orlando.

Who are the other stakeholders? At OUC, we believe our employees are. When all is said and done, the success of this utility ultimately rests on the way they do their jobs. For this reason, we have given our employees a real "stake" in OUC's success through an incentive compensation program. And it has paid off.

The benefits our customers and citizen-owners received this year far outweighed the cost of the incentive compensation awarded.

We are especially proud of this year's performance, and we salute both our Commission and our employees. Without their support and efforts, OUC could not have achieved the high level of performance that it did.

**T. C. Pope**
Executive Vice President
and General Manager

THE YEAR IN REVIEW

# OUC's position strong despite a weak economy

*Despite the economic climate and the Persian Gulf War, Orlando Utilities' performance for Fiscal '91 was strong and the utility remains in excellent financial condition.*

Net income in 1991 edged past $30 million, the second highest level in six years. It was down, however, from the preceding year when OUC experienced an exceptional 27.7% increase in net income because of extreme weather conditions and a tight energy market.

OUC's operating revenues and other income rose to $340 million, up 5.6% over the previous year.

> **OUC'S OPERATING REVENUES AND OTHER INCOME ROSE TO $340 MILLION, UP 5.6% OVER THE PREVIOUS YEAR.**

Record bulk power sales and strong commercial energy sales offset the effects of low residential growth and exceptionally wet, mild weather. As a result, combined electric and water operating revenues rose 1.83% to $309 million.

Interest and other income soared 69% to $30.9 million. This increase is tied to OUC's issuing $235.8 million in junior lien bonds and its skill in managing debt and cash investments.

Significantly, the utility earned enough interest income to offset 95% of the increase in interest expenses.

Excluding taxes, operating expenses rose only 3% compared to the 3.4% inflation rate. These expenses totaled $221 million.

OUC curbed these costs by efficient operation and effective fuel purchasing practices in a weak fuel market.

In a major building phase, OUC posted an 18.7% gain in assets and liabilities. Total assets reached $1.6 billion, triple what they were a decade ago.

The value of OUC's physical assets broke the billion-dollar mark for the first time. Cash assets and investments rose to $489.9 million compared to $297.1 million the previous

### ELECTRIC SALES SPARK STRONG GAIN

Record-breaking bulk and commercial sales drove total electric sales upward 6.9% to a high of 5.12 million MWH despite the economic downturn.

As a result, electric operating revenues increased 2.1% to $289.96 million while rates remained the same for the fourth consecutive year. Operating and maintenance expenses were up only 2.9% to $210 million.

Bulk sales surged 17.2% to a high of 1.57 million MWH producing a record $17.2 million in net revenues and benefits from interchange activity. This performance reflects the state's tightening energy market and the superior availability of OUC's generating resources.

Retail energy sales advanced for the ninth consecutive year rising 3% to 3.5 million MWH. This gain was fueled by commercial sales which rose 3.9% to 2.2 million MWH.

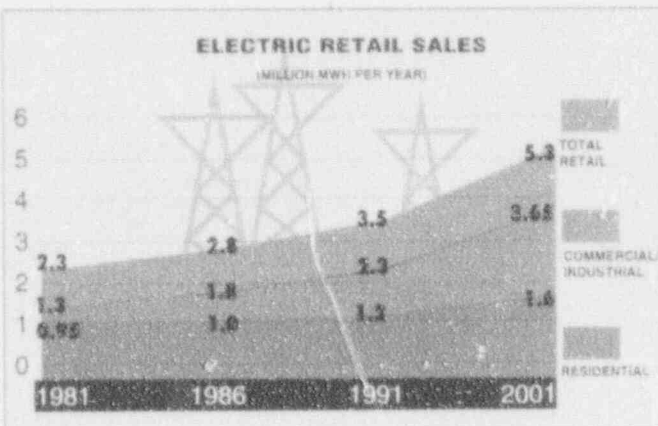
Weather and the economic climate, however, combined to produce a 2.4% decline in residential sales. Nevertheless, at 1.2 million MWH, they were still ahead of sales two years earlier.

A 779 gross MW peak was reached in the summer of FY '91 compared to the historic peak of 838 gross MW reached during the freeze of '89.

### ELECTRIC RATES REMAIN STABLE

In '92, the cost of power will remain the same for residential customers for the fifth consecutive year. These consumers will continue to pay $74.44 (excluding taxes) a month for 1,000 KWH of power.

Because of rising costs to provide service, large commercial customers' rates will increase 2.9%, the first increase in four years for these customers.



Based on residential bills, OUC is expected to rank fourth in electric rates when compared to 11 peer utilities.

## RECORD RAINFALL DAMPENS WATER SALES

In FY '91, Orlando experienced one of the wettest years in a decade; the year before was one of the driest on record. As a result, annual water sales were down 6.15% this year from an historic high of 26.1 billion gallons the preceding year. Even so, FY '91 water sales were still above those of two years ago.

The drop in sales was followed by a 1.9% decline in revenues which slipped to $19.5 million in spite of a slight increase in water rates. Net income from the water segment of the utility remained strong, totalling $4.3 million, representing 22% of sales.

## WATER RATES AMONG LOWEST IN STATE

The cost of OUC water is the lowest in the state compared to 10 peer utilities.

Furthermore, the cost of water for Orlando residents will remain the lowest in '92 when a slight increase goes into effect. They will pay just 22 cents more, a total of $7.98, for 10,000 gallons of water a month.

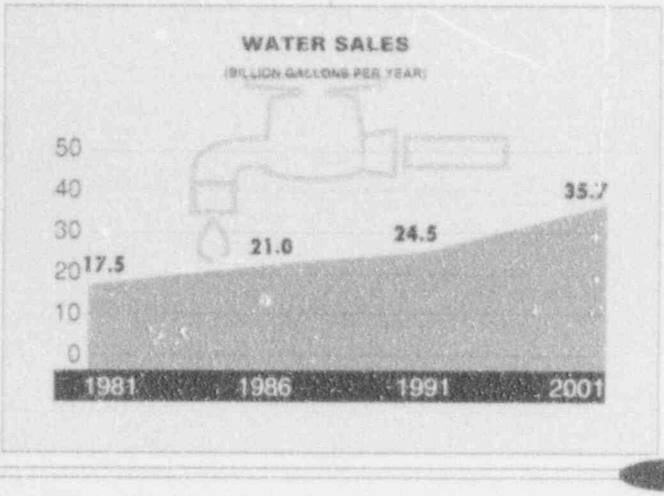
For the last 10 years, OUC's water rates have increased an average of only 1.6% per year. In '92, they will be just 4% higher than in '85.

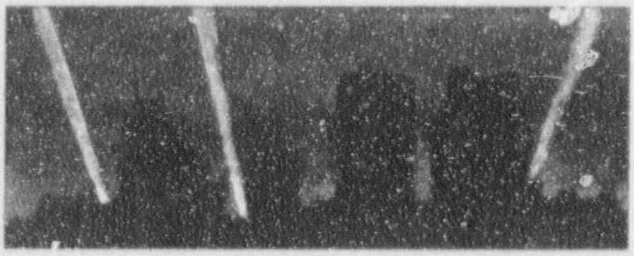
To encourage water conservation, in FY '91 OUC eliminated reduced charges based on volume exceeding 70,000 gallons.

## CITIZENS REAP RECORD BENEFIT

OUC's owners, the citizens of Orlando, reaped a record reward. The utility contributed $28 million to the city's general fund, a 15.9% increase over the preceding year. This contribution comes from a net income-based dividend and revenue-based payments.

The increase was primarily due to OUC's changing the formula for determining the dividend portion of this payment. The Commission voted to increase the dividend rate to 60% of OUC's net income through FY '94 from the historical 50% rate.



# A CLIMATE FOR GROWTH

*Because of the quality of life and the quality of growth that has occurred here, Orlando has a special "climate for growth" that is recognized nationwide.*

Throughout '91, metro Orlando was continually in the national spotlight. The *Wall Street Journal* listed Orlando in its ***top 10 "boom towns of the 1990s."*** *Fortune* ranked it as ***one of the nation's 10 best cities for business***. *Time* featured the city on its cover citing its ***"glowing growth."***

*Florida Trend* said Orlando has the ***best business environment in the state*** while *Site Selection* ranked Orlando ***number one for its quality of life***. *Inc. Magazine* says Orlando has ***"the best climate for growing a business" in the Southeast*** because of its dynamic and diverse economy.

Ironically, the early '80s were also marked by economic problems, then resulting directly from earlier crises over Mideast oil. Nevertheless, that decade proved to be one of phenomenal growth here.

During that time, metro Orlando led the nation's top 50 markets in manufacturing and employment growth, attracting a lion's share of the total capital investments made in Florida by new industry. Today it has over 3,000 manufacturers and distributors.

Now strong growth is foreseen for the long term, although it is not expected to match the unparalleled growth of the '80s. Local economists say that in the next two years Orange is expected to be the second fastest growing county in the nation's second fastest growing state. Thus, OUC continues to plan and prepare for tomorrow's expanding population while serving today's customers reliably, safely and economically.

# OUC credit rating tops in the nation

> OUC demonstrates "excellent operational and financial characteristics."
>
> **Duff & Phelps**

In FY '91, Orlando Utilities had the highest credit rating of any electric utility in the nation, retaining the AAA originally assigned by Duff & Phelps Inc. in '89.

Two other major rating agencies also continue to give OUC high marks. Moody's Investors Service and Standard & Poor's rate the utility Aa1 and AA respectively.

OUC also earned high ratings on its '91 series of subordinated bonds and variable rate bond anticipation notes (BANs).

Duff & Phelps rated the $235.8 million junior lien bond issue AA+ and gave its highest possible rating (1+/AA) to $99.9 million in BANs issued in December '91. Moody's and Standard & Poor's also assigned the highest ratings they give BANs.

These ratings tell investors that OUC is in sound financial condition, even better than when it financed the Curtis H. Stanton Energy Center, and can save the utility and its customers money in the long term.

In a statement to the financial press after rating the BANs, Duff & Phelps said OUC demonstrates "excellent operational and financial characteristics," adding that its "Prin..a strengths include sound management, competitive cost structure, well-maintained facilities, diversified and growing service area, and demonstrated ability to maintain debt service coverages well above minimum indenture levels."

As for debt service coverage ratios, in FY '91 OUC had 2.68 times the amount of available earnings it needed to pay senior lien debt. The required ratio to issue more senior debt is 1.5 times.

The junior lien ratio was 4.53 times available earnings compared to a required ratio of 1.15 times.

**OUC IS WELL-POSITIONED TO MOUNT AN AGGRESSIVE FINANCING PROGRAM BECAUSE OF ITS HIGH BOND RATINGS, ITS LONG-RANGE PLANNING, AND ITS EFFECTIVE TREASURY MANAGEMENT STRATEGIES.**

## FUTURE FINANCING

Engaged in the most extensive capital improvement program in its history, OUC anticipates borrowing approximately $460 million in the next five years. Therefore, it can be expected to enter the market more frequently, financing and refinancing as is warranted.

OUC is well-positioned to mount an aggressive financing program because of its high bond ratings, its long-range planning, and its effective treasury management strategies.

Significantly, OUC generally earns a greater yield on investments than it pays on debt. As an AAA utility, it can invest bond proceeds [illegible] exempt AA bonds of other entities a[illegible] earn a higher rate of interest while also avoiding federal arbitrage restrictions.

In FY '91, OUC offset 36.74% of the annual cost of its debt by earning $29.5 million in interest while paying $80.3 million in interest expenses.

OUC also generally issues bonds at lower interest rates than other utilities because of its ratings and the timing of its market entries.

The utility hit the market at its lowest point for the year when issuing its $235.8 million series, locking in a true interest cost of 6.79% on these 35-year bonds.

OUC was also ready to take advantage of market conditions when it issued the $99.9 million variable rate BANs initially at a 3.875% interest rate.

## INNOVATIVE INVESTING

Capitalizing on its earning potential, OUC made an innovative move in FY '91 investing revenues earmarked for capital improvements and borrowing more funds instead.

The utility invested approximately $32 million from revenues at 8.14% interest. These funds and the interest earned on them can be used to reduce debt or help pay for future capital projects.

OUC plans to invest about $30 million a year from revenues for the next four years, as long as this measure produces yields that benefit the utility and its customers.

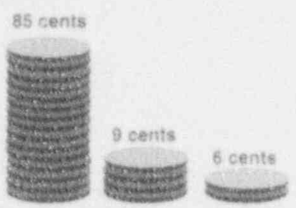
# Combined Operations Comparative Financial Highlights

| Fiscal Years Ending Sept. 30 (In Thousands) | 1991 | 1990 | '90 - '91 Change | 1986 | 1981 |
|---|---|---|---|---|---|
| Operating Revenues | $ 309,452 | $ 303,877 | 1.8% | $ 204,295 | $ 157,916 |
| Electric Revenues | 289,962 | 284,009 | 2.1% | 188,847 | 147,335 |
| Water Revenues | 19,490 | 19,868 | -1.9% | 15,448 | 10,581 |
| Operating Expenses | 226,136 | 218,497 | 3.5% | 145,493 | 135,264 |
| Electric Expenses | 209,997 | 204,166 | 2.9% | 135,740 | 127,921 |
| Fuel & Purchased Power | 103,232 | 102,823 | 0.4% | 72,444 | 95,087 |
| Departmental Operations | 106,765 | 101,343 | 5.4% | 63,296 | 32,834 |
| Water Expenses | 16,139 | 14,331 | 12.6% | 9,753 | 7,342 |
| Interest, Other Income (1) | 30,954 | 18,307 | 69.1% | 37,758 | 14,[illegible]39 |
| Payment to City of Orlando | 28,200 | 24,339 | 15.9% | 14,172 | [illegible]15 |
| Net Income | 30,089 | 33,575 | -10.4% | 29,721 | 16,621 |
| Equity | 360,126 | 345,967 | 4.1% | 249,186 | 147,463 |
| Long term debt (2) | 1,106,788 | 898,483 | 23.4% | 832,344 | 302,374 |
| Net book value of physical assets | 1,024,585 | 962,929 | 6.4% | 769,226 | 332,769 |
| Total assets | 1,605,308 | 1,352,227 | 18.7% | 1,156,028 | 484,593 |
| Debt Service Coverage (Senior Lien) | 2.68x | 2.71x | | 2.27x | 2.54x |
| Senior Bond Ratings (3) | AAA, Aa1, AA | AAA, Aa1, AA | | Aa, AA | Aa, AA |

1) Certain reclassifications were made to conform to the 1991 presentation.
2) Includes 1990A Bond Anticipation Notes; excludes the current portion.
3) Bond Rating Agencies: 1991, 1990 Duff & Phelps, Inc., Moody's Investors Service, and Standard & Poor's, respectively; 1986, 1981, Moody's and Standard & Poor's, respectively.

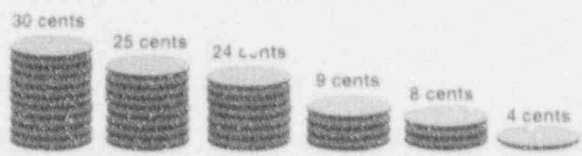
## THE OUC DOLLAR

Orlando Utilities Commission's operating revenues and income for FY '91 totalled a record $340,405,687. The accompanying illustration depicts the sources and disposition of those funds.




SOURCES OF INCOME

| Fiscal Year '91 | | |
|---|---|---|
| Electric Operating Revenues | $ 289,961,819 | 85% |
| Interest, Other Income | $ 30,953,713 | 9% |
| Water Operating Revenues | $ 19,490,155 | 6% |
| *Total Operating Revenues, Income* | $ 340,405,687 | |




DISPOSITION

| Fiscal Year '91 | | |
|---|---|---|
| Fuel & Purchased Power | $103,232,578 | 30% |
| Debt Service, Other Expenses | $ 84,181,060 | 25% |
| Operating Expenses | $ 82,101,735 | 24% |
| Depreciation | $ 28,806,256 | 9% |
| Payments to City of Orlando | $ 28,200,434 | 8% |
| Retained Earnings | $ 13,883,624 | 4% |
| *Total* | $340,405,687 | |

# Statistical Highlights

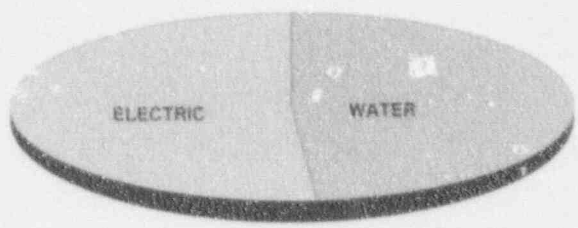
| ELECTRIC OPERATIONS<br>Fiscal Years Ending Sept. 30 | 1991 | 1990 | '90-'91<br>Change | 1986 | 1981 |
|---|---|---|---|---|---|
| Total Sales (MWH) | 5,115,557 | 4,783,810 | 6.9% | 3,022,019 | 2,680,740 |
| Total Retail Sales (MWH) | 3,546,436 | 3,444,566 | 3.0% | 2,818,285 | 2,278,513 |
| Commercial/Industrial (MWH) | 2,339,469 | 2,208,222 | 5.9% | 1,773,422 | 1,330,739 |
| Residential Sales (MWH) | 1,206,967 | 1,236,344 | -2.4% | 1,044,863 | 947,774 |
| Sales for Resales (MWH) | 1,569,121 | 1,339,244 | 17.2% | 203,734 | 402,227 |
| Total Active Services | 118,273 | 117,451 | 0.7% | 101,324 | 86,124 |
| Residential | 102,033 | 101,381 | 0.6% | 87,439 | 75,426 |
| Commercial/Industrial | 16,240 | 16,070 | 1.1% | 13,885 | 10,698 |
| Gross Peak Demand (MW) | 779MW | 838MW | -7.0% | 715MW | 569MW |
| Average Annual Residential Consumption (KWH) | 11,829 | 12,195 | -3.0% | 11,949 | 12,566 |
| Average Residential Revenue (per KWH) | 7.56 cents | 7.67 cents | -1.4% | 7.05 cents | 5.54 cents |
| Heating Degree Days | 304 | 477 | -36.3% | 613 | 870 |
| Cooling Degree Days | 3,875 | 3,763 | 3.0% | 3,619 | 3,363 |

| WATER OPERATIONS<br>Fiscal Years Ending Sept. 30 | 1991 | 1990 | '90-'91<br>Change | 1986 | 1981 |
|---|---|---|---|---|---|
| Total Sales (Million Gallons) | 24,498,092 | 26,106,095 | -6.2% | 20,964,452 | 17,454,635 |
| Total Active Services | 100,352 | 98,594 | 1.8% | 86,446 | 68,696 |
| Residential | 84,276 | 83,008 | 1.5% | 74,087 | 60,253 |
| Commercial/Industrial | 10,073 | 9,963 | 1.1% | 8,759 | 6,981 |
| Irrigation | 6,003 | 5,623 | 6.8% | 3,600 | 1,462 |
| Peak Pumping (Million Gallons per Day)(1) | 125.7 | 156.2 | -19.5% | 150.1 | 118.6 |
| Average Annual Residential Consumption (Gallons) | 151,000 | 167,000 | -9.6% | 151,000 | 169,000 |
| Average Residential Revenue (per 1,000 gallons) | 83.53 cents | 79.10 cents | 5.6% | 78.87 cents | 62.99 cents |
| Rainfall (Inches) | 59.6 | 35.4 | 68.4% | 45.7 | 36.9 |

(1) 1990 revised based on additional operating data

**OUC CUSTOMERS**

| | | |
|---|---|---|
| Electric | 118,273 | 54% |
| Water | 100,352 | 46% |
| Total | 218,625 | 100% |




*Based on active meters as of Sept. 30, 1991*

# The Management Team

*A highly qualified, stable management team works together to operate OUC, a dual-service utility, efficiently and effectively.*

**Theodore C. Pope**
***Executive Vice President and General Manager***

Pope has been with OUC 32 years, a career that includes 14 years in Electric Operations and 11 years in Water Operations. A Professional Engineer, he has a degree in Mechanical Engineering from the University of Florida. The American Water Works Association has conferred its highest honors on him for distinguished service to both the industry and the community.

In '91, Pope also served as Chairman of the Board of the 5,000-member Greater Orlando Area Chamber of Commerce.

**Donald E. Moore**
***Manager, Strategic Planning***

A Professional Engineer, Moore is an Electrical Engineer and Penn State graduate. He has 25 years experience with the Commission.

**Mark E. Mazak**
***Manager, Financial Operations***

Mazak has been with OUC eight years. Prior to joining the Commission, he had 15 years extensive and diversified experience in both public accounting and financial management. A graduate of Rollins, he has a degree in Business Administration and Accounting with a minor in Economics.

**Thomas B. Tart, Esq.**
***General Counsel***

Tart has been on the OUC staff 10 years. Prior to that he was a partner in the firm of Gurney & Handley, which was OUC's general counsel for 60 years and which still represents the Commission on certain matters.

**A. Reymond Boyd, Jr.**
***Manager, Water Operations***

Boyd graduated from The Citadel with a degree in Civil Engineering. A Professional Engineer, he holds a Masters in Management from Rollins. With Water Operations 21 years, he became manager in '84. Since then, AWWA's Florida section has named him Man of the Year, and OUC's Water Quality Lab, already a pacesetter in the industry, has been chosen to conduct pioneer research on water quality that is of nationwide significance.

**Tracy L. Smith**
***Managing Director, Communications***

Smith joined OUC in '85, bringing with him 13 years of experience in the utility industry. A graduate of the University of South Florida, he has a degree in Mass Communications.

**William H. Herrington**
***Manager, Electric Operations***

Manager since 1986, Herrington is also a Professional Engineer and a University of Florida graduate in Mechanical Engineering. In addition, he has a Masters in Business Administration from Rollins. With Electric Operations 22 years, Herrington initiated OUC's energy futures program as a hedge against oil and natural gas price volatility. The nation's first electric utility to use energy futures, OUC has saved more than $18 million through these programs.

**George M. Standridge**
***Manager, Customer Relations and Support Operations***

Standridge is a graduate of Florida State University with a degree in Public Administration. He has 22 years experience with the Commission and heads the Commission's most diverse department.

ELECTRIC GENERATION

*I T ' S   U N A N I M O U S :*

# Energy Center can be expanded

*Orlando Utilities received unanimous approval from all state agencies to build a second coal-fired generating unit at the Curtis H. Stanton Energy Center. The plan was well supported at every level of the state's certification proceedings.*

*Significantly, the state order recommending certification noted that "Stanton Unit 2 will have less adverse impact upon air quality than other coal fueled units in the state."*

*The plant is needed by OUC and 13 participating municipal utilities and by Peninsular Florida because of expanding population and the state's tight energy supply.*

## OUC continues to safeguard water resources

Stanton 2, like the first unit, will be a true "zero discharge" facility and will also use reclaimed county waste water as cooling water. It will release no plant wastewater into surface or ground water and, combined with Unit 1, it will prevent the discharging of up to 10 million gallons a day of treated wastewater into ground or surface waters.

According to the state, "No adverse environmental consequences as to water resources are expected to result from construction and operation of Unit 2 or its associated facilities. OUC is justly proud of its status as a 'zero discharge' facility with respect to wastewater."

The state was equally positive about OUC's other environmental efforts as is indicated in articles on pages 10 and 11.

## STANTON 1: A BLUEPRINT

Artist's rendering of expanded Stanton Energy Center shows present Unit 1 and the nearly identical twin Unit 2 which will be a "new, improved version" of the first unit.

**In operation since '87, the first Stanton unit is one of the cleanest, most reliable coal-fired plants in the nation. Because of its outstanding performance, OUC plans to replicate Stanton 1 and build a "new, improved" version of it.**

**The excellence of Stanton 1 performance was also a factor in the state's approving Stanton 2. In the order recommending certification, the state hearing officer noted that the evidence "demonstrates that OUC has been able to construct and operate Unit 1 in an environmentally sound manner," adding "This fact supports the conclusion that Unit 2 can also be constructed and operated in accordance" with prescribed conditions.**

**Stanton 1 has consistently operated better**

# Construction targeted to start Spring '93

Construction is scheduled to start by spring of '93 so the new unit will be in service by January '97. This timetable has been influenced not only by projected growth, but also by the state's extremely tight energy supply.

The project will cost an estimated $522 million with OUC's share being $391 million. Currently, approximately $78 million of the total project cost will be for clean air and environmental protection systems. However, these figures could change depending on the technology used to reduce nitrogen oxide emissions.

OUC has already awarded $140 million in contracts for 13 critical plant components being replicated and requiring long-lead-times, such as the turbine-generator. Black & Veatch, original consulting engineers for Stanton, will provide design and engineering services. In all, 100 equipment contracts will be required with 65 to be awarded in FY '92.

## Replication will save millions

By replicating the critical components, OUC will save an estimated $23 million in design, engineering and manufacturing costs on the 13 contracts awarded to date.

Replication will also reduce operating costs. OUC will need approximately half as many employees to operate Stanton 2 as to operate Stanton 1 because both units can share many systems and facilities already in place. In addition, training and inventory needs will be reduced.

# Project to impact area economy

The construction and operation of Stanton 2 is expected to have a significant impact on the Orlando area economy.

During construction, the estimated direct and indirect economic benefits include 3,878 man-years of employment, $120 to $150 million in earnings and a $49.5 million increase in sales and production in the local economy (in '91 dollars).

In operation, the total annual economic impact of Stanton 2 is expected to provide 263 man-years of employment, $7.7 million in earnings, and $9.7 million in increased sales and production ('90 dollars).

Member of Stanton operations team, Bruce Lea studies "space age" control panels. State of the art computers also monitor all of the plant systems to assure they are functioning efficiently and in an environmentally safe manner.

# FOR EXCELLENCE

**than required by Clean Air Act standards in effect when it was certified. In FY '91 its sulfur dioxide emissions were one-sixth the amount allowed, one-sixth of the state average and even less than new limits.**

**Nitrogen oxide emissions were two-thirds the amount allowed and particulate emissions were one-third the amount allowed.**

**Rarely stopping for mechanical failures, Stanton 1 also consistently beats national performance averages. In FY '91, its Equivalent Forced Outage Rate was 3.72%, one-third the national average. Its Availability Factor was 87.75%, 10% higher than the national average.**

# PROTECTING, CONSERVING NATURAL RESOURCES

STANTON 1 AND ITS ASSOCIATED FACILITIES DIRECTLY AFFECT ABOUT 960 ACRES OF THE 3,280-ACRE STANTON ENERGY CENTER SITE. THE SECOND UNIT WILL IMPACT ONLY ABOUT NINE ACRES WHICH WERE GRADED AND PREPARED WHEN THE FIRST UNIT WAS BUILT.

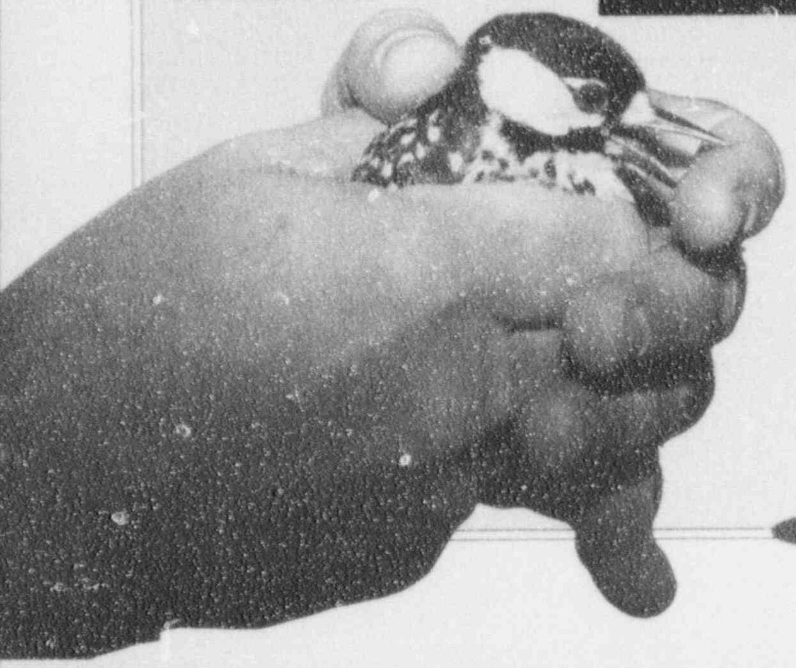
SURROUNDING THE PLANT AND ITS FACILITIES ARE APPROXIMATELY 2,000 ACRES OF WILDLIFE HABITAT WHICH "APPEARS TO BE IN BETTER CONDITION TODAY THAN THEY WERE BEFORE UNIT 1 WENT INTO OPERATION," ACCORDING TO THE ORDER RECOMMENDING CERTIFICATION. OUC IMPROVED THIS AREA THROUGH AN EXTENSIVE FOREST MANAGEMENT PROGRAM IMPLEMENTED PRIMARILY TO PROTECT THE RED-COCKADED WOODPECKER, AN ENDANGERED SPECIES.

The flat, piney woods at Stanton provide a home or "way station" for a variety of wildlife. According to the state's certification order, the nearly 2,000 acres of Stanton wildlife habitat "appear to be in better condition today than they were before Unit 1 went into operation."

Its aging, long-leaf pines are the natural habitat for the red-cockaded woodpecker. A wildlife refuge group even selected it as a safe haven for a bobcat it had nursed back to health. Visiting eagles can be spotted feeding in the plant's makeup water pond which is stocked with carp to control weeds. Other birds and animals range around the plant, safe in a protected and preserved bit of the old Florida.

FOR STANTON 2, OUC WILL PUT INTO PLACE EVEN TIGHTER CONSERVATION MEASURES AND MORE EXTENSIVE FOREST MANAGEMENT PRACTICES. IT IS ALSO IMPLEMENTING WHAT THE STATE ORDER DESCRIBES AS A "SUBSTANTIAL MITIGATION PROGRAM WHICH IS EXPECTED TO OFFSET" ANY IMPACT BUILDING A NEW 1.4 MILE ROAD AND A SECOND TRANSMISSION LINE WOULD HAVE ON WETLANDS.

IN ADDITION, OUC WILL ENHANCE APPROXIMATELY 200 ACRES OF WETLANDS, RESTORING PORTIONS TO HISTORIC CONDITIONS, AND CREATE APPROXIMATELY THREE ACRES OF NEW WETLANDS. A REFORESTATION PROGRAM TO IMPROVE 50 ACRES OF UPLAND LONG-LEAF PINE FOREST WILL ALSO BE IMPLEMENTED.



*IN GOOD HANDS:*

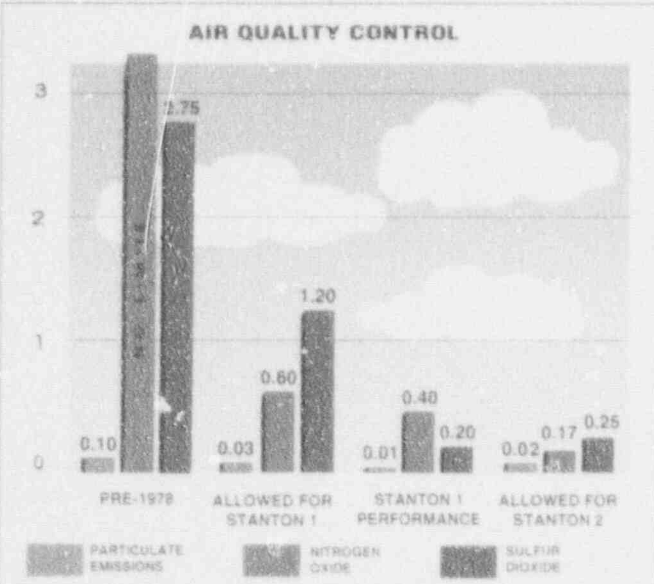
This red-cockaded woodpecker is being banded at Stanton by a wildlife ecologist. One of the Southeast's leading experts on this endangered species, he has been engaged by OUC in its ongoing effort to protect the woodpecker colonies through an extensive forest management program. The U.S. Fish and Wildlife Service has praised OUC's program, saying "the habitat is in excellent condition for red-cockaded woodpeckers."

OUC's program is also giving wildlife experts a rare opportunity to study the bird's habits and needs and the factors affecting its survival.


# Stiffer air standards for Stanton 2

Stanton 2 will have to comply with even more stringent state and federal air pollution control limits. As a result, emissions for Stanton 2 are expected to be substantially less than any coal-fired power plant now in operation in the U.S. Sulfur dioxide emissions limits have been lowered to 0.25 pounds per million BTU compared to the 1.2 pound limit allowed earlier. Limits for nitrogen oxide emissions have been sharply reduced to 0.17 pounds per million BTU compared to the 0.6 pounds limit of the first Clean Air Act. Stanton 2 is one of the first power plants in the nation to have to comply with the new nitrogen oxide limit.

The new unit will use essentially the same air quality control systems as Stanton 1, an electrostatic precipitator and wet limestone scrubber. However, discussions are continuing with the federal Environmental Protection Agency on the latest, reliable technology to be used to comply with new nitrogen oxide emissions rules.

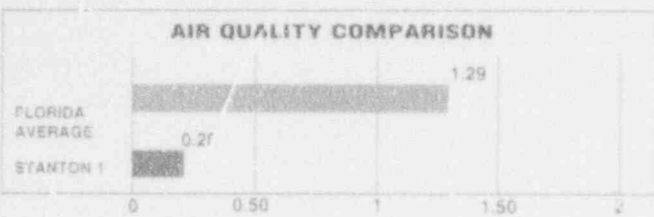



The graph above compares emissions standards and performance for Stanton 1 and the allowed limits for Stanton 2.

The first unit has consistently operated at lower emission levels than required. It even emits less sulfur dioxide and particulate matter than allowed for Stanton 2 under '91 regulations.

Below, graph compares Stanton 1 sulfur dioxide emissions with '90 average for 10 of the state's largest utilities.

Both graphs are based on pounds per million BTU.




# Stanton to serve 14 cities

As with the first unit at Stanton, the new one will be jointly owned, in effect, by 14 municipal utilities.

OUC, which owns the site, will retain a 75% interest in the second unit and is responsible for its construction and operation. The Florida Municipal Power Agency will own a 21.16% interest and the Kissimmee Utility Authority 3.83%.

FMPA represents 12 cities: Fort Pierce, Homestead, Key West, Lake Worth, Starke, Vero Beach, all generating utilities; and Bushnell, Clewiston, Green Cove Springs, Jacksonville Beach, Leesburg, and Ocala, primarily distribution utilities.

The utilities joined together to secure an adequate, reliable power supply for customers and for the economic benefits of using coal and operating a unit of this size.

# Indian River to add 2 CTs

Construction has started on an additional pair of combustion turbine units at OUC's Indian River Generating Station in Brevard County.

Each of the new CTs, expected to be in operation by November '92, has a winter rating of 129 net MW and a summer rating of 104. They are jointly owned by OUC, which retains a 79% interest in the units, and FMPA, which owns a 21% interest.

The total cost to install the Westinghouse units and associated facilities will be approximately $61 million and will be shared by OUC and FMPA.

With three steam generating units and two small combustion turbine units already in place, Indian River represents 57% of OUC's total generating capacity. All IRP units operate on either oil or gas, a flexibility that enables the utility to take advantage of market conditions and buy fuel cheaper than other utilities.

IRP is especially valuable to OUC as a source of substantial revenue from bulk power sales. Highly reliable, its units also operate well below permitted emission limits.

At home or work or play, customers count on us night and day.

# OUC leads state in reliability

*Compared to six peer utilities, OUC's electric system was the most reliable with an average customer outage time for the year of only 53.7 minutes. In other words, OUC's average customer had power 99.999% of the time!*

Despite the fact there were at least 28% more thunderstorms in FY '91, OUC's reliability improved approximately 5.2% [illegible] the preceding year. These achievements reflect the depth of OUC's commitment to service beyond expectations as well as the integrity and quality of the design, construction and maintenance of OUC's transmission and distribution system. Equally important, this accomplishment indicates the ability of OUC employees to respond rapidly and competently when trouble strikes to keep customer outage time to a minimum.

# Bulk sales, benefits reach all-time highs

With bulk sales at a record 1.57 million MWH, net benefits from interchange activities reached new highs in FY '91, saving OUC customers $17.2 million.

Of these benefits, $14.8 million came from energy sales and power pool activities. This was 20.5% higher than the preceding year. The balance comes from transmission service charges.

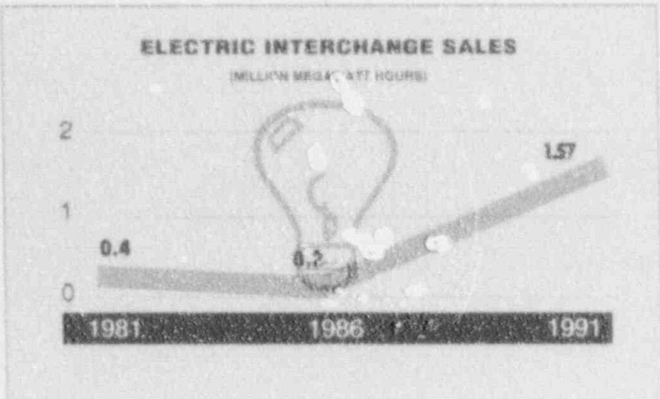
**THE DRIVING FORCE BEHIND THE INCREASE IN NET BENEFITS WAS SALES TO OTHER UTILITIES THROUGH FIRM POWER PURCHASE AGREEMENTS.**

The driving force behind the increase in net benefits was sales to other utilities through firm power purchase agreements. The profits from these sales advanced 39% to $8.8 million.

Benefits from economy sales and purchases through the three-year-old Florida Municipal Power Pool increased to $6 million for OUC and to a combined $7 million for the City of Lakeland and the Florida Municipal Power Agency All-Requirements utilities who participate in the pool.

OUC operates the Pool Dispatch Center and is responsible for committing pool resources.

The utility's bulk sales have tripled in a decade because of the pool, the tight energy market, and OUC's success in negotiating long term agreements to sell IRP power. A high level of bulk sales and continued benefits for OUC customers are anticipated for the next several years.




# TEAM STRIKES FAST WHEN LIGHTNING HITS

When lightning struck a transformer at an International Drive hotel, it caused a fire and precipitated a chain reaction that left a nearly 2-mile area powerless. Within 30 minutes, OUC crews restored service to most of the area and continued to work non-stop, restoring power in time for a wedding function to be held that weekend.

When an intense thunderstorm lashed Central Florida with 1,000 lightning bolts in just 15 minutes, it left an estimated 8,000 customers in the Downtown Orlando area without power.

Deploying more than 50 employees, OUC restored power within two hours for most of the customers. Crews worked through the night to restore service completely.

Florida experiences more summer lightning and thunderstorms than any other state in the nation. So we're especially proud to have such a reliable electric system and a team that strikes back fast, rain or shine, day and night.

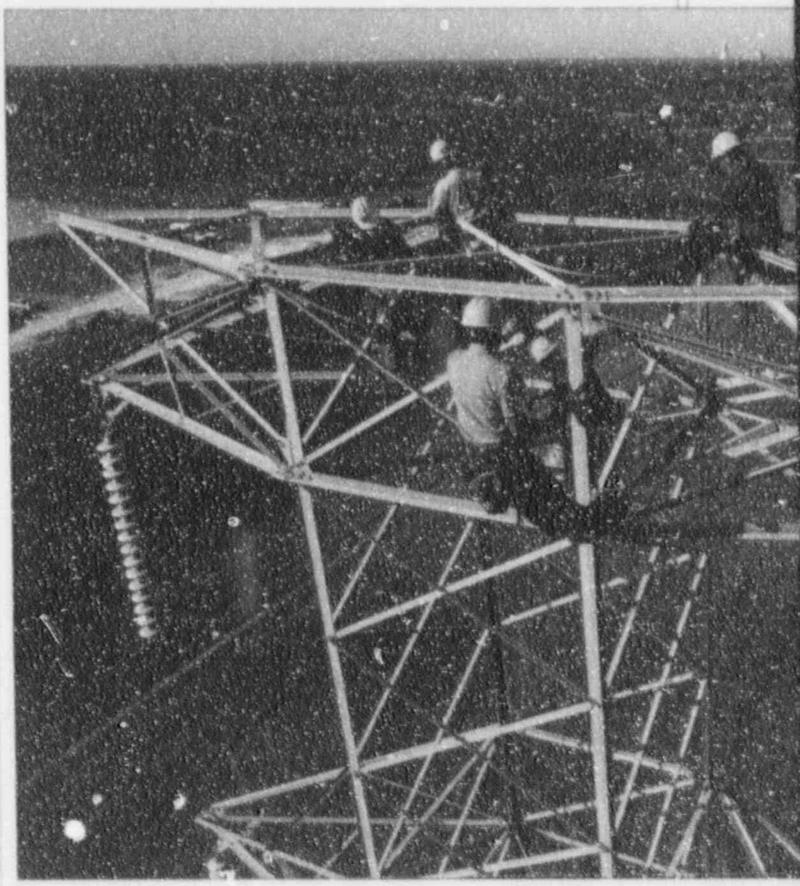
# Getting power to the people

In FY '91, OUC completed the most extensive five-year program in its history to improve and expand its transmission and distribution system. Nearly $200 million in new or upgraded transmission and distribution facilities and equipment were added to the electric system.

Of this, 70% was for the distribution system alone. In five years OUC has increased its primary circuit miles 27% to 1,246 miles. With 24,486 distribution transformers now in service, it has increased this capacity 23% to 1.8 million KVA, and increased the number of feeder circuits 35.5% for a total of 164.

But these statistics tell only half the story. They do not reflect the magnitude of the ongoing process of upgrading or replacing older infrastructure, modernizing or relocating equipment because of street and highway projects, and streetscaping projects which require undergrounding power lines and enhancing and improving overhead systems.

For instance, in FY '91 alone, OUC upgraded underground systems in 10 older subdivisions to improve service reliability. In three areas underground systems were completely redesigned and rebuilt. In an eleventh subdivision OUC upgraded overhead systems. Ten new distribution feeder circuits were installed, the highest number added in one year in OUC history.



Since '86, OUC has increased substation capacity 44%, completely rebuilding two substations, placing three new ones in service by the end of FY '91 while upgrading and expanding existing substations.

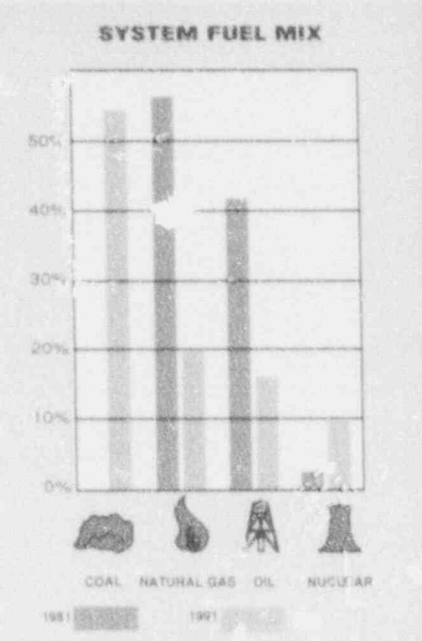
In FY '91, OUC rebuilt the Azalea substation, completed the new Airport Industrial Park (AIP) substation, and began work on the Airport and Metrowest substations scheduled to be in service by the end of FY '92. When these last two go on line, OUC will have a total of 21 substations.

**OUC IS GUIDED BY A COMMITMENT TO UNDERGROUND BOTH TRANSMISSION AND DISTRIBUTION FACILITIES WHEREVER FEASIBLE IN ORDER TO MAINTAIN AND ENHANCE THE QUALITY OF LIFE OF ITS "HOME TOWN."**

Parallel to all substation work is the expansion and upgrading of OUC's network of transmission lines, including adding another 230KV line to the transmission system between Indian River and Stanton.

Now OUC is preparing to spend at least another $200 million in the next five years to continue to upgrade and expand its transmission and distribution systems. These activities never cease, for they are vital to providing reliable service to a dynamic and changing community.

In addition, OUC is guided by a commitment to underground both transmission and distribution facilities wherever feasible in order to maintain and enhance the quality of life of its "home town."



Working atop an 11-story transmission tower between IRP and Stanton is "all in a day's work" for Jim Campbell, Marshall Phillips, Robert Carney, Troy Thompson, Bill Garrison, and Rozalle Eddings, says line supervisor Jack Vickers stationed at the base.

# New operations center to open

By fall '92, OUC will relocate hundreds of employees from Downtown and Lake Highland to a new 48-acre complex on Pershing Avenue.

The $26 million Pershing Operations Center will contain approximately 136,000 square feet of office space primarily in two buildings — an ultramodern Operations Control Center and the two-story Pershing Office Building. The complex will also contain a Materials Center with more than 100,000 square feet of warehousing space and a 10-bay Fleet Maintenance Center.

The Operations Control Center will house the computer "nerve centers" for the electric and water systems. Electric Systems Operations and its Load Dispatch Center are scheduled to go into service there in June and the water production control center in the fall. Over the summer the Materials Center, electric engineering, transmission, and distribution will move to Pershing.

OUC is vacating Lake Highland because it has outgrown it. A 22-acre complex near Gardenia and 39th Street primarily for water operations personnel is scheduled to open by mid '93.

# Fuel strategies shield OUC during Gulf Crisis

OUC was well-shielded from the effects of the Persian Gulf Crisis because of its diverse fuel mix and the timing of its fuel purchases. It took advantage of the extreme volatility of oil and gas prices, buying on the spot market when prices were down. It also amended its coal contract, taking advantage of the weak end of the energy market.

As a result, total fuel costs for FY '91 edged up only 1.?% to $98.7 million, reflecting increased sales rather than higher fuel prices. Fuel cost per kilowatt hour actually decreased to 1.98 cents from 2.08 cents in FY '90.

Because of well-timed spot purchases, OUC's oil costs were the lowest of 36 electric utilities on the Atlantic Coast in '90.

When Iraq invaded Kuwait, OUC was filling its storage tanks with low-cost oil bought on the spot market. With its fuel flexibility, OUC was able to wait until oil prices fell before buying more.

When the gas market hit a 10-year low as a result of the mild winter, OUC took its innovative futures program a step further, buying natural gas contracts for the first time to protect against higher prices.

*in retrospect*

**In FY '81, the world reeled from the Mideast oil crises of the 70s that sent fuel prices soaring and fueled OUC's resolve to build its first coal-fired power plant.**

**OUC's fuel costs averaged 3.42 cents per KWH then, compared to 1.98 cents in FY '91. In fact, OUC's total fuel bill in FY '91 was only 4.8% higher than in FY '81, $98.7 million compared to $94 million, even though its sales increased 91%! A key factor in this difference is the fuel diversity OUC has achieved during the decade.**

**A decade ago, OUC's fuel mix was 97% oil and gas. In FY '91, because of its fuel diversity, OUC's actual system fuel mix was 54% coal, 20% natural gas, 16% oil, and 10% nuclear.**

**Now OUC can base its generation on the most economical fuels available. This fact, combined with innovative and aggressive fuel purchasing strategies, efficient operation and economies of scale, has enabled OUC to keep rates stable.**

# The Drink You Can't Live Without

*Cool, refreshing water. Nature's own health drink and absolutely essential to your well-being. The human body is more than half water and normally loses 2 to 3 quarts of this precious fluid daily through natural processes. Thus, you need to constantly replenish the body's supply of this vital liquid. To restore the water your body loses daily, you need to drink at least 6 to 8 cups of water a day — even more if you are performing strenuous work or exercise.*

*So enjoy the health drink of the '90s. And rest assured: OUC supplies you naturally clean, high quality water, and we take extraordinary care to keep it that way.*

## Buried Treasure

Beneath Orlando Utilities' water service area is a buried treasure, resting approximately one-quarter of a mile below the earth's surface in the deepest, most protected recesses of the Floridan Aquifer. It is an abundant supply of some of the nation's purest water, delivered to customers at one of the lowest prices in the state.

Four decades ago, OUC made the critical decision to draw water from this protected source instead of from lakes and shallow groundwater sources which are more susceptible to contamination.

Today, most of OUC's wells penetrate more than 1,000 feet of porous rock and sand which serve as a natural filter and then descend another 300 to 500 feet into water so clean it meets the strictest standards virtually without treatment.

Because of the depth of its wells, its treatment procedures, and its vigilant and extensive testing, OUC is confident that it provides customers with safe, healthy water.

And even though record rainfall replenished OUC water sources, the utility's conservation efforts have not dried up. It continues to conduct an active "waterwise" campaign to help customers use this resource wisely.

OUC treats its water supply with extraordinary care, and monitors it vigilantly so it can assure customers that the water delivered to their homes and businesses continues to be better than the latest, most stringent regulations require.

# Treating water with extraordinary carc

The water OUC supplies is so naturally clean, it needs only minimal treatment. Chlorine is added to prevent the growth of bacteria. Fluoride is added to protect teeth.

To enhance taste and eliminate odor, OUC uses an aeration process in most plants and its own patented carbon process in newer ones to remove hydrogen sulfide that occurs naturally in the raw water.

To further enhance water quality, OUC developed and implemented a plan in FY '91 to balance the level of chlorine residual for the entire water system which consists of 10 interconnected treatment plants and 1,415 miles of mains. Water plant equipment was adjusted and water main connections were reconfigured and realigned throughout the 165-square-mile service area.

Your OUC water is indeed a "treasure" buried in the deepest, cleanest recesses of the Floridan Aquifer, nearly one-quarter of a mile below the earth's surface.

*Tapped for pioneer study*

# OUC on the leading edge in water research

OUC has long been a vanguard in water research. Recognizing this, the American Water Works Association (AWWA) Research Foundation awarded OUC a nearly $150,000 grant in FY '91 to conduct a pioneer study of the effects of electrical grounding and stray current on home water quality.

This is the first such comprehensive study of its kind in the nation and is expected to attract national attention. The project is a joint venture between OUC and its consulting engineers, CH2M-Hill. Results are expected in early '93.

The study is being conducted in a "model home" OUC built a year earlier for other critical studies. The model is actually a framework structure equipped with the appliances, plumbing and electrical systems typically found in a 3-bedroom, 2-bath house. It is operated in a manner that simulates the water and power usage of a family of four.

The first Model Home studies concentrated on analyzing the effects of household plumbing on the high quality water OUC delivers to the home. They were conducted in anticipation of new federal regulations regarding lead and copper enacted in '91.

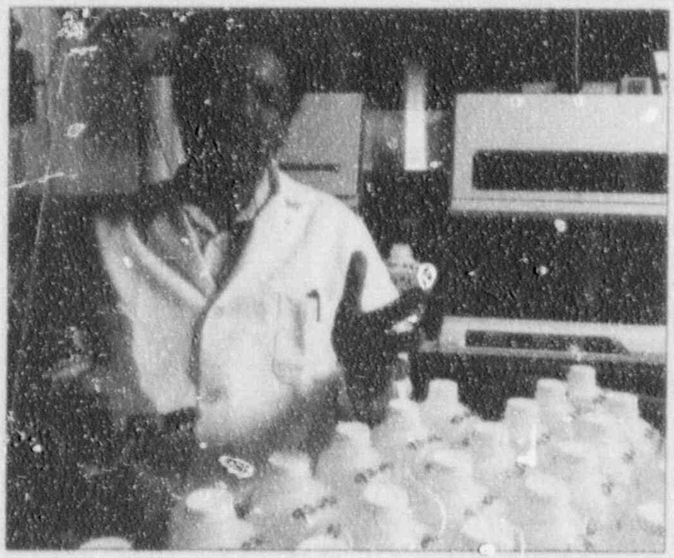
In FY '92, OUC will begin taking samples from customers' taps on a limited basis in compliance with new Environmental Protection Agency rules.

# Careful monitoring provides quality assurance

Extremely vigilant, OUC performs thousands of tests for hundreds of possible contaminants every year although the federal Safe Drinking Water Act only requires the utility to conduct these tests every three years.

In '91, these tests again confirmed that the water OUC supplies its customers continues to be better than these stringent regulations demand.

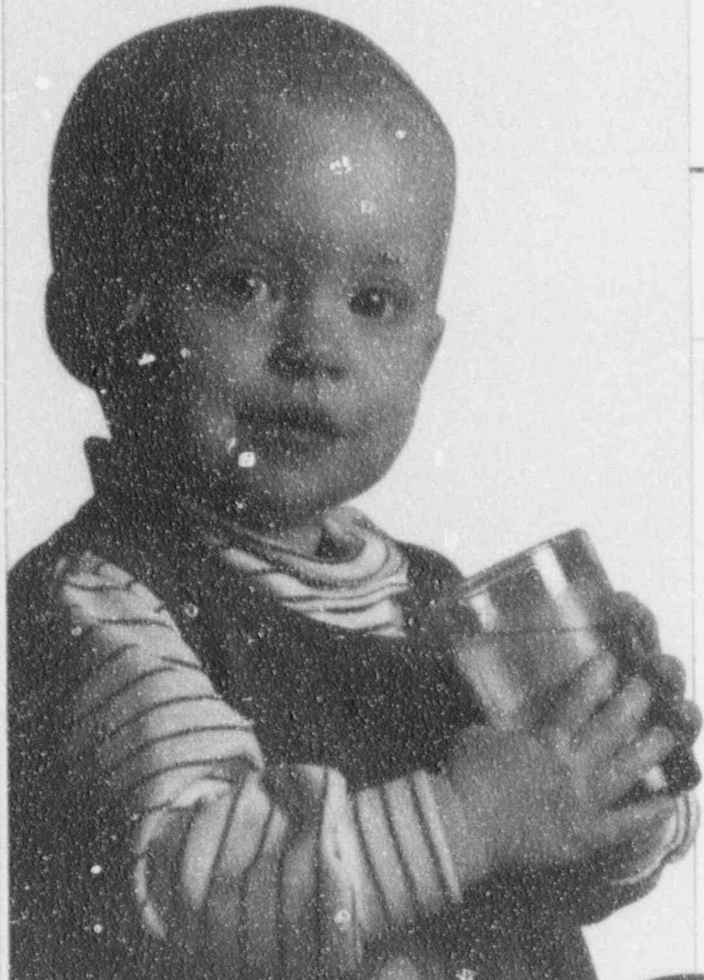
In addition, OUC continually monitors the quality of the raw water in its wells and treated water at its plants, drawing and testing hundreds of samples monthly. All told, OUC technicians performed 17,150 tests and analyses in FY '91. Furthermore, OUC will step up its sampling and testing program in FY '92.



In OUC's sophisticated Water Quality Lab, chemist John Gray prepares to use the atomic absorption spectrophotometer behind him to test for metals in water. See Page 18 to find out how high the lab itself scores on tests.

# SPREADING THE GOOD NEWS

SENSITIVE TO CUSTOMER CONCERN STIRRED BY MEDIA REPORTS, OUC HAS BECOME MORE PROACTIVE IN THE COMMUNITY TO SPREAD THE GOOD NEWS THAT OUC WATER IS SAFE AND HEALTHY. CUSTOMERS ARE ENCOURAGED TO CALL OUR WATER QUALITY HOTLINE WITH QUESTIONS. WATER QUALITY SPECIALISTS MAKE HOUSE CALLS, MEETING ONE-ON-ONE WITH CUSTOMERS AND TAKING WATER SAMPLES FOR TESTING. ALL BECAUSE WE WANT TO ASSURE OUR CUSTOMERS THEY HAVE ONE THING LESS TO WORRY ABOUT — THE QUALITY OF THEIR OUC WATER. AND WE AREN'T KIDDING AROUND. WE DOUBLE-CHECK AND TRIPLE-CHECK THE WATER CONSTANTLY. IF IT ISN'T GOOD ENOUGH FOR A BABY, IT ISN'T GOOD ENOUGH FOR US.



## State gives water lab high marks

Staffed with analytical chemists, OUC's Water Quality Lab is on a par with research facilities in colleges or universities. It is equipped with such sophisticated instruments as a mass spectrometer as well as a gas chromatograph capable of detecting particles as small as one-trillionth of a gram. In '91, the lab received the state's highest certification to test drinking water and to perform environmental testing for the utility's power plants. OUC is one of only three utilities to hold the state's highest certification in environmental testing and one of only 10 to hold the highest certification for drinking water testing.

## OUC to intensify research effort

In the light of increasingly stringent regulations and growing public concern about water quality, OUC is in the process of developing one of the industry's first comprehensive "water quality master plans."

This plan will delineate even more areas for research such as studying the effect of the interaction of raw water, treatment and distribution on the quality of water delivered to the customer. The plan will also include studies in alternative treatment processes and water plant siting.

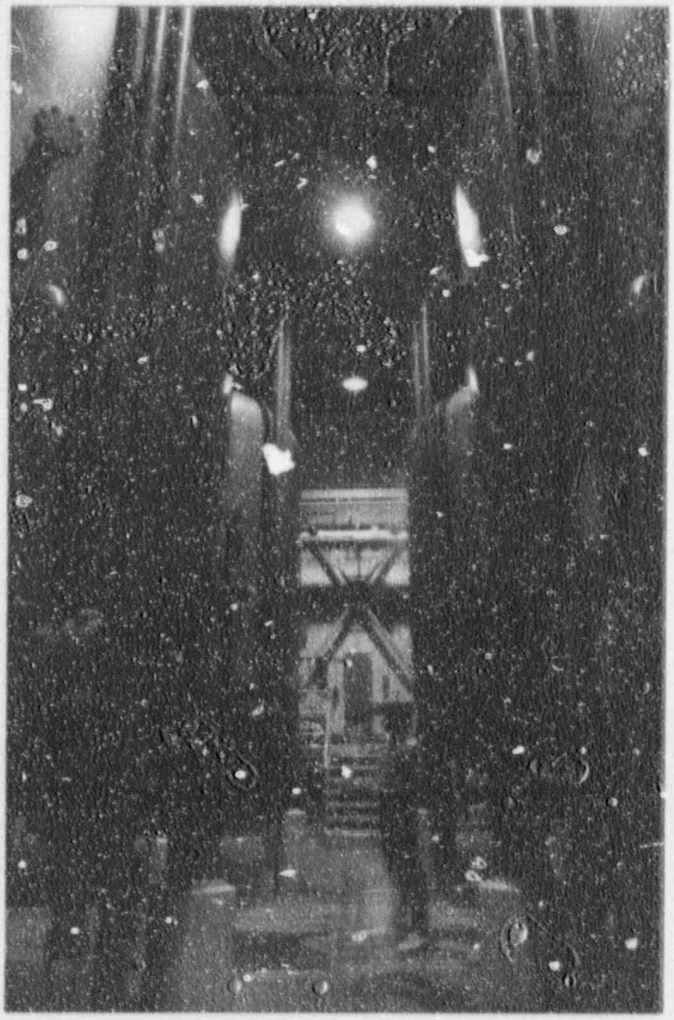
## Department streamlined

Anticipating greater customer and regulatory expectations, Water Operations reorganized in FY '91 into four divisions: Constructic n, Maintenance, Production, and a new Professional Services group which includes engineer ng, planning, and water quality. These changes are designed to improve communication, enhance customer service and to centralize technical and support services.

A new water service policy also went into effect in '91. It is based on growth paying for itself through new system development charges and contributions of developer-installed water facilities. The policy also encourag e use of master meters to minimize OUC's ownership of facilities on private property.

The department, currently located in the Downtown Administration Building and at Lake Highland, will begin relocating in '92. Water Production and the Water Control Center, the computer nerve center of the system, will move in '92 to OUC's new Pershing Operations Center. The balance of the department will move in '93 to a new Gardenia Operations Center to be built in southwest Orlando.

One person can operate all 10 interconnected water plants from a computer center. But trained specialists personally inspect each plant daily to further assure that all systems are functioning properly. Below, Mike Isabelle inspects OUC's patented carbon reactor process at the new Sky Lake plant.



# Switching gears during slowdown

During the growth slowdown, Water Operations stepped up system improvement activities, switching gears from a "building mode" to one of improving, renewing and replacing older infrastructure.

This ongoing effort is vital to maintaining water quality and reliable service and is one of the reasons over half of OUC's water system is less than 25 years old.

OUC made this switch easily without downsizing its permanent workforce because it uses contract crews during peak periods.

The total number of employees in FY '91 was 124, only 9% more than in '81, although its number of customers has increased 46% and the miles of water mains increased 42% to 1,415.

Its employees are also crosstrained to perform renewal and replacement work during periods of low or slow growth.

Public works projects on streets, roads and highways provided OUC with opportunities to renew and replace older existing infrastructure and to make adjustments to the system to balance chlorine residual.

## New water plant goes on line as system breaks the 100,000 meter mark

The Sky Lake plant, OUC's 10th water treatment plant, came on line in '91, providing a much needed source of water for the southern section of the service area which has been an area of rapid growth.

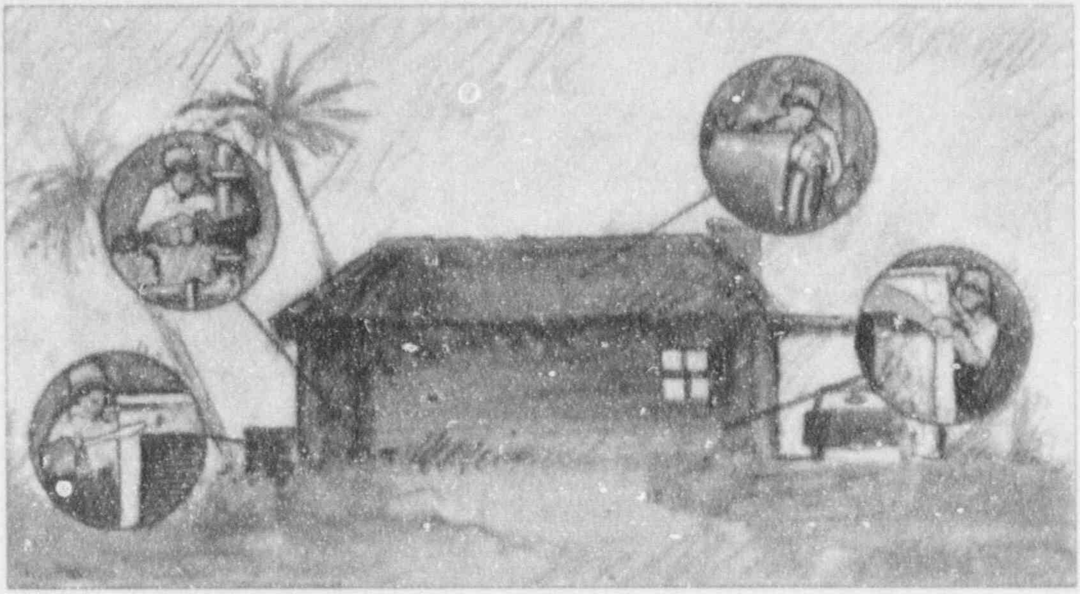
Rated at 24 MGD, Sky Lake is the second OUC plant to use OUC's own patented carbon/chlorine process instead of aeration to enhance taste and eliminate odor.

OUC's first new water plant in more than a decade, Sky Lake came on line just as Water Operations was crossing the 100,000 active meter mark. By the end of FY '91, OUC had 100,352 water customers based on active meters, a 46% increase since '81.

# On the horizon

*Water Operations must still plan for the future when higher growth resumes and demand continues to rise. An estimated $89 million in capital improvement funds have been earmarked for improving and expanding the water system between '92 and '96. Of this total, $48.8 million is for water production and $39 million for distribution.*

*Plans call for expanding and upgrading existing facilities and starting construction on at least one new water treatment plant in the next five years. This would also include adding wells, high service pumps and increased ground storage capacity at Pine Hills and Martin, converting the Kirkman and Conway plants to the carbon/chlorine treatment process, and building a new water plant at the new Pershing Operations Center.*



# OUC is sold on selling energy, water conservation

> *While OUC is working hard to meet the growing demand for energy and water, it also works hard to encourage the wise use of these resources.*

After the first oil embargo in '73, OUC devised and launched a free home energy survey and walk-through audit that became a model for the utility industry. It also developed a conservation guide to low-cost and no-cost ways to use energy and water efficiently in the home. By '81, state officials recognized OUC as among the original leaders in energy conservation in Florida.

Since then, OUC's efforts to educate the public on conserving both energy and water have gained momentum. Between '81 and '91, it has conducted home energy surveys for more than one-third of its 102,000 residential customers, adding water audits to the survey in the late '80s. Its conservation guide has been reprinted 15 times and is now available in Spanish, too.

Continually expanding its conservation staff, OUC now interfaces with 15,000 to 20,000 residential and commercial customers a year through various programs for the individual consumer and through extensive community and school outreach programs.

OUC energy analysts continue to conduct more than 2,500 residential and commercial energy and water audits a year, advising customers on ways to save money and resources. Residential customers participating in the audit program also receive free water heater jackets for electric water heaters and $10 Bonus Checks.

Through advertising, direct mailings, plus community and school presentations, the utility actively promotes ways that customers can use energy and water more wisely, such as the following: weatherizing homes, installing heat recovery units and heat pumps, buying more efficient refrigerators, detecting and fixing water leaks, and practicing waterwise ways to irrigate lawns.

Participants in many of these programs receive $10 Bonus Checks, too.

In '85 OUC introduced a Low Income Home Energy Fixup Program for homeowners who could not afford to make the minor repairs and improvements needed to save energy. More than 1,600 customers' homes have been made more energy efficient through this program, which has also been expanded to include water leak repairs. Currently, OUC pays 85% of the cost to make conservation improvements for residents whose total annual family income is $20,000 or less.

OUC energy specialists even inspect new single-family homes for builders free, conducting blower door tests to check for air leaks in ducts and air return systems. More energy-efficient street lighting is being installed throughout the community.

PROUD VOLUNTEERS

# Employees' community spirit shines

*Orlando need not look far to see "points of light." OUC's employees are shining examples of people helping people. The utility has also earned national recognition for developing an innovative program to encourage even more volunteerism.*

The 1,700-member American Public Power Association has selected OUC as the recipient of a 1991 Community Service Award for the utility's PROUD Community Volunteer program.

The program is only two years old. In that short time, employee participation in volunteer activities has doubled, and so has the amount of dollars awarded to eligible organizations through a special feature of the program.

In '91, OUC employees gave over 4,500 hours of personal time to serve dozens of community agencies. In addition, the utility gave approximately $4,000 in cash awards to eligible organizations which employees served.

Through the PROUD volunteer program, OUC not only recognizes employees but also makes annual donations ranging from $50 to $200 to eligible organizations based on the number of hours an employee serves an agency.

Community spirit permeates OUC at every level, from the board room to the computer room. In two years, OUC employees have almost doubled their contributions to United Way, this year pledging almost $100,000. In one day, employees gave $2,500 for college scholarships in honor of their general manager, Ted Pope.

After hours, PROUD Community Volunteer activities run the gamut. In '91, you could find employees working at computers or on cleanup crews to benefit community service organizations.

They again participated in the community-wide "Paint Orlando Beautiful" program, painting and fixing up an elderly resident's home.

They supported "Project Community Pride," helping restore and rejuvenate a neighborhood park. OUC staff spearheaded the effort to recruit corporate and neighborhood volunteers for this new project.

OUC employees also walked hundreds of miles to benefit agencies such as the March of Dimes, American Cancer Society and Crimeline; they umpired at Little League games, led Scout troops, weatherized a home built by Habitat for Humanity, and even cleaned up after a Children's Wish Foundation fundraising event to aid terminally ill children.

During Desert Storm, employees made "goodie bags" for our troops in the Persian Gulf; during lunch hours they served meals to the needy and homeless at Daily Bread; and during the holidays they filled boxes with "Toys for Tots."

This commitment to community service starts at the top at OUC. In '91, General Manager Ted Pope's own personal commitment to community works was recognized nationally when he received the American Water Works Association's Distinguished Public Service Award.

One of AWWA's highest honors, this award has been given only 16 times in the association's 40-year history.

**COMMUNITY SPIRIT PERMEATES OUC AT EVERY LEVEL — FROM THE BOARD ROOM TO THE COMPUTER ROOM.**

OUC employees can be found working after hours and weekends on many volunteer activities. Here Jay Colmenero, Customer Relations, and Jim Callahan, Strategic Planning, are helping weatherize a home being built by Habitat for Humanity.

# Gottawannadoit!

*If a utility wants to keep providing customers service beyond expectations as OUC does, every employee has "Gottawannadoit!" It takes all 1,100-plus employees pulling together as a team doing the job right the first time and finding better ways to do their jobs to help OUC improve service and productivity and contain costs.*

> **THE PROGRAM REWARDS ONLY FOR SUPERIOR, COMPANY-WIDE PERFORMANCE PRIMARILY MEASURED AGAINST PEER UTILITIES**

To encourage teamwork and focus employee attention on short-term and long-term strategic goals, OUC launched an innovative employee incentive program in FY '91. It is a program that gives employees a "stake" in the utility for the benefit of OUC's major "stakeholders" — its customers and its owners, the citizens of Orlando, who also have a "stake" in the utility's success.

On the cutting edge in terms of employee compensation, OUC has already applied one private sector concept — pay for performance — and eliminated across-the-board cost-of-living adjustments. Now OUC is applying another private sector concept to the public sector — incentive compensation, but with major differences.

One, the program rewards only for superior, company-wide performance primarily measured against peer utilities. Two, employees receive a higher percentage of their earnings as incentive pay than does management.

The current performance measures used are OUC rate standings and electric reliability as compared to peer utilities, budgeted net income compared to actual, and customer satisfaction. These interrelated factors are key indicators of OUC's financial condition, strategic position in the industry, and quality of services.

The points earned in FY '91 translated into a total of $2.2 million in incentive bonuses for employees. However, the utility's superior performance translated into much more than that in benefits for OUC customers and for the citizens of Orlando.

Customers save millions of dollars annually because of OUC's highly reliable electric service. OUC's top ranking compared to six peer utilities reflects the superior performance of its power plants as well as its transmission and distribution system. Such performance avoids buying more costly replacement power and prevents financial losses, especially to commercial customers, due to untimely power outages.

As the lowest cost provider of high quality water compared to 10 peer utilities, OUC saves customers money without sacrificing quality of product or service. If OUC water rates had been the same as the average of peer utilities for October '91, customers would pay an additional $9.7 million annually for water.

OUC's residential electric bills were among the lowest compared to 11 peer utilities. If these bills were at the average of peer utilities for October '91, OUC customers would pay $8 million more a year. Furthermore, OUC residential electric bills have risen only 2.5% since '85, compared to an 8.1% national average increase.

Orlando citizens also benefitted by OUC's record $28 million contribution to the City of Orlando, up $3.9 million over the preceding year. These annual contributions help maintain the special quality of life and level of services Orlandoans enjoy.

Actual net income exceeded budgeted net income for a variety of factors, including the fact that OUC is containing costs. Controllable expenses rose less than the level of inflation. And OUC retains its "AAA" credit rating.

OUC also asked customers what they think of the utility. According to a four-wave, multi-question customer satisfaction survey, 90% of the respondents agreed that "Overall, OUC is doing a good job."

Admittedly, all of OUC's exceptional achievements aren't solely the result of the incentive compensation program. OUC has a long-standing tradition of excellence. However, OUC is in a changing economic and business environment. To maintain that tradition, it feels employees must continue to have a stake in the utility. After all, the utility's success rests on how employees do their jobs daily.

# EVERYBODY HAS A CUSTOMER AT OUC

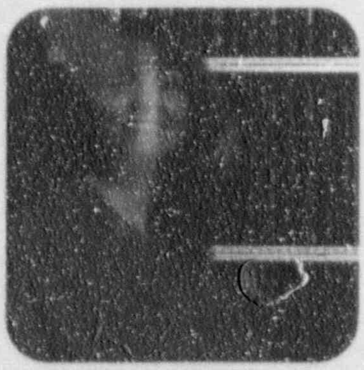
Teamwork is critical to a utility's success; that's why OUC espouses the view that co-workers are customers, too. If OUC is to provide high quality service to external customers, employees must provide each other with service beyond expectations. Behind the scenes, employees' "Gottawannadoit" attitude and performance impacts the end result. That's because what each employee does affects what another one does, as is exemplified by these four employees.

**Ed Bassett**

The Fleet Division's Ed Bassett found a better way to do his job: use a chemical solvent instead of the conventional sanding process to "prep" vehicles and equipment for repainting. Result? Prepping time has been sharply reduced. OUC is saving thousands of dollars a year, and equipment is returned to service faster.

**Althea Robinson**

The "Gottawannadoit" spirit of General Accounting employees such as Althea Robinson helped the division shorten the time it takes to issue monthly financial and operations reports by an average of 14%. This achievement provides management with more timely information for planning and operations and enhances its ability to take advantage of favorable bond market conditions.



**Debby Papania**

Telecommunications' Debby Papania keeps OUC's telephone and voice communication system operating reliably with peak efficiency. Her work takes her down into electric system manholes, up the 55-story chimney at Stanton and all over OUC. During storms, you're likely to find her at the trouble center helping keep the lines of communication open for concerned customers.

**Mark Cline**

Water trouble crews now carry a compact set of microfilmed system maps instead of an unwieldy roll of some 1,200 maps, each measuring 18 by 36 inches. This helps them locate trouble spots faster. Mark Cline is on the Water Drafting team that updated, refined and reproduced the maps for microfilming.

# 'Service your way' is the OUC way

*OUC has again gone out of its way to provide service your way, promptly and at your convenience. It is opening more customer service centers, expanding customer service hours, and making it easier to call us and reach someone!*

## REACH OUT AND CALL US ANY TIME !

Being "put on hold" to listen to music or endless computer choices has become the bane of the modern consumer — but OUC is finding ways to prevent this from happening to their customers and even expanding service.

Admittedly, experiencing phenomenal growth in the '80s, OUC found itself "losing" many calls from frustrated customers on hold who hung up. By '88 it was losing nearly one-third of its customer calls.

However, since then the volume of calls completed has almost doubled, topping 400,000 in FY '91 while the number of lost calls has been reduced to 12%.

To accomplish this, OUC reorganized, cross-trained and empowered emplc,ees to make more decisions. It added parttime employees during phone traffic peaks, and extended the time customer telephone representatives would be available by an hour a day. They now take calls from 7:30 a.m. to 5:30 p.m., Monday through Friday.

Ultimately, OUC hopes to answer all customer account calls within 30 seconds. To help achieve this goal, it placed a computerized voice response system in service late in FY '91. Now customers can call day or night, seven days a week, to access routine information directly, to leave messages or to get short credit extensions under qualifying circumstances.

During the business week, customers aren't "trapped" and automatically made to listen to a menu. Calls go to a representative first. If one is unavailable, callers are told how long they may have to wait and can choose to hold, select other options, or leave messages.

A voice response system has also been installed at Service Dispatch. This 24-hour trouble call center may be flooded with 1,000 or more calls an hour during storms and electric or water outages. The system not only allows customers to report trouble, but also tells them about known outages or problems so they know OUC is working on the problem. For more routine trouble calls, it provides essentially the same services as the customer account system.

## DRIVE-THRU SERVICE COMING YOUR WAY

OUC will open its third customer service center this spring for customers in the southeastern part of its territory. Located at the new Pershing Operations Center, this office will feature three drive-thru lanes as well as full account service for residential and small business customers.

The Southwest Customer Center will be relocated and become a drive-thru/full service center by '93. It is moving to a new [illegible]ns center OUC plans at Gardenia [illegible]treet. The utility also operates a cus[illegible]rvice center at its Downtown adminis[illegible]ive headquarters.

Customer service center hours have also been expanded. They are now open from 7:30 a.m. to 6 p.m. Monday through Friday for walk-in customers.

If Customer Relations telephone representative Le'F ora Williams doesn't know the answer to customer's questions, she knows who does!

Orlando Utilities Commission

September 30, 1991

# *audited financial statements*

### *Commission Members & Officers*

Jerry Chicone, Jr.
*President*

Royce B. Walden
*First Vice President*

Richard L. Fletcher, Jr.
*Second Vice President*

James H. Pugh, Jr.
*Commissioner*

Bill Frederick
*Mayor - Commissioner*

---

Theodore C. Pope
*Secretary*

Mark E. Mazak
Betty J. Perrow
Sylvia A. Waldo
*Assistant Secretaries*

### *Management*

Theodore C. Pope
*Executive Vice President and General Manager*

William H. Herrington
*Manager, Electric Operations*

A. Raymond Boyd, Jr.
*Manager, Water Operations*

Mark E. Mazak
*Manager, Financial Operations*

George M. Standridge
*Manager, Customer Relations and Support Operations*

Donald E. Moore
*Manager, Strateg[illegible]*

Thomas B. Tart, [illegible]
*General Counsel*

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Tracy L. Smith
*Managing Director Communications*

### *Consultants*

Black & Veatch
Orlando, Florida
*Consulting Engineers*

Fray Municipal Securities, Inc.
Orlando, Florida
*Financial Advisor*

Greenberg, Traurig, Hoffman, Lipoff, Rosen & Quentel, P.A.
Miami, Florida
*Bond Counsel*

Ernst & Young
Orlando, Florida
*Independent Certified Public Accountants*

CH2M Hill
Orlando, Florida
*Water Consultants*

### *Contents*

## Balance Sheets
## Orlando Utilities Commission

| ASSETS | September 30 1991 | September 30 1990 |
|---|---|---|
| **Utility Plant--Note F** | | |
| In Service | | |
| Electric--Notes G and I | $ 1,080,538,953 | $ 1,042,619,028 |
| Water | 132,199,521 | 120,685,743 |
| Common | 36,894,224 | 33,644,738 |
| Allowances for depreciation and amortization (deduction) | (307,263,705) | (279,295,139) |
| | 942,368,993 | 917,654,370 |
| Construction work in progress | 82,216,447 | 45,274,159 |
| | 1,024,585,440 | 962,928,529 |
| **Restricted Assets--Notes B and D** | | |
| Debt service and related accounts | 220,945,471 | 153,504,507 |
| Construction and related accounts | 137,229,598 | 53,009,467 |
| Renewal and replacement account | 30,158,057 | 28,024,462 |
| Customer meter deposits | 11,072,143 | 10,491,177 |
| | 399,405,269 | 245,029,613 |
| **Current Assets** | | |
| Cash and investments--Note D | 20,985,112 | 24,296,786 |
| Customer accounts receivable, less allowance for doubtful accounts (1991-- $758,940;1990--$708,317) | 30,573,877 | 32,201,259 |
| Accrued utility revenue | 16,522,645 | 16,044,054 |
| Fuel for generation | 9,330,554 | 10,867,693 |
| Margin deposit on futures contracts | 40,502 | 59,034 |
| Materials and supplies | 24,197,644 | 23,814,271 |
| Accrued interest receivable | 513,365 | 3,511,633 |
| Miscellaneous receivables and prepaid expenses | 3,434,878 | 3,877,588 |
| | 105,598,577 | 114,672,318 |
| **Other Assets and Deferred Charges** | | |
| Self-insurance account--Notes C and D | 6,182,885 | 6,023,399 |
| Investment fund--Note A | 32,163,609 | |
| Fuel stabilization account | 28,154,801 | 16,748,707 |
| Rate stabilization account | 2,427,010 | 1,465,755 |
| Unamortized debt expenses | 2,283,642 | 1,824,722 |
| Deferred compensation plan investments--Note H | 4,501,922 | 3,533,637 |
| | 75,718,869 | 29,596,220 |
| **Total Assets** | $ 1,605,308,155 | $ 1,352,226,680 |

See notes to the financial statements.

## Capitalization and Liabilities

| CAPITALIZATION | September 30 1991 | 1990 |
|---|---|---|
| Equity | | |
| Accumulated retained earnings: | | |
| Reserved for debt service | $ 175,874,922 | $ 115,687,783 |
| Reserved for renewal and replacement | 30,158,057 | 28,024,462 |
| Unreserved -- invested in or designated for plant and working capital | 91,643,623 | 140,080,733 |
| | 297,676,602 | 283,792,978 |
| Contributed capital | 62,449,781 | 62,173,985 |
| | 360,126,383 | 345,966,963 |
| Long-Term Debt -- Note E | | |
| Bond and note principal | 1,182,043,016 | 950,971,181 |
| Unamortized discount (deduction) | (73,255,038) | (52,488,408) |
| | 1,108,787,978 | 898,482,773 |
| **Total Capitalization** | 1,468,914,361 | 1,244,449,736 |
| **Current Liabilities** -- payable from restricted assets | | |
| Accrued interest payable on notes and bonds | 39,775,549 | 32,861,724 |
| Current portion of long-term debt--Note E | 5,295,000 | 4,955,000 |
| Customer meter deposits and interest thereon | 11,072,143 | 10,491,177 |
| | 56,142,692 | 48,307,901 |
| **Current Liabilities** -- payable from current assets | | |
| Accounts payable and accrued expenses | 27,181,636 | 21,953,532 |
| Billings on behalf of state and local governments | 6,670,091 | 6,657,806 |
| Accrued payments to the General Fund of the City of Orlando -- Note I | 3,851,410 | 3,521,863 |
| | 37,703,137 | 32,133,201 |
| **Other Liabilities and Deferred Credits** | | |
| Fuel stabilization account | 28,210,651 | 16,748,707 |
| Rate stabilization account | 2,427,010 | 1,465,755 |
| Customer water and electric line extension deposits | 4,036,250 | 2,647,458 |
| Deferred materials and supplies | 3,372,132 | 2,940,285 |
| Deferred compensation plan liability -- Note H | 4,501,922 | 3,533,637 |
| | 42,547,965 | 27,335,842 |
| **Total Liabilities and Deferred Credits** | 136,393,794 | 107,776,944 |
| **Total Capitalization and Liabilities** | $ 1,605,308,155 | $ 1,352,226,680 |

See notes to the financial statements

## Statements of Income and Accumulated Retained Earnings

| | Year Ended September 30 1991 | 1990 |
|---|---|---|
| **Operating Revenues** | $ 309,451,974 | $ 303,876,987 |
| **Operating Expenses:** | | |
| Fuel for generation and purchased power | 103,232,578 | 102,823,274 |
| Production | 35,291,046 | 33,880,263 |
| Transmission and distribution | 11,907,463 | 11,663,355 |
| Depreciation and amortization | 30,393,304 | 29,572,795 |
| Customer services | 8,357,556 | 8,347,800 |
| General and administrative | 21,742,368 | 18,230,385 |
| State utilities gross receipts and property taxes | 4,803,302 | 3,698,961 |
| Revenue based payment to the General Fund of the City of Orlando -- Note I | 10,408,434 | 10,279,891 |
| **Total Operating Expenses** | 226,136,0[illegible]1 | 218,496,724 |
| **Operating Income** | 83,315,923 | 85,380,263 |
| **Non-Operating Income (Expense):** | | |
| Interest income | 29,452,062 | 17,132,994 |
| Other income | 1,501,651 | 1,174,081 |
| Interest expense | (80,280,635) | (67,309,042) |
| Other expenses | (3,900,425) | (2,803,605) |
| **Net Income** | 30,[illegible]576 | 33,574,691 |
| Accumulated retained earnings at beginning of year | 283,792,978 | 262,779,441 |
| Dividend payment to the General Fund of the City of Orlando -- Note I | (17,792,000) | (14,059,000) |
| Depreciation of contributed utility plant | 1,587,048 | 1,497,846 |
| **Accumulated Retained Earnings at End of Year** | $ 297,676,602 | $ 283,792,978 |

See notes to the financial statements.

## Statements of Cash Flows

| | Year Ended September 30 | |
|---|---|---|
| | 1991 | 1990 |
| **Cash Flow from Operating Activities** | | |
| Operating Income | $ 83,315,923 | $ 85,380,263 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | |
| Depreciation and amortization of plant charged to operations | 30,393,304 | 29,572,795 |
| Depreciation and amortization charged to fuel costs | 2,969,199 | 3,497,552 |
| Depreciation of vehicles and equipment charged to general and administrative costs | 1,256,129 | 1,236,039 |
| Provision for bad debts | 50,623 | 40,906 |
| Other expenses | (2,324,303) | (1,832,137) |
| Changes in operating assets and liabilities: | | |
| (Increase) decrease in accounts receivable and accruals | 1,727,209 | (4,910,641) |
| (Increase) decrease in fuel, margin deposit on futures and materials and supplies | 1,172,298 | (624,544) |
| Increase in accounts payable and accruals | 17,681,135 | 1,676,812 |
| Increase in deposits payable | 2,4[illegible]1,605 | 5,496,364 |
| **Net cash provided by operating activities** | 138,643,122 | 119,535,409 |
| **Cash Flow from Non-Capital Financing Activities** | | |
| Dividend payment to the General Fund of the City of Orlando | (17,480,000) | (11,651,000) |
| **Net cash used in non-capital financing activities** | (17,480,000) | (11,651,000) |
| **Cash Flow from Capital and Related Financing Activities** | | |
| Debt interest expense | (70,780,245) | (56,296,519) |
| Principal payments on long-term debt | (4,955,000) | (4,640,000) |
| Debt issuances | 212,563,750 | 102,857,195 |
| Debt issuance expenses paid | (631,465) | (1,052,689) |
| Construction and acquisition of utility plant | (106,789,831) | (62,435,241) |
| Proceeds from sale of utility plant | 9,805,621 | 2,592,479 |
| Contributed capital | 2,933,144 | 3,444,952 |
| **Net cash provided by (used in) capital and related financing activities** | 42,145,974 | (15,529,823) |
| **Cash Flow from Investing Activities** | | |
| Net purchases of investments | (154,012,566) | (105,598,182) |
| Investment income | 26,435,754 | 17,999,675 |
| **Net cash used in investing activities** | (127,576,812) | (87,598,507) |
| **Increase in Cash and Cash Equivalents** | 35,732,284 | 4,756,079 |
| **Cash and Cash Equivalents at Beginning of Year** | 46,685,992 | 41,929,913 |
| **Cash and Cash Equivalents at End of Year** | $ 82,418,276 | $ 46,685,992 |

See notes to the financial statements.

## NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

The Commission meets the criteria of an "other stand-alone government" as defined in Statement 14 of the Governmental Accounting Standards Board. No component units exist as defined in Statement 14.

**Measurement Focus:** The Commission operates the electric and water system in a manner similar to private business, therefore, operations are accounted for as an enterprise fund where costs (expenses, including depreciation) of providing services to customers on a continuing basis are recovered through user charges.

**Basis of Accounting:** The Commission's financial statements are prepared on an accrual basis of accounting with revenues being recognized when earned and expenses recognized when incurred.

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

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

## NOTE [illegible] SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

The following is a summary of utility plant at September 30, 1991, by major classes:

| | Electric | Water | Common | Total |
|---|---|---|---|---|
| Land | $ 18,769,991 | $ 510,497 | $ 1,727,097 | $ 21,007,585 |
| Electric generating plant | 742,737,621 | | | 742,737,621 |
| Water wells | | 14,823,161 | | 14,823,161 |
| Structures and improvements | 40,750,134 | 3,851,526 | 11,904,289 | 56,505,949 |
| Equipment | 278,281,207 | 113,014,337 | 23,262,838 | 414,558,382 |
| | 1,080,538,953 | 132,199,521 | 36,894,224 | 1,249,632,698 |
| Allowances for depreciation and amortization | (260,119,089) | (30,272,621) | (16,871,995) | (307,263,705) |
| Construction work in progress | 68,134,457 | 3,907,485 | 10,174,505 | 82,216,447 |
| **Net utility plant** | $ 888,554,321 | $ 105,834,385 | $ 30,196,734 | $ 1,024,585,440 |

The following is a summary of changes in utility plant:

| | Balances September 30 1990 | Additions | Deletions | Balances September 30 1991 |
|---|---|---|---|---|
| Land | $ 20,468,099 | $ 540,036 | $ (550) | $ 21,007,585 |
| Electric generating plant | 746,287,555 | 12,911,997 | (16,461,931) | 742,737,621 |
| Water wells | 7,311,712 | 7,511,449 | | 14,823,161 |
| Structures and improvements | 38,784,501 | 17,721,448 | | 56,505,949 |
| Equipment | 384,097,642 | 40,089,659 | (9,628,919) | 414,558,382 |
| | 1,196,949,509 | 78,774,589 | (26,091,400) | 1,249,632,698 |
| Allowances for depreciation and amortization | (279,295,139) | (34,614,572) | 6,646,006 | (307,263,705) |
| Construction work in progress | 45,274,159 | 106,960,469 | (70,018,181) | 82,216,447 |
| **Net utility plant** | $ 962,928,529 | $ 151,120,486 | $ (89,463,575) | $ 1,024,585,440 |

## NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

**Depreciation:** Utility plant is depreciated using the straight-line method for each of the various plant classifications at rates which will amortize the costs over the estimated economic useful lives of the assets. Depreciation of vehicles and other construction equipment is charged to departmental operating expenses or construction work in progress. Amounts for all other assets are charged to depreciation expense. The estimated useful lives of utility plant are as follows:

| | |
|---|---|
| Electric Plant | |
| Generating Plant | |
| Fossil | 30 - 40 years |
| Nuclear | 30 - 36 years |
| Structures and improvements | 30 - 50 years |
| Equipment | 6 2/3 - 50 years |
| Water Plant | |
| Water wells | 25 - 50 years |
| Structures and improvements | 50 years |
| Equipment | 6 2/3 - 50 years |
| Common Plant | |
| Structures and improvements | 50 years |
| Office equipment | 14 1/3 years |
| Vehicles and other construction equipment | 5 - 30 years |

**Cash and Investments:** The Commission maintains cash in demand accounts. Investments are recorded at cost. Florida statutes and applicable debt resolutions authorize the Commission to invest in obligations of the U.S. Treasury and various agencies of the United States government. The Commission is also authorized to invest in state and local government tax-exempt debt. In addition, the Commission may invest in interest bearing time deposits or savings accounts of banks and savings and loan associations provided the deposits are collateralized by federal government securities.

Additionally, Florida statutes and applicable debt resolutions permit the Commission's investments to include repurchase agreements; that is, a purchase of securities from authorized dealers or banking institutions, with a simultaneous agreement that the dealers or banking institutions will repurchase them in the future at the same price plus a contract rate of interest. The market value of the securities underlying repurchase agreements normally exceeds the cash received, providing a margin against a decline in market value of the securities. Except for overnight repurchase agreements, securities underlying repurchase agreements are held in our accounts by a third party. If the dealers default on their obligations to repurchase these securities from the Commission, the Commission would suffer an economic loss equal to the difference between the market value plus accrued interest of the underlying securities and the agreement obligation, including accrued interest. The Commission has established that authorized dealers are primary dealers as defined by the Federal Reserve Bank and report to the Securities and Exchange Commission and authorized banking institutions are limited to the fifteen largest U.S. banks.

**Statement of Cash Flows:** For purposes of the Statement of Cash Flows, cash and cash equivalents includes all cash accounts and investments (including restricted assets) with a maturity of three months or less when purchased. Cash and cash equivalents does not include any accrued interest.

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

The customer accounts receivable balance of $30,573,877 includes billings done on behalf of state and other local governments. The liability of $6,670,091 (billings on behalf of state and local governments) represents the September billings for these governments.

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

**Futures Contracts:** Since 1986 the Commission has entered into energy futures contracts to offset the price fluctuations of anticipated future acquisitions of fossil fuels. The Commission had no open energy futures contracts at September 30, 1991 or 1990. There were net realized gains of $2,101,488 on closed oil futures contracts during the year ended September 30, 1990. There were no realized gains or losses during the year ended September 30, 1991. Net realized gains have been recognized through the fuel stabilization account. See "Rates and Revenues" below.

In 1991 the Commission entered into natural gas futures contracts to offset the price fluctuations of anticipated future acquisitions of fossil fuels. At September 30, 1991 the Commission had a $40,502 margin deposit on open natural gas futures contracts with an original cost of $834,150 and a market value of $890,000. The difference between the original cost and market value of $55,850 as well as realized gains of $447 have been recognized through the fuel stabilization account. See "Rates and Revenues" below.

In 1990 the Commission entered into copper futures contracts to offset the price fluctuations in copper purchases related to a major transmission project. The Commission had no open copper futures contracts at September 30, 1991. At September 30, 1990 the Commission had a $59,034 margin deposit on open copper futures contracts with an original cost of $525,875 and a market value of $594,000. The difference between the original cost and market value of $68,125 on open copper futures contracts at September 30, 1990 was recognized as a reduction of construction work in progress. Realized gains of $54,325 during the year ended September 30, 1991 were recognized as a reduction of construction work in progress. There were no realized gains or losses on copper futures contracts during the year ended September 30, 1990.

**Investment Fund:** In fiscal year 1991, the Commission embarked upon a plan to accumulate resources to be used for the retirement of outstanding debt or for payment of future capital expenditures. The plan calls for the investment of approximately $30,000,000 a year for each of the next five years.

**Contributed Capital:** The Commission considers amounts received for construction of utility plant and utility plant contributed by developers as capital contributions. Accordingly, these capital contributions are added to plant assets and are treated as a separate component of Commission capitalization. Depreciation applicable to contributed utility plant is included as an operating expense in determining net income and is subsequently charged against contributed capital from accumulated retained earnings.

**Debt Discount and Expenses:** Debt discount and issue expenses are deferred and amortized to operations over the lives of the related issues using the bonds outstanding method of amortization.

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

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

Operating revenues are recorded based on actual billings to customers plus an estimate for accrued unbilled electric and water consumption at the end of each fiscal year. For fiscal year 1991, the method used to estimate accrued unbilled revenues was changed to improve the accuracy and methodology of the accrual. The impact of the change in accounting estimate for fiscal year 1991 resulted in $313,501 lower accrued unbilled revenues compared to the method used for fiscal year 1990.

## NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

The Commission has established a policy on recovery of fuel costs in accordance with guidelines from the Public Utilities Regulatory Policies Act of 1978 (PURPA). Under PURPA only fuel costs incurred are to be recovered. The Commission estimates on an annual basis a fuel component charge to be applied during the next fiscal year. The difference between the fuel costs actually charged to the customers and the fuel cost actually incurred is applied to the fuel stabilization account. During the process of determining the fuel component the Commission determines what portion of the fuel stabilization account will be utilized.

Effective fiscal year 1989, costs (revenues) which are to be recovered by (used to reduce) rates in periods other than when incurred (realized) are deferred until the periods in which the Commission recognizes them in utility rates. These items are included in the rate stabilization account. Specific Commission approval is required for all increases or decreases to this account.

The balances in the fuel stabilization account and the rate stabilization account are funded by internally restricted cash accounts and earn the same interest rate as the Commission's operating investment portfolio.

**Compensated Absences:** The Commission records compensation for unused vacation and sick leave as an expense in the year in which the vacation and sick leave is earned in accordance with NCGA Statement 4. At September 30, 1991, annual vacation leave earned but not taken was $966,597 and sick leave accumulated but not taken was $2,192,032.

When operations and scheduling permit, compensatory time to offset overtime hours on an hour for hour basis may be granted through mutual agreement between the employee and their supervisor. A maximum of 40 hours compensatory time may be accrued and carried over from pay period to pay period. Compensatory time is expensed in the period earned. At September 30, 1991, the liability was $60,508.

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

## NOTE B—RESTRICTED ASSETS

Certain assets are restricted by bond resolution; additionally, some assets have been classified as restricted in accordance with governmental accounting standards for enterprise funds and utility industry accounting practices. The Commission's restricted assets consist of the following accounts:

| | September 30 1991 | September 30 1990 |
|---|---|---|
| **Debt service and related accounts—Note E:** | | |
| Investment account | $ 29,918,643 | $ 24,147,617 |
| Principal and interest accounts | 45,070,549 | 37,816,724 |
| Debt service reserve accounts | 112,966,155 | 91,540,166 |
| Capitalized interest | 32,990,124 | |
| **Total debt service and related accounts** | 220,945,471 | 153,504,507 |
| **Construction and related accounts:** | | |
| Nuclear generation facility decommissioning accounts | 3,678,723 | 3,106,033 |
| Bond construction accounts | 133,550,875 | 49,903,434 |
| **Total construction and related accounts** | 137,229,598 | 53,009,467 |
| Renewal and replacement account | 30,158,057 | 28,024,462 |
| Customer deposits and interest thereon | 11,072,143 | 10,491,177 |
| **Total restricted assets** | $ 399,405,269 | $ 245,029,613 |
| The accounts consist of: | | |
| Cash | $ 716,39[illegible] | $ 204,176 |
| Investments | 389,666,885 | 240,849,676 |
| Accrued interest receivable | 9,021,989 | 3,975,761 |
| | $ 399,405,269 | $ 245,029,613 |

## NOTE C—SELF-INSURANCE ACCOUNT

Effective November 1, 1986, the Commission implemented a self-insurance program to cover a portion of its workers' compensation, general liability and automobile liability exposures. During 1991, $285,426 was expended for claims and $444,912 of interest income was added to the account. Claims expense and interest income for 1990 were $277,682 and $503,373, respectively. Under the self-insurance program the Commission is liable for all claims up to certain maximum amounts. Claims in excess of the maximum amounts are covered by insurance. The maximum amounts are as follows:

| | |
|---|---|
| Workers' compensation | $300,000 |
| General liability | 500,000 |
| Automobile liability | 500,000 |

Total claims incurred but not reported at year end are estimated to be less than $5,000. It is the opinion of general counsel that the Orlando Utilities Commission, as a statutory Commission may enjoy sovereign immunity in the same manner as a municipality, as allowed by recent Florida Courts of Appeals rulings. Under said rulings, Florida Statutes limit liability for claims or judgements by one person to $100,000 or a total of $200,000 for the same incident or occurrence; greater liability can result only through an act of the Florida Legislature. Furthermore, any defense of sovereign immunity shall not be deemed to have been waived or the limits of liability increased as a result of obtaining or providing insurance in excess of statutory limitations. It is also the opinion of general counsel that the Commission, as a municipal utility, is statutorily immune from suit for malicious prosecution.

## NOTE D—CASH AND INVESTMENTS

At September 30, 1991 and 1990, the carrying amount of the Commission's cash was $586,181 and $1,380,261 respectively, and the bank balances were $262,398 and $1,071,138, respectively. The bank balances were covered by federal depository insurance or collateralized by a pool of U.S. Government securities held in trust by a third party bank in the name of the Commission's banking institution.

In the following schedule the Commission's investments are summarized and categorized to give an indication of the level of risk assumed by the Commission at September 30, 1991 and 1990. Category 1 includes investments that are insured or registered or for which the securities are held by the Commission or its agent in the Commission's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the bank's trust department or agent in the Commission's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the bank's trust department or agent but not in the Commission's name.

Margin deposit on futures contracts and deferred compensation plan benefit investments are not categorized because they are not evidenced by securities that exist in physical or book entry form.

## NOTE D—CASH AND INVESTMENTS--Continued

| Investments | Category 1 | Category 2 | Category 3 | Carrying Amount | Market Value |
|---|---|---|---|---|---|
| September 30, 1991 | | | | | |
| Repurchase agreements | $175,535,266 | $ | $ 9,600,000 | $185,135,266 | $185,13[illegible],266 |
| U.S. Government securities | 213,419,930 | | | 213,419,930 | 220,680,654 |
| Other U.S. backed securities | 29,091,669 | | | 29,091,669 | 29,598,857 |
| State and local government securities | 50,383,908 | | | 50,383,908 | 52,450,354 |
| | $468,430,773 | $ | $ 9,60[illegible],[illegible]00 | $478,030,773 | $487,865,131 |
| September 30, 1990 | | | | | |
| Repurchase agreements | $ 23,878,400 | $ | $ 14,300,000 | $ 38,178,400 | $ 38,178,400 |
| U.S. Government securities | 191,663,570 | | | 191,663,570 | 191,617,824 |
| Other U.S. backed securities | 28,897,542 | | | 28,897,542 | 26,880,334 |
| State and local government securities | 29,264,550 | | | 29,264,550 | 28,280,381 |
| | $ 273,704,062 | $ | $ 14,300,000 | $ 288,004,062 | $ 284,956,939 |

These investments are held in the following accounts:

| | September 30 1991 | September 30 1990 |
|---|---|---|
| Restricted assets | $ 399,405,269 | $ 245,029,613 |
| Cash and investments | 20,985,112 | 24,296,786 |
| Accrued interest receivable | 513,365 | 3,511,633 |
| Self-insurance account | 6,182,885 | 6,023,399 |
| Investment fund | 32,168,609 | |
| Fuel stabilization account | 28,154,801 | 16,748,707 |
| Rate stabilization account | 2,427,010 | 1,465,755 |
| | 489,837,051 | 297,075,893 |
| Less: Cash and accrued interest receivable from restricted assets | 9,738,384 | 4,179,937 |
| Cash from cash and investments | 586,181 | 1,380,261 |
| Accrued interest receivable | 513,365 | 3,511,633 |
| Accrued interest receivable from investment fund | 958,348 | |
| Total investments | $ 478,[illegible]30,773 | $ 288,004,062 |
| Cash and cash equivalents | $ 82,41[illegible],276 | $ 46,685,992 |
| Investments | 396,915,0[illegible]3 | 242,902,507 |
| Accrued interest | 10,503,702 | 7,487,394 |
| | $ 489,837,051 | $ 297,075,893 |

## NOTE E—LONG-TERM DEBT

During 1978, the Commission provided for the advance refunding of all of its $123,325,000 water and electric revenue bonds (Refunded Bonds) outstanding at April 1, 1978 by the sale of $110,330,000 Water and Electric Revenue Refunding and Improvement Bonds, Series 1978 and $94,650,000 Special Obligation Bonds, Series 1978. The Refunding and Improvement Bonds were subsequently advance refunded in December 1985. From the proceeds of the sale of the two 1978 issues, monies were invested in United States obligations in an irrevocable Escrow Deposit Trust Fund. Such United States obligations mature at such time so as to provide sufficient funds for the payment of maturing principal and interest on the Refunded Bonds. All interest earned or accrued on the United States obligations has been pledged and will be used for the payment of the principal and interest on the Special Obligation Bonds, Series 1978. The Refunded Bonds are treated as extinguished debt for financial reporting purposes, were removed from the balance sheets and have a remaining principal balance of $61,215,000 at September 30, 1991.

In December 1985, the Commission provided for the advance refunding of all of its water and electric revenue bonds then outstanding in the aggregate principal amount of $577,730,000 (Refunded Bonds) by the sale of $565,040,000 Water and Electric Refunding Bonds, Series 1985 ($950 million authorized and validated and confirmed by the Supreme Court of Florida). Sale proceeds were invested in United States obligations in an irrevocable Escrow Deposit Trust Fund. Such United States obligations will mature at such time and in such amounts so as to provide sufficient funds for the payment of maturing principal and interest on the Refunded Bonds. The Refunded Bonds are treated as extinguished debt for financial reporting purposes, were removed from the balance sheets and have a remaining principal balance of $551,825,000 at September 30, 1991.

The 1985 senior lien revenue bonds are payable and secured by a first lien upon and pledge of the net revenues derived by the Commission from the operation of the water and electric system and from investment income earned on monies and obligations in certain sinking fund accounts.

The Commission has covenanted in the senior bond resolution to fix, establish and maintain rates and collect fees, rentals or other charges for the services and facilities as will always provide in each fiscal year net revenues which shall be adequate at all times to pay in each fiscal year the sum of at least one hundred twenty-five percent (125%) of the annual debt service requirement on the outstanding bonds and that net revenues shall be sufficient to make all other payments required by the terms of the senior bond resolution.

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

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

1. Revenues are first to be used to pay the current operating expenses of the water and electric system and then all Sinking Fund and Renewal and Replacement Fund requirements.
2. The balance of any revenues remaining in the Revenue Fund shall at the option of the Commission, be used (i) for any lawful purpose in connection with the water and electric system and (ii) to make any payments of funds to the City of Orlando, provided however, that none of the revenues is ever to be used for the purposes described in (i) and (ii) unless all payments required in (1) above, including any deficiencies for prior payments, have been made in full to the date of such use, and the Commission shall have fully complied with all covenants and agreements contained in the bond resolution.

Also, in December 1985 the Commission issued $294,600,000 Series 1985B Water and Electric Revenue Bond Anticipation Notes (BAN's). Proceeds of the Series 1985B BAN's, together with other available funds, were used to refund the principal and accrued interest of the Series 1985A BAN's, to fund all the interest requirements on the Series 1985B BAN's and to establish a debt service reserve fund for the Series 1985B BAN's. The 1985B BAN's matured on May 31, 1989. The Series 1985B BAN's were paid by the proceeds of the Water and Electric Subordinated Revenue Bonds Series 1989A and from the Series 1985B BAN's Capitalized Interest Account and Debt Service Reserve Account.

## NOTE E—LONG-TERM DEBT--Continued

In March 1989, the Commission issued the Water and Electric Subordinated Revenue Bonds Series 1989A (Series 1989A) in the amount of $241,905,000 to pay a portion of the Series 1985B BAN's which matured in May 1989. The balance of the Series 1985B BAN's was paid off using funds remaining in the 1985B BAN's Capitalized Interest and Debt Service Reserve Accounts. In May 1989, the Commission issued the Water and Electric Subordinated Revenue Bonds Series 1989B (Series 1989B) in the amount of $241,905,000 to pay the principal portion of the Water and Electric Subordinated Revenue Bonds Series 1989A.

In August 1989, the Commission issued the Water and Electric Subordinated Revenue Bonds Series 1989C (Series 1989C) in the amount of $75,000,000 to refund $46,500,000 of the Series 1989B and to undertake certain capital improvements to the water and electric system. From the proceeds an amount sufficient to pay the principal and related interest of the refunded portion of the Series 1989B Bonds was invested in United States obligations and irrevocably deposited into an escrow account. All of the $46,500,000 in 1989B Bonds refunded were redeemed in October and November 1989. The purpose of the refunding was to reduce the Commission's exposure to interest rate fluctuations by reducing the amount of variable rate debt outstanding. Based on the performance of the 1989B Bonds, there is no material change in debt service.

The remaining portion of the Series 1989C Bonds are payable from and secured by a lien upon and a pledge of the net revenues derived by the Commission from the operation of the water and electric system and certain investment income, subject to the prior lien thereon of the Commission's outstanding senior debt obligations (Water and Electric Refunding Bonds, Series 1985).

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

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

In January 1990, the Commission issued the Water and Electric Subordinated Revenue Bonds, Series 1989D in the amount of $253,945,000 to pay the redemption price of the remaining Series 1989B Bonds. Consequently, the redeemed Series 1989B Bonds have been removed from the balance sheet. None of the Series 1989B Bonds were outstanding at September 30, 1990. The Series 1989D Bonds have coupon rates of 6.75%, 5.50%, and 5.00% due in term form on October 1, in the years 2017, 2020, and 2023, respectively. The Series 1989D Bonds are secured by a lien upon and a pledge of the net revenues derived from the Commission upon the operation of the water and electric system and on certain investment income, as provided in the resolution, and are further secured by a Debt Service Reserve Account established by the resolution. The lien of the Series 1989D Bonds are junior to the Series 1985 issue but on a parity with the Series 1989C issue.

## NOTE E—LONG-TERM DEBT--Continued

In March 1990, the Commission issued the Water and Electric Subordinated Revenue Bonds, Series 1990AA (Minibonds) in the amount of $8,082,000 to pay for capital improvements to the water and electric system. The Minibonds are issued as fully registered capital appreciation bonds in the initial principal amount of $250 and integral multiples thereof, and mature on February 8, 2000.

The Minibonds bear interest at 7.10% per annum compounded semi-annually, and are not subject to redemption prior to maturity. The Minibonds are payable solely from and secured by a lien upon the net revenues derived by the Commission from the operation of the water and electric system and of certain investment income, as provided in the Minibond Resolution. The lien of the Minibonds upon the net revenues is junior and subordinate to the prior lien thereon of the Commission's outstanding debt obligations. The Minibonds have an accreted value of $8,963,016 at September 30, 1991.

In September 1990, the Commission issued the Unit Priced Demand Adjustable Water and Electric Revenue Bond Anticipation Notes (Series 1990A Notes) in the amount of $70,000,000, for the purpose of funding capital improvements to the water and electric system. The Series 1990A Notes are due on September 1, 1995. Rates paid during 1991 ranged from 3.25% to 6.10%.

The Series 1990A Notes are payable from and secured ratably by a lien on and pledge of (i) the proceeds of Senior Lien Revenue Bonds of the Commission to be issued to pay the principal of and accrued and unpaid interest on the Series 1990A Notes, which lien and pledge is superior to all other liens thereon, (ii) the monies on deposit in the Series 1990A Notes Debt Service Reserve Fund, and (iii) the monies on deposit in the Construction Account.

In February 1991, the Commission issued Water and Electric Subordinated Revenue Bonds, Series 1991A (Series 1991A) in the amount of $235,820,000 to pay for capital improvements of the water and electric system. The Series 1991A Bonds are term bonds due in 2020 and 2026 and have coupon rates of 6.5% and 5.5%, respectively. The Series 1991A Bonds are junior to the Series 1985 Bonds but on a parity with the Series 1989C and Series 1989D bonds. The Series 1991A Bonds are secured by the same sources as the 1989C and Series 1989D Bonds.

In addition to the remainder of the authorized but unissued 1985 Bonds of $384,960,000, the Commission has also been authorized to issue an additional $955,000,000 of senior lien bonds for a total of $1,339,960,000 to be used for refunding or other designated purposes.

In December 1991, the Commission authorized the issuance of $99,995,000 Variable Rate Demand Water and Electric Revenue Bond Anticipation Notes Series 1991. The purpose of this series is to provide financing for electric, water, and common facilities of the Commission.

The Commission has no material operating or capital leases.

## NOTE E—LONG-TERM DEBT--Continued

Bonds and Bond Anticipation Notes (BANS) principal outstanding is as follows:

| | September 30 1991 | 1990 |
|---|---|---|
| **BONDS:** | | |
| Series 1985, 5.25% to 8.625% due serially 1986 to 2000 and in term form from 2000 to 2010 | $ 543,610,000 | $ 548,565,000 |
| Less current portion of Series 1985 | 5,295,000 | 4,955,000 |
| Long-term portion of Series 1985 | 538,315,000 | 543,610,000 |
| Series 1989C, 7.00% due serially 2011 to 2015 and in term form in 2023 | 75,000,000 | 75,000,000 |
| Series 1989D, 5.00% to 6.75%, due in term form in years 2017, 2020, and 2023 | 253,945,000 | 253,945,000 |
| Series 1990AA, 7.10% Capital Appreciation "Minibonds" maturing February 8, 2000 | 8,963,016 | 8,416,181 |
| Series 1991A, 5.50% to 6.50% due in term form in years 2020 and 2026 | 235,820,000 | |
| | 1,112,043,016 | 880,971,181 |
| **BANS:** | | |
| Series 1990A Unit Priced Demand Adjustable Bond Anticipation Notes, maturing September 1, 1995 | 70,000,000 | 70,000,000 |
| | $1,182,043,016 | $ 950,971,181 |

## NOTE E--LONG-TERM DEBT--Continued

Following is a schedule of annual principal and interest sinking fund requirements on the revenue bonds and notes outstanding at September 30, 1991.

| Fiscal Year Ending | Debt Service for Series 1985 Bonds Principal | Debt Service for Series 1985 Bonds Interest | Debt Service for Series 1989C Bonds Principal | Debt Service for Series 1989C Bonds Interest | Debt Service for Series 1989D Bonds Principal | Debt Service for Series 1989D Bonds Interest |
|---|---|---|---|---|---|---|
| 1992 | $ 5,595,000 | $ 44,757,933 | | $ 5,250,000 | | $ 14,987,425 |
| 1993 | 10,105,000 | 44,343,903 | | 5,250,000 | | 14,987,425 |
| 1994 | 13,895,000 | 43,575,923 | | 5,250,000 | | 14,987,425 |
| 1995 | 14,975,000 | 42,499,060 | | 5,250,000 | | 14,987,425 |
| 1996 | 16,150,000 | 41,316,035 | | 5,250,000 | | 14,987,425 |
| 1997 | 17,465,000 | 40,007,885 | | 5,250,000 | | 14,987,425 |
| 1998 | 18,910,000 | 38,558,290 | | 5,250,000 | | 14,987,425 |
| 1999 | 20,495,000 | 36,969,850 | | 5,250,000 | | 14,987,425 |
| 2000 | 22,245,000 | 35,227,775 | | 5,250,000 | | 14,987,425 |
| 2001 | 24,135,000 | 33,336,950 | | 5,250,000 | | 14,987,425 |
| 2002 | 26,210,000 | 31,255,306 | | 5,250,000 | | 14,987,425 |
| 2003 | 28,480,000 | 28,994,694 | | 5,250,000 | | 14,987,425 |
| 2004 | 30,930,000 | 26,538,294 | | 5,250,000 | | 14,987,425 |
| 2005 | 71,685,000 | 23,870,581 | | 5,250,000 | | 14,987,425 |
| 2006 | 36,640,000 | 17,687,750 | | 5,250,000 | | 14,987,425 |
| 2007 | 39,755,000 | 14,573,350 | | 5,250,000 | | 14,987,425 |
| 2008 | 43,135,000 | 11,194,175 | | 5,250,000 | | 14,987,425 |
| 2009 | 46,800,000 | 7,527,700 | | 5,250,000 | | 14,987,425 |
| 2010 | 50,710,000 | 3,549,700 | | 5,250,000 | | 14,987,425 |
| 2011 | | | $ 3,725,000 | 5,250,000 | $ 13,065,000 | 14,987,425 |
| 2012 | | | 3,985,000 | 4,989,250 | 13,945,000 | 14,105,537 |
| 2013 | | | 4,265,000 | 4,710,300 | 14,885,000 | 13,164,250 |
| 2014 | | | 4,560,000 | 4,411,750 | 15,890,000 | 12,159,513 |
| 2015 | | | 4,880,000 | 4,092,550 | 16,965,000 | 11,086,937 |
| 2016 | | | 5,225,000 | 3,750,950 | 18,110,000 | 9,941,800 |
| 2017 | | | 5,590,000 | 3,385,200 | 19,330,000 | 8,719,375 |
| 2018 | | | 5,980,000 | 2,993,900 | 20,635,000 | 7,414,600 |
| 2019 | | | 6,400,000 | 2,575,300 | 21,770,000 | 6,279,675 |
| 2020 | | | 6,845,000 | 2,127,300 | 22,965,000 | 5,082,325 |
| 2021 | | | 7,325,000 | 1,648,150 | 24,230,000 | 3,819,250 |
| 2022 | | | 7,840,000 | 1,135,400 | 25,440,000 | 2,607,750 |
| 2023 | | | 8,380,000 | 586,600 | 26,715,000 | 1,335,750 |
| 2024 | | | | | | |
| 2025 | | | | | | |
| 2026 | | | | | | |
| | $ 538,315,000 | $ 565,785,154 | $ 7[illegible],000,000 | $141,406,650 | $ 253,945,000 | $ 395,465,262 |

For the 1985, 1989C, 1989D, and 1991A Bonds, interest is payable on April 1 and October 1, with principal payments due on October 1.

(1) Represents accreted value of the Minibonds due and payable at their maturity on February 8, 2000.

(2) The Series 1990A Notes are variable rate. An average rate of 5.5% was used to estimate interest.

| Series 1990AA Minibonds (1) | Debt Service for Series 1990A Notes Principal | Interest (2) | Debt Service for Series 1991A Bonds Principal | Interest | Total |
|---|---|---|---|---|---|
| | | $ 3,850,000 | | $ 14,174,500 | $ 88,614,858 |
| | | 3,850,000 | | 14,174,500 | 92,710,828 |
| | | 3,850,000 | | 14,174,500 | 95,732,848 |
| | $ 70,000,000 | 3,529,167 | | 14,174,500 | 165,415,152 |
| | | | | 14,174,500 | 91,877,960 |
| | | | | 14,174,500 | 91,884,810 |
| | | | | 14,174,500 | 91,880,215 |
| | | | | 14,174,500 | 91,876,775 |
| $ 15,050,000 | | | | 14,174,500 | 107,934,700 |
| | | | | 14,174,500 | 91,883,875 |
| | | | | 14,174,500 | 91,877,231 |
| | | | | 14,174,500 | 91,886,619 |
| | | | | 14,174,500 | 91,880,219 |
| | | | | 14,174,500 | 129,967,506 |
| | | | | 14,174,500 | 86,739,675 |
| | | | | 14,174,500 | 88,740,275 |
| | | | | 14,174,500 | 88,741,100 |
| | | | | 14,174,500 | 88,739,625 |
| | | | | 14,174,500 | 88,671,625 |
| | | | $ 8,925,000 | 14,174,500 | 60,126,925 |
| | | | 9,505,000 | 13,594,375 | 60,124,162 |
| | | | 10,[illegible]20,000 | 12,976,550 | 60,121,100 |
| | | | 10,780,000 | 12,318,750 | 60,120,013 |
| | | | 11,485,000 | 11,618,050 | 60,127,537 |
| | | | 12,230,000 | 10,871,525 | 60,129,275 |
| | | | 13,025,000 | 10,076,575 | 60,126,150 |
| | | | 13,870,000 | 9,229,950 | 90,123,450 |
| | | | 14,770,000 | 8,328,400 | 60,123,375 |
| | | | 15,730,000 | 7,368,350 | 60,117,975 |
| | | | 16,750,000 | 6,345,900 | 6[illegible],118,[illegible]00 |
| | | | 17,670,000 | 5,424,650 | 60,117,800 |
| | | | 18,645,000 | 4,452,800 | 60,115,150 |
| | | | 19,670,000 | 3,427,325 | 23,097,325 |
| | | | 20,750,000 | 2,345,475 | 23,095,475 |
| | | | 21,895,000 | 1,204,225 | 23,099,225 |
| $ 16,050,000 | $ 70,000,000 | $ 15,079,167 | $235,820,000 | $403,072,900 | $2,70[illegible],939,133 |

## NOTE F—PARTICIPATION AGREEMENTS

In 1980 the Commission entered into a Participation Agreement with Florida Power and Light Company (FPL) to purchase a 6.08951% (52 net megawatts) undivided ownership interest in St. Lucie Unit No. 2 nuclear powered electric generating facility constructed by FPL. This unit is presently rated at 853 net megawatts (MW) and commenced commercial operation in 1983. The Commission has also entered into a Reliability Exchange Agreement with FPL. The Reliability Exchange Agreement results in the Commission exchanging 50% of its share of the output from St. Lucie Unit No. 2 for a like amount from St. Lucie Unit No. 1, a nuclear powered electric generating facility. FPL has operational control of both projects.

The Commission also has a Participation Agreement with the City of Lakeland, Florida dated April 4, 1978. Under the terms of this Agreement the Commission has a 40% (136 net MW) undivided ownership interest in a 340 net MW refuse and coal-fired steam generating unit (McIntosh Unit No. 3) owned by the City of Lakeland. The City of Lakeland has operational control of this project.

Since 1975, the Commission has owned a 1.6015% (13 net MW) undivided ownership interest in Florida Power Corporation's 827 net MW nuclear powered electric generating plant designated Crystal River Unit No. 3. This ownership interest was acquired under the terms of a single Participation Agreement with Florida Power Corporation and ten Florida municipal utilities. Florida Power Corporation has operational control of this project.

In 1984 and 1985, the Commission entered into Participation Agreements with Florida Municipal Power Agency (FMPA) and the Kissimmee Utility Authority (KUA) to sell a portion of Stanton Energy Center Unit #1 (SEC 1) excluding common and external facilities. SEC 1 is rated at 440 net MW. Under the terms of these agreements, FMPA has a 26.6265% undivided ownership interest and KUA has a 4.8193% undivided ownership interest. The Commission, which has retained a 68.5542% undivided ownership interest, has operational control of this project.

In 1991, the Participation Agreements for SEC 1 were amended to sell to FMPA and KUA their ownership share of the common and external facilities, excluding the external land, railroad tracks, scale and switch engine. This sale will close on June 30, 1992, with the exception of the wastewater treatment plant and the railroad coal cars sale, which was completed in 1991.

In 1988, the Commission entered into Participation Agreements with FMPA and KUA to sell a portion of the Commission's Indian River Plant Combustion Turbine Project excluding common facilities. The Commission's Combustion Turbine Project includes two 48 MW combustion turbines (Units A and B) which can generate electricity utilizing natural gas or light diesel oil. The combustion turbines were placed in commercial operation, one on June 1 and another on July 1, 1989. Under the terms of these agreements, FMPA has a 39% undivided ownership interest and KUA has a 12.2% undivided ownership interest. The Commission, which has retained a 48.8% undivided ownership interest, has operational control of this project.

In 1990, the Commission entered into a Participation Agreement with FMPA to sell a portion of the Commission's Indian River Plant Combustion Turbine Project for Units C and D excluding common facilities. The Commission's Combustion Turbine Project for Units C and D includes two 129 MW combustion turbines which can generate electricity utilizing natural gas and light diesel oil. These combustion turbines are scheduled to be placed in commercial operation on October 1, 1992. Under the terms of this agreement, FMPA has a 21% undivided ownership interest. The Commission, which has retained a 79% (102 net megawatts per unit) undivided ownership interest, has operational control of this project. Construction in progress at September 30, 1991, was $21,588,300.

In 1991, the Commission entered into participation agreements with FMPA and KUA to sell a portion of Stanton Energy Center Unit #2. Under the terms of these agreements, FMPA has a 21.1686% undivided ownership interest and KUA has a 3.8314% undivided ownership interest. The Commission, which has retained a 75% undivided ownership interest, has operational control of this project. The closing on this sale will take place on June 30, 1992. Construction in progress at September 30, 1991 was $5,734,203.

## NOTE F—PARTICIPATION AGREEMENTS--Continued

Following is a summary of the Commission's proportionate share of each jointly owned plant. SEC 1, McIntosh Unit No. 3, and the Indian River Plant Combustion Turbine Projects include the cost of common and/or external facilities. The other plants do not, but the participants pay user charges to the operating entity. According to the participation agreements, each participant must provide its own financing and each participant's share of expenses for the operations of the plants are included in the corresponding operating expenses of its own income statement. Allowance for depreciation and amortization on utility plant in service is determined by each participant based on their depreciation methods and rates relating to their share of the plant.

**Plants as of September 30, 1991**

| | St. Lucie Unit No. 2 | McIntosh Unit No. 3 | Crystal River Unit No. 3 | Stanton Energy Center Unit No. 1 | Indian River Combustion Turbines A and B |
|---|---|---|---|---|---|
| Utility plant in service | $104,820,545 | $100,626,248 | $ 15,135,747 | $410,814,612 | $12,580,296 |
| Allowance for depreciation & amortization | (30,840,299) | (28,941,657) | (7,938,232) | (42,825,384) | (1,191,471) |
| Construction work in progress | | | | 4,328,851 | |
| Commission's net share | $ 73,980,246 | $ 71,684,591 | $ 7,197,515 | $372,318,079 | $11,388,825 |

It has been determined that none of the participation agreements to which the Commission is a party meet the criteria of a joint venture as specified in Statement 14 of the Governmental Accounting Standards Board. The Commission lacks operational control over the St. Lucie Unit No. 2, Crystal River Unit No. 3 and McIntosh Unit No. 3 plants. SEC 1 and Indian River Combustion Turbine Projects are controlled by the Commission. Fiscal and budgetary control of SEC 1 and the Combustion Turbine Projects remains with the Commission. No separate governing authority exists for any of the participation plants.

The Commission also has an agreement with Orange County, Florida to share operating costs of a waste water treatment facility at the SEC 1 site. The Commission operates the facility. Effective July 1, 1991, the County pays a $575,605 annual fee for the operation and maintenance of the facility. The fee is subject to annual increases based upon inflationary factors and is subject to renegotiation within the form of the contract. The annual fee is classified as a reduction to SEC 1 operating and maintenance expenses.

## NOTE G—ELECTRIC SUPPLY AGREEMENTS

**Capacity Commitment:** In 1985 the Commission entered into an agreement with the Florida Municipal Power Agency (FMPA) to provide FMPA with a total of 136 MW of the Commission's 619 MW of Units 1, 2, and 3 generating capacity of the Indian River plant on a take or pay basis. Payment to the Commission is based upon a demand charge plus 21.65% share of the cost of operation and maintenance of the oil/gas fired steam turbine units plus the fuel cost for any power used. The contract's initial term began during 1986 and extends to 2001. FMPA has an option to extend the contract for a five-year ramp down.

In 1989, the Commission also entered into capacity commitment contracts with FMPA and KUA for each to receive 20 MW of generating capacity of the Commission's system generating capacity for 15 years.

In September 1989, the Commission entered into two capacity commitments with Reedy Creek Improvement District for them to receive 15MW of generating capacity of the Commission's system generating capacity for 10 years plus a two-year ramp down, and to receive 6MW of reserve capacity of the Commission's system generating capacity for 10 years.

In 1990, the Commission entered into capacity commitments with FMPA, KUA, and New Smyrna Beach. FMPA will receive an additional [illegible]MW of generating capacity of the Commission's system generating capacity for 1991 to 1994 and 10MW for 199[illegible]. KUA will receive an additional 25MW of generating capacity of the Commission's system generating capacity for 1991 and 20MW for 1992. New Smyrna Beach will receive 11MW of generating capacity of the Commission's system generating capacity for June to September, 1991.

**Florida Municipal Power Pool:** In May 1988, an agreement was entered into between the Commission, the City of Lakeland, Florida, and the Florida Municipal Power Agency's All-Requirements Project to cooperate in the interconnected operation of the respective electric supply systems, so as to obtain the fullest advantage of each systems' generating resources.

A management committee consisting of a representative from each organization supervises the operation of this Pool. The Commission operates the dispatching service and administers the Pool. Production cost savings due to the operation of the Pool are accounted for and allocated to each organization by individual pool participation.

The term of the agreement is for one year, to be automatically renewed from year to year until terminated by the consent of all participants; however, any one participant may withdraw at any time upon one year's written notice.

## NOTE H—DEFERRED COMPENSATION PLAN

The Commission offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all Commission employees, permits employees to contribute 25% of their base salary exclusive of total pension and dependent medical care contributions up to $7,500 per year. Assets and liabilities of the plan are recorded at market. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, are (until paid or made available to the employee or other beneficiary) solely the property of the Commission (without being restricted to the provisions of benefits under the plan), subject only to the claims of the Commission's general creditors. Participants' rights under the plan are equal to those of general creditors of the Commission in an amount equal to the fair market value of the deferred account for each participant.

It is the opinion of the Commission's legal counsel that the Commission has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor. The Commission believes that it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

## NOTE I—PAYMENTS TO THE CITY OF ORLANDO AND ORANGE COUNTY

Two types of payments are made to the General Fund of the City of Orlando: a revenue based payment and an income based payment. The revenue based payment is calculated at six percent of gross retail electric and water billings to customers within the City. This payment is classified as an operating expense. The income-based dividend payment is calculated at 50% of a rolling five year average of net income, with certain exclusions. For income-based dividend payment calculations involving fiscal years 1991 through 1994 only, 60% of net income will be used. This payment is recorded as a reduction of retained earnings and is not considered an expense for rate making purposes.

Payments are made to Orange County based on one percent of gross retail electric billings within the County but outside the city limits of the City of Orlando. This payment, which was [illegible]34,568 and $627,127 for fiscal years ended September 30, 1991 and 1990, respectively, is classified as an operating (general and administrative) expense.

All payments are made pursuant to a unilateral policy established by the Commission.

## NOTE J—COMMITMENTS AND CONTINGENT LIABILITIES

1. The Commission and the other participants in SEC 1 have a coal supply contract with a 10 year primary term that began on July 1, 1987 with the option of two successive five year terms. The contract covers all of the coal requirements of SEC 1 during the first five years of the contract. During the second five years, the contract covers at least 600,000 tons per year with an option to purchase 100% of the coal requirements. The usage is estimated at 8,250,000 to 12,000,000 tons over the ten year contract period.
2. The Commission and the other participants in SEC 1 have also agreed to a twelve year contract that expires on September 30, 1999 for rail delivery of the unit's coal purchases.
3. The Commission has been named in several Title 7 administration complaints claiming discrimination by former employees and an applicant. Management and legal counsel consider these claims to be without merit and will not result in a material liability.
4. The Commission has filed suit in Brevard County Circuit Court for reinstatement of its tax exemption on its real and tangible personal property for years 1989 and 1990. The proposed tax assessments for 1990 and 1989 are $814,309 and $720,714, respectively. The Commission has found legal grounds against the denial of the exemption and expects the exemption to be reinstated.
5. In May 1991 the Commission entered into a guaranty of a bridge loan between The Ivanhoe Foundation, Incorporated, and Sun Bank National Association in the amount of $1.2 million. The bridge loan is to complete offices and a rehearsal area for the non-profit art center. The Foundation has given the Commission a leasehold mortgage and security interest on all of the leasehold improvements that will adequately cover the Commission's exposure. The Commission has leased the land and buildings to the Foundation for 25 years.
6. As of September 30, 1991, the Commission has entered into contracts totaling $167,670,114 for the proposed construction and equipment for the Stanton Energy Center II. These contracts are contingent upon the Commission obtaining the required regulatory approvals.

## NOTE K—PENSION PLAN

The Orlando Utilities Commission has a single employer defined benefit pension plan covering all employees who regularly work 20 or more hours per week. Employees participate in the plan immediately upon employment.

The pension plan approved by the Orlando Utilities Commission states that the Commission shall make such contributions to the retirement fund as shall be required under accepted actuarial principles to at least be sufficient to maintain the plan as a qualified employee defined benefit plan meeting the minimum funding standard requirements of the Internal Revenue Code with respect to its members, as shall be determined from time to time by the actuary.

The Commission shall not have any right, title, or interest in the contributions made to the retirement fund under the plan, and no part of the retirement fund shall revert to the Commission, except that:

a. Upon complete termination of the plan and the allocation and distribution of the retirement fund as provided herein, any funds remaining in the retirement fund because of an actuarial computation after the satisfaction of all fixed and contingent liabilities under the plan with respect to the Commission may revert to the Commission.
b. If an excess contribution is made to the retirement fund by the Commission, then such contribution may be returned to the Commission within one year after the payment of the contribution.
c. If the Internal Revenue Service determines that the plan does not meet the requirements of Code section 401(a), the plan shall be null and void, and any contributions shall be returned to the Commission within one year following the determination that the plan does not meet such requirements, unless the Commission elects to make the changes to the plan necessary to receive a determination from the Internal Revenue Service that the requirements of Code section 401(a) are met.

## NOTE K—PENSION PLAN--Continued

Each participant contributes weekly to the Plan four percent of earnings until the completion of 20 years of service. After completion of 20 years of service, each member shall contribute weekly to the plan two percent of earnings. Such required contributions shall cease upon a member's completion of 30 years of service.

The Commission's contribution is determined using the actuarial cost method. The actuarial pension plan obligations were used as a basis for calculating the determined contribution requirements for the fund. Pension expense for the fiscal years 1991 and 1990 was $2,565,967 and $2,467,915, respectively, which includes normal costs plus amortization of past service costs. The assumed rate of return used in determining the actuarial present value of accumulated plan benefits was 7.5%. The method used to determine the normal cost and actuarial liability is the Projected Unit Credit Actuarial Cost Method. In prior years, the Entry Age Normal: Frozen Initial Liability Actuarial Cost Method was used. This change resulted in a $14,457,730 decrease in the unfunded actuarial accrued liability.

The participant's pension benefit is 2½% of the highest three consecutive years base earnings times years employment. A maximum of 30 years of service is credited. Benefits are vested after 5 years of service.

Interest earnings for the plan years 1990 and 1989 were 2.3% and 14.4% respectively. The overall cumulative average annual rate of return for the plan has been 13.7% since October 1, 1984.

The pension benefit obligation presented as the actuarial present value of accumulated plan benefits is a standard measure of the present value of pension benefits, adjusted for the effects of projected salary increases of 6% estimated to be payable in the future as a result of employee service to date.

The pension plan's assets are administered by The Mutual Life Insurance Company of New York (MONY). The pension plan's funds may be invested in money market accounts, bonds, and stocks and are presented at market value.

## NOTE K—PENSION PLAN--Continued

Plan data as of October 1, 1990 (latest actuarial valuation) as developed by consulting actuaries is as follows:

| | | |
|---|---|---|
| **Actuarial present value of accumulated plan benefits:** | | |
| Present value of vested benefits | $ | 61,722,668 |
| Present value of non-vested benefits | | 3,847,930 |
| **Total present value of all accumulated benefits** | $ | 65,570,598 |
| **Projected benefit funded status:** | | |
| Vested: | | |
| Retirees and beneficiaries currently receiving benefits, terminated & disabled employees not yet receiving benefits | $ | 32,470,219 |
| Current employees: | | |
| Accumulated employee contributions | | 10,907,117 |
| Employer-financed | | 18,345,332 |
| Non-Vested: | | |
| Employer-financed | | 22,081,144 |
| **Total pension benefit obligation** | $ | 83,803,812 |
| **Net assets available for benefits** | $ | 87,835,044 |
| **Net assets in excess of pension benefit obligations** | $ | 4,031,232 |
| **The plan activity for fiscal year 1990 is as follows:** | | |
| Asset value as of October 1, 1989 | $ | 85,677,535 |
| **Contributions for 1989-90:** | | |
| Paid during the year - Employee | $ | 1,113,056 |
| Paid during the year - Commission | | 2,574,195 |
| **Total contributions** | $ | 3,687,251 |
| Contributions receivable at beginning of year | | 0 |
| Contributions receivable at end of plan year | | 0 |
| **Contributions for 1989-90 plan year** | $ | 3,687,251 |
| **Disbursements for 1989-90:** | | |
| Benefit payments | $ | 3,346,317 |
| Expenses and fees | | 155,252 |
| **Total disbursements for 1989-90** | | 3,501,569 |
| Investment Return for 1989-90 | $ | 1,971,827 |
| Actuarial asset value as of October 1, 1990 | $ | 87,835,044 |
| **Approximate rate of return after expenses and fees** | | 2.12% |

**Contribution and payroll information for the year ended September 30, 1991 follows:**

| | |
|---|---|
| Contributions | |
| Employer | $ 2,671,836 |
| Employee | 1,109,255 |
| Total contributions | $ 3,781,091 |
| Total payroll | $ 39,453,849 |
| Covered payroll | $ 32,426,810 |
| Contributions as a percent of covered payroll | 11.66% |
| **Actuary recommended contribution for fiscal year 1991:** | |
| Employer | $ 2,565,967 |
| Employee | 1,106,219 |
| | $ 3,672,186 |
| Recommended contributions as a percent of covered payroll | 11.33% |

Trend information for the preceding five years follows.

| Year Ended September 30 | Net Assets Available for Benefits as a Percentage of Pension Benefit Obligation | Unfunded Pension Benefit Obligation | Contributions as a Percentage of Covered Payroll |
|---|---|---|---|
| 1990 | 104.8% | – | 11.6% |
| 1989 | 119.6 | – | 11.6 |
| 1988 | 120.4 | – | 11.6 |
| 1987 | 116.5 | – | 13.9 |
| 1986 | 170.6 | – | 14.2 |

## NOTE L—PENSION PLAN SUPPLEMENTARY INFORMATION (UNAUDITED)

This schedule presents required supplemental historical pension benefit information for the last nine years currently available. This schedule will expand to ten years as the information becomes available.

| Year Ended September 30 | (1) Net Assets Available for Benefits (Millions) | (2) Pension Benefit Obligation (Millions) | (3) Percentage Funded (1)/(2) | (4) Unfunded/(Overfunded) Pension Benefit Obligation (2)-(1) (Millions) | (5) Annual Covered Payroll (Millions) | (6) Unfunded/Overfunded Pension Obligation as a Percentage of Annual Covered Payroll (4)/(5) |
|---|---|---|---|---|---|---|
| 1990 | $87.84 | $83.80 | 104.82% | $(4.04) | $32.43 | (12.46)% |
| 1989 | 85.68 | 71.64 | 119.60 | (14.04) | 30.43 | (46.14) |
| 1988 | 74.58 | 61.95 | 120.39 | (12.63) | 28.33 | (44.58) |
| 1987 (A) | 70.74 | 60.72 | 116.50 | (10.02) | 28.04 | (35.73) |
| 1986 | 42.57 | 24.90 | 170.96 | (17.67) | 19.72 | (89.60) |
| 1985 | 33.79 | 24.36 | 138.71 | (9.43) | 18.23 | (51.73) |
| 1984 | 28.92 | 22.09 | 130.92 | (6.83) | 17.00 | (40.18) |
| 1983 | 28.13 | 22.14 | 127.06 | (5.99) | 16.24 | (36.88) |
| 1982 | 22.40 | 19.63 | 114.11 | (2.77) | 14.70 | (18.84) |

Analysis of the dollar amounts of net assets available for benefits, pension benefit obligation, and unfunded pension benefit obligation in isolation can be misleading. Expressing the net assets available for benefits as a percentage of the pension benefit obligation provides one indication of pension funding status on a going-concern basis. Analysis of this percentage over time indicates whether the system is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the pension plan. Trends in unfunded pension benefit obligation and annual covered payroll are both affected by inflation. Expressing the unfunded pension benefit obligation as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of the Commission's progress made in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage, the stronger the pension plan.

(A) The pension benefit obligation was valued by the actuary (Hewitt Associates) as prescribed by the Governmental Accounting Standards Board Statement 5 in 1987. This method differs from prior years in that projected benefits are allocated on a level basis to employee's years of service. This resulted in a 39.2% increase. Contract amendments increased the pension benefit obligation by 68.8% and net assets available for benefits by 44.3%.

## NOTE M—OTHER POST EMPLOYMENT BENEFITS

In addition to the pension benefits described in Note K, health care benefits and life insurance coverage is provided to all employees who retire on or after attaining a[illegible] [illegible] h at least 10 years of service or at any age after completing 25 years of service. Currently 242 retirees meet the eligibility requirements. Retirees may also elect to provide health care insurance for their qualifying dependents by paying 35 percent of the calculated premium. The Commission is a secondary provider for those retirees and/or their dependents who are eligible for Medicare benefits.

The Commission's health care plan is administered through an insurance company on a Minimum Payment Plan but operates as a self-insurance program with an additional purchased insurance policy to cover those claims over $100,000. In this plan the insurance company administers the plan and processes the claims according to insurance coverage with the Commission reimbursing the insurance company for it's payouts. Expenses are recorded by the Commission when paid to the insurance company. Total postemployment health care costs recognized by the Commission for the years ended September 30, 1991 and 1990, were $793,020 and $787,594 respectively, postemployment life insurance costs during the same periods were $95,834 and $11[illegible] 89.

Health care coverage is offered to former employees who voluntarily terminate and certain dependents who are no longer eligible for employee dependent coverage in accordance with federal law (COBRA). Currently there are 12 COBRA participants. All participants are responsible for 100 percent of their insurance premiums.

## NOTE N—REGULATION

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

Prior to implementation of any rate change, the Commission files the proposed tariff with the Florida Public Service Commission and has established the prerequis of a Public Notice and the holding of a Public Hearing.

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

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

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

## NOTE O—INCOME TAXES

It is the opinion of the Commission and its counsel, that the Orlando Utilities Commission is exempt from federal and state income taxes.

## NOTE P—BUSINESS SEGMENTS

The Commission operates in two business segments -- the generation, transmission and distribution of electricity and the production, treatment, and distribution of water. A summary of the segment information follows:

| | Electric | Water | Total |
|---|---|---|---|
| **Year Ended September 30, 1991:** | | | |
| Operating revenues | $ 289,961,819 | $ 19,490,155 | $ 309,451,974 |
| Depreciation and amortization | 27,579,027 | 2,814,277 | 30,393,304 |
| Operating income | 79,964,422 | 3,351,501 | 83,315,923 |
| Net income | 25,830,552 | 4,258,024 | 30,088,576 |
| Dividend payment to the General Fund of the City of Orlando | 14,945,280 | 2,846,720 | 17,792,000 |
| Contributed capital | 15,310,868 | 47,138,913 | 62,449,781 |
| Utility plant additions | 105,927,476 | 9,789,401 | 115,716,877 |
| Utility plant deletions | 19,354,984 | 90,410 | 19,445,394 |
| Net working capital | 65,014,960 | 2,880,480 | 67,895,440 |
| Total assets | 1,445,755,217 | 159,552,938 | 1,605,308,155 |
| Long-term debt - net | 1,061,599,810 | 47,188,168 | 1,108,787,978 |
| Total equity (accumulated retained earnings and contributed plant) | 258,211,989 | 101,914,394 | 360,126,383 |
| **Year Ended September 30, 1990:** | | | |
| Operating revenues | $ 284,009,279 | $ 19,867,708 | $ 303,876,987 |
| Depreciation and amortization | 26,908,848 | 2,663,947 | 29,572,795 |
| Operating income | 79,843,143 | 5,537,120 | 85,380,263 |
| Net income | 27,808,844 | 5,765,847 | 33,574,691 |
| Dividend payment to the General Fund of the City of Orlando | 11,668,970 | 2,390,030 | 14,059,000 |
| Contributed capital | 17,029,767 | 45,144,218 | 62,173,985 |
| Utility plant additions | 58,680,176 | 11,975,835 | 70,656,011 |
| Utility plant deletions | 4,930,898 | 108,368 | 5,039,266 |
| Net working capital | 81,138,751 | 1,400,366 | 82,539,117 |
| Total assets | 1,231,009,012 | 121,217,668 | 1,352,226,680 |
| Long-term debt - net | 885,816,866 | 12,665,907 | 898,482,773 |
| Total equity (accumulated retained earnings and contributed plant) | 248,394,117 | 97,572,846 | 345,966,963 |

There were no sales to any single customer in excess of 10% of operating revenues for the fiscal years 1991 and 1990.

## Report of Independent Certified Public Accountants

**Commissioners of the**
**Orlando Utilities Commission**

We have audited the accompanying balance sheets of Orlando Utilities Commission as of September 30, 1991 and 1990, and the related statements of income and accumulated retained earnings, and cash flows for the years then ended. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Orlando Utilities Commission at September 30, 1991 and 1990, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

Ernst & Young

December 2, 1991

# Commission Members

*Orlando Utilities' board of commissioners consists of five members including the Mayor of Orlando who is an ex-officio member. The City's Nominating Board screens applicants, submitting three names to the Commission which then nominates one of the three to the City Council or rejects all three. The City Council then may elect the Commission's nominee for a four-year term or reject the nominee. The Commissioners selected by this process serve without salary.*

**Jerry Chicone, Jr.**
***President***

Commission President **Jerry Chicone, Jr.** is a citrus grower and civic leader recognized especially for his efforts in revitalizing Downtown Orlando. A well-known community leader, he was the founding chairman of the Downtown Development Board and has held leadership roles in many civic and business organizations, including the Greater Orlando Area Chamber of Commerce.

**Royce B. Walden**
***First Vice President***

First Vice President **Royce B. Walden** is associate superintendent for Human Resources and Information Systems of Orange County Public Schools which has 17,000 employees. He is well recognized as a community leader and especially for his leadership role in creating programs to serve the disadvantaged children of migratory farm workers.

**Richard L. Fletcher, Jr.**
***Second Vice President***

Second Vice President **Richard L. Fletcher, Jr.** is a partner in the law firm of Bradford & Fletcher and is currently on the boards of several key civic organizations, including the Committee of 100 of Orange County. This was his first year on the Commission.

**James H. Pugh, Jr.**
***Commissioner***

Commissioner **James H. Pugh, Jr.** is president of Epoch Properties Inc., which is recognized as one of the "giants" of multi-family housing in the nation. He has been on the Commission eight years, serving as president three times.

**Bill Frederick**
***Mayor - Commissioner***

Mayor **Bill Frederick** has been elected mayor three times, serving as an ex-officio member of the Commission as mayor. He has attracted both state and national recognition as mayor of a city which has undergone a dramatic rebirth during his administration and which has been featured on the cover of two of the nation's major news magazines, *Newsweek* and *Time*.

Orlando Utilities Commission
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