

BUILDING ON A STRONG FOUNDATION

Orlando Utilities Commission
2008 Annual Report



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Going for Gold

(left) On November 11, 2008, OUC dedicated Reliable Plaza, "the Greenest Building in Downtown Orlando." This new customer service and administration center is designed to meet the requirements for LEED (Leadership in Environmental and Energy Design) Gold Certification. In honor of Veterans Day and the men and women of OUC who have served our country, the American flag was raised by a group of OUC veterans.

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A Letter from the GENERAL MANAGER/CEO & PRESIDENT

Never before in the 85 years of OUC has our tradition of sound fiscal planning and prudent business practices been so important. The past year has tested our mettle with the combination of an economic downturn, a reduction in growth and unseasonably mild weather.

As the financial markets fluctuated during 2008, we maneuvered through the mayhem and reaped the benefits of our long history of fiscal responsibility, strong financial foundation and AA bond rating.

Midway through the year, OUC anticipated the issues and initiated cost cutting measures, including a hiring freeze for non-critical positions, restrictions on travel and overtime and scaling back of capital projects. These efforts limited the negative impact of the economy and weather, allowing OUC to finish 2008 with \$61 million in net income. However, this was lower than originally budgeted.

In light of these lower than expected results in 2008 and with many sources suggesting a prolonged economic downturn, we are projecting no growth in sales for 2009 in comparison to 2008. In addition to lowering our sales expectations, we undertook an extensive review of all operating expenses and capital projects moving forward.

The long-term sustainability of our organization is paramount to OUC. We will achieve this by focusing on three key tenets — reliability, affordability and environmental stewardship. However, as we move forward, balancing these three goals will be a challenge.

Due to the economy, our customers are more price sensitive. At the same time, potential climate legislation will require investment in more expensive, carbon-free technology and volatile financial markets will demand increased levels of reserves.

Our solution is to look to the future. OUC is already pursuing participation in proposed nuclear projects in Florida. Nuclear generation — along with increased

investment in renewables — is part of OUC's plan to meet future climate regulations. In addition, we plan to launch demand-side management programs and pilot new technology, like in-home meter monitoring displays, to help customers become more energy efficient.

One big step toward that future was the completion this year of Reliable Plaza, our new customer service and administration center. When the land under our parking garage was necessary for the Department of Transportation's expansion of SR 408, we needed to rebuild — and we saw an opportunity to set the standard for sustainable building in Central Florida.

Designed to meet or exceed Gold LEED (Leadership in Energy and Environmental Design) Certification,

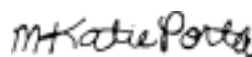
"The Greenest Building in Downtown Orlando" will use up to 28 percent less energy and 40 percent less water compared to a similar building.

Despite the challenges faced this year, our employees proved once again that we

have what it takes to weather the storm. We continue to be recognized as the most reliable utility in Florida, and our power plants are among the most efficient. Our water team continues to plan for our community's future and has been integrally involved in regional efforts to develop alternate water sources.

As always, we remain committed to upholding the financial and operational principles that have guided us so well throughout our history — and are well-positioned for the future. We have earned our reputation for being "reliable" through the toughest of times, and we continue to live up to our name moving forward.

"...focus on the long-term sustainability of our organization is paramount to OUC."



Katie Porta
President



Ken Ksionek
General Manager/CEO

A History of Balancing

RELIABILITY & AFFORDABILITY



As part of a two-month planned outage at SEC Unit 2, more than 150,000 work hours were invested in maintaining and maximizing the unit's energy output.

As a municipal utility, OUC works diligently to meet dual goals: operating a fiscally sound business and meeting the needs of our citizen owners. In 2008, we continued to live up to our name, "The Reliable One," by maximizing our existing power resources, investigating the next generation of energy production and delivery, and never losing sight of our customers.

Ensuring Fuel Diversity

A diverse fuel mix has always been critical to our ability to provide affordable, reliable power generation for our customers. But as fossil fuel power plants continue to draw increasing environmental regulation, we are evaluating and negotiating participation in proposed nuclear power plant projects within Florida — projects that will increase our existing nuclear generation portfolio and also provide carbon free generation.

Planning for the Future

This year our Strategic Planning team completed a

comprehensive Electric Integrated Resource Plan, a benchmark study detailing OUC's position through the lens of current and planned state and federal regulatory initiatives.

**In 2008, we continued to
live up to our name,
"The Reliable One"**

The results of this study — covering every resource facet including energy efficiency and renewable energy sources — will be the foundation for our planning efforts for everything from power production to demand-side management programs to reducing our corporate carbon footprint.

A Water Integrated Resource Plan will be conducted in 2009 to plan for our community's ground, reclaimed and alternative water sources going forward.

A New Power Partner

After celebrating the 10-year anniversary of our successful landmark partnership with the City of St. Cloud in 2007, we have been requested to provide similar power supply arrangements with other utilities throughout the state. Through a competitive process,



the City of Vero Beach selected OUC to provide supplementary power for 20 years beginning January 1, 2010. We will be the exclusive power provider and power marketer for the city, supplying future energy requirements above their current resource level.

As all utilities, including Vero Beach, have been impacted by rising power generation and fuel costs, this agreement will provide Vero Beach access to OUC's diverse generation fuel mix, which will help it maintain rate stability. In addition to generating revenue for OUC, this new partnership will help us operate intermediate generation resources more efficiently.

Fuel Back Up Provides Stability

To help manage price and supply volatility in the natural gas market as well as unforeseen interruptions in critical fuel lines, OUC entered into a five-year agreement for offsite natural gas storage. In the event of supply disruptions such as a hurricane, this physical storage capability gives us the flexibility to withdraw up to 30,000 MMBTUs of stored gas per day, enough to operate the under-construction SEC Unit B (pictured above) for about 10 days. While supplementing existing fuel supplies, this backup storage also will help ensure power reliability.

Back on the Grid

Part of our tradition of managing our generation resources is adhering to a strict maintenance schedule to ensure we are optimizing the current and future output of our equipment. In 2008, the Power Resources team completed a 56-day outage for SEC Unit 2. Twice as long as traditional annual outages, this scheduled downtime allowed for several major generation components to be inspected, refurbished or replaced.

Working around the clock, 330 OUC employees, along with contractors, logged more than 150,000 work hours to get the unit back in operation in record time. Nearly eight miles of boiler steam tubing was replaced, the steam turbine was dismantled and reconstructed, 30 new furnace burners were installed, coal pulverizers were overhauled, controls were replaced, and more. A similar outage is planned for SEC Unit 1 in 2010.

When OUC needed to upgrade our 230 Kilovolt Lake Agnes/Osceola transmission line to meet growing demand, our Energy Delivery team took a new approach to an old problem. As lines increase their capacity, the distance between

the line and the ground must also increase. Traditionally, lines are de-energized,

Innovative Ideas Are RAISING THE BAR

new poles are installed, and the lines are restrung. This process gets the job done, but with additional expense and downed line time.

For this project, our crews took an unconventional approach, deploying a Phase Raiser — a new technology that increases clearance while keeping the lines energized. Crews installed steel support sleeves around pairs of existing transmission poles and then cut each wooden pole in two. The upper half of each pole was hydraulically raised to the proper height and bolted to the steel sleeve. The result is better ground clearance and no downed or depowered lines, saving OUC both time and money.



A Tradition of Outstanding CUSTOMER SERVICE

With more than 250,000 customers depending on our daily efforts, our community has always come first at OUC. In 2008, we stepped up that commitment by reaching out to our customers in need, launching new incentive programs for area businesses, testing new meter technology and opening a downtown center that will set the standard for customer-centric, sustainable building for years to come.

A Green Landmark

When the land under our former parking garage was required for the Department of Transportation's expansion of State Road 408, we evaluated our options and made the decision to build a new customer service and administration center. We took the opportunity to set the standard for customer friendly, sustainable buildings in Orlando. That's why we made a commitment to being "green" when we designed Reliable Plaza in south downtown.

While our new home was a major milestone for OUC, it was also a first for the Central Florida community. Designed to meet the requirements for LEED Gold Certification, Reliable Plaza has earned the title of "The Greenest Building in Downtown Orlando."

Every month more than 12,000 OUC customers visit Reliable Plaza to pay their utility bills, set up or change service, or learn more about energy and water conservation. That's why our new home was designed with them in mind.



A Florida Original

The mural at Reliable Plaza, part of the City of Orlando's focus on public art, is based on a landscape by Highwayman artist Harold Newton (1934-1994). Historian Gary Monroe notes, "Newton stands alone having created the images of modern Florida that symbolized the state as the place to really be alive."

The first floor offers one-stop service to all of our customers. An expanded residential service center provides an improved customer experience with eight teller stations, three drive-through lanes and more convenient parking. Commercial and industrial customers have everything they need in our new Commercial Service Center, and local developers, builders and contractors enjoy a single point of contact through our Development Services Center.

One of the more innovative offerings at Reliable Plaza is the interactive conservation education center, located on the first floor near Customer Service. With a live link to the building's conservation systems, the center's touch screen gives customers real time data on how Reliable Plaza uses — and saves — energy and water. The center also can give information on green building ideas and conservation tips customers can use at home.

A Focus on Our Customers

As nationwide economic concerns grew, so too did our need to better assist those customers who need help most. After reaching

the \$1 million milestone in 2007, OUC's Project CARE — our emergency bill payment assistance program — received a significant overhaul, including higher per-customer allocations and more flexible eligibility guidelines. In partnership with 2-1-1, a United Way agency, we hired a full-time Project CARE administrator in 2008. This position will help streamline the application



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This position will help streamline the application and approval process for receiving utility assistance funds.

and approval process for qualifying OUC customers experiencing temporary problems paying their utility bills.

To help stave off these problems, we looked into programs designed to help prevent customers from falling into financial hardship. A small pilot program, featuring wireless meter monitors, was launched to see how customers may be able to use an in-home countertop display to monitor their family's monthly energy usage.

The advanced metering technology that OUC has selected allows for individual meter installations through the use of wireless, two-way communication between OUC and the customer's meter. As the technology and roll-out progress, this could lead to additional benefits such as helping us monitor real-time energy usage across the grid, as well as reduce costs by identifying possible utility theft.

Helping Build the Business Community

We didn't forget our commercial customers. Two new programs were developed in 2008 to help small businesses and new businesses thrive in Central Florida. In partnership with the Disney Entrepreneur Center, OUC approved \$100,000 for a pilot efficiency program that will offer conservation credits to small businesses that may be experiencing financial difficulties.

In partnership with the City of St. Cloud, OUC will authorize expenditure of up to \$1.3 million from the city's Business Development and Customer Retention Fund. The money will help create a business, technology and research incubator at the Stevens Plantation Corporate Campus. The city will work with UCF on the program to draw new business and industry diversity to St. Cloud.



For nearly 25 years, Doug Spencer, Vice President of the OUCustomer Connection, has kept OUC on the vanguard of what's next. Innovative programs like *OUCooling* and

OUConvenient Lighting owe their success to Spencer's vision and passion for moving the company in new directions while keeping a close eye on the bottom line.

Setting a Strong EXAMPLE

As Spencer prepares to step down in May 2009, he leaves OUC with one last accomplishment — our new headquarters at Reliable Plaza. Having spent more than two years planning and overseeing the daily construction of "The Greenest Building in Downtown Orlando," Spencer has set in place a keystone, not just for a career, but for the entire downtown skyline.

"This was our chance to set a strong example," Spencer notes. "By building green, we're not just asking our customers to think about the environment, we're showing them how it can be done."

And his efforts at Reliable Plaza will continue to support environmentally sound buildings for years to come. Due to Spencer's hard work, district cooling solutions — like our own *OUCooling* — now qualify customers for additional points toward LEED certification.



Protecting Our Water & Energy Resources: A Commitment to ENVIRONMENTAL STEWARDSHIP



At OUC, serving as good stewards of our environment has always been one of our guiding principles. In addition to focusing on conservation education and renewable resources, all of our facilities — like our new customer service and administration building — have been built with the best environmental technology available at the time of construction. It's all part of our commitment to building toward a greener Central Florida and cleaner tomorrow.

Ahead of the Regulatory Curve

This foundation of environmental stewardship is serving us well as state and federal agencies continue to adopt and change environmental legislation that impacts the utility industry. While the fate of the Federal Clean Air Interstate Rule (CAIR) still rests with the courts, OUC is well-prepared to meet even the strictest interpretation of the CAIR requirements with more than \$150 million planned in capital expenditures to ensure compliance for both SEC Units 1 and 2. In light of the continued national debate and uncertainty related to the CAIR guidelines, these environmental upgrades have been completed or postponed to enable OUC meet our fiscal and environmental goals.

This summer, OUC adopted additional standards in compliance with the Public Utility Regulatory Policies

Act (PURPA). OUC was required to evaluate standards for fuel sources, net metering, smart metering and interconnection. While the first three were addressed in 2008, we will not adopt the full PURPA standard for net metering at this time. Instead we will develop a pilot net metering tariff modeled after the newly enacted Florida Public Service Commission Net Metering Rule.

Our Corporate Carbon Footprint

To better understand how our company impacts the environment, OUC completed a company-wide greenhouse gas inventory this year. The report detailed the different emissions resulting from our operations, as well as ways we can help lessen or eliminate these gasses.

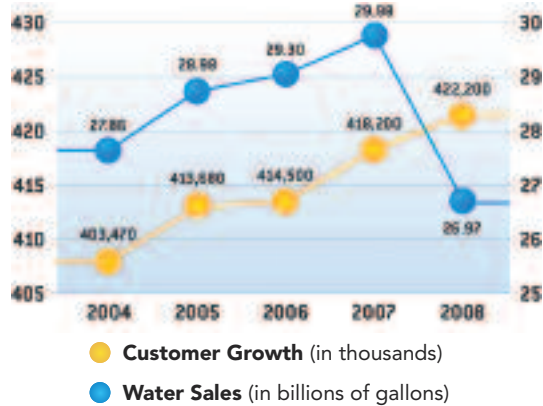
This study was part of a larger effort that was recently launched by our Strategic Planning team. Using input from a variety of sources, including the greenhouse gas report, and input from employees, customers and other

stakeholders, a comprehensive sustainability audit is underway to examine every department and function at the Commission. The audit asks: How can we reduce our corporate carbon footprint? From power generation and water production practices to human resources and purchasing policies, what short- and long-term strategies will reduce our impact on the environment? Expected to be completed in 2009, the sustainability audit report will

Saving and caring for our natural resources comes naturally at OUC

Water Customers and Usage Growth

in billions of gallons



be a blueprint for OUC as we develop our environmental initiatives for a greener tomorrow.

Our Water Resources

As we look to the future water needs of the growing Central Florida community, our motto is “The right water for the right use.” With potable water from the lower Floridan aquifer at a premium, the emphasis continues to be not only on encouraging customer conservation (see graph above) but also sharing this existing resource while developing new resources like reclaimed water and treated surface water.

That’s why our Water Business Unit has made regional cooperation a priority. In 2008, we continued our work on Project RENEW, a regional reclaimed water project that includes OUC, Orlando, Apopka and Winter Garden. This partnership will help move reclaimed water to areas needing non-potable water for uses like irrigation. At the same time, we are beginning work on a project with the St. Johns River Water Management District and the Taylor Creek Reservoir. This landmark partnership between five government water utilities and one private water utility will help boost and redistribute alternative water supplies on a regional scale.

We are working to meet or surpass the requirements set forth in our 20-year Consumptive Use Permit (CUP) with the St. Johns River Water Management District. In 2008, we submitted a five-year status report detailing our efforts to supply high quality drinking water from a diversity of potable water sources in our service territory. Since the CUP was granted in 2003, we have been hard at work participating in regional partnerships like Project RENEW, evaluating new alternative water supply resources, expanding our customer conservation education and student outreach programs, and even working to secure the coveted Florida Water Star designation for Reliable Plaza. In addition, a new laboratory information management system (LIMS) was implemented in the OUC water testing lab to help monitor the quality and award-winning taste of our own H₂OUC.

Our efforts to ready Central Florida for a renewable future were rewarded in 2008 as our hometown was designated a “Solar American City” by the U.S. Department of Energy. The ongoing green partnership between OUC, the City of

Orlando and Orange County received \$450,000 in funding and technical expertise to help develop

A SOLAR CITY in the Sunshine State

solar projects in our community that can be replicated across the country.

Even before the announcement was made, OUC was taking part in solar projects around the city. In addition to the 2,000-square-foot photovoltaic array on our own new home in downtown Orlando, we are participating in a 1 MW solar array partially funded by the Florida Department of Environmental Protection and soon to be installed on the Orange County Convention Center.

In addition, in 2008 we committed \$1 million toward the Dr. Phillips Orlando Performing Arts Center (below) in south downtown. This contribution will help the performing arts center with its green initiatives, specifically energy and water efficiency. With our help, the facility’s designers are keeping sustainability in mind and hope to incorporate green features and programs such as solar panels, energy efficient lighting and chilled water for air conditioning.



A Reputation for LOOKING AHEAD



With a firm foundation of affordability, reliability and sustainability, our key toward planning for tomorrow lies in keeping one eye on the horizon. This past year we launched or continued several future-focused programs in areas as diverse as information technology, commercial services, customer communications, human resources and fleet.

The Coolest Service in Town

Since 1997, *OUCooling* — our district cooling solution — has been chilling offices, malls, multi-family buildings and more all around Orlando. The combination of lower up-front costs, reduced maintenance costs and mitigated environmental impact has made *OUCooling* one of our hottest commercial offerings.

In 2008, we broke ground on two new loops, one in downtown and one in southeast Orlando. One of the three large-scale civic venues recently announced for metro Orlando, the new Events Center, will be cooled by a new loop in southwest downtown. In addition, our new Lake Nona Chiller Plant came online late this year. This plant will serve the UCF Medical School and Burnett College of Biomedical Sciences (pictured above), the VA

Hospital and the Burnham Institute for Medical Research. With Lake Nona and the Events Center loops complete, OUC will have approximately 50,000 tons of capacity, making us one of the largest chilled water service providers in the world.

Bright Ideas for Efficient Lighting

While our OUC-installed and maintained commercial and residential lighting programs have long been popular with builders and developers, *OUConvenient Lighting* is looking to the next generation of outdoor lighting solutions. A pilot program recently launched in the downtown Thornton Park neighborhood is testing high-efficiency light-emitting diode (LED) street lighting in place of traditional bulbs.

And, eight new schools took part in our innovative interior lighting partnership with Orange County Public Schools. At the 28 participating schools, our lighting team replaced older fixtures with more energy-efficient retrofits. The up-front costs are spread over multiple months of power bills, and these charges are immediately balanced out by lower, long-term electric bills.

Forward-thinking
programs power
positive results
at OUC

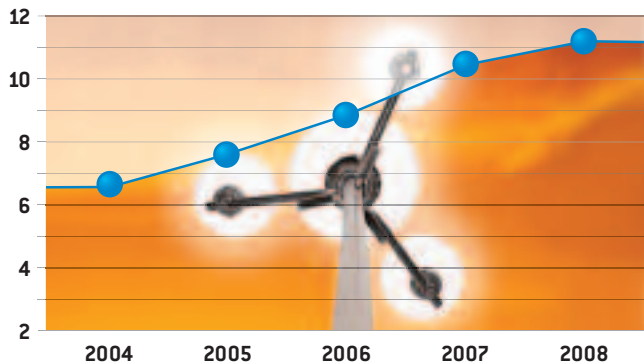
New Technology Means Better Information

Across the Commission, our Information Technology (IT) team found ways to integrate, streamline and automate our systems, improving communication between departments and accessibility to critical information. From internal audit and treasury management to power plant inventory and customer service, departments took advantage of improved systems that helped simplify the workflow, reduce errors and eliminate redundancies.

One major system that received an upgrade will have

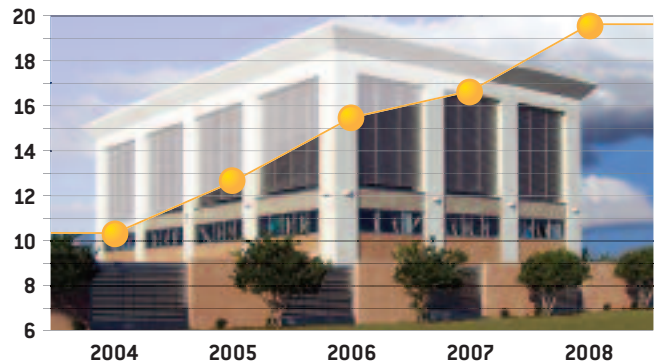
OUConvenient Lighting Revenue

in millions of dollars



OUCooling Revenue

in millions of dollars



an immediate impact on the customer experience, particularly during storm season. Our Outage Management System (OMS) was upgraded to improve our response time for electric, water and streetlight service issues. The system provides better and faster information for field crews, plus improved dispatch and resource management.

IT is in the early stages of a multi-year, company-wide business intelligence project. Looking ahead, the program will ultimately offer near real-time data — known as actionable information — via operational dashboards for review by executives and other key management.

Improving Customer Communication

While our words may have sounded familiar this year — each customer has the power to save energy and water — we found new, more efficient means of delivering that message in 2008. New technology played a role in our “Power to Save” campaign as customers had the opportunity to view OUC conservation and education videos on demand on Bright House Networks. Viewers could access information — like how to read your meter or how to check for faucet leaks — around the clock and at no cost. Not only did this give our customers the access they had requested, it helped OUC save money and resources by offering a waste-free alternative to mailing out conservation DVDs.

Digital billboards along major thoroughfares gave OUC a low-cost means to take multiple conservation messages to commuters in our community. In addition to no production costs and flexible scheduling, the billboards are able to react to external conditions, like temperature or rain forecast. Thus, more hot weather messages can cycle through on warm days and turn-off-your-sprinkler messages can pop up during sudden showers.

New Programs for Employees

A review of our pay and benefits programs, begun in 2007, continued this year with select changes implemented in fiscal 2008. Early in the year, enhancements were made to our vacation policy and orthodontic and dental coverage. At the same time, a compensation review was completed by a cross-departmental management team from all areas of the Commission. Every position at OUC was reviewed, tiered on a professional ladder and benchmarked against national and industry-specific salary information. The results of the study will help ensure that compensation at OUC stays at market-comparable levels.

To deepen the list of qualified candidates vying for potential positions at OUC, we also strengthened or expanded a number of partnerships with talent pools in our community. Our Human Resources team worked with area high schools and technical schools to help match curricula with OUC-specific job skills. At the same time, a new training program helped pre-qualify our incoming class of linemen recruits and an expanded focus on military recruiting served not only OUC but also our men and women returning from active duty.

Two new fleet initiatives helped OUC’s team of cars and trucks go a little greener in 2008. With a \$2.5 million grant from the Florida Department of Environmental Protection, Central Florida’s LYNX transit system will soon open a

New Options for “GOING GREEN”

biodiesel fueling station at its Orlando Operations Center. This

site will give OUC trucks another biodiesel fuel stop, in addition to our own Pershing Fleet Center in southeast Orlando.

While OUC’s fleet contains several hybrid vehicles, our next step was our first plug-in hybrid added in 2008. With up to 99 mpg, this converted traditional hybrid will be available for consumers as a production car as early as 2010. In addition, the summer teams from our Fleet and Energy Delivery groups had the chance to put the latest in hybrid bucket truck technology through the paces. Not only do hybrid bucket trucks run more quietly than traditional vehicles, they also help dramatically cut idling time as work can be done on just battery power, reducing the need to leave engines running during service calls.



The Year in Review:

PLANNING FOR THE FUTURE

Staying Ahead of the Financial Curve

Prudent planning and early action helped OUC weather one of the most challenging economic markets in recent years. Lower growth, coupled with mild weather and excess rain, kept OUC from meeting budget objectives. But with the help of internal cost reductions, OUC was still able to record positive income for the fiscal year.

Mid-year, OUC's financial team anticipated the effects of the economic downturn and worked with all areas to minimize capital outlays and reduce operating costs. A hiring freeze was put into effect for all non-critical positions, restrictions on non-essential travel and overtime were implemented and all capital projects were reviewed for possible delay or cancellation.

The Commission's AA bond rating and ability to remarket variable debt proved invaluable during the economic crunch, allowing OUC to access the market while other companies were forced to pay a premium or were shut out altogether. In addition, the AA bond rating meant OUC was able to manage its market needs without the additional cost of bond insurance.

Significant swings in the nation's fuel markets also continued to impact the utility industry in 2008. Through a long-standing energy price risk management program, OUC positioned itself to handle the market volatility and maintain fuel budget stability. With strong contracts and hedges in place, OUC was able to limit its exposure to

the sudden and dramatic price increases seen in the coal, natural gas and other commodities markets during 2008.

Serving Our Customers at "The Greenest Building in Downtown Orlando"

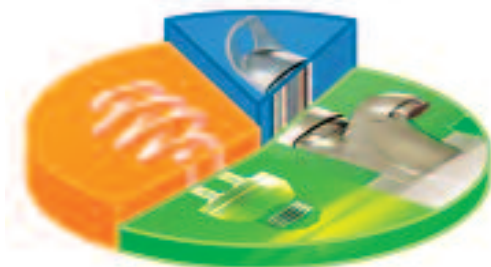
In late 2008, more than 300 employees, customers, civic leaders and current and former commissioners were on hand to officially dedicate Reliable Plaza, OUC's new downtown customer service and administration center. Built to meet Gold requirements for Leadership in Energy and Environmental Design (LEED) Certification, "The Greenest Building in Downtown Orlando" incorporates dozens of conservation features that will result in the use of 28 percent less energy and 40 percent less water than a similar building built to code. In addition to serving as a lasting example of the benefits of sustainable building, Reliable Plaza will serve more than 12,000 walk-in and drive-through customers each month.

In 2008, OUC pumped **31.0 billion gallons of water**, produced **7.2 million megawatts of power**, installed **576,048 feet of electric wire** and answered **481,400 customer phone calls**.

Planning for Our Area's Power Needs

Although our region's record growth slowed in 2008, OUC is planning for the future needs of Central Florida. Following the cancellation of the coal gasification portion of the Stanton Unit B integrated gasification combined cycle (IGCC) plant, construction continued on a 300-Megawatt combined cycle natural gas generating unit. The new unit is scheduled to begin startup in Spring

OUC Customers



■ Electric & Water	141,000	56.2%
■ Electric Only	73,000	29.1%
■ Water Only	37,000	14.7%
Total:	251,000	100%

2009 with commercial operation slated for early 2010. At the same time, the Stanton Energy Center (SEC) coal units underwent extensive work including the scheduled turbine overhaul of Stanton Unit 2 and the implementation of environmental systems upgrades in both Stanton Units 1 and 2 related to compliance with the Clean Air Interstate Rule (CAIR).

Delivering Service Reliability

OUC continued to live up to its reputation for excellent reliability through a series of projects designed to maximize current systems while laying the groundwork for future development. A major upgrade to the outage management system now provides complete remote viewing for response to electric, water and streetlight outages. Meanwhile, OUC responded to growth in east Orlando with the construction of the Lake Nona electric substation. The new substation will provide power to the University of Central Florida Medical School, the Burnett College of Biomedical Sciences, the Burnham Institute for Medical Research, the Nemours Children’s Clinic and the VA Medical Center, all currently under construction.

Our Region’s Water Future

In 2008, OUC compiled its initial five-year Consumptive Use Permit (CUP) compliance report that detailed our efforts to reduce water use, educate customers about the importance of conservation and explore new alternative water resources. While OUC has a 20-year CUP agreement with the St. Johns River Water Management District, regular reporting helps ensure that our area’s limited water resources are being used most effectively. To help encourage a macro-level solution to Central Florida’s potable water issues, OUC continued to build relationships with other regional water authorities, including taking part in the St. Johns River/Taylor Creek Reservoir Water Supply Project, a landmark partnership of five government and one private water agencies.

Protecting Our Environment

Green legislation continued to be at the forefront as OUC worked to meet changing environmental standards, including the Public Utility Regulatory Policies Act (PURPA) and the Federal Clean Air Interstate Rule (CAIR). Planned programs, such as an advanced metering infrastructure (AMI), are an early result of these regulatory changes.

To better understand how OUC and its customers impact the environment, the Commission conducted a greenhouse gas inventory and electric integrated resource plan in 2008. These results, along with an in-process sustainability audit, will be used as a reference for future renewable energy and demand-side management (DSM) planning.

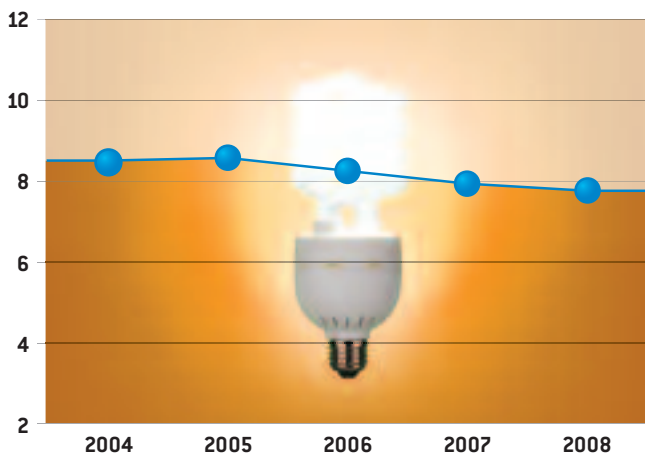
New and existing partnerships are enhancing OUC’s renewable resource portfolio. OUC’s successful nine-year agreement with the Orange County Landfill to pump biogas from the landfill to the Stanton Energy Center was extended. In addition, two new solar projects — one for the Orange County Convention Center and one for the planned Downtown Performing Arts Center — will help OUC and the City of Orlando live up to Orlando’s new designation as a “Solar American City.”

Building a Strong Team

OUC continued a comprehensive study of compensation and benefits in 2008. Based on extensive employee research and feedback, the Commission implemented improvements to select employee benefits, including additional sick and vacation time and improved dental and orthodontic coverage. At the same time, a diverse team of management staff took part in a six-month review of the OUC compensation program. The team’s findings were presented and implemented in mid-2008, helping to ensure that OUC continues to offer market-level pay for its team of employees.

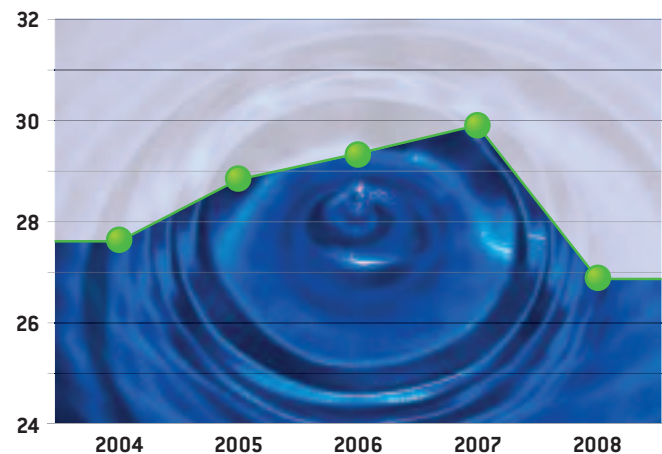
Electric Sales

in millions of megawatt hours



Water Sales

in billions of gallons



Combined Operations Comparative FINANCIAL HIGHLIGHTS

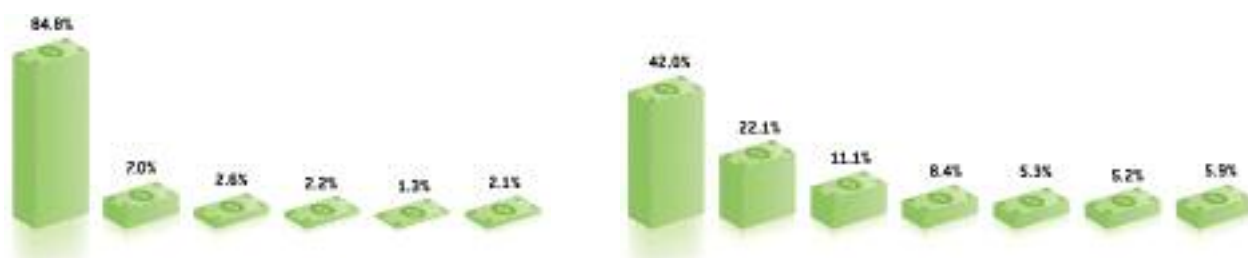
	2008	2007	Change 07-08	2003	1998
Operating Revenues	\$ 844,182	\$ 765,825	10.2%	\$ 559,713	\$ 445,950
Electric revenues	751,514	673,317	11.5%	502,576	411,928
Water revenues	62,210	65,428	-4.9%	46,307	34,002
Lighting revenues	11,288	10,437	8.2%	4,815	— (1)
Chilled water revenues	19,170	16,643	15.2%	6,015	20
Operating Expenses	712,977	639,571	11.5%	443,007	334,478
Fuel for generation and purchased power	372,423	323,245	15.2%	221,193	156,556
Unit and department expenses	195,529 (2)	179,956	8.7%	118,549	97,882
Depreciation and amortization	98,312	92,282	6.5%	70,747	53,919
Payment to other governments and taxes	46,713	44,088	6.0%	32,518	26,121
Interest expense, net	51,324	41,241	24.4%	61,689	64,797
Contributions in aid of construction	18,734	24,362	-23.1%	10,348	8,151
Annual dividend	45,952	45,700	0.6%	32,991	28,005
Increase in net assets	52,663	63,675	-17.3%	32,374	26,821
Net assets	918,105	865,442	6.1%	690,141	531,592
Long term debt, net	1,352,397	1,415,793	-4.5%	1,261,883	1,339,539
Utility plant, net	2,149,332	1,934,223	11.1%	1,704,987	1,538,996
Total assets	2,996,312	2,790,254	7.4%	2,488,071	2,067,586
Current debt service	2.45x	2.45x	0.0%	2.13x	2.12x
Senior bond ratings (3)	AA, Aa1, AA	AA, Aa1, AA		AA, Aa1, AA	AA, Aa1, AA

(1) In 1998, lighting revenues were reported under the heading of electric revenues.

(2) Includes storm recovery expenses.

(3) Bond Rating Agencies: Fitch Investors Service, Inc.; Moody's Investors Service; and Standard & Poor's, respectively.

The OUC Dollar



Sources (dollars in thousands)

Electric Operating Revenues	\$ 751,514	84.8%
Water Operating Revenues	62,210	7.0%
Interest and Other Income	22,843	2.6%
Chilled Water Operating Revenues	19,170	2.2%
Lighting Operating Revenues	11,288	1.3%
Contributions in Aid of Construction	18,734	2.1%
Total Sources	885,759	100.0%

Uses (dollars in thousands)

Fuel & Purchased Power	\$ 372,423	42.0%
Operating Expenses (1)	195,529	22.1%
Depreciation & Amortization	98,312	11.1%
Interest Expense	74,167	8.4%
Payments & Taxes	46,713	5.3%
Dividend	45,952	5.2%
Increase in Net Assets	52,663	5.9%
Total Uses	885,759	100.0%

(1) Includes storm recovery expenses.

Combined Operations Comparative STATISTICAL HIGHLIGHTS

	2008	2007	Change 07-08	2003	1998
Electric Operations					
Total sales (MWH)	7,734,938	7,980,266	-3.1%	7,344,778	7,770,062
Total retail sales (MWH)	5,441,257	5,391,294	0.9%	5,054,990	4,328,205
Commercial/industrial sales (MWH)	3,625,811	3,556,993	1.9%	3,303,008	2,764,952
Residential sales (MWH)	1,815,446	1,834,301	-1.0%	1,751,982	1,563,253
Sales for resale (MWH)	2,293,681	2,588,972	-11.4%	2,289,788	3,441,857
Active services	203,803	202,928	0.4%	177,860	153,792
Commercial/industrial services	24,111	23,889	0.9%	21,458	19,050
Residential services	151,025	150,254	0.5%	135,116	117,857
Interlocal services	28,667	28,785	-0.4%	21,286	16,885
Gross peak demand (MW)	1,147	1,182	-3.0%	1,079	975
Average residential consumption (KWH per year)	12,052	12,301	-2.0%	13,109	13,433
Average residential revenue (per KWH) (1)	\$0.1145	\$0.1077	6.3%	\$0.0822	\$0.0776
Heating degree days	338	453	-25.4%	714	610
Cooling degree days	3,592	3,527	1.8%	3,586	3,496
Water Operations					
Total sales (millions of gallons)	26,974	29,984	-10.0%	27,367	29,945
Active services	137,142	137,306	-0.1%	122,774	113,338
Commercial/industrial services	12,965	12,980	-0.1%	11,734	10,937
Residential services	108,245	108,374	-0.1%	97,354	92,285
Irrigation services	15,932	15,952	-0.1%	13,686	10,116
Peak pumping (millions gallons per day)	111.2	111.4	-0.2%	107.5	127.9
Residential consumption (millions of gallons)	13,513	15,030	-10.1%	13,579	15,448 (2)
Average residential revenue (per 1,000 gallons)	\$2.32	\$2.21	4.9%	\$1.70	\$1.20
Rainfall (inches)	61.22	33.66	81.9%	64.56	58.05
Lighting & Chilled Water Operations					
Lighting sales (MWH)	58,837	56,124	4.8%	43,167	29,171
Lighting active services	13,414	13,675	-1.9%	11,181	12,309
Chilled water active services	1,955	879	122.4%	NA	NA (3)

(1) Includes the impact of a tiered rate structure.

(2) In conjunction with the implementation of PSERM in 2007, OUC continues to refine its process for the classification of revenue, consumption and active service statistics.

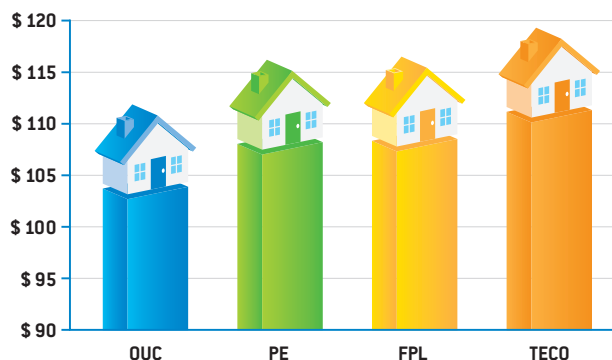
(3) Prior to 2006, data was not available for these statistics.

Electric Residential Rate Comparison

As of September 30, 2008

(based on 1,000 KWH)

Orlando Utilities Commission	\$ 104.19
Progress Energy Florida	\$ 107.83
Florida Power & Light	\$ 108.00
TECO Energy	\$ 111.52



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