

Financial Plan - Overview

	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Number of Customers	29,508	29,731	29,973	30,220	30,467	30,718
Sales of Electricity - kWh	739,896,143	742,485,780	755,479,289	768,700,177	782,152,430	795,840,097
Increase compared to prior year projected	1.00%	0.35%	1.75%	1.75%	1.75%	1.75%
Total Revenues	\$ 83,827,210	\$ 90,034,302	\$ 95,522,592	\$ 95,981,898	\$ 98,171,779	\$ 101,953,901
Operation & Maintenance Expense	\$ 71,496,474	\$ 77,196,969	\$ 79,107,910	\$ 80,931,804	\$ 83,309,106	\$ 86,273,412
Total Transfers	<u>12,153,635</u>	<u>13,029,604</u>	<u>16,070,225</u>	<u>15,102,811</u>	<u>15,120,634</u>	<u>15,497,920</u>
Total Disbursements	<u>\$ 83,650,109</u>	<u>\$ 90,226,573</u>	<u>\$ 95,178,135</u>	<u>\$ 96,034,615</u>	<u>\$ 98,429,740</u>	<u>\$ 101,771,333</u>
Restricted Fund Balances	<u>\$ 15,707,142</u>	<u>\$ 14,992,831</u>	<u>\$ 16,275,616</u>	<u>\$ 16,352,961</u>	<u>\$ 16,494,227</u>	<u>\$ 16,656,670</u>
Current Fund Balances	<u>\$ 3,505,501</u>	<u>\$ 4,125,044</u>	<u>\$ 4,688,501</u>	<u>\$ 4,709,784</u>	<u>\$ 4,670,824</u>	<u>\$ 5,088,393</u>
Debt Service Coverage						
Before Capitalized Overhead	<u>1.51</u>	<u>1.49</u>	<u>1.80</u>	<u>1.79</u>	<u>1.77</u>	<u>1.87</u>
Capital Budget Funding Level	<u>\$5,083,000</u>	<u>\$6,575,624</u>	<u>\$5,166,095</u>	<u>\$5,438,168</u>	<u>\$5,530,739</u>	<u>\$6,074,639</u>
Payment to City of Key West, FL	\$ 335,080	\$ 317,863	\$ 320,297	\$ 355,867	\$ 361,987	\$ 368,298
In Kind Services provided to the City of Key West, FL.	<u>369,874</u>	<u>380,871</u>	<u>347,689</u>	<u>354,643</u>	<u>361,736</u>	<u>368,970</u>
Total to the City of Key West,FL	<u>\$ 704,954</u>	<u>\$ 698,734</u>	<u>\$ 667,986</u>	<u>\$ 710,510</u>	<u>\$ 723,722</u>	<u>\$ 737,268</u>
Key Indicators:						
1. Are there sufficient funds to cover the required 90 days Operating Expense requirement?	YES	YES	YES	YES	YES	YES
2. What is the Rate Stabilization Fund Balance?	\$ 2,702,882	\$ 1,925,104	\$ 3,202,882	\$ 3,202,882	\$ 3,202,882	\$ 3,202,882

Comparison of the Financial Plan - Overview

	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Number of Customers						
Proposed FY '06 Budget	The	29,731	29,973	30,220	30,467	The
Approved FY '05 Budget	Proposed	29,731	29,973	30,220	30,467	Proposed
	FY'06					Budget
	Budget					did not
	includes					include
	a five-year					FY 2010
	Financial					
	Plan					
	2006-2010					
Sales of Electricity - kWh						
Proposed FY '06 Budget		742,485,780	755,479,289	768,700,177	782,152,430	
Approved FY '05 Budget		753,688,364	769,496,085	788,606,812	810,282,329	
Total Revenues						
Proposed FY '06 Budget		\$ 90,034,302	\$ 95,522,592	\$ 95,981,898	\$ 98,171,779	
Approved FY '05 Budget		\$ 85,869,947	\$ 88,149,632	\$ 89,925,110	\$ 92,058,896	
Operation & Maintenance Expense						
Proposed FY '06 Budget		\$ 77,196,969	\$ 79,107,910	\$ 80,931,804	\$ 83,309,106	
Approved FY '05 Budget		\$ 72,523,462	\$ 74,458,932	\$ 76,203,931	\$ 78,378,039	
Total Transfers						
Proposed FY '06 Budget		\$ 13,029,604	\$ 16,070,225	\$ 15,102,811	\$ 15,120,634	
Approved FY '05 Budget		\$ 13,053,254	\$ 13,257,821	\$ 13,419,247	\$ 13,783,984	
Total Disbursements						
Proposed FY '06 Budget		\$ 90,226,573	\$ 95,178,135	\$ 96,034,615	\$ 98,429,740	
Approved FY '05 Budget		\$ 85,576,716	\$ 87,716,753	\$ 89,623,178	\$ 92,162,023	
Restricted Fund Balances						
Proposed FY '06 Budget		\$ 14,992,831	\$ 16,275,616	\$ 16,352,961	\$ 16,494,227	
Approved FY '05 Budget		\$ 16,238,762	\$ 16,098,454	\$ 16,170,451	\$ 16,319,575	
Current Fund Balances						
Proposed FY '06 Budget		\$ 4,125,044	\$ 4,688,501	\$ 4,709,784	\$ 4,670,824	
Approved FY '05 Budget		\$ 3,779,270	\$ 4,206,149	\$ 4,542,081	\$ 4,617,954	
Debt Service Coverage						
Before Capitalized Overhead						
Proposed FY '06 Budget		1.49	1.80	1.79	1.77	
Approved FY '05 Budget		1.57	1.66	1.64	1.63	
Capital Budget Funding Level						
Proposed FY '05 Budget		\$ 6,575,624	\$ 5,166,095	\$ 5,438,168	\$ 5,530,739	
Approved FY '04 Budget		\$ 3,983,850	\$ 4,280,302	\$ 4,462,207	\$ 4,677,614	
Payment to City of Key West, FL						
Proposed FY '05 Budget		\$ 317,863	\$ 320,297	\$ 355,867	\$ 361,987	
Approved FY '04 Budget		\$ 358,102	\$ 360,808	\$ 373,024	\$ 380,019	

Financial Plan - Sources and Uses of Funds

	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
--	---------	---------	---------	---------	---------	---------

Revenues

Number of Customers	29,508	29,731	29,973	30,220	30,467	30,718
Sales of Electricity - kWh	739,896,143	742,485,780	755,479,289	768,700,177	782,152,430	795,840,097
increase from prior year sales	1.00%	0.35%	1.75%	1.75%	1.75%	1.75%
Operating Revenues	\$ 80,034,047	\$ 83,151,422	\$ 87,699,729	\$ 89,601,164	\$ 91,695,812	\$ 94,230,814
Other Operating Revenue	3,115,925	4,722,805	4,926,372	4,990,426	5,056,256	5,122,877
Non-Operating Revenue (Interest Income)	226,960	559,086	595,046	642,697	645,971	770,766
Non-Operating Revenue (Other)	450,279	600,988	2,301,445	747,611	773,740	1,829,445
subtotal	3,793,164	5,882,880	7,822,863	6,380,734	6,475,967	7,723,087
Transfer from Rate Stabilization Fund	0	1,000,000	0	0	0	0
Total Revenues	\$ 83,827,210	\$ 90,034,302	\$ 95,522,592	\$ 95,981,898	\$ 98,171,779	\$ 101,953,901

Average annual change compared to prior year	10.4%	7.4%	6.1%	0.5%	2.3%	3.9%
--	-------	------	------	------	------	------

Operating & Maintenance Expenses

Total Purchase Power Costs	\$ 48,247,763	\$ 51,121,683	\$ 52,112,996	\$ 53,402,487	\$ 54,866,010	\$ 56,743,867
Total Other Power Supply	1,023,349	1,159,815	1,207,619	1,159,946	1,209,135	1,318,213
Total Transmission	3,704,266	3,778,671	3,870,062	3,954,204	4,047,780	4,204,041
Total Distribution Expense	3,074,771	4,050,415	4,091,144	4,213,380	4,339,256	4,468,878
Total Customer Expense	1,204,025	1,210,847	1,251,001	1,284,352	1,318,864	1,354,577
Total Admin & General Expense	14,242,300	15,875,538	16,575,089	16,917,435	17,528,062	18,183,835
Total Expenses	\$ 71,496,474	\$ 77,196,969	\$ 79,107,910	\$ 80,931,804	\$ 83,309,106	\$ 86,273,412

Average annual change compared to prior year	7.6%	8.0%	2.5%	2.3%	2.9%	3.6%
--	------	------	------	------	------	------

Transfers

To (from) Bond Sinking Fund	\$ 8,511,550	\$ 8,451,538	\$ 8,386,900	\$ 8,392,294	\$ 8,384,481	\$ 8,394,844
To (from) Renewal & Replacement Fund	3,375,450	3,483,614	5,015,766	5,286,635	5,377,977	5,981,349
To (from) Rate Stabilization Fund	(500,000)	(777,778)	1,277,778	-	-	-
To (from) Emergency Reserve Fund	-	-	-	-	-	-
To (from) FMPA Pooled Loan (Debt Svc)	272,550	836,933	814,914	792,896	770,877	511,859
To (from) Operating Reserve Fund	176,223	715,000	219,000	269,000	219,000	235,000
Payment to City of Key West, FL	317,863	320,297	355,867	361,987	368,298	374,869
Total Transfers	\$ 12,153,635	\$ 13,029,604	\$ 16,070,225	\$ 15,102,811	\$ 15,120,634	\$ 15,497,920

Average annual change compared to prior year	-7.5%	7.2%	23.3%	-6.0%	0.1%	2.5%
--	-------	------	-------	-------	------	------

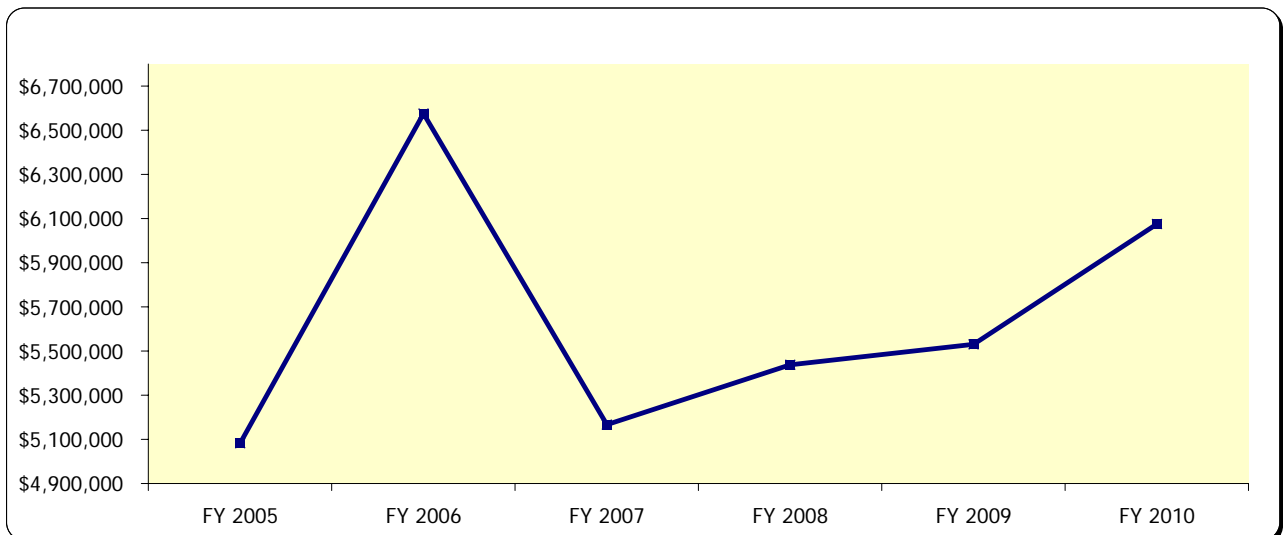
Financial Plan - Capital Budget

	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Transmission	\$ 1,366,000	\$ 325,000	\$ 728,435	\$ 751,300	\$ 445,200	\$ 1,125,200
Distribution	2,672,000	5,350,624	3,297,000	3,243,125	4,520,459	3,272,000
Generation	100,000	430,000	360,000	885,000	170,000	700,000
Facilities	170,000	80,000	155,000	105,000	115,000	175,000
Fleets	60,000	25,000	260,000	428,000	325,000	535,000
Information Technology	475,000	325,000	425,000	85,000	75,000	225,000
Other	240,000	40,000	40,000	40,000	40,000	75,000
Total Proposed Capital Projects	5,083,000	6,575,624	5,265,435	5,537,425	5,690,659	6,107,200
Adjustment (1)	-	0	(99,340)	(99,257)	(159,920)	(32,561)
Total Capital Project Funding Level	<u>\$5,083,000</u>	<u>\$6,575,624</u>	<u>\$5,166,095</u>	<u>\$5,438,168</u>	<u>\$5,530,739</u>	<u>\$6,074,639</u>
<u>Percentage by Category</u>						
Transmission	26.9%	4.9%	13.8%	13.6%	7.8%	18.4%
Distribution	52.6%	81.4%	62.6%	58.6%	79.4%	53.6%
Generation	2.0%	6.5%	6.8%	16.0%	3.0%	11.5%
Facilities	3.3%	1.2%	2.9%	1.9%	2.0%	2.9%
Fleets	1.2%	0.4%	4.9%	7.7%	5.7%	8.8%
Information Technology	9.3%	4.9%	8.1%	1.5%	1.3%	3.7%
Other	4.7%	0.6%	0.8%	0.7%	0.7%	1.2%
Total Proposed Capital Budget	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

Average annual change compared to prior year

0.8%	29.4%	-19.9%	5.2%	2.8%	7.3%
------	-------	--------	------	------	------

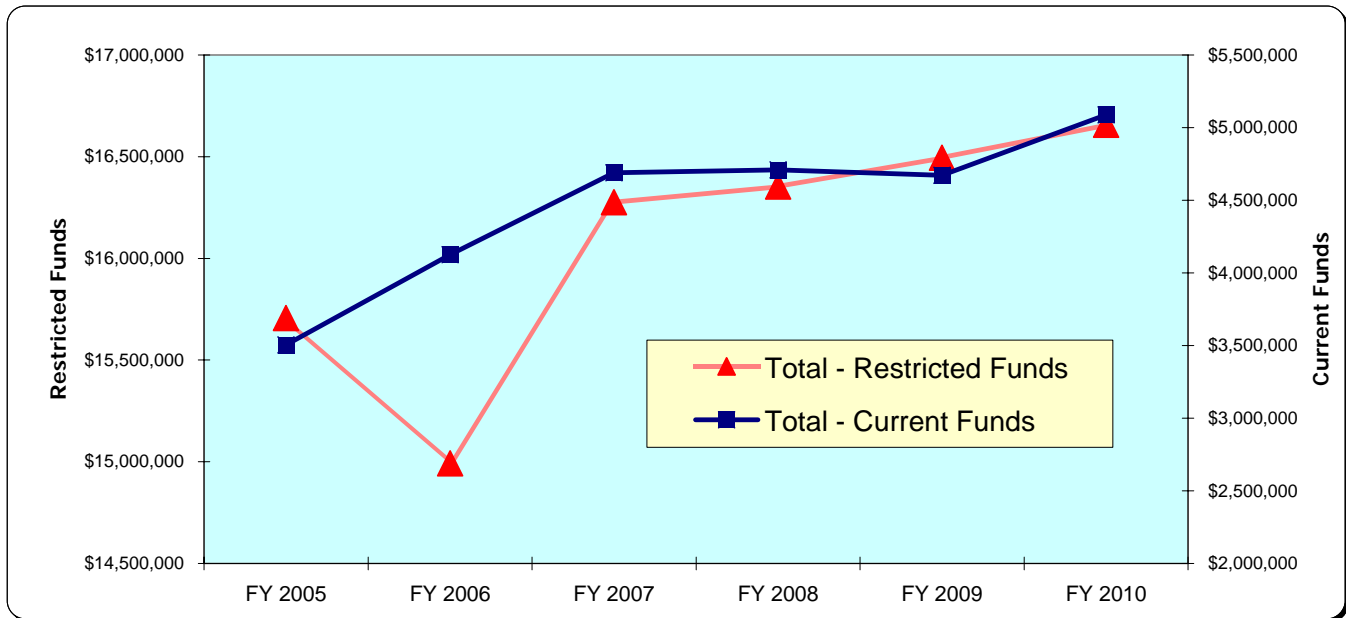
(1) The annual Strategic Planning Session sets the business priorities for the budgeting process. Based upon these priorities, each capital project is ranked. The projects that cannot be funded in the current year are re-evaluated and either eliminated or moved to a subsequent year. The adjustment line above represents the total dollars which have to be (removed) from or may be added to the proposed capital projects to equal the funding level.



Fund Balances

	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Restricted Funds:						
Bond Sinking Fund	\$ 6,872,288	\$ 6,955,728	\$ 6,981,084	\$ 7,079,159	\$ 7,241,544	\$ 7,425,500
Capital Improvement Fund	148,800	147,600	146,400	145,200	144,000	142,800
Customer Deposits Fund	3,981,640	3,962,913	3,943,811	3,924,327	3,904,454	3,884,183
Emergency Reserve Fund	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Rate Stabilization Fund	2,702,882	1,925,104	3,202,882	3,202,882	3,202,882	3,202,882
Renewal and Replacement Fund	<u>1,532</u>	<u>1,486</u>	<u>1,438</u>	<u>1,392</u>	<u>1,348</u>	<u>1,305</u>
Total - Restricted Funds	<u>\$ 15,707,142</u>	<u>\$ 14,992,831</u>	<u>\$ 16,275,616</u>	<u>\$ 16,352,961</u>	<u>\$ 16,494,227</u>	<u>\$ 16,656,670</u>
Average annual change compared to prior year	66.6%	-4.5%	8.6%	0.5%	0.9%	<u>1.0%</u>
Current Funds:						
Revenue Fund	\$ 140,287	\$ 44,830	\$ 389,287	\$ 336,571	\$ 78,610	\$ 261,179
Operating Reserve Fund	<u>3,365,214</u>	<u>4,080,214</u>	<u>4,299,214</u>	<u>4,373,214</u>	<u>4,592,214</u>	<u>4,827,214</u>
Total - Current Funds	<u>\$ 3,505,501</u>	<u>\$ 4,125,044</u>	<u>\$ 4,688,501</u>	<u>\$ 4,709,784</u>	<u>\$ 4,670,824</u>	<u>\$ 5,088,393</u>

Average annual change compared to prior year	6.6%	17.7%	13.7%	0.5%	-0.8%	8.9%
--	------	-------	-------	------	-------	------



Debt Service Coverage - Before Capitalized Overhead

	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
<u>Revenues Available for Debt Service:</u>						
Sales of Electric Energy	\$ 80,034,047	\$ 83,151,422	\$ 87,699,729	\$ 89,601,164	\$ 91,695,812	\$ 94,230,814
Other Electric Revenues	3,115,925	4,722,805	4,926,372	4,990,426	5,056,256	5,122,877
subtotal	83,149,972	87,874,228	92,626,101	94,591,590	96,752,068	99,353,691
Non-Operating Revenues	677,239	1,160,074	2,896,491	1,390,308	1,419,711	2,600,211
Transfer from (to) Rate Stabilization Fund	500,000	777,778	(1,277,778)	-	-	-
Total Revenues	84,327,210	89,812,080	94,244,814	95,981,898	98,171,779	101,953,901
Less: Operation & Maintenance Expense	71,496,474	77,196,969	79,107,910	80,931,804	83,309,106	86,273,412
Net Revenues Available for Debt Service	<u>12,830,736</u>	<u>12,615,111</u>	<u>15,136,904</u>	<u>15,050,094</u>	<u>14,862,673</u>	<u>15,680,489</u>
<u>Debt Service on Outstanding Bond Issues:</u>						
Series 2000 Forward Refunding Bonds	7,250,600	7,195,238	7,132,800	7,138,000	7,127,900	7,134,200
Series 2001 Refunding Bonds	1,260,950	1,256,300	1,254,100	1,254,294	1,256,581	1,260,644
Total Debt Service Requirements	<u>\$ 8,511,550</u>	<u>\$ 8,451,538</u>	<u>\$ 8,386,900</u>	<u>\$ 8,392,294</u>	<u>\$ 8,384,481</u>	<u>\$ 8,394,844</u>
Debt Service Coverage Before capitalized overhead	<u>1.51</u>	<u>1.49</u>	<u>1.80</u>	<u>1.79</u>	<u>1.77</u>	<u>1.87</u>
Average annual change compared to prior year	7.9%	-1.0%	20.9%	-0.6%	-1.2%	5.4%

Resolution 532, Article V, Section 5.01, (B):

A monthly report on the calculation of Debt Service Coverage must be performed for the preceding twelve (12) months. If the coverage is below 1.25%, the Board will request the Consulting Engineers to prepare and submit a report within sixty (60) days that determines the level at which rates must be set to produce a debt service coverage of 1.30 and rates must be revised within thirty (30) days. The Board must maintain the recommended rates to produce coverage of 1.30 for three (3) consecutive years.

Revenue Control

	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Number of Customers	29,508	29,731	29,973	30,220	30,467	30,718
Sales of Electricity - kWh	739,896,143	742,485,780	755,479,289	768,700,177	782,152,430	795,840,097
Increase compared to prior year projected	1.0%	0.4%	1.8%	1.7%	1.8%	1.7%
Energy Charge & Billing Demand	\$57,772,513	\$57,984,669	\$62,382,239	\$63,458,461	\$64,553,516	\$65,667,735
Power Cost Adjustment (PCA)	18,160,558	20,971,628	20,990,067	21,748,310	22,675,825	24,012,820
Customer Charge	<u>2,100,202</u>	<u>2,116,421</u>	<u>2,135,015</u>	<u>2,154,452</u>	<u>2,174,166</u>	<u>2,194,581</u>
subtotal Electric Revenues	78,033,273	81,072,718	85,507,321	87,361,223	89,403,506	91,875,136
Gross Receipts Tax (GRT)	<u>2,000,773</u>	<u>2,078,704</u>	<u>2,192,408</u>	<u>2,239,942</u>	<u>2,292,306</u>	<u>2,355,678</u>
subtotal Operating Revenues	80,034,047	83,151,422	87,699,729	89,601,164	91,695,812	94,230,814
Other Operating Revenue	3,115,925	4,722,805	4,926,372	4,990,426	5,056,256	5,122,877
Non-Operating Revenue (Interest Income)	226,960	559,086	595,046	642,697	645,971	770,766
Non-Operating Revenue (Other)	450,279	600,988	2,301,445	747,611	773,740	1,829,445
Transfer from Rate Stabilization Fund	<u>0</u>	<u>1,000,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Revenues	<u>\$83,827,210</u>	<u>\$89,034,302</u>	<u>\$95,522,592</u>	<u>\$95,981,898</u>	<u>\$98,171,779</u>	<u>\$101,953,901</u>

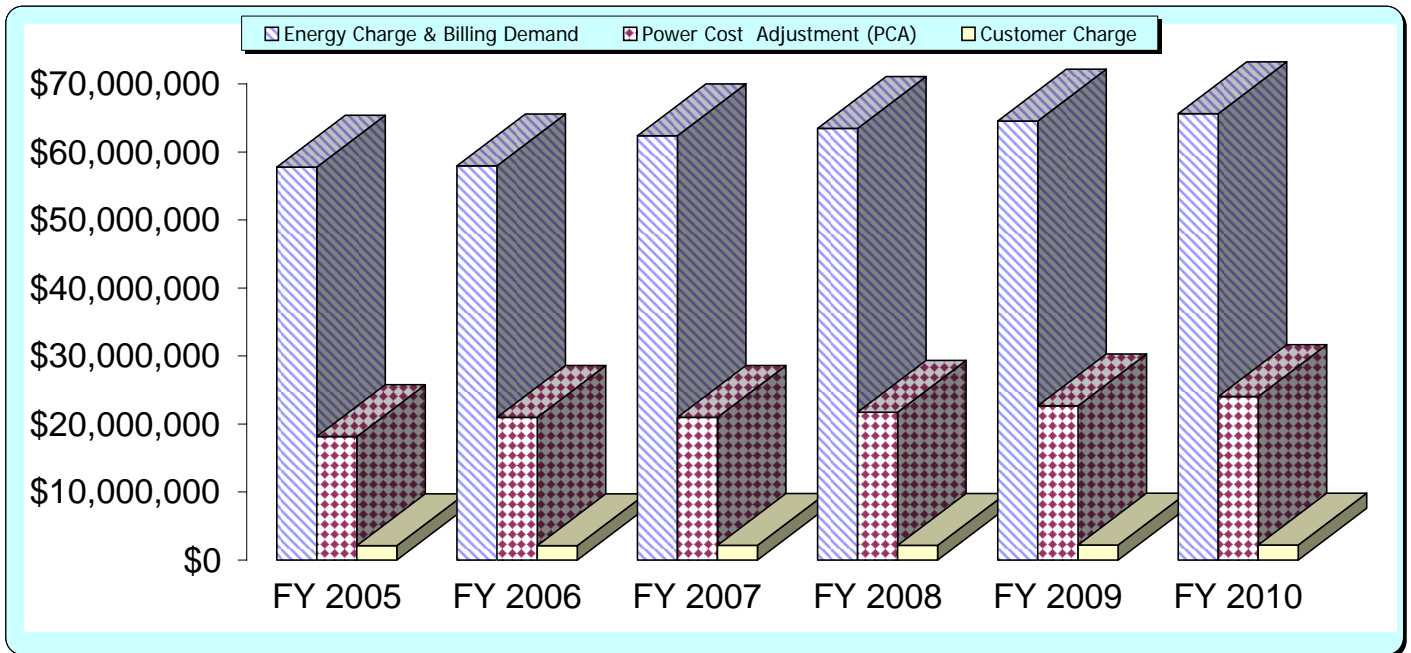
Average annual change compared to prior year

	10.4%	6.2%	7.3%	0.5%	2.3%	3.9%
--	-------	------	------	------	------	------

Sales forecasts are based upon RW Beck's June 2004 Energy Forecast, included in the appendix section.

Major components of electric revenue:

- 1) energy charge & billing demand are a function of the base rates approved by the Florida Public Service Commission
- 2) power cost adjustment which is designed to enable KEYS to collect the total power costs from its customers
- 3) customer charge which varies



Number of Accounts

	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Residential	23,847	24,057	24,257	24,446	24,627	24,799
Senior Citizens	265	268	270	272	274	276
Small Commercial	2,976	2,985	3,018	3,063	3,115	3,178
Recreation Lighting	4	4	4	4	4	4
Large Commercial	655	656	664	674	685	699
Large Commercial - Primary (1)	7	7	7	8	8	8
Military Service	1	1	1	1	1	1
Churches	15	15	15	15	15	16
Street Lighting	4	4	4	4	4	4
Area Lights	<u>1,734</u>	<u>1,734</u>	<u>1,734</u>	<u>1,734</u>	<u>1,734</u>	<u>1,734</u>
Total	<u>29,508</u>	<u>29,731</u>	<u>29,973</u>	<u>30,220</u>	<u>30,467</u>	<u>30,718</u>

Average annual change compared to prior year	1.5%	0.8%	0.8%	0.8%	0.8%	0.8%
--	------	------	------	------	------	------

(1) This rate schedule applies to power and energy for general purposes, and is available throughout the entire territory served by Keys Energy Services to those customers that own their own transformers or primary conductors and agree to purchase a fixed minimum amount of power each month.

Energy Sales (kWh)

	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Residential	330,502,217	331,658,975	337,463,007	343,368,610	349,377,560	355,491,667
Senior Citizens	2,223,109	2,230,890	2,269,931	2,309,654	2,350,073	2,391,200
Small Commercial	74,139,899	74,399,389	75,701,378	77,026,152	78,374,110	79,745,657
Recreation Lighting	216,156	216,913	220,709	224,571	228,501	232,500
Large Commercial	228,957,360	229,758,711	233,779,489	237,870,630	242,033,366	246,268,950
Large Commercial - Primary (1)	18,153,485	18,217,022	18,535,828	18,860,205	19,190,258	19,526,088
Military Service	80,850,291	81,133,267	82,553,099	83,997,779	85,467,740	86,963,425
Churches	504,364	506,129	514,987	523,999	533,169	542,499
Street Lighting	2,882,081	2,892,168	2,942,781	2,994,280	3,046,680	3,099,996
Area Lights	<u>1,467,181</u>	<u>1,472,316</u>	<u>1,498,081</u>	<u>1,524,298</u>	<u>1,550,973</u>	<u>1,578,115</u>
Total	<u>739,896,143</u>	<u>742,485,780</u>	<u>755,479,289</u>	<u>768,700,177</u>	<u>782,152,430</u>	<u>795,840,097</u>
Average annual change compared to prior year	1.0%	0.4%	1.8%	1.7%	1.8%	1.7%

(1) This rate schedule applies to power and energy for general purposes, and is available throughout the entire territory served by Keys Energy Services to those customers that own their own transformers or primary conductors and agree to purchase a fixed minimum amount of power each month.

Energy Charge per kWh

	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Residential	\$ 0.0799	\$ 0.0799	\$ 0.0849	\$ 0.0849	\$ 0.0849	\$ 0.0849
Senior Citizens	\$ 0.0799	\$ 0.0799	\$ 0.0849	\$ 0.0849	\$ 0.0849	\$ 0.0849
Small Commercial	\$ 0.0844	\$ 0.0844	\$ 0.0897	\$ 0.0897	\$ 0.0897	\$ 0.0897
Recreation Lighting	\$ 0.1044	\$ 0.1044	\$ 0.1044	\$ 0.1044	\$ 0.1044	\$ 0.1044
Large Commercial	\$ 0.0605	\$ 0.0605	\$ 0.0643	\$ 0.0643	\$ 0.0643	\$ 0.0643
Large Commercial - Primary (1)	\$ 0.0598	\$ 0.0598	\$ 0.0635	\$ 0.0635	\$ 0.0635	\$ 0.0635
Military Service	\$ 0.0598	\$ 0.0598	\$ 0.0635	\$ 0.0635	\$ 0.0635	\$ 0.0635
Churches	\$ 0.0799	\$ 0.0799	\$ 0.0849	\$ 0.0849	\$ 0.0849	\$ 0.0849
Street Lighting	\$ 0.0886	\$ 0.0886	\$ 0.0941	\$ 0.0941	\$ 0.0941	\$ 0.0941
Area Lights	\$ 0.1284	\$ 0.1284	\$ 0.1364	\$ 0.1364	\$ 0.1364	\$ 0.1364
Power Cost Adjustment	\$ 0.0245	\$ 0.0282	\$ 0.0278	\$ 0.0283	\$ 0.0290	\$ 0.0302
Power Cost in Base	\$ 0.0400	\$ 0.0400	\$ 0.0400	\$ 0.0400	\$ 0.0400	\$ 0.0400

(1) This rate schedule applies to power and energy for general purposes, and is available throughout the entire territory served by Keys Energy Services to those customers that own their own transformers or primary conductors and agree to purchase a fixed minimum amount of power each month.

Reflects a 6.25% rate increase effective October 1, 2007.

Energy Charge Revenue

	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Residential	\$ 26,407,127	\$ 26,499,552	\$ 28,648,500	\$ 29,149,849	\$ 29,659,971	\$ 30,179,021
Senior Citizens	177,626	178,248	192,703	196,075	199,507	202,998
Small Commercial	6,257,407	6,279,308	6,788,521	6,907,320	7,028,198	7,151,192
Recreation Lighting	22,567	22,646	23,042	23,445	23,856	24,273
Large Commercial	13,851,920	13,900,402	15,027,638	15,290,621	15,558,207	15,830,476
Large Commercial - Primary (1)	1,085,578	1,089,378	1,177,720	1,198,330	1,219,301	1,240,639
Military Service	4,834,847	4,851,769	5,245,218	5,337,009	5,430,407	5,525,439
Churches	40,299	40,440	43,719	44,484	45,263	46,055
Street Lighting	255,352	256,246	277,026	281,874	286,807	291,826
Area Lights	188,386	189,045	204,376	207,952	211,592	215,294
Total	<u>\$ 53,121,111</u>	<u>\$ 53,307,035</u>	<u>\$ 57,628,463</u>	<u>\$ 58,636,961</u>	<u>\$ 59,663,107</u>	<u>\$ 60,707,212</u>

Average annual change compared to prior year	1.0%	0.3%	8.1%	1.7%	1.8%	1.8%
--	------	------	------	------	------	------

(1) This rate schedule applies to power and energy for general purposes, and is available throughout the entire territory served by Keys Energy Services to those customers that own their own transformers or primary conductors and agree to purchase a fixed minimum amount of power each month.

Billing Demand (kW)

	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Residential	-	-	-	-	-	-
Senior Citizens	-	-	-	-	-	-
Small Commercial	-	-	-	-	-	-
Recreation Lighting	-	-	-	-	-	-
Large Commercial	541,376	543,271	552,778	562,452	572,294	582,310
Large Commercial - Primary (1)	44,460	46,720	49,111	49,970	50,844	51,734
Military Service	145,164	145,164	145,164	145,164	145,164	145,164
Churches	8,450	8,450	8,450	8,450	8,450	8,450
Street Lighting	-	-	-	-	-	-
Area Lights	-	-	-	-	-	-
Total	<u>739,451</u>	<u>743,605</u>	<u>755,503</u>	<u>766,036</u>	<u>776,753</u>	<u>787,658</u>

Average annual change compared to prior year	1.0%	0.6%	1.6%	1.4%	1.4%	1.4%
---	------	------	------	------	------	------

(1) This rate schedule applies to power and energy for general purposes, and is available throughout the entire territory served by Keys Energy Services to those customers that own their own transformers or primary conductors and agree to purchase a fixed minimum amount of power each month.

Billing Demand per kW

	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Residential	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Senior Citizens	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Small Commercial	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Recreation Lighting	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Large Commercial	\$ 6.45	\$ 6.45	\$ 6.45	\$ 6.45	\$ 6.45	\$ 6.45
Large Commercial - Primary (1)	\$ 6.20	\$ 6.20	\$ 6.20	\$ 6.20	\$ 6.20	\$ 6.20
Military Service	\$ 5.98	\$ 5.98	\$ 5.98	\$ 5.98	\$ 5.98	\$ 5.98
Churches	\$ 1.80	\$ 1.80	\$ 1.80	\$ 1.80	\$ 1.80	\$ 1.80
Street Lighting	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Area Lights	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

(1) This rate schedule applies to power and energy for general purposes, and is available throughout the entire territory served by Keys Energy Services to those customers that own their own transformers or primary conductors and agree to purchase a fixed minimum amount of power each month.

Billing Demand Revenue

	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Residential	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Senior Citizens	-	-	-	-	-	-
Small Commercial	-	-	-	-	-	-
Recreation Lighting	-	-	-	-	-	-
Large Commercial	3,491,875	3,504,096	3,565,418	3,627,813	3,691,299	3,755,897
Large Commercial - Primary (1)	275,653	289,665	304,485	309,814	315,235	320,752
Military Service	868,663	868,663	868,663	868,663	868,663	868,663
Churches	15,211	15,211	15,211	15,211	15,211	15,211
Street Lighting	-	-	-	-	-	-
Area Lights	-	-	-	-	-	-
Total	<u>\$ 4,651,402</u>	<u>\$ 4,677,635</u>	<u>\$ 4,753,777</u>	<u>\$ 4,821,500</u>	<u>\$ 4,890,408</u>	<u>\$ 4,960,523</u>

Average annual change compared to prior year	-0.4%	0.6%	1.6%	1.4%	1.4%	1.4%
--	-------	------	------	------	------	------

(1) This rate schedule applies to power and energy for general purposes, and is available throughout the entire territory served by Keys Energy Services to those customers that own their own transformers or primary conductors and agree to purchase a fixed minimum amount of power each month.

Energy Charge & Billing Demand Revenue

	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Residential	\$ 26,407,127	\$ 26,499,552	\$ 28,648,500	\$ 29,149,849	\$ 29,659,971	\$ 30,179,021
Senior Citizens	177,626	178,248	192,703	196,075	199,507	202,998
Small Commercial	6,257,407	6,279,308	6,788,521	6,907,320	7,028,198	7,151,192
Recreation Lighting	22,567	22,646	23,042	23,445	23,856	24,273
Large Commercial	17,343,795	17,404,498	18,593,056	18,918,434	19,249,507	19,586,373
Large Commercial - Primary (1)	1,361,232	1,379,043	1,482,205	1,508,144	1,534,536	1,561,391
Military Service	5,703,511	5,720,432	6,113,881	6,205,672	6,299,070	6,394,102
Churches	55,509	55,650	58,930	59,695	60,473	61,265
Street Lighting	255,352	256,246	277,026	281,874	286,807	291,826
Area Lights	188,386	189,045	204,376	207,952	211,592	215,294
Total	<u>\$ 57,772,513</u>	<u>\$ 57,984,669</u>	<u>\$ 62,382,239</u>	<u>\$ 63,458,461</u>	<u>\$ 64,553,516</u>	<u>\$ 65,667,735</u>

Average annual change compared to prior year	0.9%	0.4%	7.6%	1.7%	1.7%	1.7%
--	------	------	------	------	------	------

(1) This rate schedule applies to power and energy for general purposes, and is available throughout the entire territory served by Keys Energy Services to those customers that own their own transformers or primary conductors and agree to purchase a fixed minimum amount of power each month.

Power Cost Adjustment per kWh

	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Residential	\$ 0.0245	\$ 0.0282	\$ 0.0278	\$ 0.0283	\$ 0.0290	0.0302
Senior Citizens	\$ 0.0245	\$ 0.0282	\$ 0.0278	\$ 0.0283	\$ 0.0290	0.0302
Small Commercial	\$ 0.0245	\$ 0.0282	\$ 0.0278	\$ 0.0283	\$ 0.0290	0.0302
Recreation Lighting	\$ 0.0245	\$ 0.0282	\$ 0.0278	\$ 0.0283	\$ 0.0290	0.0302
Large Commercial	\$ 0.0245	\$ 0.0282	\$ 0.0278	\$ 0.0283	\$ 0.0290	0.0302
Large Commercial - Primary (1)	\$ 0.0245	\$ 0.0282	\$ 0.0278	\$ 0.0283	\$ 0.0290	0.0302
Military Service	\$ 0.0245	\$ 0.0282	\$ 0.0278	\$ 0.0283	\$ 0.0290	0.0302
Churches	\$ 0.0245	\$ 0.0282	\$ 0.0278	\$ 0.0283	\$ 0.0290	0.0302
Street Lighting	\$ 0.0245	\$ 0.0282	\$ 0.0278	\$ 0.0283	\$ 0.0290	0.0302
Area Lights	\$ 0.0245	\$ 0.0282	\$ 0.0278	\$ 0.0283	\$ 0.0290	0.0302

Average annual change compared to prior year	56.4%	15.1%	-1.6%	1.8%	2.5%	4.1%
--	-------	-------	-------	------	------	------

(1) This rate schedule applies to power and energy for general purposes, and is available throughout the entire territory served by Keys Energy Services to those customers that own their own transformers or primary conductors and agree to purchase a fixed minimum amount of power each month.

Power Cost Adjustment Revenue

	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Residential	\$ 8,112,091	\$ 9,367,760	\$ 9,375,997	\$ 9,714,694	\$ 10,129,003	\$ 10,726,222
Senior Citizens	54,566	63,012	63,067	65,345	68,132	72,149
Small Commercial	1,819,745	2,101,422	2,103,270	2,179,248	2,272,188	2,406,159
Recreation Lighting	5,305	6,127	6,132	6,354	6,625	7,015
Large Commercial	5,619,699	6,489,571	6,495,277	6,729,912	7,016,927	7,430,653
Large Commercial - Primary (1)	445,573	514,543	514,995	533,599	556,356	589,159
Military Service	1,984,449	2,291,622	2,293,637	2,376,492	2,477,844	2,623,941
Churches	12,379	14,296	14,308	14,825	15,457	16,369
Street Lighting	70,740	81,690	81,762	84,715	88,328	93,536
Area Lights	36,012	41,586	41,622	43,126	44,965	47,616
Total	\$ 18,160,558	\$20,971,628	\$20,990,067	\$21,748,310	\$ 22,675,825	\$ 24,012,820

Average annual change compared to prior year	58.0%	15.5%	0.1%	3.6%	4.3%	5.9%
--	-------	-------	------	------	------	------

(1) This rate schedule applies to power and energy for general purposes, and is available throughout the entire territory served by Keys Energy Services to those customers that own their own transformers, primary conductors and agreeing to purchase a fixed minimum amount of power each month.

Customer Charge per Billing

	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Residential	\$ 6.00	\$ 6.00	\$ 6.00	\$ 6.00	\$ 6.00	\$ 6.00
Senior Citizens	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Small Commercial	\$ 6.50	\$ 6.50	\$ 6.50	\$ 6.50	\$ 6.50	\$ 6.50
Recreation Lighting	\$ 13.73	\$ 13.73	\$ 13.73	\$ 13.73	\$ 13.73	\$ 13.73
Large Commercial	\$ 18.50	\$ 18.50	\$ 18.50	\$ 18.50	\$ 18.50	\$ 18.50
Large Commercial - Primary (1)	\$ 18.50	\$ 18.50	\$ 18.50	\$ 18.50	\$ 18.50	\$ 18.50
Military Service	\$ 18.50	\$ 18.50	\$ 18.50	\$ 18.50	\$ 18.50	\$ 18.50
Churches	\$ 18.50	\$ 18.50	\$ 18.50	\$ 18.50	\$ 18.50	\$ 18.50
Street Lighting	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Area Lights	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

(1) This rate schedule applies to power and energy for general purposes, and is available throughout the entire territory served by Keys Energy Services to those customers that own their own transformers or primary conductors and agree to purchase a fixed minimum amount of power each month.

Customer Charge Revenue

	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Residential	\$ 1,716,985	\$ 1,732,095	\$ 1,746,471	\$ 1,760,094	\$ 1,773,118	\$ 1,785,530
Senior Citizens	-	-	-	-	-	-
Small Commercial	232,158	232,832	235,393	238,924	242,985	247,845
Recreation Lighting	664	664	664	664	664	664
Large Commercial	145,302	145,723	147,326	149,536	152,078	155,120
Large Commercial - Primary (1)	1,623	1,628	1,646	1,671	1,699	1,733
Military Service	222	222	222	222	222	222
Churches	3,247	3,256	3,292	3,342	3,398	3,466
Street Lighting	-	-	-	-	-	-
Area Lights	-	-	-	-	-	-
Total	<u>\$ 2,100,202</u>	<u>\$ 2,116,421</u>	<u>\$ 2,135,015</u>	<u>\$ 2,154,452</u>	<u>\$ 2,174,166</u>	<u>\$ 2,194,581</u>

Average annual change compared to prior year	1.6%	0.8%	0.9%	0.9%	0.9%	0.9%
---	------	------	------	------	------	------

(1) This rate schedule applies to power and energy for general purposes, and is available throughout the entire territory served by Keys Energy Services to those customers that own their own transformers or primary conductors and agree to purchase a fixed minimum amount of power each month.

Gross Receipts Tax (GRT) Charged

	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Billing Demand Revenue	\$ 4,651,402	\$ 4,677,635	\$ 4,753,777	\$ 4,821,500	\$ 4,890,408	\$ 4,960,523
Energy Charge	53,121,111	53,307,035	57,628,463	58,636,961	59,663,107	60,707,212
Power Cost Adjustment	18,160,558	20,971,628	20,990,067	21,748,310	22,675,825	24,012,820
Customer Charges	<u>2,100,202</u>	<u>2,116,421</u>	<u>2,135,015</u>	<u>2,154,452</u>	<u>2,174,166</u>	<u>2,194,581</u>
subtotal	78,033,273	81,072,718	85,507,321	87,361,223	89,403,506	<u>91,875,136</u>
Effective Tax Rate	<u>\$ 0.0256</u>	<u>\$ 0.0256</u>	<u>\$ 0.0256</u>	<u>\$ 0.0256</u>	<u>\$ 0.0256</u>	<u>\$ 0.02564</u>
Gross Receipts Tax	<u>\$ 2,000,773</u>	<u>\$ 2,078,704</u>	<u>\$ 2,192,408</u>	<u>\$ 2,239,942</u>	<u>\$ 2,292,306</u>	<u>\$ 2,355,678</u>

Average annual change compared to prior year	10.2%	3.9%	5.5%	2.2%	2.3%	2.8%
--	-------	------	------	------	------	------

Other Operating Revenue

	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
FMPA Reserve Capacity Credit (1)	\$ 1,354,752	\$ 1,260,565	\$ 1,285,777	\$ 1,311,492	\$ 1,337,722	\$ 1,364,476
FMPA Diesel Variable O&M (2)	55,000	56,100	57,222	58,366	59,534	60,724
FMPA Start up Credits (3)	175,000	178,500	182,070	185,711	189,426	193,214
FKEC Reserve Capacity Charges (4)	432,000	432,000	432,000	432,000	432,000	432,000
FMPA Shared Costs - Security Guard	131,400	64,765	65,736	66,723	67,723	68,739
Navy Privatization - O&M	-	390,797	1,191,234	1,214,365	1,238,023	1,262,651
Navy Privatization - Capital	92,000	1,392,703	1,009,766	1,008,635	1,007,977	1,006,349
Penalty Charges	430,000	450,000	456,750	463,601	470,555	477,614
Service Charges	130,000	125,000	126,875	128,778	130,710	132,670
Temporary Disconnects	30,000	32,000	32,500	33,000	33,500	34,000
Initial Permanent Service Charge	45,000	55,000	55,825	56,662	57,512	58,375
Trouble Calls	5,000	5,000	5,075	5,151	5,228	5,307
NSF Check Charge	7,500	9,000	9,135	9,272	9,411	9,552
Line Extension Fees	10,000	10,150	10,302	10,457	10,614	10,773
Underground Lines Extension Fees	-	255,225	-	-	-	-
Meter Tampering	2,500	3,000	3,045	3,091	3,137	3,184
Uninterrupted Power Supplies & Power Sentry Proceeds	14,620	3,000	3,060	3,121	3,184	3,247
FMPA Shared Capital Projects	93,450	-	-	-	-	-
FMPA Reimbursement - CT#2 & #3	107,703	-	-	-	-	-
Total	<u>\$ 3,115,925</u>	<u>\$ 4,722,805</u>	<u>\$ 4,926,372</u>	<u>\$ 4,990,426</u>	<u>\$ 5,056,256</u>	<u>\$ 5,122,877</u>

Average annual change compared to prior year

	19.3%	51.6%	4.3%	1.3%	1.3%	1.3%
--	-------	-------	------	------	------	------

(1) Florida Municipal Power Agency (FMPA) capacity credits are included in a contractual agreement for providing capacity from KEYS owned generation. The calculation is \$2.25 per megawatt (MW) per month. Currently, KEYS maintains 50,400 MW's of capacity from owned generation and plans on reducing owned generation by approximately 10% in 2006 when FMPA is scheduled to add approximately 40 MW's of generation.

(2) FMPA diesel variable operations & maintenance (O&M) credits are included in a contractual agreement with FMPA in return for maintaining FMPA's generation located in KEYS service area. The calculation varies from \$2.66 to \$5.36 per MWh of generation, depending upon the type of generating unit. Generation was estimated for budget purposes.

(3) FMPA start-up credits are included in a contractual agreement with the FMPA in return for starting KEYS owned generation when requested to do so. The calculation varies from \$36.78 to \$47.66 per MW resulting from each start of a generator, depending on the type of generation unit. The number of start-ups and MWs were estimated for budget purposes.

(4) FKEC reserve capacity charges are included in a contractual agreement with the Florida Keys Electric Cooperative for providing a minimum capacity of 12,000 megawatt hours from KEYS owned generation. The monthly charge is at the rate of \$3.00 per megawatt hour.

Inflation rate	Inflation rate	Inflation rate	Inflation rate	Inflation rate	Inflation rate
1.5%	2.0%	2.0%	2.0%	2.0%	2.0%

Interest Income

	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Revenue Fund	\$ 36,000	\$ 90,000	\$ 96,000	\$ 96,000	\$ 96,000	\$ 96,000
Bond Sinking Fund	40,433	103,084	111,292	111,697	113,267	231,729
Capital Improvement Fund	1,800	4,464	4,723	4,685	4,646	4,608
Customer Deposits Fund	48,000	119,449	126,813	126,202	125,578	124,943
Emergency Reserve Fund	24,000	60,000	64,000	64,000	64,000	64,000
Operating Reserve Fund	38,268	100,956	130,567	137,575	139,943	146,951
Rate Stabilization Fund	38,435	81,086	61,603	102,492	102,492	102,492
Renewal & Replacement Fund	25	46	48	46	45	43
Total	<u>\$226,960</u>	<u>\$ 559,086</u>	<u>\$ 595,046</u>	<u>\$ 642,697</u>	<u>\$ 645,971</u>	<u>\$ 770,766</u>

Average annual change
compared to prior year

76.4% 146.3% 6.4% 8.0% 0.5% 19.3%

Inflation rate Inflation rate Inflation rate Inflation rate Inflation rate Inflation rate
1.2% 3.0% 3.2% 3.2% 3.2% 3.2%

Economists are of the opinion the interest rate will gradually increase through December 2005, adding approximately 2% to the current interest rate.

Non-Operating Revenue

	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Joint Tree Trimming Project	\$ 17,440	\$ 137,918	\$ 140,676	\$ 143,490	\$ 146,360	\$ 149,287
Bellsouth Pole Rental	157,000	175,425	184,196	193,406	203,076	213,230
Comcast Pole Rental	115,000	143,000	150,150	157,658	165,540	173,817
BAMA Rental	37,969	40,000	41,200	42,436	43,709	45,020
FKEC Pole Attachment Rental	21,555	22,000	22,660	23,340	24,040	24,761
Cingular Smokestack Rental	27,300	42,525	44,651	46,884	49,228	51,689
Comcast Pole Height Reimbursement	61,000	-	-	-	-	-
USCG Smokestack Rental		6,060	6,242	6,429	6,622	4,547
Key West Steam Plant Contribution			500,000	100,000	102,000	103,530
Key West Steam Plant Contribution - excess sales price			1,177,000			
Other Revenue	1,015	1,500	1,523	1,545	1,569	1,592
EPA Refunds and/or SO2 Emission Credit Auction and Sale Proceeds	12,000	32,560	33,147	32,423	31,596	1,061,970
Total	<u>\$ 450,279</u>	<u>\$ 600,988</u>	<u>\$ 2,301,445</u>	<u>\$ 747,611</u>	<u>\$ 773,740</u>	<u>\$ 1,829,445</u>

Average annual change compared to
prior year

-19.6% 33.5% 282.9% -67.5% 3.5% 136.4%

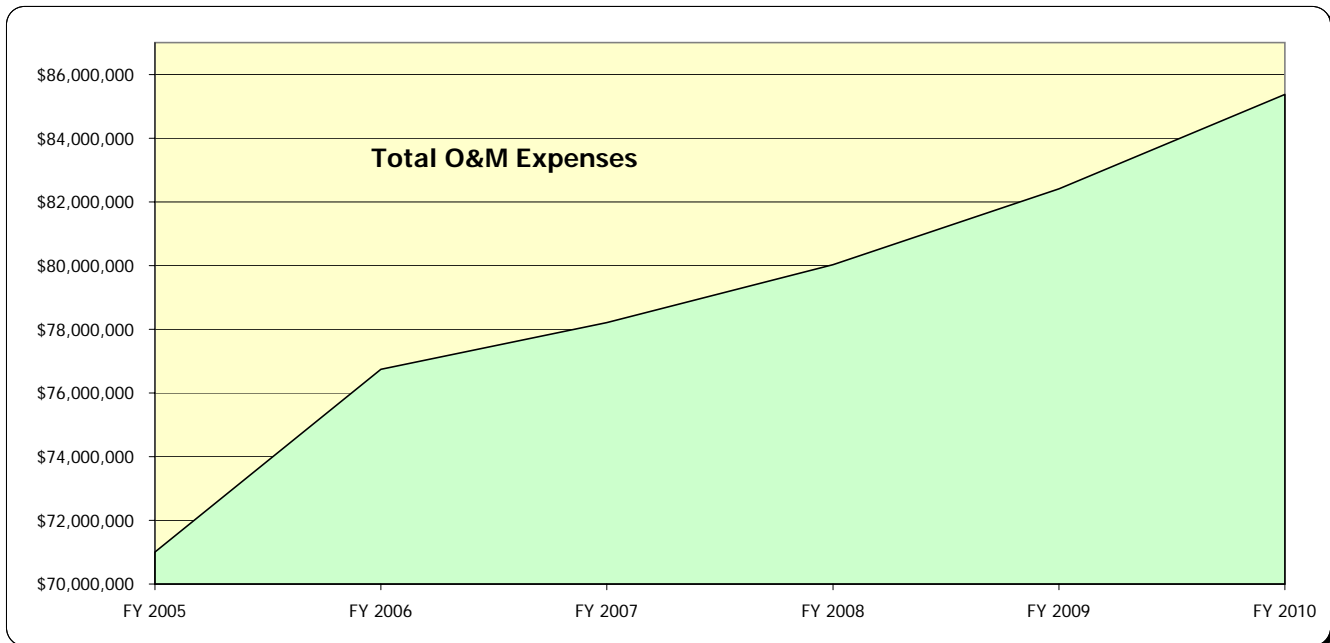
Inflation rate Inflation rate Inflation rate Inflation rate Inflation rate Inflation rate
1.5% 2.0% 2.0% 2.0% 2.0% 1.5%

Operations & Maintenance Expenses

	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Total Purchased Power Costs	\$ 47,756,404	\$ 50,671,059	\$ 51,209,239	\$ 52,496,317	\$ 53,961,922	\$ 55,846,424
Total Other Power Supply	1,023,349	1,159,815	1,207,619	1,159,946	1,209,135	1,318,213
Total Transmission Expense	3,704,266	3,778,671	3,870,062	3,954,204	4,047,780	4,204,041
Total Distribution Expense	3,074,771	4,050,415	4,091,144	4,213,380	4,339,256	4,468,878
Total Customer Expense	1,204,025	1,210,847	1,251,001	1,284,352	1,318,864	1,354,577
Total A&G and Tax Expense	<u>14,242,300</u>	<u>15,875,538</u>	<u>16,575,089</u>	<u>16,917,435</u>	<u>17,528,062</u>	<u>18,183,835</u>
Total O & M expenses	<u>\$ 71,005,115</u>	<u>\$ 76,746,346</u>	<u>\$ 78,204,153</u>	<u>\$ 80,025,635</u>	<u>\$ 82,405,018</u>	<u>\$ 85,375,969</u>

In addition, the Total Purchased Power Costs includes two offsets , one for the payment from FKEC for KEYS reserving 12 MW of power, and one for the annual portion of the SO2 Emission Credits sale proceeds (allocated over fiscal years 2004 - 2009).						
Add:						
Capacity Reservation Revenue	432,000	432,000	432,000	432,000	432,000	432,000
SO2 Credit Revenue	<u>59,358</u>	<u>18,624</u>	<u>471,757</u>	<u>474,170</u>	<u>472,088</u>	<u>465,444</u>
Grand Total O & M expenses	<u>\$ 71,496,474</u>	<u>\$ 77,196,969</u>	<u>\$ 79,107,910</u>	<u>\$ 80,931,804</u>	<u>\$ 83,309,106</u>	<u>\$ 86,273,412</u>

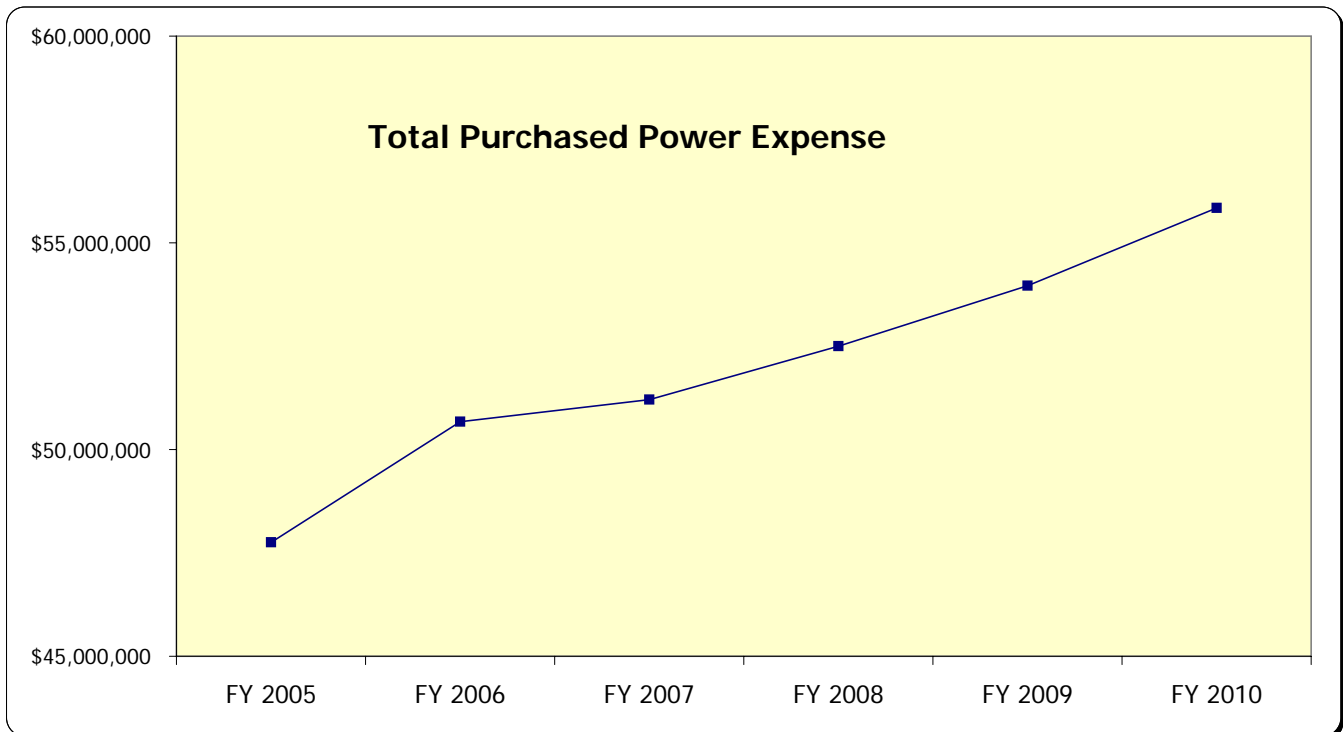
Average annual change compared to prior year	-30.7%	8.0%	2.5%	2.3%	2.9%	3.6%
--	--------	------	------	------	------	------



Purchased Power in Power Cost Adjustment

	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
FMPA - Current Charges						
Customer Charge-Per Delivery Pt.	\$ 16,140	\$ 16,140	\$ 16,140	\$ 16,140	\$ 16,140	\$ 16,140
Demand Charge - Capacity	16,381,847	16,675,034	17,021,196	17,438,811	17,914,340	18,403,076
Energy Charge	32,089,548	34,600,056	35,325,013	36,203,087	37,198,104	38,594,385
Load Retention Credit	(239,772)	(244,236)	(249,353)	(255,551)	(262,575)	(269,734)
Total Purchased Power Costs	48,247,763	51,121,683	52,112,996	53,402,487	54,866,010	56,743,867
FKEC Credits						
Capacity-kW	12,000	12,000	12,000	12,000	12,000	12,000
Rate - \$/kW-month	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>
Capacity Reservation Payment	(432,000)	(432,000)	(432,000)	(432,000)	(432,000)	(432,000)
Emissions Credits						
SO2 Credits	<u>(59,358)</u>	<u>(18,624)</u>	<u>(471,757)</u>	<u>(474,170)</u>	<u>(472,088)</u>	<u>(465,444)</u>
Total Power Costs in PCA	<u>\$ 47,756,404</u>	<u>\$ 50,671,059</u>	<u>\$ 51,209,239</u>	<u>\$ 52,496,317</u>	<u>\$ 53,961,922</u>	<u>\$ 55,846,424</u>
Average annual change compared to prior year	17.1%	6.1%	1.1%	2.5%	2.8%	3.5%

Purchased Power in Power Cost Adjustment (PCA) includes the cost of electricity purchased from Florida Municipal Power Authority (FMPA) for resale at the Marathon point of delivery.



Other Power Supply and Transmission Expense

	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Supervision and Engineering	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fuel Costs	-	-	-	-	-	-
Other Supplies and Expenses	-	-	-	-	-	-
Operation Supplies and Expenses	54,400	55,488	40,000	40,800	41,616	42,448
Total Diesel Operation Expense	54,400	55,488	40,000	40,800	41,616	42,448
Maintenance Supervision and Engineering	852,057	994,498	982,073	1,006,850	1,032,436	1,058,860
Maintenance of Plant	116,892	109,829	185,546	112,297	135,083	216,904
Total Diesel Maintenance Expense (1)	968,949	1,104,327	1,167,619	1,119,146	1,167,519	1,275,764
Total Other Power Supply Expense	<u>\$ 1,023,349</u>	<u>\$ 1,159,815</u>	<u>\$ 1,207,619</u>	<u>\$ 1,159,946</u>	<u>\$ 1,209,135</u>	<u>\$ 1,318,213</u>
Transmission						
FMPA - Transmission	\$ 2,479,821	\$ 2,505,494	\$ 2,576,603	\$ 2,639,820	\$ 2,711,804	\$ 2,785,787
FMPA - True-ups Transmission	-	-	-	-	-	-
FKEC - Transmission	600,000	600,000	600,000	600,000	600,000	600,000
Total Transmission	3,079,821	3,105,494	3,176,603	3,239,820	3,311,804	3,385,787
System Control and Dispatch	\$0	\$0	\$0	\$0	\$0	\$0
Supervision and Engineering	300,423	345,152	357,233	369,736	382,677	396,070
Supplies and Expenses	7,401	8,486	8,783	9,090	9,409	9,738
Operation of Synchronous Condenser	239,002	234,570	240,775	247,156	253,721	320,473
Total Transmission Operation Expense	546,826	588,208	606,790	625,983	645,806	726,281
Maintenance of Synchronous Condenser	9,000	15,180	15,484	15,793	16,109	16,431
Maintenance of Transmission Plant	68,619	69,789	71,185	72,608	74,061	75,542
Total Transmission Maintenance Expense	77,619	84,969	86,668	88,402	90,170	91,973
Total Transmission Expense	<u>\$ 3,704,266</u>	<u>\$ 3,778,671</u>	<u>\$ 3,870,062</u>	<u>\$ 3,954,204</u>	<u>\$ 4,047,780</u>	<u>\$ 4,204,041</u>

Average annual change compared to prior year

5.0%

2.0%

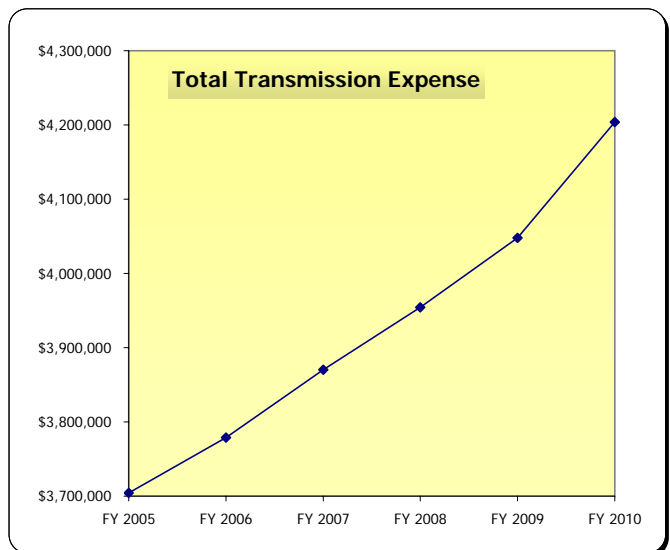
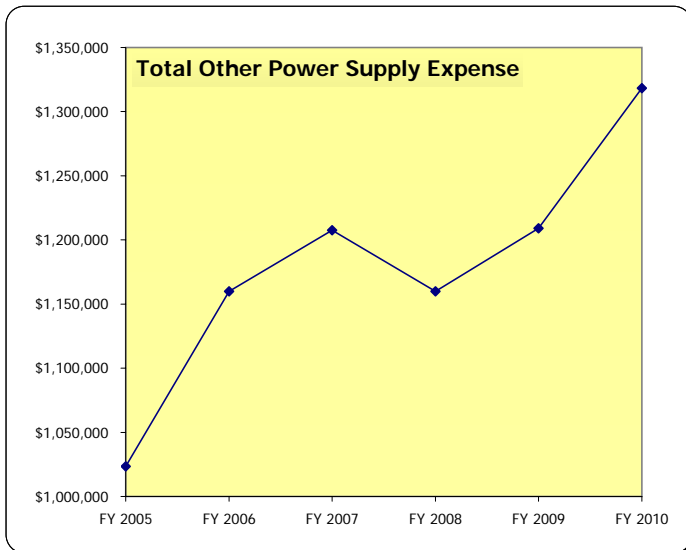
2.4%

2.2%

2.4%

3.9%

(1): Includes Combustion Turbines (CT's)



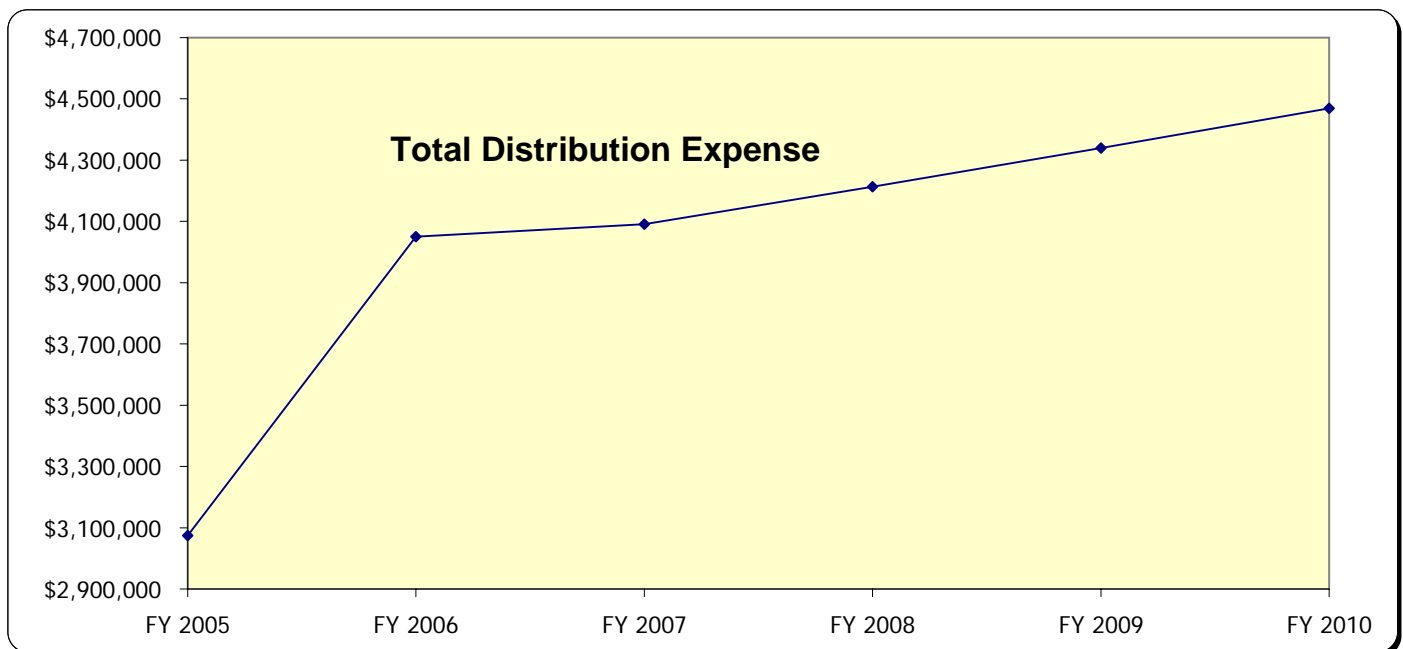
Distribution Expense

	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Distribution Expenses (Operation):						
Operation Supervision and Engr	\$ 685,147	\$ 760,806	\$ 787,434	\$ 814,994	\$ 843,519	\$ 873,042
Line and Station	114,379	206,365	203,031	208,889	214,940	221,189
Street Lighting and Signal System	78,588	100,244	86,441	88,169	89,933	91,732
Meter	89,372	149,684	146,561	151,608	156,829	162,231
Miscellaneous Distribution	<u>247,248</u>	<u>203,348</u>	<u>210,449</u>	<u>217,799</u>	<u>225,406</u>	<u>233,279</u>
Total Distribution Operations Expense	1,214,734	1,420,446	1,433,916	1,481,460	1,530,626	1,581,472
Distribution Expenses (Maintenance):						
Maint. Of Structures and Equipment	380,880	420,890	433,437	446,403	459,802	473,650
Maintenance of Lines	1,210,033	2,031,587	2,040,752	2,096,748	2,154,138	2,212,949
Maintenance of Line Transformers	38,594	4,080	4,162	4,245	4,330	4,416
Maintenance of St. Lights/Signals	46,125	-	-	-	-	-
Maintenance of Meters	109,730	10,240	10,516	10,800	11,092	11,393
Maintenance of Misc Distribution Equip	<u>74,675</u>	<u>163,172</u>	<u>168,361</u>	<u>173,724</u>	<u>179,268</u>	<u>184,998</u>
Total Distribution Maintenance Expense	<u>1,860,037</u>	<u>2,629,969</u>	<u>2,657,228</u>	<u>2,731,920</u>	<u>2,808,630</u>	<u>2,887,406</u>
Total Distribution Expense	<u>\$ 3,074,771</u>	<u>\$ 4,050,415</u>	<u>\$ 4,091,144</u>	<u>\$ 4,213,380</u>	<u>\$ 4,339,256</u>	<u>\$ 4,468,878</u>

Average annual change compared to prior year	-58.7%	31.7%	1.0%	3.0%	3.0%	3.0%
--	--------	-------	------	------	------	------

Distribution is a functional classification relating to that portion of utility plant used for the purpose of delivering electric energy from convenient points on the transmission system to consumers, or to expenses relating to the operation and maintenance of distribution plant.

A Distribution Line is one or more circuits of a distribution system on the same line of poles or supporting structures, operating at relatively low voltage as compared with transmission lines.

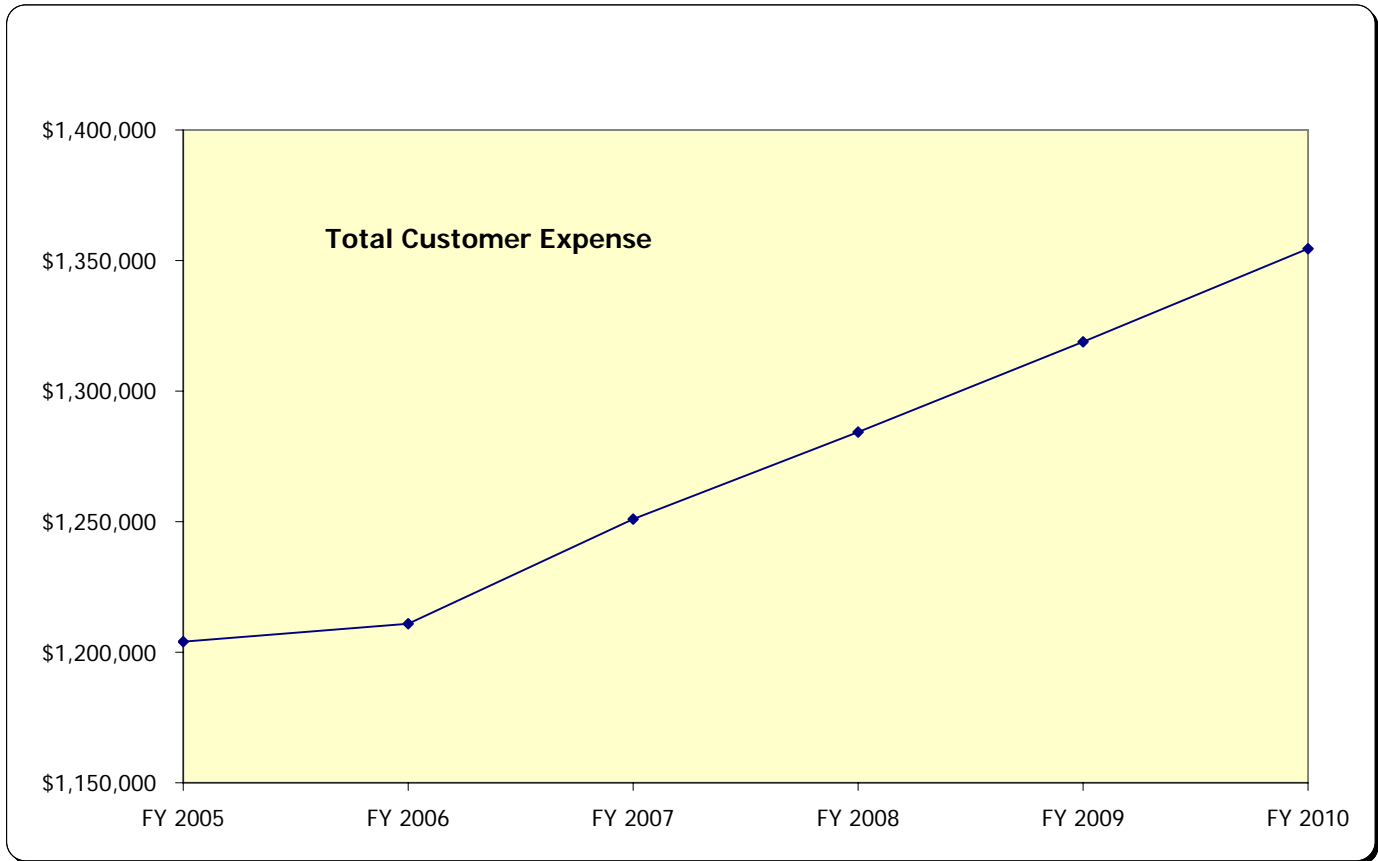


Customer Expense

	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Customer Accounts Expenses:						
Customer Deposit Interest Expense	\$ 47,760	\$ 118,852	\$ 126,179	\$ 125,571	\$ 124,951	\$ 124,318
Meter Reading	188,622	274,564	283,919	293,600	303,619	313,988
Customer Records and Collection	822,754	681,431	704,483	728,333	753,009	778,541
Uncollectible Accounts	100,000	100,000	100,000	100,000	100,000	100,000
Total Customer Accounts Expense	1,159,136	1,174,847	1,214,581	1,247,504	1,281,579	1,316,846
Customer Service & Informational Exp	44,889	36,000	36,420	36,848	37,285	37,731
Total Customer Expense	<u>\$1,204,025</u>	<u>\$1,210,847</u>	<u>\$1,251,001</u>	<u>\$1,284,352</u>	<u>\$1,318,864</u>	<u>\$1,354,577</u>

Average annual change compared to prior year

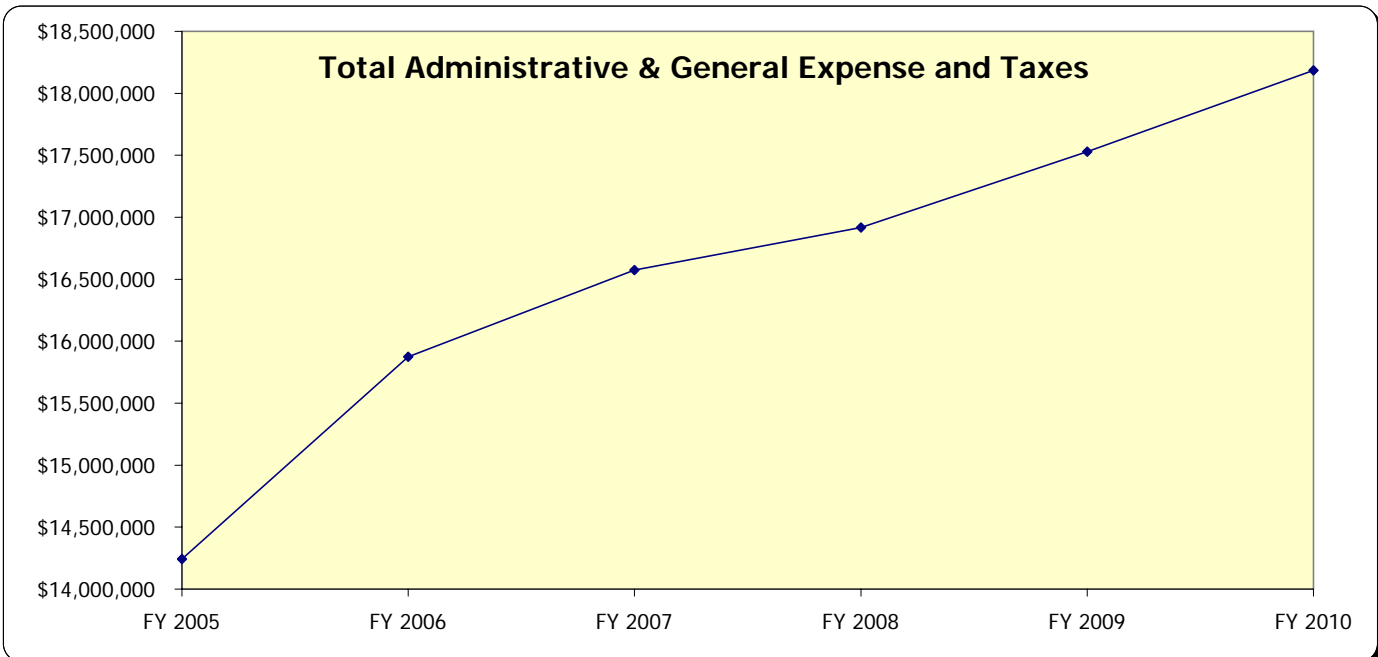
3.7% 0.6% 3.3% 2.7% 2.7% 2.7%



Administrative & General Expense and Taxes

	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Admin & Genl Expense - (Operation)						
Administrative and General Salaries	\$ 1,707,476	\$ 1,828,363	\$ 1,902,271	\$ 1,967,781	\$ 2,029,867	\$ 2,094,124
Office Supplies and Expenses	874,364	774,875	781,081	794,873	809,888	825,214
Outside Services Employed	1,672,819	1,804,513	1,888,501	1,757,002	1,873,863	1,889,538
Property Insurance	1,106,615	1,562,018	1,760,029	1,826,778	1,896,398	1,969,031
Injuries and Damages	578,758	482,823	559,355	564,698	570,094	575,538
Employee Benefits	3,338,085	3,989,397	4,118,542	4,286,166	4,464,405	4,657,539
Pension Contribution	2,010,985	2,245,087	2,238,232	2,316,051	2,396,593	2,479,954
General Advertising	151,121	151,710	154,594	157,536	160,537	163,598
Miscellaneous	6,800	7,100	7,402	7,550	7,701	7,855
Rents	63,125	64,388	65,675	66,989	68,329	69,695
Transportation	296,923	409,613	418,901	428,490	438,392	559,727
Total Admin & Genl Operations Expense	11,807,070	13,319,886	13,894,582	14,173,914	14,716,066	15,291,814
Admin & Genl Exp (Maintenance)	356,376	388,171	396,320	408,696	421,483	434,697
Total Admin & Genl Exp	12,163,446	13,708,057	14,290,902	14,582,609	15,137,550	15,726,511
Gross Receipts Taxes	1,988,371	2,078,704	2,192,408	2,239,942	2,292,306	2,355,678
Employer FICA Taxes	90,482	88,777	91,779	94,884	98,206	101,645
Total Taxes	2,078,853	2,167,481	2,284,187	2,334,826	2,390,512	2,457,324
Total Admin & Genl Expense	\$ 14,242,300	\$ 15,875,538	\$ 16,575,089	\$ 16,917,435	\$ 17,528,062	\$ 18,183,835

Average annual change compared to prior year	8.1%	11.5%	4.4%	2.1%	3.6%	3.7%
---	------	-------	------	------	------	------



Payment to the City of Key West, Florida

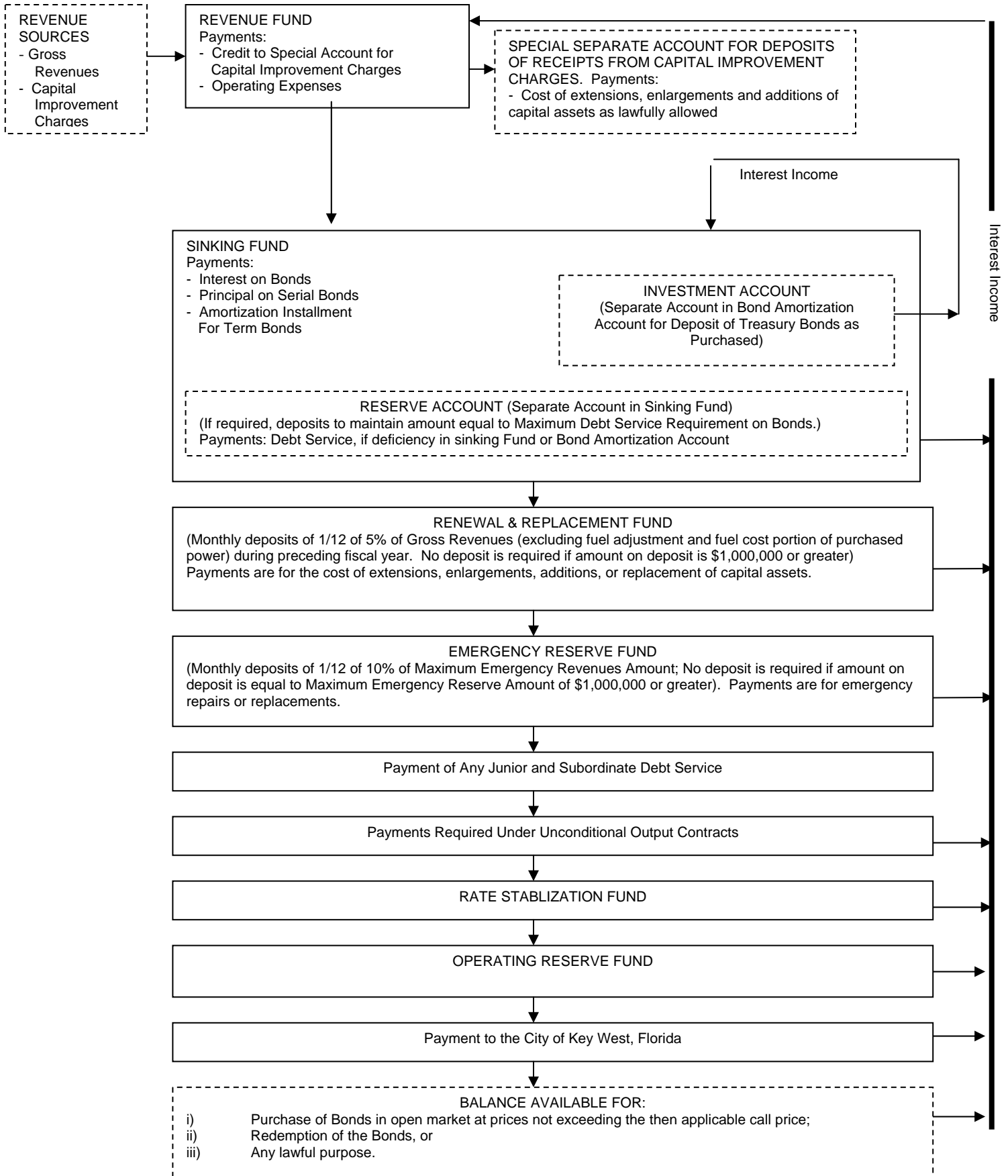
	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Revenues						
Energy and Demand	\$57,772,513	\$57,984,669	\$62,382,239	\$63,458,461	\$64,553,516	\$65,667,735
Power Cost Adjustment (PCA)	18,160,558	20,971,628	20,990,067	21,748,310	22,675,825	24,012,820
Customer Charge	<u>2,100,202</u>	<u>2,116,421</u>	<u>2,135,015</u>	<u>2,154,452</u>	<u>2,174,166</u>	<u>2,194,581</u>
subtotal Electric Revenues	78,033,273	81,072,718	85,507,321	87,361,223	89,403,506	91,875,136
Gross Receipts Tax	<u>2,000,773</u>	<u>2,078,704</u>	<u>2,192,408</u>	<u>2,239,942</u>	<u>2,292,306</u>	<u>2,355,678</u>
subtotal Operating Revenues	80,034,047	83,151,422	87,699,729	89,601,164	91,695,812	94,230,814
Other Operating Revenue	-	-	-	-	-	-
Gross Revenue from Sales of electricity	80,034,047	83,151,422	87,699,729	89,601,164	91,695,812	94,230,814
Sales of Electricity (kWh)	739,896,143	742,485,780	755,479,289	768,700,177	782,152,430	795,840,097
Power Cost Rate in the Base Rate	0.0400	0.0400	0.0400	0.0400	0.0400	0.0400
Total Power Cost in Base Electric Revenues	29,595,846	29,699,431	30,219,172	30,748,007	31,286,097	31,833,604
Power Cost Adjustment Revenue	18,651,917	21,422,251	21,893,824	22,654,479	23,579,912	24,910,264
Total Power Cost in Operating Revenues	<u>48,247,763</u>	<u>51,121,683</u>	<u>52,112,996</u>	<u>53,402,487</u>	<u>54,866,010</u>	<u>56,743,867</u>
Non-Power Related Revenues form Electricity	31,786,284	32,029,740	35,586,734	36,198,678	36,829,803	37,486,947
Rate - Article III, Section 3.03, B, (11)	<u>1.0%</u>	<u>1.0%</u>	<u>1.0%</u>	<u>1.0%</u>	<u>1.0%</u>	<u>1.0%</u>
Payment to the City of Key West	<u>317,863</u>	<u>320,297</u>	<u>355,867</u>	<u>361,987</u>	<u>368,298</u>	<u>374,869</u>
Minimum Amount	<u>258,835</u>	<u>261,501</u>	<u>264,194</u>	<u>266,915</u>	<u>269,665</u>	<u>272,442</u>
Consumer Price Index	<u>1.03%</u>	<u>1.03%</u>	<u>1.03%</u>	<u>1.03%</u>	<u>1.03%</u>	<u>1.03%</u>
Total Adjusted Minimum Amount	<u>261,501</u>	<u>264,194</u>	<u>266,915</u>	<u>269,665</u>	<u>272,442</u>	<u>275,248</u>
Difference	<u>56,362</u>	<u>56,103</u>	<u>88,952</u>	<u>92,322</u>	<u>95,856</u>	<u>99,621</u>
Payment to the City of Key West	<u>\$ 317,863</u>	<u>\$ 320,297</u>	<u>\$ 355,867</u>	<u>\$ 361,987</u>	<u>\$ 368,298</u>	<u>\$ 374,869</u>
Increase (decrease) verses prior year	<u>-5.14%</u>	<u>0.77%</u>	<u>11.11%</u>	<u>1.72%</u>	<u>1.74%</u>	<u>1.78%</u>

Resolution 532, Article III, Section 3.03, Application of Revenues, Part B, Disposition of Revenues Paragraph (11) of Section 3.03 (B) of the Original Resolution is hereby amended to read as follows: (11) The Board will next pay to the City as and for the return on the City's equity in the System a sum equal to the greater of (A) \$200,000 (adjusted annually for changes in the Consumer Price Index) or (B) one percent (1%) of the Gross Revenues derived from sales of electricity at retail (exclusive of Power Cost Revenue, which are defined, for purposes of this paragraph, as (i) revenues determined by reference to the power cost component of base rates, plus or minus (ii) power cost adjustment charges or credits). This amending Resolution 678 became effective on October 1, 1999. Passed and Adopted at a meeting duly called and held this 8th day of September, 1999.

In Kind Services to the City of Key West	<u>\$ 380,871</u>	<u>\$ 347,689</u>	<u>\$ 354,643</u>	<u>\$ 361,736</u>	<u>\$ 368,970</u>	<u>\$ 376,350</u>
Total to the City of Key West, FL	<u>\$ 698,734</u>	<u>\$ 667,986</u>	<u>\$ 710,510</u>	<u>\$ 723,722</u>	<u>\$ 737,268</u>	<u>\$ 751,219</u>

In kind services include items such as banner hanging; traffic & street light maintenance (Overhead and Underground); recreational & ballpark light/ load panel maintenance; Christmas Tree circuits, bocce lights/load panel maintenance; parade route lighting; emergency lighting; waiving CIAC deposits; estimated return on investment on the Park-N-Ride property & Pocket Parks and costs and lost revenues associated with the installations of LED bulbs in traffic signals and lost revenue as a result of the energy efficiency of the LED's.

Flow of Funds Chart



Description of Restricted and Current Funds

Key Energy Services has a single enterprise fund. However, to distinguish between purposes and to highlight both Utility Board and Bond resolutions, separate internal accounts, referred to as funds.

RESTRICTED FUNDS

Bond Sinking Fund. Used to pay all interest and principal amounts due on April 1 and October 1 related to the Outstanding Electric System Revenue Bonds.

Capital Improvement Fund. Customers requesting initial non-residential, commercial, or large power service pay a charge for contributions in aid of construction for facilities required to meet their anticipated electric requirements.

Customer Deposit Fund. Service deposits are required for all types of service connections, including temporary service.

Emergency Reserve Fund. Used only for the purpose of paying for emergency repairs or replacements of the capital assets of the System which have been damaged or destroyed by catastrophes, acts of God or other disasters. May also be used for advances to pay Operating Expenses, provided such advance is repaid within a specified time. Shall also be used to supplement the moneys in the Reserve Account in the Sinking Fund to prevent default in the payment of principal of and interest on the Bonds.

The Fund also includes an Insurance Mitigation account to offset anticipated increases in health and all other insurance premiums.

Rate Stabilization Fund. The Board may deposit such amounts, as the Board deems necessary or desirable. Each month the Board shall transfer from the Rate Stabilization Fund to the Revenue Fund the amount budgeted for transfer into such Fund for the then current month as set forth in the current Annual Budget or the amount otherwise determined by the Board to be deposited into such Fund for the month.

Renewal & Replacement Fund. The moneys shall be used only for the purpose of paying the cost of extensions, enlargements or additions to, or the replacement of capital assets of the System. Such moneys on deposit in such fund shall also be used to supplement the Reserve Account, if necessary in order to prevent default in the payment of the principal of and interest on the Bonds.

CURRENT FUNDS

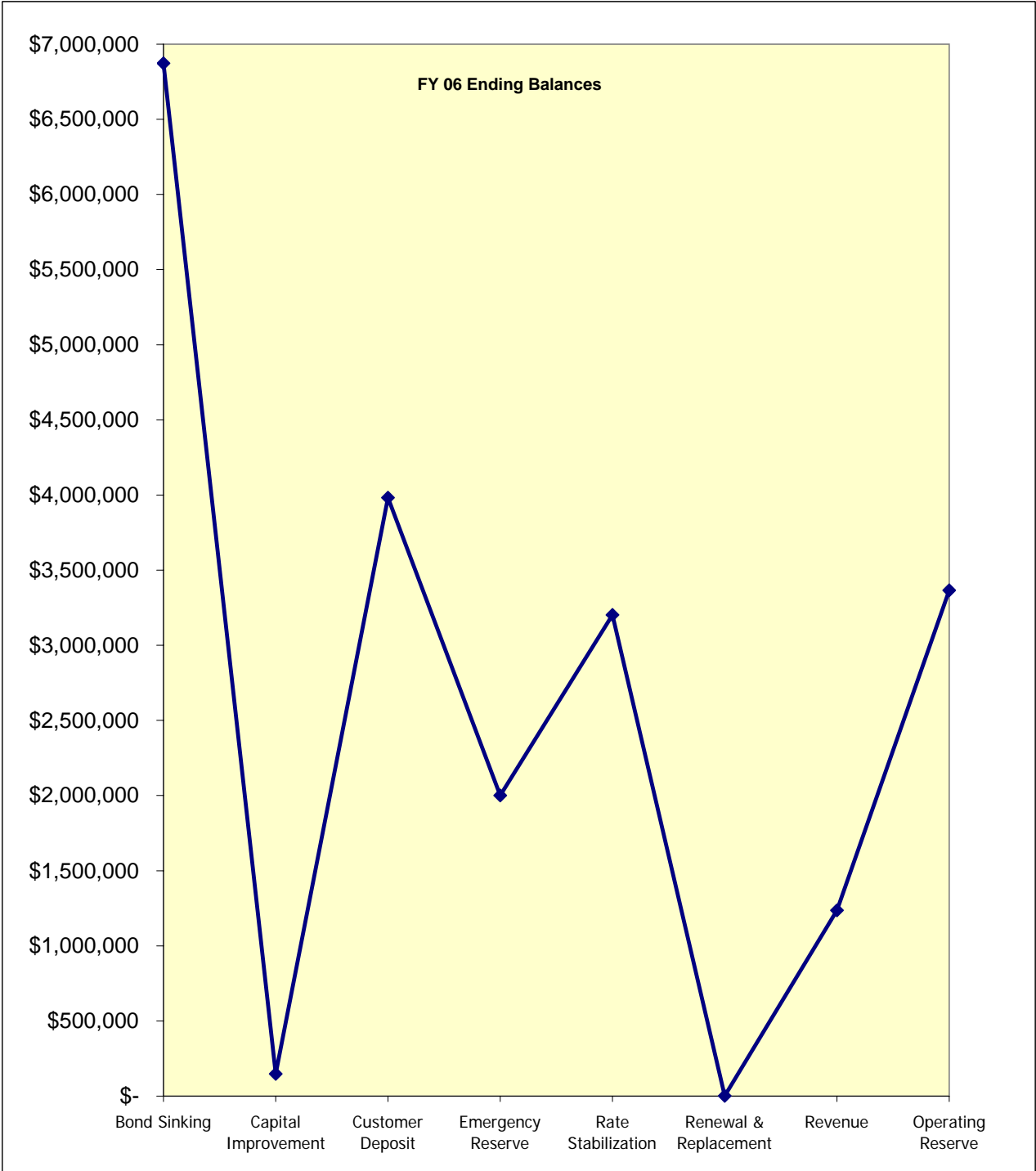
Revenue Fund. The main fund for the System whereby all Revenues are first deposited for subsequent transfer to the proper fund.

Operating Reserve Fund. Used for the purpose of paying Operating Expenses for 90 days in the event of an emergency or for other lawful purposes of the System. Moneys in the Operating Reserve Fund shall also be used to supplement the moneys in the Reserve Account in the Sinking Fund to prevent default in the payment of principal of and interest on the Bonds.

Summary of All Fund Activity

	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Bond Sinking Fund						
Beginning Balance	\$ 6,738,758	\$ 6,872,288	\$ 6,955,728	\$ 6,981,084	\$ 7,079,159	\$ 7,241,544
Receipts and transfers In	8,551,983	8,554,622	8,498,192	8,503,991	8,497,748	8,626,573
Disbursements and Transfers Out	(8,418,453)	(8,471,182)	(8,472,835)	(8,405,916)	(8,335,363)	(8,442,617)
Ending Balance	\$ 6,872,288	\$ 6,955,728	\$ 6,981,084	\$ 7,079,159	\$ 7,241,544	\$ 7,425,500
Capital Improvement Fund						
Beginning Balance	\$ 150,000	\$ 148,800	\$ 147,600	\$ 146,400	\$ 145,200	\$ 144,000
Receipts and transfers In	91,800	94,464	94,723	94,685	94,646	94,608
Disbursements and Transfers Out	(93,000)	(95,664)	(95,923)	(95,885)	(95,846)	(95,808)
Ending Balance	\$ 148,800	\$ 147,600	\$ 146,400	\$ 145,200	\$ 144,000	\$ 142,800
Customer Deposits Fund						
Beginning Balance	\$ 4,000,000	\$ 3,981,640	\$ 3,962,913	\$ 3,943,811	\$ 3,924,327	\$ 3,904,454
Receipts and transfers In	705,900	790,507	811,292	824,371	837,711	851,317
Disbursements and Transfers Out	(724,260)	(809,234)	(830,394)	(843,854)	(857,584)	(871,588)
Ending Balance	\$ 3,981,640	\$ 3,962,913	\$ 3,943,811	\$ 3,924,327	\$ 3,904,454	\$ 3,884,183
Emergency Reserve Fund						
Beginning Balance	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000
Receipts and transfers In	24,000	60,000	64,000	64,000	64,000	64,000
Disbursements and Transfers Out	(24,000)	(60,000)	(64,000)	(64,000)	(64,000)	(64,000)
Ending Balance	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000
Rate Stabilization Fund						
Beginning Balance	\$ 3,202,882	\$ 2,702,882	\$ 1,925,104	\$ 3,202,882	\$ 3,202,882	\$ 3,202,882
Receipts and transfers In	38,435	81,086	1,061,603	102,492	102,492	102,492
Disbursements and Transfers Out	(38,435)	(81,086)	(61,603)	(102,492)	(102,492)	(102,492)
Ending Balance	\$ 3,202,882	\$ 2,702,882	\$ 2,925,104	\$ 3,202,882	\$ 3,202,882	\$ 3,202,882
Renewal and Replacement Fund						
Beginning Balance	\$ 2,082	\$ 1,532	\$ 1,486	\$ 1,438	\$ 1,392	\$ 1,348
Receipts and transfers In	5,193,475	6,575,624	5,166,095	5,438,168	5,530,739	6,074,639
Disbursements and Transfers Out	(5,194,025)	(6,575,670)	(5,166,143)	(5,438,215)	(5,530,784)	(6,074,682)
Ending Balance	\$ 1,532	\$ 1,486	\$ 1,438	\$ 1,392	\$ 1,348	\$ 1,305
Revenue Fund						
Beginning Balance	\$ 1,060,000	\$ 1,237,101	\$ 44,830	\$ 389,287	\$ 336,571	\$ 78,610
Receipts and transfers In	83,827,210	89,034,302	95,522,592	95,981,898	98,171,779	101,953,901
Disbursements and Transfers Out	(83,650,109)	(90,226,573)	(95,178,135)	(96,034,615)	(98,429,740)	(101,771,333)
Ending Balance	\$ 1,237,101	\$ 44,830	\$ 389,287	\$ 336,571	\$ 78,610	\$ 261,179
Operating Reserve Fund						
Beginning Balance	\$ 3,188,991	\$ 3,365,214	\$ 4,080,214	\$ 4,299,214	\$ 4,373,214	\$ 4,592,214
Receipts and transfers In	258,268	815,956	805,567	862,575	814,943	381,951
Disbursements and Transfers Out	(82,045)	(100,956)	(586,567)	(788,575)	(595,943)	(146,951)
Ending Balance	\$ 3,365,214	\$ 4,080,214	\$ 4,299,214	\$ 4,373,214	\$ 4,592,214	\$ 4,827,214
Total - All Funds						
Beginning Balance	\$ 20,342,713	\$ 20,309,457	\$ 19,117,875	\$ 20,964,117	\$ 21,062,745	\$ 21,165,051
Receipts and transfers In	98,691,070	106,006,562	112,024,065	111,872,180	114,114,058	118,149,482
Disbursements and Transfers Out	(98,224,327)	(106,420,366)	(110,455,601)	(111,773,552)	(114,011,752)	(117,569,471)
Ending Balance	\$ 20,809,457	\$ 19,895,653	\$ 20,686,339	\$ 21,062,745	\$ 21,165,051	\$ 21,745,062

Fund Balances



**Capital Improvement Fund
Contribution in Aid of Construction (CIAC)**

	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Restricted Fund						
Beginning Balance	\$ 150,000	\$ 148,800	\$ 147,600	\$ 146,400	\$ 145,200	\$ 144,000
<u>Deposits:</u>						
Customer Deposits	90,000	90,000	90,000	90,000	90,000	90,000
Interest Income	1,800	4,464	4,723	4,685	4,646	4,608
<u>Transfers from:</u>						
Total Funds Available	241,800	243,264	242,323	241,085	239,846	238,608
<u>Disbursements:</u>						
Refunds to Customers	1,200	1,200	1,200	1,200	1,200	1,200
<u>Transfers to:</u>						
Renewal & Replacement Fund	90,000	90,000	90,000	90,000	90,000	90,000
Revenue Fund	1,800	4,464	4,723	4,685	4,646	4,608
subtotal	<u>93,000</u>	<u>95,664</u>	<u>95,923</u>	<u>95,885</u>	<u>95,846</u>	<u>95,808</u>
Ending Balance	<u>\$ 148,800</u>	<u>\$ 147,600</u>	<u>\$ 146,400</u>	<u>\$ 145,200</u>	<u>\$ 144,000</u>	<u>\$ 142,800</u>

Average annual change compared to prior year	-56.4%	-0.8%	-0.8%	-0.8%	-0.8%	-0.8%
---	--------	-------	-------	-------	-------	-------

For planning purposes, KEYS prefers to be conservative in projecting the amount forecasted for customers payments for contributions in aid of construction. Whatever amount is received within the year is used to fund the construction, which is part of the Renewal & Replacement Fund.

Customer Deposits Fund

	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Restricted Fund:						
Beginning Balance	\$ 4,000,000	\$ 3,981,640	\$ 3,962,913	\$ 3,943,811	\$ 3,924,327	\$ 3,904,454
<u>Deposits:</u>						
Customer Deposits	657,900	671,058	684,479	698,169	712,132	726,375
Interest Income	<u>48,000</u>	<u>119,449</u>	<u>126,813</u>	<u>126,202</u>	<u>125,578</u>	<u>124,943</u>
<u>Transfers from:</u>						
Total Funds Available	4,705,900	4,772,147	4,774,205	4,768,182	4,762,038	4,755,771
<u>Disbursements:</u>						
Refunds to Customers	676,260	689,785	703,581	717,653	732,006	746,646
<u>Transfers to:</u>						
Revenue Fund	<u>48,000</u>	<u>119,449</u>	<u>126,813</u>	<u>126,202</u>	<u>125,578</u>	<u>124,943</u>
subtotal	<u>724,260</u>	<u>809,234</u>	<u>830,394</u>	<u>843,854</u>	<u>857,584</u>	<u>871,588</u>
Ending Balance	<u>\$ 3,981,640</u>	<u>\$ 3,962,913</u>	<u>\$ 3,943,811</u>	<u>\$ 3,924,327</u>	<u>\$ 3,904,454</u>	<u>\$ 3,884,183</u>

Average annual change compared to prior year	2.6%	-0.5%	-0.5%	-0.5%	-0.5%	-0.5%
--	------	-------	-------	-------	-------	-------

For the past few years, the amount of customer deposits received has been lower than the amount of customer deposits refunded. KEYS has an aggressive program designed to refund a customer's deposit once they have attained 24 continuous months of timely payments. Currently, KEYS is using a 2% increase per year for deposits and refunds.

Emergency Reserve Fund

	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Restricted Fund:						
Beginning Balance	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000
<u>Deposits:</u>						
	-	-	-	-	-	-
Interest Income	24,000	60,000	64,000	64,000	64,000	64,000
<u>Transfers from:</u>						
Revenue Fund	-	-	-	-	-	-
Total Funds Available	2,024,000	2,060,000	2,064,000	2,064,000	2,064,000	2,064,000
<u>Disbursements:</u>						
	-	-	-	-	-	-
<u>Transfers to:</u>						
Revenue Fund - Interest Income	24,000	60,000	64,000	64,000	64,000	64,000
subtotal	24,000	60,000	64,000	64,000	64,000	64,000
Ending Balance	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000
Average annual change compared to prior year	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Resolution 532, Article III, Section 3.03, B, (6)

The moneys in the Emergency Reserve Fund shall be used only for the purpose of paying for emergency repairs or replacements of the capital assets of the System which have been damaged or destroyed by catastrophes, acts of God or other disasters. To the extent that moneys on deposit in the Emergency Reserve Fund are not needed for the foregoing purposes, such moneys may also be used, following any catastrophe, act of God or other disaster which has had the effect of adversely affecting the ability to bill and collect revenues for the services of the System or for advances to pay Operating Expenses; provided, that any such advance shall be repaid to the Emergency Reserve Fund within twelve (12) months of the withdrawal there from. Whenever the amount on deposit in the Emergency Reserve Fund exceeds the Maximum Emergency Reserve Amount, the excess may be withdrawn from the Emergency Reserve Fund and deposited in the Revenue Fund.

Rate Stabilization Fund

	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Restricted Fund:						
Beginning Balance	\$ 3,202,882	\$ 2,702,882	\$ 1,925,104	\$ 3,202,882	\$ 3,202,882	\$ 3,202,882
<u>Deposits:</u>						
Interest Income	38,435	81,086	61,603	102,492	102,492	102,492
<u>Transfers from:</u>						
Return Borrowing for PCA Revenue Fund	-	222,222	277,778	-	-	-
	-	-	1,000,000	-	-	-
Total Funds Available	3,241,317	3,006,190	3,264,485	3,305,374	3,305,374	3,305,374
<u>Transfers to:</u>						
Revenue Fund - Interest Income	38,435	81,086	61,603	102,492	102,492	102,492
Revenue Fund	-	1,000,000	-	-	-	-
Withdrawal for PCA Credit	500,000	-	-	-	-	-
Total Transfers	538,435	1,081,086	61,603	102,492	102,492	102,492
Ending Balance	<u>\$ 2,702,882</u>	<u>\$ 1,925,104</u>	<u>\$ 3,202,882</u>	<u>\$ 3,202,882</u>	<u>\$ 3,202,882</u>	<u>\$3,202,882</u>

Average annual change compared to prior year	-15.6%	-28.8%	66.4%	0.0%	0.0%	0.0%
--	--------	--------	-------	------	------	------

Resolution 532, Article III, Section 3.03, B. (9)

Moneys on deposit in the Revenue Fund may, in the discretion of the Board, next be deposited into a special account to be known as the Rate Stabilization Fund in such amounts as the Board deems necessary or desirable. Each month, the Board shall transfer from the Rate Stabilization Fund to the Revenue Fund the amount budgeted for transfer into such Fund for the then current month as set forth in the current Annual Budget or the amount otherwise determined by the Board to be deposited into such Fund for the month

Renewal & Replacement Fund

	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Restricted Fund:						
Beginning Balance	\$ 2,082	\$ 1,532	\$ 1,486	\$ 1,438	\$ 1,392	\$ 1,348
Funding from carry over projects:						
Potential New Revenue - for feasibility studies [land use and communication]	200,000					
Potential New Revenue - for Privatization Efforts [budgeted in O&M]	90,000					
Computer Conversion - Telephone System	100,000					
Transmission and Substation Maintenance - FKEC Territory	153,000					
Various projects completed under budget		91,889				
Various FKEC Projects completed under budget or eliminated fro budget		111,000				
FMPA Pooled Loan	1,185,000	2,484,750				
subtotal	1,728,000	2,687,639				
Revenue Fund	3,180,000	3,483,614	5,015,766	5,286,635	5,377,977	5,981,349
Line Extension Fees	10,000	3,000	3,060	3,121	3,184	3,247
Underground Line Extension Fees	-	255,225	-	-	-	-
Military Reimbursement	92,000					
FMPA Reimbursements	93,450	56,100	57,222	58,366	59,534	-
Sub-total from the Revenue Fund	3,375,450	3,797,939	5,076,048	5,348,122	5,440,695	5,984,596
Interest Income	25	46	48	46	45	43
CIAC Fund	90,000	90,000	90,000	90,000	90,000	90,000
subtotal	3,465,475	3,887,985	5,166,095	5,438,168	5,530,739	6,074,639
Total Funds Available	5,195,557	6,577,156	5,167,581	5,439,607	5,532,132	6,075,987
Disbursements and Transfers:						
Capital Projects-current year	5,194,000	6,575,624	5,166,095	5,438,168	5,530,739	6,074,639
	25	46	48	46	45	43
Sub-total Disbursements & Transfers	5,194,025	6,575,670	5,166,143	5,438,215	5,530,784	6,074,682
Ending Balance	\$ 1,532	\$ 1,486	\$ 1,438	\$ 1,392	\$ 1,348	\$ 1,305

Average annual change compared to prior year -6.0% -3.0% -3.2% -3.2% -3.2% -3.2%

C/O - Represents funding previously approved by the Utility Board but not used. These funds are available as "carry-over" funds and may be used to fund current year projects.

Resolution 532, Article III, Section 3.03, B, (5)

The Board shall next apply and deposit monthly from moneys in the Revenue Fund into a special account to be known as the "Renewal and Replacement Fund" which fund is herein created and established, an amount equal to one-twelfth (1/12th) of five percent (5%) of the Gross Revenues received during the immediately preceding Fiscal Year, after deducting therefrom any power cost adjustment charge or power cost component of the cost of purchased power, such deposit to be continued to be made for the purpose of this account; provided that no deposit shall be required to be made so long as there is an amount on deposit in the Renewal and Replacement Fund in the amount of \$1,000,000 or such greater amount as shall be recommended by the Consulting Engineer. The moneys in the Renewal and Replacement Fund shall be used only for the purpose of paying the cost of extensions, enlargements or additions to, or the replacement of capital assets of the System.

Revenue Fund

	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Current Fund:						
Number of Customers	29,508	29,731	29,973	30,220	30,467	30,718
Sales of Electricity - kWh	739,896,143	742,485,780	755,479,289	768,700,177	782,152,430	795,840,097
Increase compared to prior year projected	1.00%	0.35%	1.75%	1.75%	1.75%	1.75%
Basic Rate (Demand & Energy)	\$ 57,772,513	\$ 57,984,669	\$ 62,382,239	\$ 63,458,461	\$ 64,553,516	\$ 65,667,735
Power Cost Adjustment (PCA)	18,160,558	20,971,628	20,990,067	21,748,310	22,675,825	24,012,820
Customer Charge	<u>2,100,202</u>	<u>2,116,421</u>	<u>2,135,015</u>	<u>2,154,452</u>	<u>2,174,166</u>	<u>2,194,581</u>
subtotal Electric Revenues	78,033,273	81,072,718	85,507,321	87,361,223	89,403,506	91,875,136
Gross Receipts Tax (GRT)	<u>2,000,773</u>	<u>2,078,704</u>	<u>2,192,408</u>	<u>2,239,942</u>	<u>2,292,306</u>	<u>2,355,678</u>
subtotal Operating Revenues	80,034,047	83,151,422	87,699,729	89,601,164	91,695,812	94,230,814
Other Operating Revenue	3,115,925	4,722,805	4,926,372	4,990,426	5,056,256	5,122,877
Non-Operating Revenue (Interest Income)	226,960	559,086	595,046	642,697	645,971	770,766
Non-Operating Revenue (Other)	450,279	600,988	2,301,445	747,611	773,740	1,829,445
Total Revenues	<u>83,827,210</u>	<u>89,034,302</u>	<u>95,522,592</u>	<u>95,981,898</u>	<u>98,171,779</u>	<u>101,953,901</u>
Operation & Maintenance Exp.						
Total Purchase Power Costs	48,247,763	51,121,683	52,112,996	53,402,487	54,866,010	56,743,867
Total Other Power Supply	1,023,349	1,159,815	1,207,619	1,159,946	1,209,135	1,318,213
Total Transmission	3,704,266	3,778,671	3,870,062	3,954,204	4,047,780	4,204,041
Total Distribution Expense	3,074,771	4,050,415	4,091,144	4,213,380	4,339,256	4,468,878
Total Customer Expense	1,204,025	1,210,847	1,251,001	1,284,352	1,318,864	1,354,577
Total Admin & General Expense	<u>14,242,300</u>	<u>15,875,538</u>	<u>16,575,089</u>	<u>16,917,435</u>	<u>17,528,062</u>	<u>18,183,835</u>
subtotal Expenses	71,496,474	77,196,969	79,107,910	80,931,804	83,309,106	86,273,412
Transfers						
To Bond Sinking Fund	8,511,550	8,451,538	8,386,900	8,392,294	8,384,481	8,394,844
To Renewal & Replacement Fund	3,375,450	3,483,614	5,015,766	5,286,635	5,377,977	5,981,349
To (from) Rate Stabilization Fund	(500,000)	(777,778)	1,277,778	-	-	-
To (from) Emergency Reserve Fund	-	-	-	-	-	-
To (from) FMPA Pooled Loan (Debt Svc)	272,550	836,933	814,914	792,896	770,877	511,859
To (From) Operating Reserve Fund, net	176,223	715,000	219,000	269,000	219,000	235,000
Payment to City of Key West, FL	<u>317,863</u>	<u>320,297</u>	<u>355,867</u>	<u>361,987</u>	<u>368,298</u>	<u>374,869</u>
subtotal Transfers	<u>12,153,635</u>	<u>13,029,604</u>	<u>16,070,225</u>	<u>15,102,811</u>	<u>15,120,634</u>	<u>15,497,920</u>
Total O&M Expenses and Transfers	<u>83,650,109</u>	<u>90,226,573</u>	<u>95,178,135</u>	<u>96,034,615</u>	<u>98,429,740</u>	<u>101,771,333</u>
Beginning Balance in Revenue Fund	1,060,000	1,237,101	44,830	389,287	336,571	78,610
Increase / (Decrease) During Year	<u>177,101</u>	<u>(1,192,271)</u>	<u>344,457</u>	<u>(52,717)</u>	<u>(257,960)</u>	<u>182,569</u>
Ending Balance in Revenue Fund	<u>\$ 1,237,101</u>	<u>\$ 44,830</u>	<u>\$ 389,287</u>	<u>\$ 336,571</u>	<u>\$ 78,610</u>	<u>\$ 261,179</u>
Average annual change compared to prior year	9.0%	7.9%	5.5%	0.9%	2.5%	3.4%

Percent to Total Budget

Purchased Power Costs	57.7%	56.7%	54.8%	55.6%	55.7%	55.8%
Other Power Supply Expenses	1.2%	1.3%	1.3%	1.2%	1.2%	1.3%
Transmission Expense	4.4%	4.2%	4.1%	4.1%	4.1%	4.1%
Distribution Expense	3.7%	4.5%	4.3%	4.4%	4.4%	4.4%
Customer Accounts Expense	1.4%	1.3%	1.3%	1.3%	1.3%	1.3%
Administrative and General Expense	<u>17.0%</u>	<u>17.6%</u>	<u>17.4%</u>	<u>17.6%</u>	<u>17.8%</u>	<u>17.9%</u>
Total Operations & Maintenance Expense	85.5%	85.6%	83.1%	84.3%	84.6%	84.8%
Capital Expenditures	4.0%	3.9%	5.3%	5.5%	5.5%	5.9%
Debt Service	10.2%	9.4%	8.8%	8.7%	8.5%	8.2%
Other Fund Transfers & Payments	<u>0.3%</u>	<u>1.2%</u>	<u>2.8%</u>	<u>1.5%</u>	<u>1.4%</u>	<u>1.1%</u>
Total Budget Allocation	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

Operating Reserve Fund

	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Current Fund:						
Beginning Balance	\$ 3,188,991	\$ 3,365,214	\$ 4,080,214	\$ 4,299,214	\$ 4,373,214	\$ 4,592,214
<u>Deposits:</u>						
Interest Income	38,268	100,956	130,567	137,575	139,943	146,951
<u>Transfers from:</u>						
Revenue Fund (of which \$600.0 & \$300.0 thousand in FY 07 & FY 08, respectively, to repay the SO2 Credit Borrowing in FY 04)	<u>220,000</u>	<u>715,000</u>	<u>675,000</u>	<u>725,000</u>	<u>675,000</u>	<u>235,000</u>
Total Funds Available	3,447,259	4,181,170	4,885,781	5,161,789	5,188,157	4,974,165
<u>Transfers to:</u>						
Renewal & Replacement Fund	-	-	-	195,000		
Revenue Fund - Interest Income	38,268	100,956	130,567	137,575	139,943	146,951
Revenue Fund - Power Cost Adjustment	<u>43,777</u>	-	<u>456,000</u>	<u>456,000</u>	<u>456,000</u>	-
Sub-total Disbursements & Transfers	<u>82,045</u>	<u>100,956</u>	<u>586,567</u>	<u>788,575</u>	<u>595,943</u>	<u>146,951</u>
Ending Balance	<u>\$ 3,365,214</u>	<u>\$ 4,080,214</u>	<u>\$ 4,299,214</u>	<u>\$ 4,373,214</u>	<u>\$ 4,592,214</u>	<u>\$ 4,827,214</u>

Average annual change compared to prior year 5.5% 21.2% 5.4% 1.7% 5.0% 5.1%

Resolution 532, Article III, Section 3.03, B, (10)

Moneys in the Operating Reserve Fund shall be used to pay Operating Expenses or for other lawful purposes of the System.

Total O&M Expenses & Transfers	\$ 83,650,109	\$ 90,226,573	\$ 95,178,135	\$ 96,034,615	\$ 98,429,740	\$ 101,771,333
Less: Gross Receipts Tax (GRT)	<u>2,000,773</u>	<u>2,078,704</u>	<u>2,192,408</u>	<u>2,239,942</u>	<u>2,292,306</u>	<u>2,355,678</u>
	81,649,336	88,147,869	92,985,727	93,794,673	96,137,434	99,415,654
Less: Total Purchase Power Costs	48,247,763	51,121,683	52,112,996	53,402,487	54,866,010	56,743,867
Less: All Transfers & Payments to City of KW	<u>12,153,635</u>	<u>13,029,604</u>	<u>16,070,225</u>	<u>15,102,811</u>	<u>15,120,634</u>	<u>15,497,920</u>
subtotal	21,247,938	23,996,582	24,802,506	25,289,376	26,150,791	27,173,866
Factor (90 days out of 360)	<u>4</u>	<u>4</u>	<u>4</u>	<u>4</u>	<u>4</u>	<u>4</u>
Calculated Operating Reserve Amount	<u>5,311,985</u>	<u>5,999,146</u>	<u>6,200,627</u>	<u>6,322,344</u>	<u>6,537,698</u>	<u>6,793,467</u>
Emergency Reserve Fund	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Operating Reserve Fund	3,365,214	4,080,214	4,299,214	4,373,214	4,592,214	4,827,214
Total Amount Available	<u>5,365,214</u>	<u>6,080,214</u>	<u>6,299,214</u>	<u>6,373,214</u>	<u>6,592,214</u>	<u>6,827,214</u>
Amount in excess of requirement	\$ 53,229	\$ 81,068	\$ 98,587	\$ 50,870	\$ 54,516	\$ 33,747