

Electric System Balance Sheets (Figures in Thousands)

	Audited 2005	Audited 2004	Audited 2003	Audited 2002
ASSETS				
Utility Plant	\$229,797	\$234,266	\$223,730	\$197,105
Restricted Assets	85,390	81,568	98,955	130,324
Current Assets	20,375	19,460	19,195	20,880
Noncurrent Assets	2,055	2,328	2,966	2,189
TOTAL ASSETS	\$337,617	\$337,622	\$344,846	\$350,498
LIABILITIES & NET ASSETS				
Total Net Assets	\$113,988	\$100,049	\$93,600	\$86,570
Long-Term Debt	182,754	198,501	209,401	220,087
L-T Payable to KU	2,608	\$2,375	\$4,757	\$4,700
Total Current				
Liabilities	32,549	33,278	32,884	34,342
Deferred Revenue	5,718	3,419	4,204	4,799
TOTAL LIABILITIES & NET ASSETS	\$337,617	\$337,622	\$344,846	\$350,498

Electric System Statements of Revenues, Expenses & Changes in Net Assets (Figures in Thousands)

	Audited 2005	Audited 2004	Audited 2003	Audited 2002
Kilowatt Hours-OMU	870,060	864,545	876,143	825,109
Kilowatt Hours-KU (01)	1,515,179	1,657,142	1,513,003	1,721,408
TOTAL KILOWATT HOURS SOLD	2,385,239	2,521,687	2,389,146	2,546,517
Operating Revenues	\$96,820	\$83,237	\$84,927	\$81,377
Operating Expenses	66,382	62,207	64,148	59,975
OPERATING INCOME	\$30,438	\$21,030	\$20,779	\$21,402
Nonoperating Revenues (Expenses)	(11,248)	(9,539)	(8,895)	(8,766)
INCOME BEFORE CONTRIBUTIONS & TRANSFERS	\$19,190	\$ 11,491	\$ 11,884	\$ 12,636
Dividend to City	(5,251)	(5,042)	(4,854)	(4,487)
CHANGE IN NET ASSETS	\$13,939	\$6,449	\$7,030	\$8,149

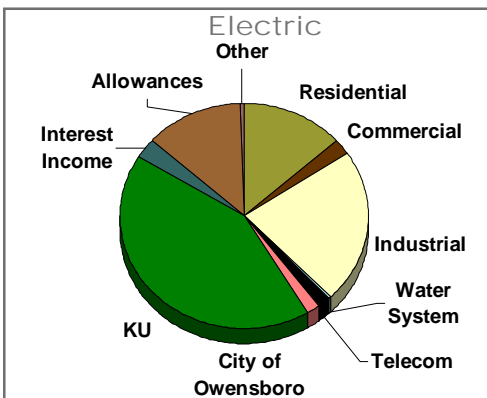
(01) Includes kwh from SEPA power sales.

Water System Balance Sheets (Figures in Thousands)

	Audited 2005	Audited 2004	Audited 2003	Audited 2002
ASSETS				
Utility Plant, Net	\$46,462	\$44,316	\$43,097	\$42,914
Restricted Assets	2,804	4,347	5,699	1,636
Current Assets	2,895	2,669	2,241	1,938
Noncurrent Assets	391	427	446	394
TOTAL ASSETS	\$52,552	\$51,759	\$51,483	\$46,882
LIABILITIES & NET ASSETS				
Total Net Assets	\$26,777	\$25,235	\$23,989	\$23,161
Long-Term Debt	22,278	23,546	24,664	21,162
Total Current				
Liabilities	2,382	1,912	1,745	1,689
Customers' Advances for Construction	1,115	1,066	1,085	870
TOTAL LIABILITIES & NET ASSETS	\$52,552	\$ 51,759	\$ 51,483	\$ 46,882

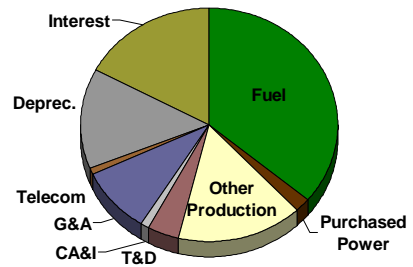
Water System Statements of Revenues, Expenses & Changes in Net Assets (Figures in Thousands)

	Audited 2005	Audited 2004	Audited 2003	Audited 2002
CUBIC FEET SOLD	549,254	542,067	560,086	533,109
Operating Revenues	\$7,405	\$7,272	\$7,071	\$6,077
Operating Expenses	5,396	5,123	4,942	4,738
OPERATING INCOME	\$2,009	\$2,149	\$2,129	\$1,339
Nonoperating Revenues (Expenses)	(1,125)	(1,092)	(1,130)	(1,129)
INCOME BEFORE CONTRIBUTIONS & TRANSFERS	\$884	\$1,057	\$999	\$210
Capital Contributions	859	390	11	91
Dividend to City	(201)	(201)	(182)	(160)
CHANGE IN NET ASSETS	\$1,542	\$1,246	\$828	\$141



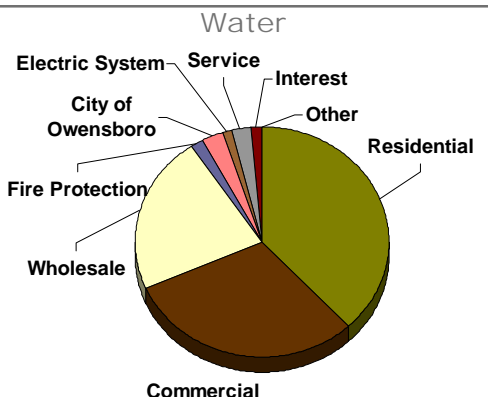
Where Each Dollar Comes From (Electric)

Residential	\$13,156,947
Commercial	2,422,292
Industrial	21,960,642
Water System	400,112
Telecommunications	1,620,588
City of Owensboro	1,461,323
Kentucky Utilities Company	42,480,402
Interest Income	2,560,729
Gain from Sale of Allowances	12,737,600
Other	611,292



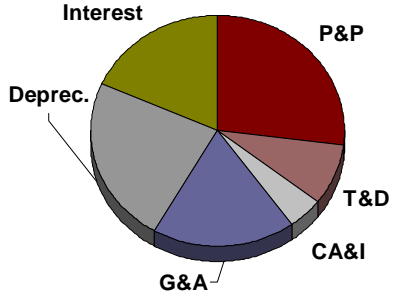
Where Each Dollar Goes (Electric)

Fuel	\$28,999,132
Purchased Power	1,525,920
Other Production	12,730,319
Transmission & Distribution (T&D)	3,198,043
Customers' Accounting & Information (CA&I)	832,008
General & Administrative (G&A)	7,202,400
Telecommunications	681,426
Depreciation	11,212,653
Interest	13,839,608



Where Each Dollar Comes From (Water)

Residential	\$2,848,057
Commercial	2,274,387
Wholesale	1,654,653
Fire Protection	139,467
City of Owensboro	201,440
Electric System	79,771
Service	201,322
Interest	90,363
Other	5,848



Where Each Dollar Goes (Water)

Production & Purification (P&P)	\$1,776,719
Transmission & Distribution (T&D)	577,164
Customers' Accounting & Information (CA&I)	282,838
General & Administrative (G&A)	1,227,356
Depreciation	1,531,992
Interest	1,214,888

Public Power Week 2005

For the past 18 years in October, the more than 2,000 municipally-owned and operated electric utilities have celebrated Public Power Week. OMU joins others this week and throughout the month in celebrating the concept of local community control and ownership of their electric service.

In this annual report, you will get a glimpse of Owensboro Municipal Utilities. You will see that we have proudly served our community for the past 105 years. We hope to continue to serve you, our customer and our owner, efficiently and effectively.

OMU: Your Electric, Water and Telecommunications Utility

As you may know, OMU is a municipally-owned utility, which means that you, our customers, are our owners. Initially, Owensboro Municipal Utilities served only a few hundred customers. As Owensboro has grown, OMU has expanded and now provides service to 25,423 electric customers and 23,963 water users, including both residential and commercial accounts.

Electric peak

OMU hit its historic electric peak on July 30, 1999 in the hour ending 4 p.m. when Owensboro customers used 198 megawatts of electricity. This year's peak was set on July 25 at the hour ending 3 p.m. with 197.2 megawatts.

Water peak

OMU set its all-time peak for water production on July 23, 1999 when OMU pumped a daily total of 19,122,000 gallons of water to its customers. OMU set its 2005 peak on August 10 when it pumped out 17,379,000 gallons.

City of Owensboro

OMU transferred \$5,452,548 in cash and free electric and water service to the City of Owensboro in Fiscal Year 2004-2005, lowering the tax requirements for the city. This saved each Owensboro resident approximately \$99.32 in taxes based on an estimated city population of 54,900.

Electric costs*

On average, OMU electric customers pay 4.7 cents per kilowatt hour, which is among the lowest rates in the region and the nation.

Water costs**

OMU water customers pay an average of \$1.92 per 1000 gallons or less than 2/10 cents per gallon. OMU's two water treatment plants provide water to not only Owensboro residents, but also supply wholesale water to three local districts (Southeast Daviess County, West Daviess County and East Daviess County), who provide water throughout Daviess County.

Payment options

OMU continually looks for ways to better serve our customers. We offer a variety of programs that make paying your combined services bill easier. For instance, approximately 2,300 customers have their monthly bill automatically deducted from their local checking account. Many others choose from two of our monthly budgeting plans: levelized or budget billing. In March 2001, OMU added credit cards to its list of payment options. Customers can use a VISA or Mastercard credit card to pay their combined services bill.

In addition, OMU launched online bill payment through its website at www.omu.org, allowing customers to use their checking account or credit card to pay through the Internet.

Coal

The Elmer Smith Station burns locally-mined coal and uses a tire-derived fuel system (TDF) to produce the electricity Owensboro requires. The plant purchased 1,245,476 tons of fuel in fiscal year 2005 at a cost of \$25,331,493, an average of \$20.34 per ton.

The TDF system consumed a total of 7,990 tons of chipped tires which removed nearly 800,000 waste tires from our landscape, saving valuable landfill space and providing environmental benefits.

Telecommunications

OMU added a third utility to its list of services in 1996. OMU's telecommunication division provides dark fiber, Internet and point-to-point services for commercial and industrial customers. The telecom utility has grown significantly since its birth. Gross revenues for the telecom division rose from \$1,236,142 in fiscal year 2004 to \$1,620,588 in fiscal year 2005.

OMU launched its wireless Internet program in November 2002. We provided service to over 2,900 commercial and residential customers as the fiscal year ended May 31, 2005.

Safety program

At OMU, safety comes first for the community and our employees. In the past year, our employees celebrated several safety milestones. We congratulate them on working safely and continually promote and encourage them to continue this tradition.

Community

Since its birth, OMU has maintained a strong commitment to its community. For instance, Owensboro Municipal Utilities' employees have remained one of the largest donors to United Way annually. Employees also participate in the March of Dimes WalkAmerica, Corporate Challenge, local blood drives, festivals, Neighborhood Alliance projects and numerous other fundraising events and drives for other organizations. In addition, OMU is proud of its school safety program. Power Town and Louie the Lightning Bug® tell children each year about the importance of electricity and using it safely.

A Letter from OMU's General Manager

For over 100 years, Owensboro Municipal Utilities has served our community by providing quality services at the most economical cost. After all, that's our mission.

Owensboro is one of 2,000 cities across the nation to know the benefits of being served by a public utility. Our customers know that their service provider is only a phone call or a short drive away.

Planning, hard work and employee dedication have enabled us to offer water, electricity and telecommunications to our customers at low rates.

We are proud to serve our community. We live and work here and have a vested interest in the future success of this community.

OMU will continue to carry forward our philosophy of customer satisfaction and quality service. We will strive to continually improve and meet your needs in the most efficient and effective way.

If you have any questions about this annual report or any of our services, please contact me. We look forward to continuing to provide the quality services that you deserve.

Sincerely,
Bob Hunzinger,
General Manager

*Average electric revenues from residential, industrial and commercial customers. **Average water revenues from residential and commercial customers.