



INTERIM FINANCIAL
R E P O R T



MONTH ENDED
March 2018

Orlando Utilities Commission

Table of Contents

Management’s Discussion and Analysis	3
Statements of Revenues, Expenses and Changes in Net Position based on Budget - Unaudited	7
Statements of Net Position - Unaudited	8
Statements of Cash Flows – Unaudited	9
Capital Plan	10

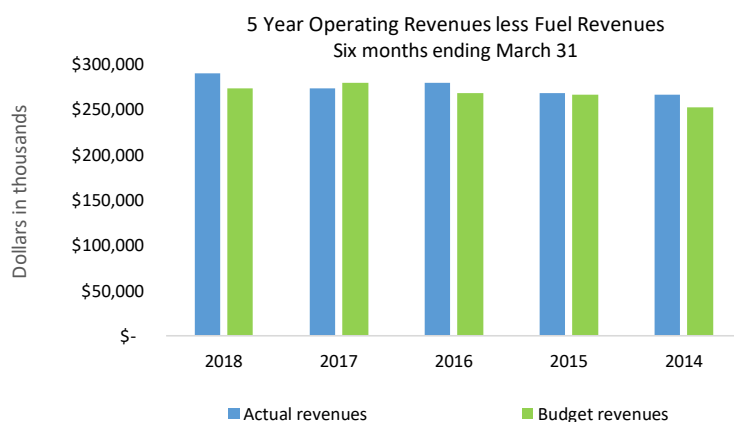
The unaudited statements presented in this interim financial report have been prepared in accordance with generally accepted accounting principles and follow the standards outlined by the Governmental Accounting Standards Board. It is management’s assertion that the management discussion and supporting statements do not omit information necessary for a fair presentation nor do they improperly include untrue statements of a material fact or statements of a misleading nature.

Management's Discussion and Analysis

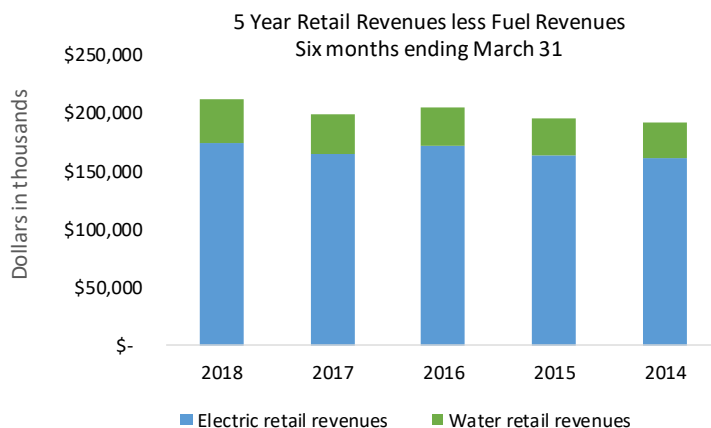
Income before contributions for the six months ended March 31, 2018 was \$29.2 million, \$1.0 million lower than budget and \$1.7 million higher than prior year.

Operating Revenues:

Variance to Budget – Operating revenues, for the six months ended March 2018, were \$7.4 million lower than budget. This variance was primarily due to lower than budgeted fuel revenues of \$7.5 million driven by lower commercial consumption and fuel costs. Total operating revenues less fuel revenues were on budget as a result of higher than budgeted resale energy, chilled water and lighting revenues of \$2.3 million, \$1.4 million and \$0.4 million, respectively. These increases were offset by lower than budget retail energy revenues of \$4.2 million. Mild weather was a key contributor to both the favorable variance for chilled water revenues and the unfavorable variance for retail energy revenues. Water revenues were consistent with budget including the planned use of reserves to facilitate the four-year phased-in water rate increase plan.

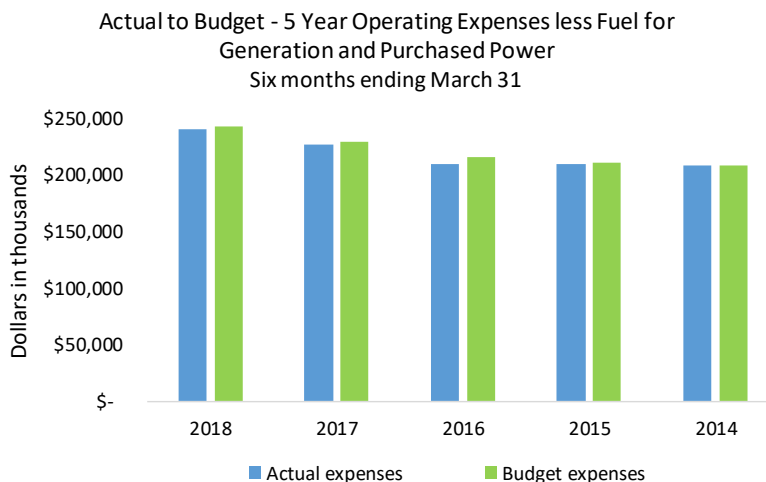


Variations to Prior Year – Operating revenues for the six month period were \$24.4 million higher than last year due to a combination of fuel and energy revenues. Fuel revenues for the six months period ended March 31, 2018 increased \$7.3 million as compared to prior year as a result of a 4.5 percent increase in consumption and a 2.1 percent increase in fuel costs. In addition, energy and water retail consumption increased resulting in a favorable variance of \$10.0 million and \$2.6 million, respectively, along with stronger resale energy revenues of \$3.0 million.



Operating Expenses:

Variations to Budget – Operating expenses, for the six months ended March 2018, were \$10.4 million or 2.8 percent lower than budgeted primarily due to lower than expected fuel for generation and purchased power expenses of \$7.5 million. Total operating expenses less fuel and purchased power expenses were favorable to budget with unit/department expenses \$2.4 million favorable to budget primarily due to lower than expected planned maintenance costs as a result of timing of scheduled generation facility outages and lower than expected salary costs due to unplanned position vacancies. In addition, depreciation and amortization expenses were \$0.8 million favorable to budget due to the timing of asset capitalizations.



Variations to Prior Year – Operating expenses were \$21.3 million higher than the prior year. Contributing to the increase were higher fuel for generation and purchased power expenses of \$7.3 million driven by higher consumption and fuel costs. In addition, Unit/department expenses increased \$5.3 million compared to prior year which was attributable to the relocation of labor resources to support storm restoration activities in 2017 in the amount of \$2.8 million coupled with increased labor, benefits and outside services in the current year. Additionally, depreciation and amortization expenses increased by \$7.1 million primarily due to the full-year capitalization of the new Customer Care and Billing (CC&B) system.

Non-Operating Income and Expenses:

Variance to the Budget and Prior Year – Net non-operating expenses were higher than budget by \$4.1 million and higher than prior year by \$1.4 million. The variance to budget was primarily due to unfavorable market valuation adjustments of \$2.6 million as well as the interest expense and issuance costs associated with the newly issued Series 2018A Bonds.

Contributions in Aid of Construction:

Contributions in aid of construction of \$9.1 million were \$2.7 million higher than budget and \$0.6 million higher than prior year due to the timing of system development contributions for energy and water delivery.

Dividend Payment:

The dividend agreement with the City of Orlando for the period of 2018 through 2020 is based on an annual growth rate of three percent. The budgeted amount for fiscal year 2018 is \$60.6 million and for the period ended March 2018 was \$30.3 million.

Utility Plant:

Utility plant increased \$42.5 million as of March 2018 compared to March 2017. Capital projects contributing to the increase in utility plant in excess of systematic depreciation charges include several large transmission line upgrades, coal and gas generation facility upgrades including a turbine upgrade at SEC Unit 1, pond liner upgrades, a major inspection at SEC Unit B and the Customer Care and Billing system implementation.

Restricted and Internally Designated Assets:

Restricted and internally designated assets of \$672.9 million were \$72.3 million higher than prior year. This increase was primarily due to the issuance of the Series 2018A Bonds with proceeds of \$180.0 million for the funding of the 2018 and 2019 Capital Plan offset by the utilization of operating funds to support the 2018 Capital Plan. In addition, funds were utilized from the renewal and replacement and electric base rate stabilization funds for storm restoration activities. Funds of \$22.6 million are anticipated to be recovered from the Federal Emergency Management Agency (FEMA).

Current Assets:

Current assets of \$238.9 million were \$9.5 million higher than prior year. The increase was primarily due to an increase in Customer accounts receivable of \$22.4 million resulting from a change in the billing process for consolidated commercial accounts with the CC&B implementation. In addition, there was an increase in the fuel for generation coal inventory of \$4.9 million as a result of the recently completed planned outage. Offsetting these increases were decreases in prepaid expenses of \$12.3 million as a result of the recognition of the funds held for the completion of the scheduled SEC Unit B major inspection. In addition, Cash and investments decreased by \$6.5 million.

Other Assets:

Other assets of \$199.4 million increased \$2.8 million over the prior year. The increase was driven by the Board approved deferral of storm restoration costs for hurricanes Matthew and Irma of \$22.6 million for which OUC anticipates securing FEMA reimbursement. These increases were offset by reductions in unrecognized pension and other post-employment benefits (OPEB) costs of \$11.7 million and \$6.8 million, respectively. In addition, unrecognized hedge valuations were also \$1.0 million lower than prior year.

Deferred Outflows of Resources:

Deferred outflows of resources of \$127.4 million decreased \$14.7 million since March 2017. The change was due to systematic amortization of costs associated with refunded debt of \$6.8 million, decreased unrealized pension and OPEB costs and fuel hedge valuation changes of \$4.8 million, \$1.4 million and \$0.9 million, respectively.

Payables from Restricted and Current Assets:

Payables from restricted and current assets of \$172.5 million were \$0.1 million lower than prior year. The decrease was primarily due to a decrease in accounts payable of \$4.0 million. This was offset by increases in accrued interest and the timing of billings to state and local governments of \$2.0 million and \$1.8 million, respectively.

Other Liabilities:

Other liabilities of \$251.7 million were \$46.2 million lower than that of the prior year. The variance was driven by a decrease in the net pension and OPEB liability of \$45.5 million as a result of favorable market valuations and the systematic recognition of unfunded actuarial liabilities.

Long-term Debt:

Over the past twelve months, net long-term debt increased by \$99.8 million. The increase was primarily the result of the issuance of the Series 2018A Bonds in the amount of \$150.0 million with \$30.9 million in premiums. Additionally, during the past year there were bond maturities of \$58.4 million, systematic amortization of related premiums of \$17.3 million and changes in the fair value derivative instrument balance associated with the interest rate swap agreements of \$5.6 million.

OUC's credit ratings, recently affirmed in conjunction with the issuance of new Series 2018A Bonds offered to the bond markets at the close of January are:

Fitch Investors Service	AA
Moody's Investors Service	Aa2
Standard & Poor's	AA

Deferred Inflows of Resources:

For the period ended March 2018, deferred inflows of resources increased by \$1.5 million from that of March 2017. The change was due to the impacts of implementing new accounting guidance for OPEBs and pensions resulting in increases of \$24.6 million and \$0.8 million, respectively. In addition, there was an increase in the valuation of unrecognized interest rate swap derivatives related to the Series 2015B Bonds of \$5.0 million. These increases were offset by planned systematic decreases in deferred gains on sale of \$9.0 million, the utilization of base rate stabilization for storm restoration activity of \$5.9 million and the planned use of fuel stabilization of \$7.6 million.

Cash Flows:

OUC's cash and cash equivalents as of March 2018 were \$143.9 million, \$35.9 million lower than that of the beginning of the fiscal year and \$43.5 million higher than that of March 2017. The decrease since the beginning of the fiscal year was primarily due to the utilization of current operating cash and cash equivalents to fund the annual principal and semi-annual interest payments of \$53.6 million and \$33.8 million, respectively, the utilization of funds for the 2018 Capital Plan in the amount of \$74.3 million as well as the investment of restricted and designated assets beyond the 90 day cash and cash equivalent period in the amount of \$142.1 million. These decreases were partially offset by the Series 2018A Bonds issuance and an increase in cash from operations of \$180.0 million and \$116.7 million, respectively.

Capital Plan:

At March 31, 2018 capital expenditures of \$68.7 million were \$4.8 million under budget. Capital expenditures in water, support services, electric production and chilled water were favorable to budget by \$8.4 million, \$7.7 million, \$1.9 million and \$0.3 million, respectively. These variances were offset by unfavorable transmission, lighting and energy delivery variances of \$6.9 million, \$3.4 million and \$3.2 million, respectively. The lighting variance is driven by the Board approved Eagle Creek OUConvenient lighting acquisition. Remaining variances are largely the result of project timing.

Orlando Utilities Commission
Statements of Revenues, Expenses and Changes in Net Position - Unaudited

Dollars in thousands

	Actual Year to Date March 2018	Budget Year to Date March 2018	Variance to Budget		Actual Year to Date March 2017	Variance to Prior Year	
Operating revenues							
Retail energy	\$ 175,128	\$ 179,285	\$ (4,157)	-2.3%	\$ 165,167	\$ 9,961	6.0%
Resale energy	43,476	41,172	2,304	5.6%	40,428	3,048	7.5%
Fuel	124,439	131,901	(7,462)	-5.7%	117,109	7,330	6.3%
Electric revenues	343,043	352,358	(9,316)	-2.6%	322,704	20,339	6.3%
Water revenues	36,835	36,673	162	0.4%	34,264	2,571	7.5%
Other revenues							
Lighting service revenues	7,072	6,652	420	6.3%	6,379	693	10.9%
Chilled water revenues	14,317	12,961	1,356	10.5%	13,908	409	2.9%
Service fees & other revenues	13,393	13,379	14	0.1%	12,996	397	3.1%
Total operating revenues	414,660	422,023	(7,363)	-1.7%	390,251	24,409	6.3%
Operating expenses							
Fuel for generation and purchased power	124,439	131,901	(7,462)	-5.7%	117,109	7,330	6.3%
Capacity payment	16,202	16,681	(479)	-2.9%	15,983	219	1.4%
Unit/department	131,120	133,498	(2,378)	-1.8%	125,804	5,316	4.2%
Depreciation and amortization	66,635	67,389	(754)	-1.1%	59,543	7,092	11.9%
Payments to other governments and taxes	26,495	25,831	664	2.6%	25,170	1,325	5.3%
Total operating expenses	364,891	375,300	(10,409)	-2.8%	343,609	21,282	6.2%
Non-operating income and (expenses)							
Interest income	810	3,622	(2,812)	-77.6%	1,120	(310)	-27.7%
Other income	5,630	5,142	488	9.5%	5,002	628	12.6%
Interest expense	(27,048)	(25,279)	(1,769)	7.0%	(25,325)	(1,723)	6.8%
Total non-operating income and (expenses)	(20,608)	(16,515)	(4,093)	24.8%	(19,203)	(1,405)	7.3%
Income before contributions	29,161	30,208	(1,047)	-3.5%	27,439	1,722	6.3%
Revenue from contributions in aid of construction	9,082	6,348	2,734	43.1%	8,478	604	7.1%
Dividend payments	(30,308)	(30,308)	-	0.0%	(29,531)	(777)	2.6%
Increase in net position	7,935	\$ 6,248	\$ 1,687	27.0%	6,386	\$ 1,549	24.3%
Net position - beginning of period	1,341,124				1,285,382		
Net position - end of period	\$ 1,349,059				\$ 1,291,768		

Orlando Utilities Commission
Statements of Net Position - Unaudited

Dollars in thousands

	March 2018	March 2017	Variance to Prior Year	
Assets				
Utility plant	\$ 2,464,875	\$ 2,422,358	\$ 42,517	1.8%
Restricted and internally designated assets	672,923	600,622	72,301	12.0%
Current assets	238,922	229,444	9,478	4.1%
Other assets	199,392	196,639	2,753	1.4%
Deferred outflows of resources	127,378	142,105	(14,727)	-10.4%
Total Assets and deferred outflows of resources	\$ 3,703,490	\$ 3,591,168	\$ 112,322	3.1%
Liabilities				
Payables from restricted assets	\$ 86,266	\$ 84,518	\$ 1,748	2.1%
Payables from current assets	86,230	88,126	(1,896)	-2.2%
Other liabilities	251,675	297,828	(46,153)	-15.5%
Long-term debt, net	1,642,616	1,542,768	99,848	6.5%
Total liabilities	2,066,787	2,013,240	53,547	2.7%
Deferred inflows of resources	287,644	286,160	1,484	0.5%
Net position	1,349,059	1,291,768	57,291	4.4%
Total liabilities, deferred inflows of resources and net position	\$ 3,703,490	\$ 3,591,168	\$ 112,322	3.1%

Orlando Utilities Commission
Statements of Cash Flows - Unaudited

Dollars in thousands

	March 2018	March 2017
Cash flow from operating activities		
Cash received from customers	\$ 453,461	\$ 409,605
Cash paid for fuel and purchased power	(154,269)	(141,272)
Cash paid for unit department expenses	(54,405)	(40,727)
Cash paid for salaries and benefits	(87,188)	(85,470)
Cash paid for storm recovery	(13,764)	(6,967)
Cash paid for other payments and taxes	(27,135)	(25,910)
Net cash provided by operating activities	116,700	109,259
Cash flows from non-capital related financing activities		
Dividend to the City of Orlando	(30,308)	(29,531)
Net cash used in non-capital related financing activities	(30,308)	(29,531)
Cash flows from capital related financing activities		
Utility plant net of contributions in aid of construction	(74,255)	(67,095)
Debt interest payments	(33,766)	(31,364)
Collateral deposits	2,000	18,000
Principal payments on long-term debt and use of bond proceeds	(53,630)	(164,913)
Debt issuances and related costs	179,508	108,064
Net cash used in capital related financing activities	19,857	(137,308)
Cash flows from investing activities		
Proceeds from sale and maturities of investment securities	203,340	327,167
Purchases of investment securities	(348,282)	(290,838)
Investments and other expenses paid	2,806	5,889
Net cash provided by investing activities	(142,136)	42,218
Net (decrease) / increase in cash and cash equivalents	(35,887)	(15,362)
Cash and Cash Equivalents - beginning of year	179,779	115,733
Cash and Cash Equivalents - current	\$ 143,892	\$ 100,371
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ 49,769	\$ 46,642
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation and amortization	66,635	59,543
Depreciation and amortization charged to fuel for generation and purchased power	2,106	1,943
Depreciation of vehicles and equipment charged to unit department expenses	1,061	843
Changes in assets and liabilities		
Decrease in receivables and accrued revenue	36,060	12,812
Decrease / (Increase) in fuel and materials and supplies inventories	2,289	(1,026)
Decrease in accounts payable	(35,451)	(8,855)
Decrease in deposits paid and deferred items	(7,101)	(8,261)
Increase in stabilization and deferred revenue accounts	1,332	5,618
Net cash provided by operating activities	\$ 116,700	\$ 109,259

**Orlando Utilities Commission
Capital Plan**

Dollars in thousands

	Adopted 2018 Plan	Year to Date March 2018 Budget	Year to Date March 2018 Actual	Variance to Budget	
Electric Production (1)	\$ 30,000	\$ 15,000	\$ 13,143	\$ 1,857	12.4%
Transmission	34,800	17,400	24,314	(6,914)	-39.7%
Electric Delivery	33,045	16,523	19,530	(3,007)	-18.2%
Electric Delivery contributions	(4,325)	(2,163)	(1,966)	(197)	9.1%
Electric Delivery, net	28,720	14,360	17,564	(3,204)	-22.3%
Lighting (2)	5,797	2,899	6,633	(3,734)	-128.8%
Lighting contributions	(297)	(149)	(465)	316	-212.1%
Lighting, net	5,500	2,750	6,168	(3,418)	-124.3%
Water	24,125	12,063	1,695	10,368	85.9%
Water contributions	(4,575)	(2,288)	(338)	(1,950)	85.2%
Water, net	19,550	9,775	1,357	8,418	86.1%
Chilled Water	710	355	43	312	87.9%
Support Services	27,720	13,860	6,130	7,730	55.8%
Total OUC	\$ 147,000	\$ 73,500	\$ 68,719	\$ 4,781	6.5%

(1) - Totals are net of participant share

(2) - Board approved on April 29, 2017 the acquisition of a community owned lighting system (Eagle Creek) which was unplanned during the budget process.