



**INTERIM FINANCIAL**  
R E P O R T



SIX-MONTHS ENDED  
MARCH 2020

# Orlando Utilities Commission

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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

The following discussion and analysis provides an overview of OUC's unaudited and preliminary financial position and results of operations for the six-month period ended March 31, 2020 in comparison to the approved budget and prior year equivalent period.

- The Operating Revenues, Expenses and Change in Net Position report presents the financial information for the six-months ended March 31, 2020 in comparison to the approved budget and prior year equivalent periods.
  - Income before contributions for the six-months ended March 31, 2020 was \$44.2 million, which was \$0.1 million lower than budget and \$12.1 million higher than prior year.
- The Total Assets and Deferred Outflow of Resources and Total Liabilities and Deferred Inflows of Resources presents the nature and amount of resources and obligations at March 31, 2020, September 30, 2019 and March 31, 2019.
- The Statement of Cash Flows report presents the cash provided and used by operating activities, non-capital financing activities, capital financing activities and investing activities.

### Operating Revenues Analysis

(\$ in thousands)	As of March 31,			Variance			
	2020 Actual	2020 Budget	2019 Actual	Actual vs Budget		2020 vs 2019	
Retail energy revenues	\$ 186,342	\$ 189,384	\$ 180,583	\$ (3,043)	-1.6%	\$ 5,758	3.2%
Resale energy revenues	41,997	43,184	41,785	(1,186)	-2.7%	213	0.5%
Water revenues	40,870	40,836	39,049	35	0.1%	1,822	4.7%
Other revenues	35,731	34,250	35,197	1,481	4.3%	534	1.5%
<b>Operating revenues, net of fuel</b>	<b>304,940</b>	<b>307,654</b>	<b>296,614</b>	<b>(2,713)</b>	<b>-0.9%</b>	<b>8,327</b>	<b>2.8%</b>
Fuel revenues	102,377	121,107	116,247	(18,730)	-15.5%	(13,870)	-11.9%
<b>Total operating revenues</b>	<b>\$ 407,317</b>	<b>\$ 428,761</b>	<b>\$ 412,861</b>	<b>\$ (21,443)</b>	<b>-5.0%</b>	<b>\$ (5,543)</b>	<b>-1.3%</b>

### Budget Analysis:

- Retail energy revenues trailed budget by \$3.0 million. While weather was warmer than forecasted and net energy load, weather adjusted, would have yielded an 8% increase in sales, the impact from the effects of COVID-19 dampened this increase. Conversely, chilled water revenues, included under the heading of other revenues, exceeded budget as a result of the mild winter weather and because the stay-at-home orders not being in effect during the billing cycle.
  - Effects from the COVID-19 virus continue to affect our nation and the duration of the pandemic has yet to be determined. The impact to revenues continues to be assessed with initial projections indicating an operating revenues, net of fuel, shortfall between \$15.0 million and \$27.0 million for the fiscal year.
- Fuel revenues were recognized in direct correlation to fuel costs with year-to-date revenues lower than budget as a result of favorable commodity pricing.

### Prior Year Analysis:

- Retail energy revenues were higher than prior year due to warmer than normal weather, customer growth and Board approved electric pricing changes.
- Water revenues were higher than prior year due to planned pricing changes.
- Fuel revenues are recognized in direct correlation to fuel costs with year-to-date revenues lower than prior year as a result of favorable commodity pricing.

## Operating Expenses Analysis

(\$ in thousands)	As of March 31,			Variance			
	2020 Actual	2020 Budget	2019 Actual	Actual vs Budget		2020 vs 2019	
Unit department expenses	\$ 134,071	\$ 136,226	\$ 135,825	\$ (2,155)	-1.6%	\$ (1,754)	-1.3%
Depreciation and amortization	69,788	70,017	69,051	(230)	-0.3%	737	1.1%
Payments to other governments and taxes	27,299	26,635	26,726	663	2.5%	573	2.1%
Capacity payments	14,405	14,114	15,125	291	2.1%	(720)	-4.8%
Storm related expenses	2,110	-	499	2,109	100.0%	1,611	322.8%
<b>Operating expenses, net of fuel</b>	<b>247,673</b>	<b>246,992</b>	<b>247,226</b>	<b>(1,431)</b>	<b>-0.6%</b>	<b>(1,164)</b>	<b>-0.5%</b>
Fuel for generation and purchased power	102,377	121,107	116,247	(18,730)	-15.5%	(13,870)	-11.9%
<b>Total operating expenses</b>	<b>\$ 350,049</b>	<b>\$ 368,099</b>	<b>\$ 363,473</b>	<b>\$ (20,161)</b>	<b>-5.5%</b>	<b>\$ (13,424)</b>	<b>-3.7%</b>

### Budget Analysis:

- Unit department expenses were lower than budget as a result of the timing of filling approved headcount positions. Effective April 1, 2020, OUC has adopted the Family First Medical Leave Expansion Act. Cost projections for these additional leave benefits are anticipated to range from \$1.3 million to \$2.5 million.
- Storm related expenses were due to the unplanned recognition of previously deferred Hurricane Dorian storm preparation and restoration expenses. Costs estimated to be eligible for grant reimbursement related to COVID-19 expenses have been deferred on the Statement of Net Assets.
- Fuel expenses were \$18.7 million lower as a result of favorable commodity pricing and recently executed long-term discounted natural gas supply agreements.

### Prior Year Analysis:

- Lower indirect payroll costs is the primary driver for the favorable \$1.7 million variance in unit department expenses as compared to 2019.
- Fuel expenses were \$13.8 million lower due to favorable commodity pricing.

## Non-Operating Income and Expenses Analysis

(\$ in thousands)	As of March 31,			Variance			
	2020 Actual	2020 Budget	2019 Actual	Actual vs Budget		2020 vs 2019	
Interest and other income	\$ 12,887	\$ 10,744	\$ 10,939	\$ 2,145	20.0%	\$ 1,948	17.8%
Interest expense	25,995	27,178	27,760	(1,182)	-4.4%	(1,765)	-6.4%
<b>Total non-operating expenses</b>	<b>\$ 13,108</b>	<b>\$ 16,434</b>	<b>\$ 16,821</b>	<b>\$ (3,325)</b>	<b>-20.2%</b>	<b>\$ (3,713)</b>	<b>-22.1%</b>

### Budget and Prior Year Analysis:

- Non-Operating expense savings were derived from lower than budgeted variable rate interest expenses and the recognition of gains from investment sales.
  - Interest expense costs are primarily associated with fixed rate debt and are not anticipated to be significantly impacted from the market volatility and the COVID-19 virus.

## Change in Net Position Analysis

(\$ in thousands)	As of March 31,			Variance			
	2020	2020	2019	Actual vs Budget		2020 vs 2019	
	Actual	Budget	Actual				
<b>Income before contributions</b>	\$ 44,160	\$ 44,228	\$ 32,067	\$ (69)	-0.2%	\$ 12,092	37.7%
Contributions in aid of construction	10,128	7,862	7,200	2,266	28.8%	2,929	40.7%
Annual dividend	(32,864)	(32,864)	(31,681)	-	0.0%	(1,182)	3.7%
<b>Increase in net position</b>	\$ 21,424	\$ 19,226	\$ 7,586	\$ 2,198	11.4%	\$ 13,839	182.4%

#### Budget and Prior Year Analysis:

- Net position was \$2.2 million higher than budget due to recognition of CIAC. In respect to the comparison with prior year, timing of current year costs were planned differently and we anticipate the \$13.8 million variance to decrease as the year progresses. Budgeted income before contributions at September 30, 2020 was budgeted to be \$3.2 million greater than that of September 30, 2019.

#### Total Assets and Deferred Outflows of Resources

(\$ in thousands)	September			
	March 2020	2019	Change	March 2019
Utility plant	\$ 2,542,771	\$ 2,514,406	\$ 28,365	\$ 2,494,113
Restricted and internally designated assets	563,538	611,948	(48,411)	636,149
Current assets	245,483	285,096	(39,614)	225,925
Other assets	167,688	163,698	3,990	183,255
Deferred outflows of resources	110,321	105,018	5,302	106,791
<b>Total assets and deferred outflows of resources</b>	\$ 3,629,800	\$ 3,680,167	\$ (50,367)	\$ 3,646,233

#### Year-to-Date Rolling and Annual Change:

- The year-to-date change in total assets and deferred outflows of resources was driven by the annual debt service requirement payments of \$92.1 million from restricted and internally designated assets, offset by the current period funding for future debt service payments.
- Year-over-year total assets and deferred outflows of resources decreased as a result of the planned systematic recognition of regulatory assets, reserves and construction funds, offset by net utility plant growth.

#### Total Liabilities and Deferred Inflows of Resources

(\$ in thousands)	September			
	March 2020	2019	Change	March 2019
Current liabilities	\$ 175,939	\$ 259,709	\$ (83,771)	\$ 166,767
Other liabilities	190,592	179,614	10,978	210,256
Long-term debt, net	1,506,677	1,504,679	1,998	1,563,468
Deferred inflows of resources	289,028	290,024	(997)	303,310
<b>Total liabilities and deferred inflows of resources</b>	<b>2,162,235</b>	<b>2,234,026</b>	<b>(71,791)</b>	<b>2,243,799</b>
<b>Net position</b>	<b>1,467,565</b>	<b>1,446,141</b>	<b>21,424</b>	<b>1,401,630</b>
<b>Total liabilities, deferred inflows of resources and net position</b>	<b>\$ 3,629,800</b>	<b>\$ 3,680,167</b>	<b>\$ (50,367)</b>	<b>\$ 3,645,430</b>

#### Year-to-Date Rolling and Annual Change:

- The year-to-date change in total liabilities and deferred inflows of resources was due to the decrease in current liabilities as a result of the debt service payments of \$92.1 million, the systematic recognition of long-term debt related costs and the planned recognition of the deferred inflows of resources.
- Year-over-year total liabilities and deferred inflows of resources decreased as a result of timing of accounts payable accruals and the reclassification of current bonds payable for the fiscal year.

- Included under the heading of long-term debt, net are the 2017A Bonds subject to the mandatory redemption on October 1, 2020. OUC intends to remarket these bonds in conjunction with the commencement of cash flows associated with the underlying interest rate swap. Cash flows on the underlying interest rate swap were deferred at the issuance date of the 2017A Bonds.

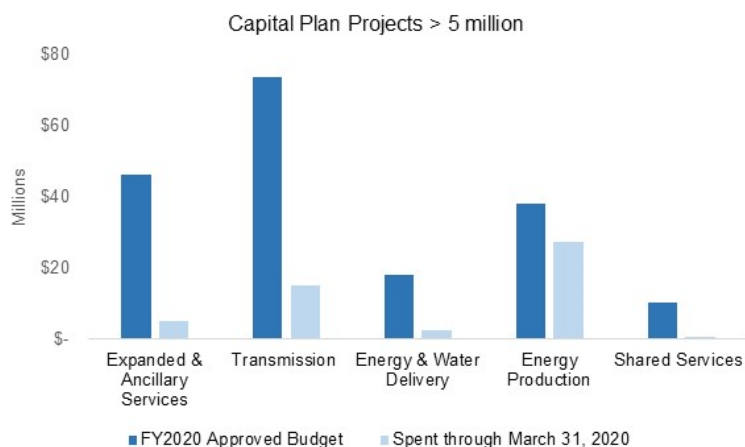
## Condensed Statement of Cash Flows and Capital Spend Analysis

(\$ in thousands)	As of March 31,		
	2020	2019	Change
Net cash provided by operating activities	\$ 126,373	\$ 130,782	\$ (4,409)
Net cash used in non-capital related financing activities	(30,324)	(36,824)	6,499
Net cash used in capital related financing activities	(187,292)	(177,067)	(10,225)
Net cash provided by investing activities	78,765	79,192	(428)
<b>Net decrease in cash and cash equivalents</b>	<b>(12,479)</b>	<b>(3,917)</b>	<b>(8,562)</b>
<b>Cash and cash equivalents - beginning of Year</b>	<b>234,115</b>	<b>209,441</b>	<b>24,674</b>
<b>Cash and cash equivalents - current</b>	<b>\$ 221,636</b>	<b>\$ 205,524</b>	<b>\$ 16,112</b>

**Cash provided by operating activities:** Cash provided by operations was \$126.4 million for the period. In comparison to the prior year, this represents a \$4.4 million decrease as a result of the prior year recalibration of the consolidated bill process. This change was partially offset by a decrease in commodity pricing for fuel and purchased power expenses and indirect payroll costs.

**Cash used in capital related financing activities:** Cash used in capital related activities was \$187.3 million for the period. The change from prior year was primarily driven by an increase in year-to-date spending, offset by a decrease in the scheduled bond principal payments in 2020 compared to 2019.

- **Capital Spend:** As of March 31, 2020, net capital spending was \$87.3 million and 5% below the projected target due to the timing of large project start-ups. This shortfall from the projected capital plan spending includes an unplanned receipt of \$7.5 million received for transmission substation system contributions in aid of construction. Total capital plan spending for transmission before the receipt of system contributions in aid of construction was \$24.4 million. In respect to the capital projects greater than \$5.0 million, the timing of customer initiatives and most recently COVID-19 have impacted the timeline of these projects and at the close of March, these initiatives were 27% of planned spend as noted below.



**Orlando Utilities Commission**  
**Statements of Net Position - Unaudited**

Dollars in thousands

	March 2020	September 2019	Variance to Prior Year	
<b>Assets</b>				
Utility plant	\$ 2,542,771	\$ 2,514,406	\$ 28,365	1.1%
Restricted and internally designated assets	563,538	611,948	(48,411)	-7.9%
Current assets	245,483	285,096	(39,614)	-13.9%
Other assets	167,688	163,698	3,990	2.4%
Deferred outflows of resources	110,321	105,018	5,302	5.0%
<b>Total Assets and deferred outflows of resources</b>	<b>\$ 3,629,800</b>	<b>\$ 3,680,167</b>	<b>\$ (50,367)</b>	<b>-1.4%</b>
<b>Liabilities</b>				
Payables from restricted assets	\$ 85,564	\$ 146,787	\$ (61,222)	-41.7%
Payables from current assets	90,374	112,923	(22,548)	-20.0%
<b>Current Liabilities</b>	<b>175,939</b>	<b>259,709</b>	<b>(83,771)</b>	<b>-32.3%</b>
Other liabilities	190,592	179,614	10,978	6.1%
Long-term debt, net	1,506,677	1,504,679	1,998	0.1%
<b>Total liabilities</b>	<b>1,873,207</b>	<b>1,944,002</b>	<b>(70,795)</b>	<b>-3.6%</b>
<b>Deferred inflows of resources</b>	<b>289,028</b>	<b>290,024</b>	<b>(997)</b>	<b>-0.3%</b>
<b>Net position</b>	<b>1,467,565</b>	<b>1,446,141</b>	<b>21,424</b>	<b>1.5%</b>
<b>Total liabilities, deferred inflows of resources and net position</b>	<b>\$ 3,629,800</b>	<b>\$ 3,680,167</b>	<b>\$ (50,367)</b>	<b>-1.4%</b>

\*\*\*See page 5 for additional information related to changes in the Statement of Net Position

## Orlando Utilities Commission

### Statements of Revenues, Expenses and Changes in Net Position - Unaudited

Dollars in thousands

	Actual Year to Date March 2020	Budget Year to Date March 2020	Variance to Budget		Actual Year to Date March 2019	Variance to Prior Year	
<b>Operating revenues</b>							
Retail energy	\$ 186,342	\$ 189,384	\$ (3,043)	-1.6%	\$ 180,583	\$ 5,758	3.2%
Resale energy	41,997	43,184	(1,187)	-2.7%	41,785	213	0.5%
Fuel	102,377	121,107	(18,730)	-15.5%	116,247	(13,870)	-11.9%
Electric revenues	330,715	353,675	(22,960)	-6.5%	338,615	(7,899)	-2.3%
Water revenues	40,870	40,836	35	0.1%	39,049	1,822	4.7%
Other revenues							
Lighting service revenues	8,089	7,828	261	3.3%	7,547	543	7.2%
Chilled water revenues	14,143	12,875	1,267	9.8%	14,646	(503)	-3.4%
Service fees & other revenues	13,500	13,546	(46)	-0.3%	13,005	495	3.8%
<b>Total operating revenues</b>	<b>407,317</b>	<b>428,761</b>	<b>(21,444)</b>	<b>-5.0%</b>	<b>412,861</b>	<b>(5,543)</b>	<b>-1.3%</b>
<b>Operating expenses</b>							
Fuel for generation and purchased power	102,377	121,107	(18,730)	-15.5%	116,247	(13,870)	-11.9%
Capacity payment	14,405	14,114	292	2.1%	15,125	(720)	-4.8%
Unit/department	134,071	136,226	(2,155)	-1.6%	136,324	(2,253)	-1.7%
Storm related expenses	2,110	-	2,110	100.0%	499	1,611	0.0%
Depreciation and amortization	69,788	70,017	(230)	-0.3%	69,051	737	1.1%
Payments to other governments and taxes	27,299	26,635	664	2.5%	26,726	573	2.1%
<b>Total operating expenses</b>	<b>350,049</b>	<b>368,099</b>	<b>(18,050)</b>	<b>-4.9%</b>	<b>363,972</b>	<b>(13,923)</b>	<b>-3.8%</b>
<b>Non-operating income and (expenses)</b>							
Interest income	7,320	5,681	1,639	28.9%	5,729	1,592	27.8%
Other income	5,567	5,063	504	9.9%	5,210	356	6.8%
Interest expense	(25,995)	(27,178)	1,182	-4.4%	(27,760)	1,765	-6.4%
<b>Total non-operating income and (expenses)</b>	<b>(13,108)</b>	<b>(16,434)</b>	<b>3,325</b>	<b>-20.2%</b>	<b>(16,821)</b>	<b>3,713</b>	<b>-22.1%</b>
<b>Income before contributions</b>	<b>44,160</b>	<b>44,228</b>	<b>(69)</b>	<b>-0.2%</b>	<b>32,067</b>	<b>12,092</b>	<b>37.7%</b>
<b>Revenue from contributions in aid of construction</b>	<b>10,128</b>	<b>7,862</b>	<b>2,266</b>	<b>28.8%</b>	<b>7,200</b>	<b>2,929</b>	<b>40.7%</b>
<b>Dividend payments</b>	<b>(32,864)</b>	<b>(32,864)</b>	<b>-</b>	<b>0.0%</b>	<b>(31,681)</b>	<b>(1,183)</b>	<b>3.7%</b>
<b>Increase in net position</b>	<b>21,424</b>	<b>\$ 19,226</b>	<b>\$ 2,198</b>	<b>11.4%</b>	<b>7,586</b>	<b>\$ 13,838</b>	<b>182.4%</b>
<b>Net position - beginning of period</b>	<b>1,446,141</b>				<b>1,394,847</b>		
<b>Net position - end of period</b>	<b>\$ 1,467,565</b>				<b>\$ 1,402,433</b>		

\*\*\*See pages 3-5 for additional information related to changes in the Statement of Revenues, Expenses, and Changes in Net Position



**Orlando Utilities Commission**  
**Statements of Cash Flows - Unaudited**

Dollars in thousands

	<u>March 2020</u>	<u>March 2019</u>
<b>Cash flow from operating activities</b>		
Cash received from customers	\$ 435,247	\$ 462,823
Cash paid for fuel and purchased power	(129,953)	(151,916)
Cash paid for unit department expenses	(64,493)	(62,354)
Cash paid for salaries and benefits	(87,588)	(89,824)
Cash paid for storm recovery	1,080	(530)
Cash paid for other payments and taxes	(27,920)	(27,418)
<b>Net cash provided by operating activities</b>	<b>126,373</b>	<b>130,782</b>
<b>Cash flows from non-capital related financing activities</b>		
Dividend to the City of Orlando	(32,864)	(31,681)
Debt principal payments - pension bonds	-	(5,010)
Debt interest payments - pension bonds	2,539	(133)
<b>Net cash used in non-capital related financing activities</b>	<b>(30,324)</b>	<b>(36,824)</b>
<b>Cash flows from capital related financing activities</b>		
Utility plant net of contributions in aid of construction	(90,475)	(74,471)
Debt interest payments	(31,129)	(34,357)
Collateral deposits	(4,700)	(3,846)
Principal payments on long-term debt and use of bond proceeds	(60,340)	(129,769)
Debt issuances and related costs	(649)	65,376
<b>Net cash used in capital related financing activities</b>	<b>(187,292)</b>	<b>(177,067)</b>
<b>Cash flows from investing activities</b>		
Proceeds from sale and maturities of investment securities	277,950	271,389
Purchases of investment securities	(207,514)	(219,395)
Investments and other expenses paid	8,329	27,199
<b>Net cash provided by investing activities</b>	<b>78,765</b>	<b>79,192</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(12,479)</b>	<b>(3,917)</b>
<b>Cash and Cash Equivalents - beginning of year</b>	<b>234,115</b>	<b>209,441</b>
<b>Cash and Cash Equivalents - current</b>	<b>\$ 221,636</b>	<b>\$ 205,524</b>
<b>Reconciliation of operating income to net cash provided by operating activities</b>		
Operating income	\$ 57,268	\$ 48,889
<b>Adjustments to reconcile operating income to net cash provided by operating activities</b>		
Depreciation and amortization	69,788	69,051
Depreciation and amortization charged to fuel for generation and purchased power	1,476	1,477
Depreciation of vehicles and equipment charged to unit department expenses	1,343	1,047
<b>Changes in assets and liabilities</b>	-	-
Decrease in receivables and accrued revenue	26,711	54,312
Decrease in fuel and materials and supplies inventories	(2,328)	(3,623)
Decrease in accounts payable	(26,930)	(26,287)
Increase in deposits paid and deferred items	(6,483)	(7,458)
Increase in stabilization and deferred revenue accounts	5,528	(6,624)
<b>Net cash provided by operating activities</b>	<b>\$ 126,373</b>	<b>\$ 130,782</b>

\*\*\*See page 6 for additional information related to changes in the Statements of Cash Flows

**Orlando Utilities Commission  
Capital Plan**

Dollars in thousands

	Adopted 2020 Plan	Year to Date March 2020 Plan	Year to Date March 2020 Actual	Variance to Budget	
Electric Production (1)	\$ 42,992	\$ 17,167	\$ 24,417	\$ (7,250)	-42.2%
Transmission	85,250	23,183	24,413	(1,230)	-5.3%
Transmission contributions	(13,000)	(6,500)	(7,446)	946	-14.6%
Transmission, net	72,250	16,683	16,966	(284)	-1.7%
Electric Delivery	61,900	20,800	22,673	(1,873)	-9.0%
Electric Delivery contributions	(4,724)	(2,362)	(1,894)	(468)	19.8%
Electric Delivery, net	57,176	18,438	20,779	(2,340)	-12.7%
Lighting	8,700	4,357	3,988	368	8.5%
Lighting contributions	(1,000)	(500)	(1,058)	557	-111.4%
Lighting, net	7,700	3,857	2,930	927	23.9%
Water	20,517	9,227	7,494	1,732	18.8%
Water contributions	(6,000)	(3,000)	(4,451)	1,450	-48.3%
Water, net	14,517	6,227	3,043	3,183	51.1%
Chilled Water	30,300	3,671	2,672	999	27.2%
Support Services	39,265	25,891	16,503	9,387	36.3%
Total OUC	\$ 264,200	\$ 91,932	\$ 87,311	\$ 4,622	5.0%

(1) - Totals are net of participant share

\*\*\*See page 6 for additional information related to changes in the Capital Plan