



INTERIM FINANCIAL
R E P O R T



**NINE-MONTHS ENDED
JUNE 2019**

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 financial position and results of operations for the period identified within each component of the financial statements presented below.

- The Operating Revenues, Expenses and Change in Net Position report presents the financial information for the nine-month period ended June 30, 2019 in comparison to the approved budget and prior year equivalent periods.
 - Income before contributions for the nine-months ended June 30, 2019 was \$56.6 million, which is in-line with budget and \$8.4 million higher than prior year as a result of the fuel to base energy price neutral change and customer growth.
- 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 June 30, 2019 and September 30, 2018.
- 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 June 30,			Variance			
	2019 Actual	2019 Budget	2018 Actual	Actual vs Budget		2019 vs 2018	
Retail energy revenues	\$ 279,112	\$ 279,882	\$ 268,607	\$ (770)	-0.3%	\$ 10,505	3.9%
Resale energy revenues	65,419	63,819	66,613	1,601	2.5%	(1,195)	-1.8%
Water revenues	59,168	60,211	57,590	(1,042)	-1.7%	1,579	2.7%
Other revenues	52,495	53,045	52,333	(549)	-1.0%	163	0.3%
Operating revenues, net of fuel	456,194	456,956	445,143	(760)	-0.2%	11,051	2.5%
Fuel revenues	182,598	185,396	192,983	(2,797)	-1.5%	(10,385)	-5.4%
Total operating revenues	\$ 638,793	\$ 642,351	\$ 638,126	\$ (3,558)	-0.6%	\$ 667	0.1%

Budget Analysis:

- Resale energy revenues were \$1.6 million higher due to an increase in favorable weather evidenced by OUC hitting a new peak demand of 1,224 megawatts on June 25.
- Water revenues were \$1.0 million lower due to higher than normal rainfall resulting in lower than expected consumption.
- Fuel revenues were \$2.8 million lower as a result of both commodity pricing and lower consumption per customer.

Prior Year Analysis:

- Retail energy revenues were \$10.5 million higher due to the Board approved electric revenue neutral price change effective October 2018, customer growth, and record setting weather conditions.
- Resale energy revenues were \$1.2 million lower due to a decrease in wholesale sales, offset by an increase in St. Cloud revenues stemming from the electric revenue neutral price increase, steady customer growth and weather.
- Water revenues were \$1.6 million higher due to the planned price increase.
- Fuel revenues decreased \$10.4 million due to the Board approved electric revenue neutral price changes which decreased fuel prices 7.7%, offset by customer growth.

Operating Expenses Analysis, net of mutual aid storm restoration activities

(\$ in thousands)	As of June 30,			Variance			
	2019	2019	2018	Actual vs Budget		2019 vs 2018	
	Actual	Budget	Actual				
Unit department expenses	\$ 209,303	\$ 207,411	\$ 199,952	\$ 1,892	0.9%	\$ 9,352	4.7%
Depreciation and amortization	103,394	103,979	100,477	(587)	-0.6%	2,917	2.9%
Payments to other governments and taxes	39,763	39,453	39,791	309	0.8%	(28)	-0.1%
Capacity payments	22,710	23,397	24,365	(688)	-2.9%	(1,656)	-6.8%
Operating expenses, net of fuel	375,169	374,240	364,585	927	0.2%	10,584	2.9%
Fuel for generation and purchased power	182,598	185,396	192,983	(2,797)	-1.5%	(10,385)	-5.4%
Total operating expenses	\$ 557,768	\$ 559,635	\$ 557,568	\$ (1,871)	-0.3%	\$ 200	0.0%

Budget Analysis:

- Unit department expenses were \$1.9 million higher due to an unplanned forced outage at SEC 1 coupled with a modification in the maintenance plan to perform a shortened operations and maintenance focused outage in lieu of an extended capital outage as planned.
- Fuel expenses were \$2.8 million lower as a result of lower than expected consumption per customer and favorable commodity pricing.

Prior Year Analysis:

- Unit department expenses were \$9.4 million higher due to planned inflationary cost increases inclusive of wage and benefit cost increases as well as the timing of system outage costs.
- Depreciation and amortization increased \$2.9 million due to the annualized impact of the major generation facility capital outage costs incurred in the prior year at SEC A & B.
- Capacity payments decreased \$1.7 million due to the extension of SEC A and the recognition of negotiated savings.
- Fuel expenses decreased \$10.4 million due to both quantity and price variances from lower comparative consumption, lower commodity fuel pricing and decreased transportation costs.

Non-Operating Income and Expenses Analysis

(\$ in thousands)	As of June 30,			Variance			
	2019	2019	2018	Actual vs Budget		2019 vs 2018	
	Actual	Budget	Actual				
Interest and other income	\$ 16,776	\$ 16,562	\$ 8,688	\$ 217	1.3%	\$ 8,088	93.1%
Interest expense	41,179	42,618	40,996	(1,439)	-3.4%	184	0.4%
Total non-operating expenses	\$ 24,403	\$ 26,056	\$ 32,308	\$ (1,654)	-6.3%	\$ (7,905)	-24.5%

Budget and Prior Year Analysis:

- Total net non-operating expenses are lower than budget and prior year due to rising short-term rates and interest expense savings from bond refunding activities.

Change in Net Position Analysis

(\$ in thousands)	As of June 30,			Variance			
	2019	2019	2018	Actual vs Budget		2019 vs 2018	
	Actual	Budget	Actual				
Income before contributions	\$ 56,622	\$ 56,660	\$ 48,251	\$ (36)	-0.1%	\$ 8,372	17.4%
Contributions in aid of construction	12,804	12,152	13,820	652	5.4%	(1,017)	-7.4%
Annual dividend	(47,522)	(47,522)	(45,462)	-	0.0%	(2,059)	4.5%
Increase in net position	\$ 21,905	\$ 21,290	\$ 16,609	\$ 615	2.9%	\$ 5,296	31.9%

Budget and Prior Year Analysis:

- Net position is consistent with budget. In respect to prior year, the \$8.4 million increase in income before contributions is primarily due to an increase of \$8.1 million in interest and other income. The increase in the annual dividend is due to the fixed escalation of the payment to the City of Orlando.

Total Assets and Deferred Outflows of Resources

(\$ in thousands)	June 2019	September 2018	Change	June 2018
Utility plant	\$ 2,503,109	\$ 2,485,182	\$ 17,927	\$ 2,473,204
Restricted and internally designated assets	603,647	657,489	(53,842)	632,388
Current assets	259,943	286,548	(26,605)	267,804
Other assets	182,817	185,065	(2,248)	198,626
Deferred outflows of resources	110,111	112,556	(2,445)	125,371
Total assets and deferred outflows of resources	\$ 3,659,626	\$ 3,726,840	\$ (67,214)	\$ 3,697,392

Utility plant: Utility plant increased \$17.9 million associated with the timing of new additions, offset by systematic depreciation.

Restricted and internally designated assets: Restricted and internally designated assets decreased \$53.8 million in conjunction with the timing of the annual debt service requirements and the planned use of fuel reserves to support the price neutral change in 2018, offset by the replenishment of internally designated reserves.

Current assets: Current assets decreased \$26.6 million due to the timing of replenishment of internally designated capital reserves and the seasonality of customer receivables.

Total Liabilities and Deferred Inflows of Resources

(\$ in thousands)	June 2019	September 2018	Change	June 2018
Payables from restricted assets	\$ 73,257	\$ 157,955	\$ (84,698)	\$ 73,681
Payables from current assets	99,353	107,746	(8,393)	90,387
Other liabilities	212,419	207,717	4,702	252,924
Long-term debt, net	1,562,954	1,564,637	(1,683)	1,636,619
Deferred inflows of resources	294,890	293,938	952	283,349
Total liabilities and deferred inflows of resources	2,242,874	2,331,993	(89,119)	2,336,959
Net position	1,416,752	1,394,847	21,905	1,360,432
Total liabilities, deferred inflows of resources and net position	\$ 3,659,626	\$ 3,726,840	\$ (67,214)	\$ 3,697,392

Payables from restricted assets: Payables from restricted assets decreased as a result of the timing of accruals related to debt service requirements.

Condensed Statement of Cash Flows and Capital Spend Analysis

(\$ in thousands)	As of June 30,		
	2019	2018	Change
Net cash provided by operating activities	\$ 186,173	\$ 177,309	\$ 8,864
Net cash used in non-capital related financing activities	(50,806)	(48,751)	(2,055)
Net cash used in capital related financing activities	(255,416)	(50,869)	(204,547)
Net cash provided by/(used in) investing activities	121,477	(125,132)	246,609
Net decrease in cash and cash equivalents	1,428	(47,443)	48,871
Cash and cash equivalents - beginning of Year	209,441	179,779	29,662
Cash and cash equivalents - current	\$ 210,869	\$ 132,336	\$ 78,533

Cash used in capital related financing activities: Increased outflows for capital related financing activities was due to the inflow of \$180.0 million in bond proceeds in fiscal year 2018, higher scheduled annual debt service requirements in the amount of \$14.0 million, an increase of \$8.2 million in collateral deposits, and an increase of \$3.0 million in capital spending.

Cash flow from investing activities: Cash provided by investing activities for the nine-months ending June 2019 was \$121.5 million due to the inflow of funds primarily from the restricted construction funds to meet scheduled bond pay-down requirements and planned capital spending.

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

Dollars in thousands

	Actual Year to Date June 2019	Budget Year to Date June 2019	Variance to Budget		Actual Year to Date June 2018	Variance to Prior Year	
Operating revenues							
Retail energy	\$ 279,112	\$ 279,882	\$ (770)	-0.3%	\$ 268,607	\$ 10,505	3.9%
Resale energy	65,419	63,819	1,600	2.5%	66,613	(1,195)	-1.8%
Fuel	182,598	185,396	(2,797)	-1.5%	192,983	(10,385)	-5.4%
Electric revenues	527,129	529,096	(1,967)	-0.4%	528,203	(1,075)	-0.2%
Water revenues	59,168	60,211	(1,042)	-1.7%	57,590	1,579	2.7%
Other revenues							
Lighting service revenues	11,387	12,152	(765)	-6.3%	10,737	650	6.1%
Chilled water revenues	22,276	20,481	1,795	8.8%	22,103	174	0.8%
Service fees & other revenues	18,832	20,412	(1,580)	-7.7%	19,493	(661)	-3.4%
Total operating revenues	638,793	642,351	(3,559)	-0.6%	638,126	667	0.1%
Operating expenses							
Fuel for generation and purchased power	182,598	185,396	(2,797)	-1.5%	192,983	(10,385)	-5.4%
Capacity payment	22,710	23,397	(687)	-2.9%	24,365	(1,656)	-6.8%
Unit/department	209,303	207,411	1,892	0.9%	199,952	9,352	4.7%
Depreciation and amortization	103,394	103,979	(586)	-0.6%	100,477	2,917	2.9%
Payments to other governments and taxes	39,763	39,453	310	0.8%	39,791	(28)	-0.1%
Total operating expenses	557,768	559,635	(1,868)	-0.3%	557,568	200	0.0%
Non-operating income and (expenses)							
Interest income	8,748	8,764	(16)	-0.2%	360	8,389	2331.9%
Other income	8,028	7,797	230	3.0%	8,328	(300)	-3.6%
Interest expense	(41,179)	(42,618)	1,439	-3.4%	(40,996)	(184)	0.4%
Total non-operating income and (expenses)	(24,403)	(26,056)	1,654	-6.3%	(32,308)	7,905	-24.5%
Income before contributions	56,622	56,660	(37)	-0.1%	48,251	8,372	17.4%
Revenue from contributions in aid of construction	12,804	12,152	652	5.4%	13,820	(1,016)	-7.4%
Dividend payments	(47,522)	(47,522)	-	0.0%	(45,462)	(2,060)	4.5%
Increase in net position	21,905	\$ 21,290	\$ 615	2.9%	16,609	\$ 5,296	31.9%
Net position - beginning of period	1,394,848				1,341,123		
Net position - end of period	\$ 1,416,752				\$ 1,357,732		

Orlando Utilities Commission
Statements of Net Position - Unaudited

Dollars in thousands

	June 2019	September 2018	Variance to Prior Year	
Assets				
Utility plant	\$ 2,503,109	\$ 2,485,182	\$ 17,926	0.7%
Restricted and internally designated assets	603,647	657,489	(53,842)	-8.2%
Current assets	259,943	286,548	(26,604)	-9.3%
Other assets	182,817	185,065	(2,247)	-1.2%
Deferred outflows of resources	110,111	112,556	(2,446)	-2.2%
Total Assets and deferred outflows of resources	\$ 3,659,626	\$ 3,726,840	\$ (67,213)	-1.8%
Liabilities				
Payables from restricted assets	\$ 73,257	\$ 157,955	\$ (84,698)	-53.6%
Payables from current assets	99,353	107,746	(8,393)	-7.8%
Other liabilities	212,419	207,717	4,702	2.3%
Long-term debt, net	1,562,954	1,564,637	(1,683)	-0.1%
Total liabilities	1,947,985	2,038,055	(90,070)	-4.4%
Deferred inflows of resources	294,890	293,938	952	0.3%
Net position	1,416,752	1,394,847	21,905	1.6%
Total liabilities, deferred inflows of resources and net position	\$ 3,659,626	\$ 3,726,840	\$ (67,214)	-1.8%

Orlando Utilities Commission
Statements of Cash Flows - Unaudited

Dollars in thousands

	June 2019	June 2018
Cash flow from operating activities		
Cash received from customers	\$ 652,789	\$ 654,735
Cash paid for fuel and purchased power	(218,857)	(226,924)
Cash paid for unit department expenses	(71,203)	(63,067)
Cash paid for salaries and benefits	(135,725)	(131,075)
Cash paid for storm recovery	(880)	(16,465)
Cash paid for other payments and taxes	(39,951)	(39,895)
Net cash provided by operating activities	186,173	177,309
Cash flows from non-capital related financing activities		
Dividend to the City of Orlando	(47,522)	(45,462)
Debt principle payments - pension bonds	(5,010)	(4,755)
Debt interest payments - pension bonds	1,726	1,466
Net cash used in non-capital related financing activities	(50,806)	(48,751)
Cash flows from capital related financing activities		
Utility plant net of contributions in aid of construction	(121,642)	(118,596)
Debt interest payments	(63,067)	(60,002)
Collateral deposits	(6,046)	2,105
Principal payments on long-term debt and use of bond proceeds	(129,769)	(53,630)
Debt issuances and related costs	65,108	179,254
Net cash used in capital related financing activities	(255,416)	(50,869)
Cash flows from investing activities		
Proceeds from sale and maturities of investment securities	336,510	247,288
Purchases of investment securities	(244,080)	(377,749)
Investments and other expenses paid	29,047	5,329
Net cash provided by/(used in) investing activities	121,477	(125,132)
Net increase/(decrease) in cash and cash equivalents	1,428	(47,443)
Cash and Cash Equivalents - beginning of year	209,441	179,779
Cash and Cash Equivalents - current	\$ 210,869	\$ 132,336
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ 81,026	\$ 80,558
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation and amortization	103,394	100,477
Depreciation and amortization charged to fuel for generation and purchased power	2,215	3,163
Depreciation of vehicles and equipment charged to unit department expenses	1,653	1,736
Changes in assets and liabilities		
Decrease in receivables and accrued revenue	16,685	13,166
Decrease in fuel and materials and supplies inventories	(5,680)	2,360
Decrease in accounts payable	(12,932)	(36,838)
Increase in deposits paid and deferred items	1,573	9,944
Increase in stabilization and deferred revenue accounts	(1,761)	2,743
Net cash provided by operating activities	\$ 186,173	\$ 177,309

Capital Plan

For the nine-months ended June 30, 2019, \$113.1 million, or 51.8%, of the total budgeted \$218.1 million in capital funds were spent. Project delays have decreased proforma capital spend for 2019 to \$181.3 million, or 16.9% below budget with Capital Review Committee evaluations being performed to determine if there are “shovel” ready projects that may be accelerated to meet overall planned spend.

Dollars in thousands

	Adopted 2019 Plan	Year to Date June 2019 Budget	Year to Date June 2019 Actual	Variance to Budget	
Electric Production (1)	\$ 42,200	\$ 14,950	\$ 16,644	\$ (1,693)	-11.3%
Transmission	47,200	28,769	31,539	(2,770)	-9.6%
Electric Delivery	43,000	36,187	29,568	6,619	18.3%
Electric Delivery contributions	(6,000)	(3,500)	-	(3,500)	100.0%
Electric Delivery, net	37,000	32,687	29,568	3,120	9.5%
Lighting	8,235	5,918	5,979	(61)	-1.0%
Lighting contributions	(2,235)	(1,304)	(633)	(672)	51.5%
Lighting, net	6,000	4,614	5,346	(732)	-16.0%
Water	16,400	14,225	8,162	6,063	42.6%
Water contributions	(1,000)	(583)	376	(960)	164.6%
Water, net	15,400	13,642	8,538	5,103	37.4%
Chilled Water	26,100	2,885	545	2,340	81.1%
Support Services	44,200	28,036	20,902	7,135	25.4%
Total OUC	\$ 218,100	\$ 125,583	\$ 113,081	\$ 12,502	10.0%

(1) - Totals are net of participant share