



INTERIM FINANCIAL
R E P O R T



SIX-MONTHS ENDED
MARCH 31, 2022
(UNAUDITED)

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 in comparison to the approved budget and prior year equivalent period.

- The Statements of Revenues, Expenses and Changes in Net Position present the financial information for the six-months ended March 31, 2022 in comparison to the approved budget and prior year equivalent period.
 - Income before contributions for the six-months ended March 31, 2022 was \$59.7 million, which is \$2.8 million higher than budget and \$23.3 million higher than prior year, reflecting the gradual return to the target 9.5 percent return on equity.
- The Statements of Net Position present the nature and amount of resources and obligations at March 31, 2022 and September 30, 2021.
- The Statements of Cash Flows present 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			Variance			
	2022 Actual	2022 Budget	2021 Actual	Actual vs Budget		2022 vs 2021	
Retail energy revenues (OUC and STC)	\$ 230,256	\$ 224,281	\$ 215,240	\$ 5,975	2.7 %	\$ 15,016	7.0 %
Wholesale energy revenues	13,705	12,289	11,553	1,416	11.5 %	2,152	18.6 %
Water revenues	43,197	42,846	37,085	351	0.8 %	6,112	16.5 %
Other revenues	40,659	39,625	36,325	1,034	2.6 %	4,334	11.9 %
Operating revenues, net of fuel	327,817	319,041	300,203	8,776	2.8 %	27,614	9.2 %
Fuel revenues	157,509	112,556	112,043	44,953	39.9 %	45,466	40.6 %
Total operating revenues	\$ 485,326	\$ 431,597	\$ 412,246	\$ 53,729	12.4 %	\$ 73,080	17.7 %

Budget Analysis:

- Operating revenues, net of fuel were \$8.8 million higher than budget as a result of a continued return to business as usual in the commercial retail electric and chilled water customer segments and higher than anticipated wholesale revenue from the City of Lakeland. Higher than budgeted fuel revenues were driven by the increased use of fuel reserves to offset the rise in fuel commodity prices.

Prior Year Analysis:

- Operating revenues, net of fuel were \$27.6 million higher than prior year due to the retail electric price neutral changes effective April 1, 2021 coupled with a decrease in the provision for uncollectible accounts and increased wholesale energy revenue from the City of Lakeland. Water and other revenues were higher than prior year primarily due to the return to normal operations, conservation focused price changes and service fee assessments. Fuel revenues were also higher than prior year as a result of the \$2.50 per MWh price increase effective January 1, 2022 for the average residential customer using 1,000 kWh per month as well as the increased utilization of fuel reserves to offset elevated natural gas and coal prices.

Operating Expenses Analysis

(\$ in thousands)	As of March			Variance			
	2022 Actual	2022 Budget	2021 Actual	Actual vs Budget		2022 vs 2021	
Unit department expenses	\$ 122,655	\$ 126,034	\$ 125,411	\$ (3,379)	(2.7)%	\$ (2,756)	(2.2)%
Depreciation and amortization	80,052	73,197	81,324	6,855	9.4 %	(1,272)	(1.6)%
Payments to other governments and taxes	27,724	26,993	27,108	731	2.7 %	616	2.3 %
Capacity payments	12,454	12,441	12,855	13	0.1 %	(401)	(3.1)%
Emergency response expenses	74	—	1,306	74	100.0 %	(1,232)	(94.3)%
Operating expenses, net of fuel	242,959	238,665	248,004	4,294	1.8 %	(5,045)	(2.0)%
Fuel for generation and purchased power	157,509	112,556	112,043	44,953	39.9 %	45,466	40.6 %
Total operating expenses	\$ 400,468	\$ 351,221	\$ 360,047	\$ 49,247	14.0 %	\$ 40,421	11.2 %

Budget Analysis:

- Operating expenses, net of fuel for generation and purchased power were \$4.3 million higher than budget driven by accelerated clean energy plan depreciation and amortization expenses, offset by lower than projected operating expenses as a result of pandemic related constraints.
- Fuel for generation and purchased power were \$45.0 million higher than budgeted as a result of elevated natural gas and coal commodity prices driven by a wide range of pandemic and industry related constraints.

Prior Year Analysis:

- Operating expenses, net of fuel for generation and purchased power were \$5.0 million lower than prior year. This net change was due to lower depreciation and amortization costs as a result of the earlier than planned decommissioning of the McIntosh Unit 3 generation facility and the recording of the generation decommissioning costs as a special item. In addition, lower unit department expenses were driven by reduced retirement benefit obligations resulting from market returns beyond the actuarial investment assumptions.
- Fuel for generation and purchased power expenses were \$45.5 million higher than prior year due to year-over-year rising fuel commodity costs and pandemic and industry related constraints.

Net Non-Operating and Special Item Expenses Analysis

(\$ in thousands)	As of March			Variance			
	2022 Actual	2022 Budget	2021 Actual	Actual vs Budget		2022 vs 2021	
Interest and other income	\$ 3,646	\$ 5,451	\$ 7,120	\$ (1,805)	(33.1)%	\$ (3,474)	(48.8)%
Interest expense	(22,678)	(22,754)	(22,931)	76	(0.3)%	253	(1.1)%
Total non-operating income and (expenses)	\$ (19,032)	\$ (17,303)	\$ (15,811)	\$ (1,729)	10.0 %	\$ (3,221)	20.4 %
Generation decommissioning	\$ (6,164)	\$ (6,164)	\$ —	\$ —	— %	\$ (6,164)	100.0 %
Total special items	\$ (6,164)	\$ (6,164)	\$ —	\$ —	— %	\$ (6,164)	100.0 %

Budget and Prior Year Analysis:

- Non-operating income and expenses were lower than budget and prior year as a result of costs incurred to rebalance the investment portfolio in-line with the rise in interest rates.
- Special items were in line with budget and \$6.2 million higher than prior year resulting from the generation decommissioning expenses for McIntosh Unit 3 in conjunction with its earlier than planned retirement in April 2021.

Change in Net Position Analysis

(\$ in thousands)	As of March			Variance			
	2022 Actual	2022 Budget	2021 Actual	Actual vs Budget		2022 vs 2021	
Income before contributions	\$ 59,662	\$ 56,909	\$ 36,388	\$ 2,753	4.8 %	\$ 23,274	64.0 %
Contributions in aid of construction	10,939	7,750	7,937	3,189	41.1 %	3,002	37.8 %
Annual dividend	(31,749)	(31,749)	(30,915)	—	— %	(834)	2.7 %
Increase in net position	\$ 38,852	\$ 32,910	\$ 13,410	\$ 5,942	18.1 %	\$ 25,442	189.7 %

Budget and Prior Year Analysis:

- Income before contributions and contributions in aid of construction were favorable to budget as a result of stronger than budgeted revenues and increased water system development contributions. In respect to the prior year, a gradual return to the target return on equity of 9.5 percent was the primary driver of this variance coupled with the growth in contributions in aid of construction as a result of strong community growth past the impacts of the pandemic.

Total Assets and Deferred Outflows of Resources

(\$ in thousands)	March 2022	September 2021	Year-to-Date Change	March 2021
Utility plant	\$ 2,628,664	\$ 2,624,130	\$ 4,534	\$ 2,586,923
Restricted and internally designated assets	715,103	830,350	(115,247)	848,519
Current assets	319,406	299,032	20,374	211,243
Other assets	208,909	180,037	28,872	155,149
Deferred outflows of resources	64,078	73,611	(9,533)	107,616
Total assets and deferred outflows of resources	\$ 3,936,160	\$ 4,007,160	\$ (71,000)	\$ 3,909,450

Year-to-Date Analysis:

- Total assets and deferred outflows of resources decreased \$71.0 million from the fiscal year ended 2021. Restricted and internally designated assets decreased \$115.2 million as a result of the October 1 debt service payments in the amount of \$110.8 million coupled with the utilization of fuel reserves and construction funds. Beyond these changes, current and other assets increased as a result of the replenishment of cash from restricted construction funds and favorable market valuations.

Total Liabilities and Deferred Inflows of Resources

(\$ in thousands)	March 2022	September 2021	Year-to-Date Change	March 2021
Current liabilities	\$ 325,562	\$ 336,808	\$ (11,246)	\$ 253,178
Other liabilities	176,574	161,095	15,479	210,927
Long-term debt, net	1,549,227	1,645,197	(95,970)	1,646,174
Deferred inflows of resources	290,306	308,419	(18,113)	287,342
Total liabilities and deferred inflows of resources	2,341,669	2,451,519	(109,850)	2,397,621
Net position	1,594,493	1,555,641	38,852	1,511,829
Total liabilities, deferred inflows of resources and net position	\$ 3,936,162	\$ 4,007,160	\$ (70,998)	\$ 3,909,450

Year-to-Date Analysis:

- Total liabilities and deferred inflows of resources decreased \$109.9 million due to timing of the annual debt service payments, the utilization of fuel reserves coupled with fuel hedge and other market valuation changes offset by the timing of current and other liabilities.

Condensed Statement of Cash Flows and Capital Spend Analysis

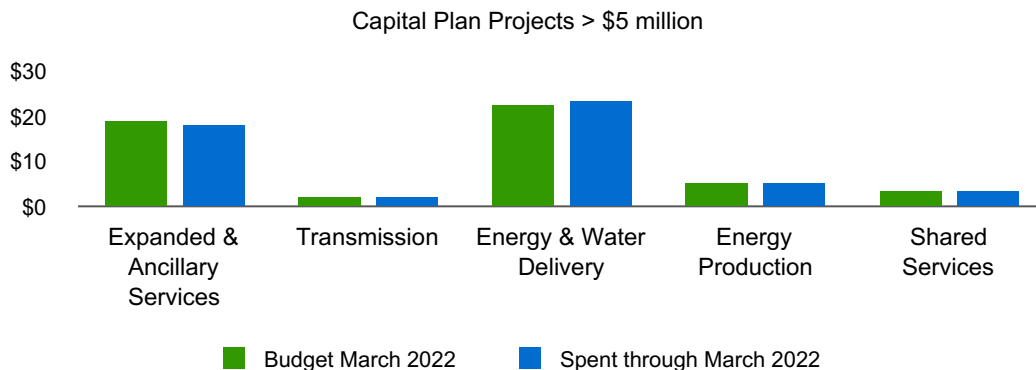
(\$ in thousands)	As of March		
	2022	2021	Change
Net cash provided by operating activities	\$ 131,237	\$ 156,549	\$ (25,312)
Net cash used in non-capital related financing activities	(29,880)	(27,164)	(2,716)
Net cash (used)/provided in capital related financing activities	(192,412)	159,317	(351,729)
Net cash (used)/provided by investing activities	(45,201)	40,599	(85,800)
Net decrease in cash and cash equivalents	(136,256)	329,301	(465,557)
Cash and cash equivalents - beginning of year	447,192	249,357	197,835
Cash and cash equivalents - current	\$ 310,936	\$ 578,658	\$ (267,722)

Cash provided by operating activities: Cash provided by operations was \$131.2 million, a decrease of \$25.3 million from 2021. This change was due to the under-recovery of fuel revenues as a result of rising commodity costs and the prior year one-time receipt of \$9.5 million of emergency response grant receivables.

- As of March 31, 2022, OUC expects to receive an additional \$10.3 million in emergency response cost reimbursement grant funds as a result of the modification of the federal funding level and the duration of the coverage period for COVID-19 emergency response and preparedness costs through April 2022.

Cash used in capital related financing activities: Cash used in capital related activities was \$192.4 million compared to cash provided in the prior year of \$159.3 million as a result of the receipt of construction proceeds from the Series 2021A and 2021B Bonds issued at the close of March 2021.

- Capital Spend:** As of March 31, 2022, net capital spending was \$82.8 million, or 10.4 percent lower than the approved Capital Plan.



Orlando Utilities Commission
Statements of Net Position - Unaudited
Dollars in thousands

	March 2022	September 2021	Variance	
Assets				
Utility plant	\$ 2,628,664	\$ 2,624,130	\$ 4,534	0.2 %
Restricted and internally designated assets	715,103	830,350	(115,247)	(13.9)%
Current assets	319,406	299,032	20,374	6.8 %
Other assets	208,909	180,037	28,872	16.0 %
Deferred outflows of resources	64,078	73,611	(9,533)	(13.0)%
Total Assets and deferred outflows of resources	\$ 3,936,160	\$ 4,007,160	\$ (71,000)	(1.8)%
Liabilities				
Payables from restricted assets	\$ 170,250	\$ 170,825	\$ (575)	(0.3)%
Payables from current assets	155,312	165,983	(10,671)	(6.4)%
Current Liabilities	325,562	336,808	(11,246)	(3.3)%
Other liabilities	176,574	161,095	15,479	9.6 %
Long-term debt, net	1,549,227	1,645,197	(95,970)	(5.8)%
Total liabilities	2,051,363	2,143,100	(91,737)	(4.3)%
Deferred inflows of resources	290,306	308,419	(18,113)	(5.9)%
Net position	1,594,493	1,555,641	38,852	2.5 %
Total liabilities, deferred inflows of resources and net position	\$ 3,936,162	\$ 4,007,160	\$ (70,998)	(1.8)%

***See page 4 for additional information related to changes in the Statements of Net Position

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

	Actual March 2022	Budget March 2022	Variance to Budget		Actual March 2021	Variance to Prior Year		
Operating revenues								
Retail energy revenues (OUC and STC)	\$ 230,256	\$ 224,281	\$ 5,975	2.7 %	\$ 215,240	\$15,016	7.0 %	
Wholesale energy revenues	13,705	12,289	1,416	11.5 %	11,553	2,152	18.6 %	
Fuel	157,509	112,556	44,953	39.9 %	112,043	45,466	40.6 %	
Electric revenues	401,470	349,126	52,344	15.0 %	338,836	62,634	18.5 %	
Water revenues	43,197	42,846	351	0.8 %	37,085	6,112	16.5 %	
Other revenues								
Lighting service revenues	8,981	8,795	186	2.1 %	8,248	733	8.9 %	
Chilled water revenues	14,899	14,230	669	4.7 %	13,427	1,472	11.0 %	
Service fees & other revenues	16,779	16,600	179	1.1 %	14,650	2,129	14.5 %	
Total operating revenues	485,326	431,597	53,729	12.4 %	412,246	73,080	17.7 %	
Operating expenses								
Fuel for generation and purchased power	157,509	112,556	44,953	39.9 %	112,043	45,466	40.6 %	
Unit/department	122,655	126,034	(3,379)	(2.7)%	125,411	(2,756)	(2.2)%	
Depreciation and amortization	80,052	73,197	6,855	9.4 %	81,324	(1,272)	(1.6)%	
Payments to other governments and taxes	27,724	26,993	731	2.7 %	27,108	616	2.3 %	
Capacity payments	12,454	12,441	13	0.1 %	12,855	(401)	(3.1)%	
Emergency response costs	74	—	74	100.0 %	1,306	(1,232)	(94.3)%	
Total operating expenses	400,468	351,221	49,247	14.0 %	360,047	40,421	11.2 %	
Non-operating income and (expenses)								
Interest income	697	1,822	(1,125)	(61.7)%	3,521	(2,824)	(80.2)%	
Other income	2,949	3,629	(680)	(18.7)%	3,599	(650)	(18.1)%	
Interest expense	(22,678)	(22,754)	76	(0.3)%	(22,931)	253	(1.1)%	
Total non-operating income and (expenses)	(19,032)	(17,303)	(1,729)	10.0 %	(15,811)	(3,221)	20.4 %	
Special Items								
Generation decommissioning	(6,164)	(6,164)	—	— %	—	(6,164)	— %	
Income before contributions	59,662	56,909	2,753	4.8 %	36,388	23,274	64.0 %	
Contributions in aid of construction	10,939	7,750	3,189	41.1 %	7,937	3,002	37.8 %	
Dividend payments	(31,749)	(31,749)	—	— %	(30,915)	(834)	2.7 %	
Increase in net position	38,852	\$ 32,910	\$ 5,942	18.1 %	13,410	\$25,442	189.7 %	
Net position - beginning of year	1,555,641				1,498,420			
Net position - end of period	\$ 1,594,493				\$ 1,511,830			

***See pages 2-3 for additional information related to changes in the Statements of Revenues, Expenses, and Changes in Net Position

Orlando Utilities Commission
Statements of Cash Flows - Unaudited
Dollars in thousands

	March 2022	March 2021
Cash flow from operating activities		
Cash received from customers	\$ 459,051	\$ 430,030
Cash paid for fuel and purchased power	(162,149)	(121,688)
Cash paid for unit department expenses	(52,509)	(47,586)
Cash paid for salaries and benefits	(84,551)	(85,059)
Cash (paid)/received for emergency response expenses	(254)	8,708
Cash paid for other payments and taxes	(28,351)	(27,856)
Net cash provided by operating activities	<u>131,237</u>	<u>156,549</u>
Cash flows from non-capital related financing activities		
Dividend to the City of Orlando	(31,749)	(30,915)
Build America Bonds subsidy received	1,869	3,751
Net cash used in non-capital related financing activities	<u>(29,880)</u>	<u>(27,164)</u>
Cash flows from capital related financing activities		
Utility plant net of contributions in aid of construction	(79,984)	(80,051)
Debt interest payments	(29,844)	(25,980)
Collateral deposits received	—	15,146
Principal payments on long-term debt and use of bond proceeds	(82,050)	(73,930)
Debt issuances	—	326,780
Debt issuance expense	(534)	(2,648)
Net cash (used in)/provided by capital related financing activities	<u>(192,412)</u>	<u>159,317</u>
Cash flows from investing activities		
Proceeds from sale and maturities of investment securities	158,841	156,231
(Loss)/Gain on sale of investments	(1,792)	1,394
Purchases of investment securities	(207,933)	(125,612)
Investments and other income received	5,683	8,586
Net cash (used in)/provided by investing activities	<u>(45,201)</u>	<u>40,599</u>
Net (decrease)/increase in cash and cash equivalents	<u>(136,256)</u>	<u>329,301</u>
Cash and Cash Equivalents - beginning of year	<u>447,192</u>	<u>249,357</u>
Cash and Cash Equivalents - current	<u>\$ 310,936</u>	<u>\$ 578,658</u>
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ 84,858	\$ 52,199
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation and amortization	80,052	81,324
Depreciation and amortization charged to fuel for generation and purchased power	2,383	1,299
Depreciation of vehicles and equipment charged to unit department expenses	1,216	1,297
Changes in assets and liabilities		
Decrease in receivables and accrued revenue	11,067	28,117
(Increase)/Decrease in fuel and materials and supplies inventories	(5,815)	15,651
Increase/(Decrease) in accounts payable	3,503	(21,832)
Decrease in deposits payable and deferred items	(5,735)	(7,287)
(Decrease)/Increase in stabilization and deferred revenue accounts	(40,291)	5,781
Net cash provided by operating activities	<u>\$ 131,238</u>	<u>\$ 156,549</u>

***See page 5 for additional information related to changes in the Statements of Cash Flows

**Orlando Utilities Commission
Capital Plan**
Dollars in thousands

	Year to Date March 2022 Plan	Year to Date March 2022 Actual	Variance to Budget	
Electric Production ¹	\$ 15,295	\$ 13,995	\$ (1,300)	(8.5)%
Transmission	11,256	10,078	(1,178)	(10.5)%
Transmission contributions	—	—	—	— %
Transmission, net	11,256	10,078	(1,178)	(10.5)%
Electric Delivery	28,704	28,837	133	0.5 %
Electric Delivery contributions	(5,161)	(5,551)	(390)	7.6 %
Electric Delivery, net	23,543	23,286	(257)	(1.1)%
Lighting	4,788	4,683	(105)	(2.2)%
Lighting contributions	(500)	(829)	(329)	65.8 %
Lighting, net	4,288	3,854	(434)	(10.1)%
Water ²	20,676	18,037	(2,639)	(12.8)%
Water contributions	(7,539)	(7,461)	78	(1.0)%
Water, net	13,137	10,576	(2,561)	(19.5)%
Chilled Water	11,809	10,409	(1,400)	(11.9)%
Support Services ³	13,087	10,628	(2,459)	(18.8)%
Total OUC	\$ 92,415	\$ 82,826	(9,589)	(10.4)%

¹ Totals are net of participant share.

² Project timing related to alternative water supply and various repair and restoration projects.

³ Timing of various projects in Digital & Technology, Customer Service and New Products and Services.