



INTERIM FINANCIAL
R E P O R T



**NINE-MONTHS ENDED
JUNE 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.

COVID-19 Update

OUC continues to respond to effects of the pandemic and state and local stay-at-home executive orders with the wellbeing of our employees, customers and the community at the center of our response. Health and safety guidelines for essential and on-site employees have been instituted along with medical and travel screening policies. In April 2020 at the onset of the pandemic, OUC approved \$12.1 million of customer assistance programs including a planned \$7.5 million one-time fuel price reduction in the month of May 2020, funding in the amount of \$2.6 million through United Way's *Project Care*, \$1.5 million through an internally administered small commercial customer program and \$0.5 million in funding for the *Power Pass* program. Beyond the one-time fuel price reduction, funds continue to be available to our customers along with support to assist them access the expanded federal grant assistance programs of the Low Income Housing and Energy Assistance Program (LIHEAP) and the Coronavirus Relief Fund (CRF).

While the full financial impact of the pandemic has yet to be determined, net energy load continues to be 3.6% lower than forecasted with a continued projection of revenues being \$22.0 million lower than budget at the close of the fiscal year. The commercial customers in the entertainment, transportation and education sectors continue to be most impacted with a partial offset by higher residential revenues, net of the increase in the provision for bad debt as a result of the suspension of disconnects for non-payment and the waiving of late fees. The suspension of disconnects for non-payment and the waiving of late fees resumed in mid-July

To bridge the revenue gap and meet the Board approved revenue requirement, cost reduction initiatives have been implemented through the establishment of a Commission-wide Budget Recovery Task Force. As of June 30, 2020, OUC expects to meet the original approved budgeted income before contributions for the fiscal year of \$100.9 million.

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 Operating Revenues, Expenses and Change in Net Position report presents the financial information for the nine-months ended June 30, 2020 in comparison to the approved budget and prior year equivalent periods.
 - Income before contributions for the nine-months ended June 30, 2020 was \$66.9 million, which was \$3.1 million lower than budget excluding the use of planned reserves and \$10.3 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 June 30, 2020, September 30, 2019 and June 30, 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 June 30,			Variance			
	2020 Actual	2020 Budget	2019 Actual	Actual vs Budget		2020 vs 2019	
Retail energy revenues	\$ 279,767	\$ 288,563	\$ 279,347	\$ (8,796)	-3.0%	\$ 420	0.2%
Resale energy revenues	66,849	66,412	65,419	438	0.7%	1,430	2.2%
Water revenues	60,846	62,994	59,495	(2,147)	-3.4%	1,351	2.3%
Other revenues	51,529	52,375	53,054	(846)	-1.6%	(1,525)	-2.9%
Operating revenues, net of fuel	458,991	470,344	457,315	(11,351)	-2.4%	1,676	0.4%
Fuel revenues	158,087	186,585	182,598	(28,498)	-15.3%	(24,512)	-13.4%
Total operating revenues	\$ 617,078	\$ 656,929	\$ 639,914	\$ (39,850)	-6.1%	\$ (22,836)	-3.6%

Budget Analysis:

- Retail energy and water revenues trailed budget by \$8.8 million and \$2.1 million, respectively. While weather has offset a portion of the impacts of COVID-19, these have been reduced by the increased risk of collections as a result of the pandemic's effects to the local economy and the rise in unemployment. An additional provision for bad debt of \$4.6 million and \$0.6 million, respectively, have been included through June 2020.
- 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. In connection with the planned fuel rate reduction in response to COVID-19, a one-time usage of \$6.3 million in fuel reserves was recognized in May 2020.

Prior Year Analysis:

- Retail energy and water revenues were higher than prior year due to warmer than normal weather, customer growth and Board approved electric pricing changes.
- Resale revenues were higher than prior year due to an increase in St. Cloud sales offset by the lower wholesale sales from the transition of wholesale agreements.
- Other revenues decreased primarily due to lower chilled water sales and lower late payment and reconnect fees.
- Fuel revenues were lower than prior year due to the continued decline in natural gas prices along with the execution of long-term discounted natural gas agreements.

Operating Expenses Analysis

(\$ in thousands)	As of June 30,			Variance			
	2020 Actual	2020 Budget	2019 Actual	Actual vs Budget		2020 vs 2019	
Unit department expenses	\$ 198,549	\$ 205,599	\$ 210,423	\$ (7,050)	-3.4%	\$ (11,875)	-5.6%
Depreciation and amortization	106,117	108,538	103,394	(2,421)	-2.2%	2,724	2.6%
Payments to other governments and taxes	40,559	40,326	39,763	231	0.6%	796	2.0%
Capacity payments	21,622	21,171	22,710	450	2.1%	(1,088)	-4.8%
Emergency response expenses	4,315	-	-	4,314	100.0%	4,315	100.0%
Operating expenses, net of fuel	371,162	375,635	376,289	(8,790)	-2.3%	(9,443)	-2.5%
Fuel for generation and purchased power	158,087	186,585	182,598	(28,498)	-15.3%	(24,512)	-13.4%
Total operating expenses	\$ 529,248	\$ 562,220	\$ 558,888	\$ (37,288)	-6.6%	\$ (29,639)	-5.3%

Budget Analysis:

- Unit department expenses were lower than budget as a result of the cost saving initiatives to offset the projected revenue shortfall, including the deferral of approved open positions.
- Depreciation and amortization savings are a result of the timing of the capital plan and completion of current year capital projects.

- Emergency response expenses were due to the unplanned recognition of previously deferred Hurricane Dorian storm preparation and restoration expenses of \$3.1 million. In addition, estimated COVID-19 emergency responses costs of \$1.2 million have been recognized, consistent with Board action to defer an estimated 70% of emergency response costs pending Federal Emergency Management Agency eligibility qualification.
- Fuel expenses were \$28.5 million lower as a result of favorable commodity pricing and recently executed long-term discounted natural gas supply agreements.

Prior Year Analysis:

- Lower outage related costs in 2020 in the amount of \$5.0 million along with lower indirect payroll costs and cost cutting measures were the primary drivers for the favorable \$11.9 million variance in unit department expenses as compared to 2019.
- Fuel expenses were \$24.5 million lower due to favorable commodity pricing.

Non-Operating Income and Expenses Analysis

(\$ in thousands)	As of June 30,			Variance			
	2020	2020	2019	Actual vs Budget		2020 vs 2019	
	Actual	Budget	Actual				
Interest and other income	\$ 17,371	\$ 16,030	\$ 16,776	\$ 1,343	8.4%	\$ 594	3.5%
Interest expense	38,309	40,766	41,179	(2,457)	-6.0%	(2,870)	-7.0%
Total non-operating expenses	\$ 20,938	\$ 24,737	\$ 24,403	\$ (3,798)	-15.4%	\$ (3,465)	-14.2%

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.

Change in Net Position Analysis

(\$ in thousands)	As of June 30,			Variance			
	2020	2020	2019	Actual vs Budget		2020 vs 2019	
	Actual	Budget	Actual				
Income before contributions	\$ 66,892	\$ 69,972	\$ 56,623	\$ (3,081)	-4.4%	\$ 10,268	18.1%
Contributions in aid of construction	12,830	11,793	12,804	1,037	8.8%	26	0.2%
Annual dividend	(49,296)	(49,296)	(47,522)	0	0.0%	(1,773)	3.7%
Increase in net position	\$ 30,425	\$ 32,469	\$ 21,906	\$ (2,044)	-6.3%	\$ 8,521	38.9%

Budget and Prior Year Analysis:

- Net position was \$2.0 million lower than budget and is expected to be in-line with original budget at the fiscal year end. When compared to prior year, timing of current year costs were planned differently and we anticipate the \$8.5 million variance to continue to decrease as the year progresses; the variance at May 31, 2020 was \$11.0 million. Income before contributions at September 30, 2020 was budgeted to be \$5.1 million greater than that of September 30, 2019.

Total Assets and Deferred Outflows of Resources

(\$ in thousands)	September			
	June 2020	2019	Change	June 2019
Utility plant	\$ 2,559,151	\$ 2,514,406	\$ 44,745	\$ 2,503,109
Restricted and internally designated assets	515,039	611,948	(96,909)	603,647
Current assets	274,055	285,096	(11,042)	259,943
Other assets	163,126	163,698	(572)	182,817
Deferred outflows of resources	106,958	105,018	1,939	110,111
Total assets and deferred outflows of resources	\$ 3,618,329	\$ 3,680,167	\$ (61,838)	\$ 3,659,626

Year-to-Date and Annual Change:

- The year-to-date change in total assets and deferred outflows of resources was primarily driven by the annual debt service requirement payments of \$120.0 million from restricted and internally designated assets, offset by the current period funding for future debt service payments. In addition, restricted and internally designated funds decreased \$96.9 million primarily due to the \$25.7 million utilization of the residual amount of restricted construction bond funds and \$60.0 million of capital reserve funds. These funds were utilized to partially fund current year capital additions of \$142.1 million.
- 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			
	June 2020	2019	Change	June 2019
Current liabilities	\$ 163,778	\$ 259,709	\$ (95,932)	\$ 172,610
Other liabilities	191,796	179,614	12,182	212,419
Long-term debt, net	1,504,200	1,504,679	(479)	1,562,954
Deferred inflows of resources	281,989	290,024	(8,035)	294,891
Total liabilities and deferred inflows of resources	2,141,763	2,234,026	(92,263)	2,242,873
Net position	1,476,567	1,446,141	30,425	1,401,630
Total liabilities, deferred inflows of resources and net position	\$ 3,618,329	\$ 3,680,167	\$ (61,838)	\$ 3,644,504

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 \$120.0 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, unapplied CIAC 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 is in the process of remarketing 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.

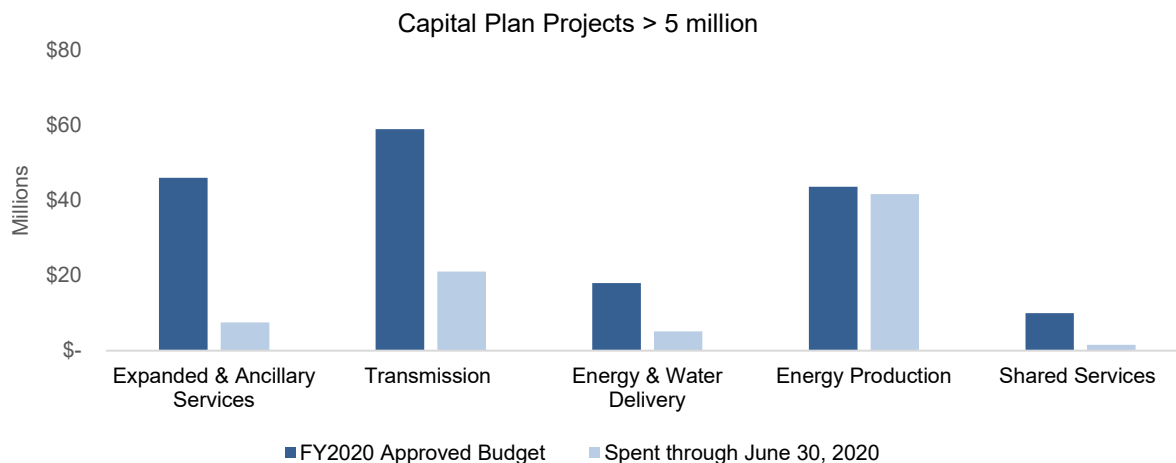
Condensed Statement of Cash Flows and Capital Spend Analysis

(\$ in thousands)	As of June 30,		
	2020	2019	Change
Net cash provided by operating activities	\$ 180,043	\$ 186,173	\$ (6,129)
Net cash used in non-capital related financing activities	(46,756)	(50,805)	4,049
Net cash used in capital related financing activities	(269,755)	(255,417)	(14,338)
Net cash provided by investing activities	139,470	121,477	17,993
Net decrease in cash and cash equivalents	3,002	1,428	1,575
Cash and cash equivalents - beginning of Year	234,115	209,441	24,674
Cash and cash equivalents - current	\$ 237,117	\$ 210,868	\$ 26,249

Cash provided by operating activities: Cash provided by operations was \$180.0 million for the period. In comparison to the prior year, this represents a \$6.1 million decrease as a result of increased receivables with the suspension of disconnects for non-payment and the waiver of late fees. 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 \$269.8 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 net scheduled bond principal payments in 2020 compared to 2019.

- Capital Spend:** As of June 30, 2020, net capital spending was \$139.2 million and 9.5% 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 \$8.1 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 \$37.7 million. In respect to the capital projects greater than \$5.0 million, the timing of customer initiatives and COVID-19 have impacted the timeline of these projects and at the close of June, these initiatives were 44% of planned spend.



Orlando Utilities Commission
Statements of Net Position - Unaudited

Dollars in thousands

	June 2020	September 2019	Variance to Prior Year	
Assets				
Utility plant	\$ 2,559,151	\$ 2,514,406	\$ 44,745	1.8%
Restricted and internally designated assets	515,039	611,948	(96,909)	-15.8%
Current assets	274,055	285,096	(11,042)	-3.9%
Other assets	163,126	163,698	(572)	-0.3%
Deferred outflows of resources	106,958	105,018	1,939	1.8%
Total Assets and deferred outflows of resources	\$ 3,618,329	\$ 3,680,167	\$ (61,838)	-1.7%
Liabilities				
Payables from restricted assets	\$ 71,588	\$ 146,787	\$ (75,199)	-51.2%
Payables from current assets	92,190	112,923	(20,733)	-18.4%
Current Liabilities	163,778	259,709	(95,932)	-36.9%
Other liabilities	191,796	179,614	12,182	6.8%
Long-term debt, net	1,504,200	1,504,679	(479)	0.0%
Total liabilities	1,859,774	1,944,002	(84,228)	-4.3%
Deferred inflows of resources	281,989	290,024	(8,035)	-2.8%
Net position	1,476,567	1,446,141	30,425	2.1%
Total liabilities, deferred inflows of resources and net position	\$ 3,618,329	\$ 3,680,167	\$ (61,838)	-1.7%

***See page 6 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 June 2020	Budget Year to Date June 2020	Variance to Budget		Actual Year to Date June 2019	Variance to Prior Year	
Operating revenues							
Retail energy	\$ 279,767	\$ 288,563	\$ (8,796)	-3.0%	\$ 279,347	\$ 420	0.2%
Resale energy	66,849	66,412	437	0.7%	65,419	1,430	2.2%
Fuel	158,087	186,585	(28,498)	-15.3%	182,598	(24,512)	-13.4%
Electric revenues	504,702	541,560	(36,858)	-6.8%	527,364	(22,662)	-4.3%
Water revenues	60,846	62,994	(2,147)	-3.4%	59,495	1,351	2.3%
Other revenues							
Lighting service revenues	12,363	11,743	620	5.3%	11,387	976	8.6%
Chilled water revenues	21,108	20,325	783	3.9%	22,276	(1,168)	-5.2%
Service fees & other revenues	18,058	20,308	(2,250)	-11.1%	19,391	(1,333)	-6.9%
Total operating revenues	617,078	656,929	(39,851)	-6.1%	639,914	(22,836)	-3.6%
Operating expenses							
Fuel for generation and purchased power	158,087	186,585	(28,498)	-15.3%	182,598	(24,512)	-13.4%
Capacity payment	21,622	21,171	451	2.1%	22,710	(1,088)	-4.8%
Unit/department	198,549	205,599	(7,050)	-3.4%	210,423	(11,875)	-5.6%
Emergency response expenses	4,315	-	4,315	100.0%	-	4,315	0.0%
Depreciation and amortization	106,117	108,538	(2,421)	-2.2%	103,394	2,724	2.6%
Payments to other governments and taxes	40,559	40,326	232	0.6%	39,763	796	2.0%
Total operating expenses	529,248	562,220	(32,971)	-5.9%	558,888	(29,639)	-5.3%
Non-operating income and (expenses)							
Interest income	9,195	8,434	761	9.0%	8,748	446	5.1%
Other income	8,176	7,596	580	7.6%	8,028	148	1.8%
Interest expense	(38,309)	(40,766)	2,457	-6.0%	(41,179)	2,870	-7.0%
Total non-operating income and (expenses)	(20,938)	(24,737)	3,798	-15.4%	(24,403)	3,465	-14.2%
Income before contributions	66,892	69,972	(3,081)	-4.4%	56,623	10,268	18.1%
Revenue from contributions in aid of construction	12,830	11,793	1,037	8.8%	12,804	26	0.2%
Dividend payments	(49,296)	(49,296)	0	0.0%	(47,522)	(1,774)	3.7%
Increase in net position	30,425	\$ 32,469	\$ (2,044)	-6.3%	21,906	\$ 8,520	38.9%
Net position - beginning of period	1,446,141				1,394,847		
Net position - end of period	\$ 1,476,567				\$ 1,416,752		

***See pages 4-5 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

	June 2020	June 2019
Cash flow from operating activities		
Cash received from customers	\$ 615,790	\$ 652,789
Cash paid for fuel and purchased power	(188,350)	(218,857)
Cash paid for unit department expenses	(71,554)	(71,538)
Cash paid for salaries and benefits	(130,369)	(135,725)
Cash paid for emergency response	(4,785)	(546)
Cash paid for other payments and taxes	(40,688)	(39,951)
Net cash provided by operating activities	180,043	186,173
Cash flows from non-capital related financing activities		
Dividend to the City of Orlando	(49,296)	(47,522)
Debt principal payments - pension bonds	-	(5,010)
Debt interest payments - pension bonds	-	(133)
Build America Bonds subsidy received	2,539	1,859
Net cash used in non-capital related financing activities	(46,756)	(50,805)
Cash flows from capital related financing activities		
Utility plant net of contributions in aid of construction	(142,056)	(121,642)
Debt interest payments	(59,629)	(63,067)
Collateral deposits	(6,600)	(6,046)
Principal payments on long-term debt and use of bond proceeds	(60,340)	(129,769)
Debt issuances and related costs	(1,130)	65,107
Net cash used in capital related financing activities	(269,755)	(255,417)
Cash flows from investing activities		
Proceeds from sale and maturities of investment securities	363,283	336,510
Purchases of investment securities	(235,749)	(244,080)
Investments and other expenses paid	11,937	29,047
Net cash provided by investing activities	139,470	121,477
Net decrease in cash and cash equivalents	3,002	1,428
Cash and Cash Equivalents - beginning of year	234,115	209,441
Cash and Cash Equivalents - current	\$ 237,117	\$ 210,868
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ 87,830	\$ 81,026
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation and amortization	106,117	103,394
Depreciation and amortization charged to fuel for generation and purchased power	2,504	2,215
Depreciation of vehicles and equipment charged to unit department expenses	1,992	1,653
Changes in assets and liabilities	-	-
Decrease in receivables and accrued revenue	1,024	16,685
Decrease in fuel and materials and supplies inventories	1,992	(5,680)
Decrease in accounts payable	(22,785)	(12,932)
Increase in deposits paid and deferred items	(2,505)	1,573
Increase in stabilization and deferred revenue accounts	3,874	(1,762)
Net cash provided by operating activities	\$ 180,043	\$ 186,173

***See page 7 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 June 2020 Plan	Year to Date June 2020 Actual	Variance to Budget	
Electric Production (1)	\$ 42,992	\$ 30,229	\$ 32,041	\$ (1,812)	-6.0%
Transmission	85,250	41,022	37,667	3,355	8.2%
Transmission contributions	(13,000)	(8,717)	(8,136)	(581)	6.7%
Transmission, net	72,250	32,306	29,531	2,774	8.6%
Electric Delivery	61,900	31,200	37,104	(5,904)	-18.9%
Electric Delivery contributions	(4,724)	(3,543)	(2,733)	(810)	22.9%
Electric Delivery, net	57,176	27,657	34,371	(6,713)	-24.3%
Lighting	8,700	6,535	5,504	1,031	15.8%
Lighting contributions	(1,000)	(750)	(1,119)	368	-49.0%
Lighting, net	7,700	5,785	4,385	1,400	24.1%
Water	20,517	13,600	14,659	(1,058)	-7.8%
Water contributions	(6,000)	(4,500)	(6,098)	1,597	-35.5%
Water, net	14,517	9,100	8,561	538	5.9%
Chilled Water	30,300	8,826	4,466	4,360	49.4%
Support Services	39,265	39,919	25,820	14,099	35.3%
Total OUC	\$ 264,200	\$ 153,822	\$ 139,175	\$ 14,647	9.5%

(1) - Totals are net of participant share

***See page 7 for additional information related to changes in the Capital Plan