



INTERIM FINANCIAL
R E P O R T



**NINE-MONTHS ENDED
JUNE 30, 2021
(UNAUDITED)**

Orlando Utilities Commission

Table of Contents

| | |
|---|----|
| COVID-19 Update | 3 |
| Management's Discussion and Analysis | 3 |
| Statements of Net Position – Unaudited | 8 |
| Statements of Revenues, Expenses and Changes in Net Position based on Budget - Unaudited | 9 |
| Statements of Cash Flows – Unaudited | 10 |
| Capital Spend | 11 |

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

More than one year after the outbreak of the pandemic, OUC continues to be focused on the well-being of our employees, customers and the community. Health and safety guidelines for employees continue to be administered along with medical screening protocols. As OUC prepares to return work-from-home employees to its offices, the commitment to “Safety First” remains a top priority along with providing customers with resources to access bill payment assistance.

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 projected financial information for the nine-months ended June 30, 2021 in comparison to the approved budget and prior year equivalent period.
 - Income before contributions for the nine-months ended June 30, 2021 was \$65.3 million, which is \$3.2 million higher than budget and \$1.6 million lower 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, 2021 and September 30, 2020.
- 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 | | | Variance | | | |
|--|-------------------|-------------------|-------------------|------------------|--------------|------------------|--------------|
| | 2021 Actual | 2021 Budget | 2020 Actual | Actual vs Budget | | 2021 vs 2020 | |
| Retail energy revenues (OUC and STC) | \$ 338,558 | \$ 330,121 | \$ 324,234 | \$ 8,437 | 2.6 % | \$ 14,324 | 4.4 % |
| Wholesale energy revenues | 15,550 | 15,550 | 22,382 | — | — % | (6,832) | (30.5)% |
| Water revenues | 61,378 | 61,163 | 60,846 | 215 | 0.4 % | 532 | 0.9 % |
| Other revenues | 54,655 | 54,690 | 51,529 | (35) | (0.1)% | 3,126 | 6.1 % |
| Operating revenues, net of fuel | 470,141 | 461,524 | 458,991 | 8,617 | 1.9 % | 11,150 | 2.4 % |
| Fuel revenues | 181,185 | 179,919 | 158,087 | 1,266 | 0.7 % | 23,098 | 14.6 % |
| Total operating revenues | \$ 651,326 | \$ 641,443 | \$ 617,078 | \$ 9,883 | 1.5 % | \$ 34,248 | 5.6 % |

Budget Analysis:

- Operating revenues, net of fuel were higher than budget as a result of stronger than projected electric retail residential revenue and recently implemented pricing changes.

Prior Year Analysis:

- Electric residential revenues for OUC and St. Cloud are higher than prior year due to strong residential customer growth and price neutral changes mitigating the net 1.0 percent decrease in total energy consumption driven by lower electric commercial revenues. These increases were also were offset lower wholesale energy revenues in alignment with pending deferred revenues in conjunction with the closure of the McIntosh Unit 3 (MC3) generation facility. Other revenues are higher than prior year primarily due to the return to normal operations and service fee assessments.

Operating Expenses Analysis

| (\$ in thousands) | As of June | | | Variance | | | |
|---|-------------------|-------------------|-------------------|-------------------|---------------|------------------|---------------|
| | 2021 Actual | 2021 Budget | 2020 Actual | Actual vs Budget | | 2021 vs 2020 | |
| Unit department expenses | \$ 192,397 | \$ 198,469 | \$ 198,549 | \$ (6,072) | (3.1)% | \$ (6,152) | (3.1)% |
| Depreciation and amortization | 111,987 | 113,906 | 106,117 | (1,919) | (1.7)% | 5,870 | 5.5 % |
| Payments to other governments and taxes | 40,647 | 39,954 | 40,559 | 693 | 1.7 % | 88 | 0.2 % |
| Capacity payments | 19,275 | 19,367 | 21,622 | (92) | (0.5)% | (2,347) | (10.9)% |
| Emergency response expenses | 1,963 | — | 4,315 | 1,963 | 100.0 % | (2,352) | (54.5)% |
| Operating expenses, net of fuel | 366,269 | 371,696 | 371,162 | (5,427) | (1.5)% | (4,893) | (1.3)% |
| Fuel for generation and purchased power | 181,185 | 179,919 | 158,087 | 1,266 | 0.7 % | 23,098 | 14.6 % |
| Total operating expenses | \$ 547,454 | \$ 551,615 | \$ 529,249 | \$ (4,161) | (0.8)% | \$ 18,205 | 3.4 % |

Budget Analysis:

- Operating expenses, net of fuel for generation and purchased power were \$5.4 million lower than planned. A key driver of this change was the decrease in unit department expenses of \$6.1 million in alignment with cost optimization initiatives and the limited operations associated with the closure of the McIntosh 3 generation facility (MC3) effective April 1, 2021. In addition, depreciation expenses were also lower as a result of classifying closure related regulatory costs associated with MC3 under the heading of net non-operating expenses. These savings were offset by continued safety protocol expenses in response to COVID-19.

Prior Year Analysis:

- Operating expenses, net of fuel were \$4.9 million lower than prior year driven by a decrease unit department expenses of \$6.1 million in alignment with cost optimization initiatives and lower contractually agreed-upon capacity payments. Offsetting these decreases were higher expenses associated with safety measures implemented in response to COVID-19 and higher depreciation expenses of \$5.9 million associated with planned capital infrastructure growth aligned with our *Connected 2025* strategic initiatives.
- Fuel for generation and purchased power expenses were \$23.1 million higher than prior year due to year-over-year higher commodity costs and the impacts of COVID-19.

Non-Operating Income and Expenses Analysis

| (\$ in thousands) | As of June | | | Variance | | | |
|-------------------------------------|------------------|------------------|------------------|------------------|---------------|------------------|---------------|
| | 2021 Actual | 2021 Budget | 2020 Actual | Actual vs Budget | | 2021 vs 2020 | |
| Interest and other income | \$ 10,008 | \$ 8,368 | \$ 15,212 | \$ 1,640 | 19.6 % | \$ (5,204) | (34.2)% |
| Interest expense | 35,402 | 36,102 | 36,150 | (700) | (1.9)% | (748) | (2.1)% |
| Generation decommissioning | 13,205 | — | — | 13,205 | 100.0 % | 13,205 | 100.0 % |
| Total non-operating expenses | \$ 38,599 | \$ 27,734 | \$ 20,938 | \$ 10,865 | 39.2 % | \$ 17,661 | 84.3 % |

Budget and Prior Year Analysis:

- Total non-operating expenses were higher than budget and prior year as a result of the recognition of MC3 closure costs. The remaining impacts were at in-line with budget, but favorable to prior year as a result of one-time investment gains.

Change in Net Position Analysis

| (\$ in thousands) | As of June | | | Variance | | | |
|--------------------------------------|------------------|------------------|------------------|------------------|--------------|--------------|--------------|
| | 2021 Actual | 2021 Budget | 2020 Actual | Actual vs Budget | | 2021 vs 2020 | |
| Income before contributions | \$ 65,271 | \$ 62,094 | \$ 66,892 | \$ 3,177 | 5.1 % | \$ (1,621) | (2.4)% |
| Contributions in aid of construction | 11,556 | 13,867 | 12,830 | (2,311) | (16.7)% | (1,274) | (9.9)% |
| Annual dividend | (46,373) | (46,373) | (49,296) | — | — % | 2,923 | (5.9)% |
| Increase in net position | \$ 30,454 | \$ 29,588 | \$ 30,426 | \$ 866 | 2.9 % | \$ 28 | 0.1 % |

Budget and Prior Year Analysis:

- Income before contributions were favorable to budget offset by trailing contributions in aid of construction due to timing of projects.
- Overall, the increase in net position is comparable to budget and prior year.

Total Assets and Deferred Outflows of Resources

| (\$ in thousands) | June 2021 | Fiscal Year 2020 | Year-to-Date Change | June 2020 |
|--|---------------------|---------------------|---------------------|---------------------|
| Utility plant | \$ 2,559,444 | \$ 2,589,767 | \$ (30,323) | \$ 2,559,150 |
| Restricted and internally designated assets | 855,394 | 543,603 | 311,791 | 515,039 |
| Current assets | 223,838 | 270,120 | (46,282) | 274,055 |
| Other assets | 148,297 | 121,126 | 27,171 | 163,126 |
| Deferred outflows of resources | 106,420 | 133,490 | (27,070) | 106,958 |
| Total assets and deferred outflows of resources | \$ 3,893,393 | \$ 3,658,106 | \$ 235,287 | \$ 3,618,328 |

Year-to-Date Analysis:

- Total assets and deferred outflows of resources increased \$235.3 million from fiscal year 2020. The change is the result of a combination of transactions including the issuance of the Series 2021 Bonds in the amount of \$326.8 million, offset by \$125.7 million of debt service payments on October 1, 2020. Also contributing to this change was the reclassification of the net book value of MC3 utility plant and inventory assets to other assets in conjunction with the regulatory action to recognize these expenses consistently over the original asset life through 2024 in the amount of \$31.6 million
- Deferred inflow of resources decreased due to \$12.6 million due to the settlement of the 2021 forward interest rate hedge in conjunction with the Series 2021 Bonds along with a \$7.3 million decrease in fuel and interest rate hedge valuation changes and a \$6.6 million decrease from the amortization of losses on refunded debt.

Total Liabilities and Deferred Inflows of Resources

| (\$ in thousands) | June 2021 | Fiscal Year 2020 | Year-to-Date Change | June 2020 |
|--|---------------------|---------------------|---------------------|---------------------|
| Current liabilities | \$ 250,550 | \$ 268,832 | \$ (18,282) | \$ 163,778 |
| Other liabilities | 190,700 | 187,431 | 3,269 | 191,796 |
| Long-term debt, net | 1,643,576 | 1,439,320 | 204,256 | 1,504,200 |
| Deferred inflows of resources | 279,694 | 264,105 | 15,589 | 281,989 |
| Total liabilities and deferred inflows of resources | 2,364,520 | 2,159,688 | 204,832 | 2,141,763 |
| Net position | 1,528,873 | 1,498,418 | 30,455 | 1,476,567 |
| Total liabilities, deferred inflows of resources and net position | \$ 3,893,393 | \$ 3,658,106 | \$ 235,287 | \$ 3,618,330 |

Year-to-Date Analysis:

- Current liabilities decreased due to the debt service payments offset by the reclassification of the portion of year long-term debt maturing within one-year.
- Long-term debt, net increased due to the \$326.8 million issuance of Series 2021A and 2021B Bonds. This increase was offset due to the classification of October 1, 2021 debt service costs and favorable changes in derivative valuations.

Condensed Statement of Cash Flows and Capital Spend Analysis

| (\$ in thousands) | As of June | | |
|---|-------------------|-------------------|-------------------|
| | 2021 | 2020 | Change |
| Net cash provided by operating activities | \$ 237,335 | \$ 180,043 | \$ 57,292 |
| Net cash used in non-capital related financing activities | (42,622) | (46,757) | 4,135 |
| Net cash provided by/(used in) capital related financing activities | 110,923 | (269,755) | 380,678 |
| Net cash provided by investing activities | (87,851) | 139,471 | (227,322) |
| Net decrease in cash and cash equivalents | 217,785 | 3,002 | 214,783 |
| Cash and cash equivalents - beginning of Year | 249,357 | 234,115 | 15,242 |
| Cash and cash equivalents - current | \$ 467,142 | \$ 237,117 | \$ 230,025 |

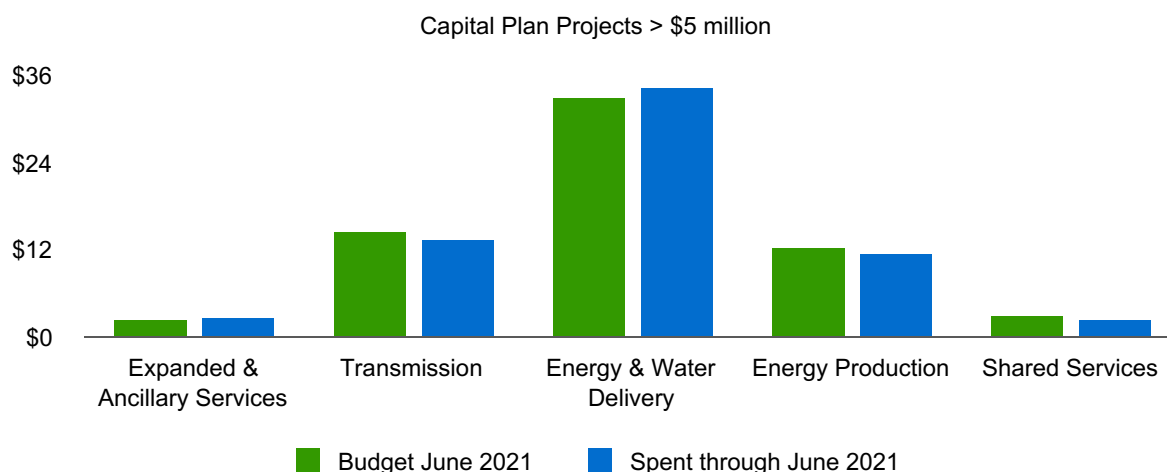
Cash provided by operating activities: Cash provided by operations was \$237.3 million, an increase of \$57.3 million from 2020, primarily due to the receipt of \$15.2 million of emergency response cost reimbursement grant receivables, \$14.6 million in reduced cash spend for unit department in alignment with the impacts from the COVID-19 pandemic and the strategic cost optimization initiative and \$4.0 million in decreased cash spend for fuel and purchased power expenses.

- As of June 30, 2021, OUC expects to receive an additional \$5.8 million in emergency response cost reimbursement grant funds in fiscal year 2021.

Cash used in non-capital financing activities: Cash used in non-capital related financing activities was \$4.1 million lower than prior year as a result of an agreed-upon lower dividend payment to the City of Orlando and the impact of prior year delayed Build America Bond subsidy payments.

Cash provided by capital related financing activities: Cash provided by capital related activities increased \$380.7 million for the period primarily due to the proceeds from the Series 2021A and 2021B Bonds issued at the close of March 2021. Utility plant net of contributions in aid of construction decreased \$39.6 million as a result of reduced capital spending at the minority owned generation facilities in the amount of \$19.5 million including decreased spending at MC3 in the amount of \$11.1 million. These decreases coupled with the completion of a large Stanton environmental landfill compliance project in the amount of \$6.9 million were the drivers for the decrease in capital spending.

- Capital Spend:** As of June 30, 2021, net capital spending was \$114.0 million, or 4.0%, lower than the approved Capital Plan. In respect to the individual capital projects greater than \$5.0 million, the timing of customer initiatives and COVID-19 have impacted the planned project timelines.



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

| | June 2021 | Fiscal Year 2020 | Variance | |
|--|---------------------|---------------------|-------------------|---------------|
| Assets | | | | |
| Utility plant | \$ 2,559,444 | \$ 2,589,767 | \$ (30,323) | (1.2)% |
| Restricted and internally designated assets | 855,394 | 543,603 | 311,791 | 57.4 % |
| Current assets | 223,838 | 270,120 | (46,282) | (17.1)% |
| Other assets | 148,297 | 121,126 | 27,171 | 22.4 % |
| Deferred outflows of resources | 106,420 | 133,490 | (27,070) | (20.3)% |
| Total Assets and deferred outflows of resources | \$ 3,893,393 | \$ 3,658,106 | \$ 235,287 | 6.4 % |
| Liabilities | | | | |
| Payables from restricted assets | \$ 156,934 | \$ 156,747 | \$ 187 | 0.1 % |
| Payables from current assets | 93,616 | 112,085 | (18,469) | (16.5)% |
| Current Liabilities | 250,550 | 268,832 | (18,282) | (6.8)% |
| Other liabilities | 190,700 | 187,431 | 3,269 | 1.7 % |
| Long-term debt, net | 1,643,576 | 1,439,320 | 204,256 | 14.2 % |
| Total liabilities | 2,084,826 | 1,895,583 | 189,243 | 10.0 % |
| Deferred inflows of resources | 279,694 | 264,105 | 15,589 | 5.9 % |
| Net position | 1,528,873 | 1,498,418 | 30,455 | 2.0 % |
| Total liabilities, deferred inflows of resources and net position | \$ 3,893,393 | \$ 3,658,106 | \$ 235,287 | 6.4 % |

***See page 6 for additional information related to changes in the Statement of Net Position

Orlando Utilities Commission
Statement of Revenue, Expenses and Changes in Net Position - Unaudited
Dollars in thousands

| | Actual June 2021 | Budget June 2021 | Variance to Budget | | Actual June 2020 | Variance to Prior Year | |
|--|---------------------|---------------------|-----------------------|----------------|---------------------|---------------------------|---------------|
| Operating revenues | | | | | | | |
| Retail energy revenues (OUC and STC) | \$ 338,558 | \$ 330,121 | \$ 8,437 | 2.6 % | \$ 324,234 | \$14,324 | 4.4 % |
| Wholesale energy revenues | 15,550 | 15,550 | — | — % | 22,382 | (6,832) | (30.5)% |
| Fuel | 181,185 | 179,919 | 1,266 | 0.7 % | 158,087 | 23,098 | 14.6 % |
| Electric revenues | 535,293 | 525,590 | 9,703 | 1.8 % | 504,703 | 30,590 | 6.1 % |
| Water revenues | 61,378 | 61,163 | 215 | 0.4 % | 60,846 | 532 | 0.9 % |
| Other revenues | | | | | | | |
| Lighting service revenues | 12,515 | 12,564 | (49) | (0.4)% | 12,363 | 152 | 1.2 % |
| Chilled water revenues | 21,127 | 21,320 | (193) | (0.9)% | 21,108 | 19 | 0.1 % |
| Service fees & other revenues | 21,013 | 20,806 | 207 | 1.0 % | 18,058 | 2,955 | 16.4 % |
| Total operating revenues | 651,326 | 641,443 | 9,883 | 1.5 % | 617,078 | 34,248 | 5.6 % |
| Operating expenses | | | | | | | |
| Fuel for generation and purchased power | 181,185 | 179,919 | 1,266 | 0.7 % | 158,087 | 23,098 | 14.6 % |
| Unit/department | 192,397 | 198,469 | (6,072) | (3.1)% | 198,549 | (6,152) | (3.1)% |
| Depreciation and amortization | 111,987 | 113,906 | (1,919) | (1.7)% | 106,117 | 5,870 | 5.5 % |
| Payments to other governments and taxes | 40,647 | 39,954 | 693 | 1.7 % | 40,559 | 88 | 0.2 % |
| Capacity payments | 19,275 | 19,367 | (92) | (0.5)% | 21,622 | (2,347) | (10.9)% |
| Emergency response costs | 1,963 | — | 1,963 | 100.0 % | 4,315 | (2,352) | (54.5)% |
| Total operating expenses | 547,454 | 551,615 | (4,161) | (0.8)% | 529,249 | 18,205 | 3.4 % |
| Non-operating income and (expenses) | | | | | | | |
| Interest income | 4,688 | 3,255 | 1,433 | 44.0 % | 7,036 | (2,348) | (33.4)% |
| Other income | 5,319 | 5,112 | 207 | 4.0 % | 8,176 | (2,857) | (34.9)% |
| Interest expense | 35,402 | 36,102 | (700) | (1.9)% | 36,150 | (748) | (2.1)% |
| Generation decommissioning | 13,205 | — | 13,205 | 100.0 % | — | — | — |
| Total non-operating income and (expenses) | (38,600) | (27,735) | (10,865) | 39.2 % | (20,938) | (17,662) | 84.4 % |
| Income before contributions | 65,272 | 62,093 | 3,179 | 5.1 % | 66,891 | (1,619) | (2.4)% |
| Contributions in aid of construction | 11,556 | 13,867 | (2,311) | (16.7)% | 12,830 | (1,274) | (9.9)% |
| Dividend payments | (46,373) | (46,373) | — | — % | (49,296) | 2,923 | (5.9)% |
| Increase in net position | 30,455 | \$ 29,587 | \$ 868 | 2.9 % | 30,425 | \$ 30 | 0.1 % |
| Net position - beginning of period | 1,498,418 | | | | 1,446,141 | | |
| Net position - end of period | \$ 1,528,873 | | | | \$ 1,476,566 | | |

***See pages 4-5 for additional information related to changes in the Statement of Revenues, Expenses, and Changes in Net Position

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

| | June 2021 | June 2020 |
|---|-------------------|-------------------|
| Cash flow from operating activities | | |
| Cash received from customers | \$ 640,194 | \$ 615,789 |
| Cash paid for fuel and purchased power | (184,388) | (188,350) |
| Cash paid for unit department expenses | (56,954) | (71,554) |
| Cash paid for salaries and benefits | (131,773) | (130,369) |
| Cash received/(paid) for emergency response expenses | 11,089 | (4,785) |
| Cash paid for other payments and taxes | (40,833) | (40,688) |
| Net cash provided by operating activities | <u>237,335</u> | <u>180,043</u> |
| Cash flows from non-capital related financing activities | | |
| Dividend to the City of Orlando | (46,373) | (49,296) |
| Build America Bonds subsidy received | 3,751 | 2,539 |
| Net cash used in non-capital related financing activities | <u>(42,622)</u> | <u>(46,757)</u> |
| Cash flows from capital related financing activities | | |
| Utility plant net of contributions in aid of construction | (102,425) | (142,056) |
| Debt interest payments | (51,951) | (59,629) |
| Collateral deposits received/(paid) | 15,146 | (6,600) |
| Principal payments on long-term debt and use of bond proceeds | (73,730) | (60,340) |
| Debt issuances and related costs | 323,883 | (1,130) |
| Net cash used in capital related financing activities | <u>110,923</u> | <u>(269,755)</u> |
| Cash flows from investing activities | | |
| Proceeds from sale and maturities of investment securities | 180,505 | 360,288 |
| Gain on sale of investments | 1,578 | 2,995 |
| Purchases of investment securities | (281,208) | (235,749) |
| Investments and other income received | 11,274 | 11,937 |
| Net cash provided by investing activities | <u>(87,851)</u> | <u>139,471</u> |
| Net decrease in cash and cash equivalents | <u>217,785</u> | <u>3,002</u> |
| Cash and Cash Equivalents - beginning of year | <u>249,357</u> | <u>234,115</u> |
| Cash and Cash Equivalents - current | <u>\$ 467,142</u> | <u>\$ 237,117</u> |
| Reconciliation of operating income to net cash provided by operating activities | | |
| Operating income | \$ 103,870 | \$ 87,830 |
| Adjustments to reconcile operating income to net cash provided by operating activities | | |
| Depreciation and amortization | 111,987 | 106,117 |
| Depreciation and amortization charged to fuel for generation and purchased power | 1,943 | 2,504 |
| Depreciation of vehicles and equipment charged to unit department expenses | 1,945 | 1,992 |
| Changes in assets and liabilities | | |
| Decrease in receivables and accrued revenue | 754 | 1,024 |
| Decrease in fuel and materials and supplies inventories | 20,311 | 1,992 |
| Decrease in accounts payable | (18,114) | (22,785) |
| Increase/(Decrease) in deposits payable and deferred items | 7,103 | (2,505) |
| Increase in stabilization and deferred revenue accounts | 7,536 | 3,874 |
| Net cash provided by operating activities | <u>\$ 237,335</u> | <u>\$ 180,043</u> |

***See page 7 for additional information related to changes in the Statements of Cash Flows

Orlando Utilities Commission
Capital Plan
Dollars in thousands

| | Year to Date June 2021 Plan | Year to Date June 2021 Actual | Variance to Budget | |
|---------------------------------|-----------------------------------|-------------------------------------|--------------------|---------------|
| Electric Production (1) | \$ 21,153 | \$ 18,726 | \$ (2,427) | (11.5)% |
| Transmission | 27,694 | 27,639 | (55) | (0.2)% |
| Transmission contributions | (8,400) | (1,734) | 6,666 | (79.4)% |
| Transmission, net | 19,294 | 25,905 | 6,611 | 34.3 % |
| Electric Delivery | 40,218 | 39,090 | (1,128) | (2.8)% |
| Electric Delivery contributions | (3,600) | (3,634) | (34) | 0.9 % |
| Electric Delivery, net | 36,618 | 35,456 | (1,162) | (3.2)% |
| Lighting | 6,510 | 5,500 | (1,010) | (15.5)% |
| Lighting contributions | (748) | (236) | 512 | (68.4)% |
| Lighting, net | 5,762 | 5,264 | (498) | (8.6)% |
| Water | 14,333 | 13,054 | (1,279) | (8.9)% |
| Water contributions | (748) | (412) | 336 | (44.9)% |
| Water, net | 13,585 | 12,642 | (943) | (6.9)% |
| Chilled Water (2) | (978) | (955) | 23 | (2.4)% |
| Support Services | 23,336 | 16,966 | (6,370) | (27.3)% |
| Total OUC | <u>\$ 118,770</u> | <u>\$ 114,004</u> | <u>(4,766)</u> | <u>(4.0)%</u> |

(1) - Totals are net of participant share

(2) - Year-to-date actual negative balance is a result of accrued projects for fiscal year 2020 that have not yet been paid

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