



INTERIM FINANCIAL
R E P O R T



THREE-MONTHS ENDED
DECEMBER 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 unaudited and preliminary financial position and results of operations for the three-month period ended December 31, 2019 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 three-month period ended December 31, 2019 in comparison to the approved budget and prior year equivalent periods.
 - Income before contributions for the three-month ended December 31, 2019 was \$29.5 million, which was \$0.1 million higher than budget and \$6.4 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 December 31, 2019, September 30, 2019 and December 31, 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 December 31,			Variance			
	2019 Actual	2019 Budget	2018 Actual	Actual vs Budget		2020 vs 2019	
Retail energy revenues	\$ 96,761	\$ 97,535	\$ 96,033	\$ (775)	-0.8%	\$ 727	0.8%
Resale energy revenues	22,219	22,252	22,943	(32)	-0.1%	(725)	-3.2%
Water revenues	20,665	20,813	19,812	(149)	-0.7%	853	4.3%
Other revenues	18,497	17,669	18,673	828	4.7%	(176)	-0.9%
Operating revenues, net of fuel	158,141	158,270	157,461	(128)	-0.1%	680	0.4%
Fuel revenues	57,511	62,796	64,914	(5,285)	-8.4%	(7,403)	-11.4%
Total operating revenues	\$ 215,651	\$ 221,066	\$ 222,375	\$ (5,413)	-2.4%	\$ (6,723)	-3.0%

Budget and Prior Year Analysis:

- Operating revenues, net of fuel are in-line with budget and prior year.
- Fuel revenues are recognized in direct correlation to fuel costs with year-to-date revenues lower than budget and prior year as a result of favorable commodity pricing.

Operating Expenses Analysis

(\$ in thousands)	As of December 31,			Variance			
	2019	2019	2018	Actual vs Budget		2020 vs 2019	
	Actual	Budget	Actual				
Unit department expenses	\$ 63,788	\$ 65,041	\$ 70,428	\$ (1,253)	-1.9%	\$ (6,640)	-9.4%
Depreciation and amortization	34,646	34,704	33,973	(58)	-0.2%	673	2.0%
Payments to other governments and taxes	14,358	13,953	13,951	404	2.9%	407	2.9%
Capacity payments	7,149	7,057	7,570	91	1.3%	(421)	-5.6%
Storm Related Expenses	1,110	-	119	1,109	100.0%	991	834.1%
Operating expenses, net of fuel	121,050	120,755	126,041	(816)	-0.7%	(5,981)	-4.7%
Fuel for generation and purchased power	57,511	62,796	64,914	(5,285)	-8.4%	(7,403)	-11.4%
Total operating expenses	\$ 178,561	\$ 183,551	\$ 190,954	\$ (6,101)	-3.3%	\$ (12,393)	-6.5%

Budget Analysis:

- Fuel expenses were \$5.3 million lower as a result of favorable commodity pricing and additional savings from the long-term discount natural gas supply agreements. All other expenses were consistent with the budget.
- Storm related expenses in the current year are due to costs incurred for Hurricane Dorian storm preparation.

Prior Year Analysis:

- The timing of planned generation facility outage costs and the recognition of indirect payroll costs are the primary drivers for the \$5.0 million variance in unit department expenses as compared to 2019.
- Fuel expenses were \$7.4 million lower due to favorable commodity pricing.

Non-Operating Income and Expenses Analysis

(\$ in thousands)	As of December 31,			Variance			
	2019	2019	2018	Actual vs Budget		2020 vs 2019	
	Actual	Budget	Actual				
Interest and other income	\$ 5,343	\$ 5,411	\$ 5,466	\$ (66)	-1.2%	\$ (123)	-2.2%
Interest expense	12,964	13,589	13,772	(625)	-4.6%	(808)	-5.9%
Total non-operating expenses	\$ 7,621	\$ 8,178	\$ 8,306	\$ (557)	-6.8%	\$ (685)	-8.3%

Budget and Prior Year Analysis:

- Total net non-operating expenses were consistent with budget and prior year.

Change in Net Position Analysis

(\$ in thousands)	As of December 31,			Variance			
	2019	2019	2018	Actual vs Budget		2020 vs 2019	
	Actual	Budget	Actual				
Income before contributions	\$ 29,470	\$ 29,337	\$ 23,114	\$ 133	0.5%	\$ 6,355	27.5%
Contributions in aid of construction	3,093	3,931	2,577	(838)	-21.3%	517	20.0%
Annual dividend	(16,432)	(16,432)	(15,841)	-	0.0%	(590)	3.7%
Increase in net position	\$ 16,131	\$ 16,836	\$ 9,850	\$ (705)	-4.2%	\$ 6,281	63.8%

Budget and Prior Year Analysis:

- Net position was consistent with budget and \$6.3 million higher than prior year primarily due to the timing of planned generation facility outages and a decrease in other post-employment benefit costs.

Total Assets and Deferred Outflows of Resources

(\$ in thousands)	December 2019	September 2019	Change	December 2018
Utility plant	\$ 2,513,077	\$ 2,514,406	\$ (1,329)	\$ 2,490,349
Restricted and internally designated assets	558,603	611,948	(53,345)	606,836
Current assets	247,987	285,096	(37,109)	250,562
Other assets	162,604	163,698	(1,095)	184,169
Deferred outflows of resources	102,917	105,018	(2,101)	110,308
Total assets and deferred outflows of resources	\$ 3,585,188	\$ 3,680,167	\$ (94,979)	\$ 3,642,222

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 \$90.4 million from restricted and internally designated assets, offset by current period principal and interest accruals and restricted and designated interest earnings.
- Year-over-year total assets and deferred outflows of resources decreased as a result of the planned systematic recognition of regulatory assets, planned use of stabilization and use of construction funds, offset by net utility plant additions.

Total Liabilities and Deferred Inflows of Resources

(\$ in thousands)	December 2019	September 2019	Change	December 2018
Current liabilities	\$ 153,984	\$ 259,709	\$ (105,725)	\$ 72,705
Other liabilities	185,422	179,614	5,808	209,736
Long-term debt, net	1,497,041	1,504,679	(7,638)	1,564,238
Deferred inflows of resources	286,469	290,024	(3,555)	307,971
Total liabilities and deferred inflows of resources	2,122,916	2,234,026	(111,110)	2,154,649
Net position	1,462,272	1,446,141	16,131	1,401,630
Total liabilities, deferred inflows of resources and net position	\$ 3,585,188	\$ 3,680,167	\$ (94,979)	\$ 3,556,280

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 \$90.4 million, the systematic recognition of long-term debt related costs and the planned recognition of the deferred inflows of resources.

Condensed Statement of Cash Flows and Capital Spend Analysis

(\$ in thousands)	As of December 31,		
	2019	2018	Change
Net cash provided by operating activities	\$ 56,806	\$ 65,320	\$ (8,514)
Net cash used in non-capital related financing activities	(15,757)	(20,983)	5,226
Net cash used in capital related financing activities	(125,151)	(137,010)	11,859
Net cash provided by investing activities	51,721	104,865	(53,144)
Net decrease in cash and cash equivalents	(32,381)	12,192	(44,573)
Cash and cash equivalents - beginning of Year	234,115	209,441	24,674
Cash and cash equivalents - current	\$ 201,734	\$ 221,633	\$ (19,899)

Cash provided by operating activities: Cash provided by operations was \$56.8 million for the period. In comparison to the prior year, this represents a \$8.5 million decrease due to the prior year increase in cash as a result of transition of the consolidated bill process offset by a decrease in cash paid for fuel and purchased power as a result of lower commodity pricing, system outage costs, and the impact of effective economic dispatching of available generation resources.

Cash used in capital related financing activities: Cash used in capital related activities was \$125.2 million for the period. The change from prior year was primarily driven by a decrease in the scheduled bond principal payment in 2019 compared to 2018 and a decrease in collateral deposit requirements.

- **Capital Spend:** As of December 31, 2019, net capital spending was \$26.1 million, or 44%, below the projected target due to the timing of large project start-ups. This amount includes \$3.5 million received for transmission substation system contributions in aid of construction offset by year-to-date transmission capital spend of \$9.6 million.

Cash flow from investing activities: Cash provided by investing activities was \$51.8 million due to the inflow of funds primarily from the restricted construction funds to meet the capital project funding measures and compliance spend-down requirements.

Orlando Utilities Commission
Statements of Net Position - Unaudited

Dollars in thousands

	December 2019	September 2019	Variance to Prior Year	
Assets				
Utility plant	\$ 2,513,077	\$ 2,514,406	\$ (1,329)	-0.1%
Restricted and internally designated assets	558,603	611,948	(53,345)	-8.7%
Current assets	247,987	285,096	(37,109)	-13.0%
Other assets	162,604	163,698	(1,095)	-0.7%
Deferred outflows of resources	102,917	105,018	(2,101)	-2.0%
Total Assets and deferred outflows of resources	\$ 3,585,188	\$ 3,680,167	\$ (94,979)	-2.6%
Liabilities				
Payables from restricted assets	\$ 71,283	\$ 146,787	\$ (75,504)	-51.4%
Payables from current assets	82,701	112,923	(30,221)	-26.8%
Current Liabilities	153,984	259,709	(105,725)	-40.7%
Other liabilities	185,422	179,614	5,808	3.2%
Long-term debt, net	1,497,041	1,504,679	(7,638)	-0.5%
Total liabilities	1,836,447	1,944,002	(107,555)	-5.5%
Deferred inflows of resources	286,469	290,024	(3,555)	-1.2%
Net position	1,462,272	1,446,141	16,131	1.1%
Total liabilities, deferred inflows of resources and net position	\$ 3,585,188	\$ 3,680,167	\$ (94,979)	-2.6%

***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		Budget		Actual		
	Year to Date		Year to Date		Year to Date		
	December 2019	December 2019	Variance to Budget		December 2018	Variance to Prior Year	
Operating revenues							
Retail energy	\$ 96,761	\$ 97,535	\$ (775)	-0.8%	\$ 96,033	\$ 727	0.8%
Resale energy	22,219	22,252	(33)	-0.1%	22,943	(725)	-3.2%
Fuel	57,511	62,796	(5,285)	-8.4%	64,914	(7,403)	-11.4%
Electric revenues	176,490	182,583	(6,093)	-3.3%	183,890	(7,400)	-4.0%
Water revenues	20,665	20,813	(149)	-0.7%	19,812	853	4.3%
Other revenues							
Lighting service revenues	4,047	3,914	132	3.4%	3,710	336	9.1%
Chilled water revenues	7,534	6,982	552	7.9%	7,968	(434)	-5.4%
Service fees & other revenues	6,916	6,773	143	2.1%	6,994	(78)	-1.1%
Total operating revenues	215,651	221,066	(5,414)	-2.4%	222,375	(6,723)	-3.0%
Operating expenses							
Fuel for generation and purchased power	57,511	62,796	(5,285)	-8.4%	64,795	(7,284)	-11.2%
Capacity payment	7,149	7,057	92	1.3%	7,570	(421)	-5.6%
Unit/department	63,788	65,041	(1,253)	-1.9%	70,547	(6,759)	-9.6%
Storm related expenses	1,110	-	1,110	100.0%	119	991	834.1%
Depreciation and amortization	34,646	34,704	(58)	-0.2%	33,973	673	2.0%
Payments to other governments and taxes	14,358	13,953	405	2.9%	13,951	407	2.9%
Total operating expenses	178,561	183,551	(4,990)	-2.7%	190,954	(12,393)	-6.5%
Non-operating income and (expenses)							
Interest income	2,541	2,880	(339)	-11.8%	2,609	(68)	-2.6%
Other income	2,802	2,531	272	10.7%	2,857	(55)	-1.9%
Interest expense	(12,964)	(13,589)	625	-4.6%	(13,772)	808	-5.9%
Total non-operating income and (expenses)	(7,621)	(8,178)	557	-6.8%	(8,306)	685	-8.3%
Income before contributions	29,470	29,337	133	0.5%	23,114	6,355	27.5%
Revenue from contributions in aid of construction	3,093	3,931	(838)	-21.3%	2,577	517	20.0%
Dividend payments	(16,432)	(16,432)	-	0.0%	(15,841)	(591)	3.7%
Increase in net position	16,131	\$ 16,836	\$ (705)	-4.2%	9,850	\$ 6,280	63.8%
Net position - beginning of period	1,446,141				1,394,847		
Net position - end of period	\$ 1,462,272				\$ 1,404,697		

***See pages 3-4 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>December 2019</u>	<u>December 2018</u>
Cash flow from operating activities		
Cash received from customers	\$ 238,201	\$ 248,736
Cash paid for fuel and purchased power	(73,062)	(80,657)
Cash paid for unit department expenses	(49,204)	(42,244)
Cash paid for salaries and benefits	(42,603)	(45,370)
Cash paid for storm recovery	(1,563)	(519)
Cash paid for other payments and taxes	(14,964)	(14,627)
Net cash provided by operating activities	56,806	65,320
Cash flows from non-capital related financing activities		
Dividend to the City of Orlando	(16,432)	(15,841)
Debt principle payments - pension bonds	-	(5,010)
Debt interest payments - pension bonds	675	(133)
Net cash used in non-capital related financing activities	(15,757)	(20,983)
Cash flows from capital related financing activities		
Utility plant net of contributions in aid of construction	(35,526)	(39,136)
Debt interest payments	(30,072)	(31,793)
Collateral deposits	1,500	(1,901)
Principal payments on long-term debt and use of bond proceeds	(60,340)	(63,905)
Debt issuances and related costs	(713)	(275)
Net cash used in capital related financing activities	(125,151)	(137,010)
Cash flows from investing activities		
Proceeds from sale and maturities of investment securities	157,499	186,157
Purchases of investment securities	(110,994)	(105,289)
Investments and other expenses paid	5,216	23,997
Net cash provided by investing activities	51,721	104,865
Net decrease in cash and cash equivalents	(32,381)	12,192
Cash and Cash Equivalents - beginning of year	234,115	209,441
Cash and Cash Equivalents - current	\$ 201,734	\$ 221,633
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ 37,090	\$ 31,420
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation and amortization	34,646	33,973
Depreciation and amortization charged to fuel for generation and purchased power	738	738
Depreciation of vehicles and equipment charged to unit department expenses	645	451
Changes in assets and liabilities	-	-
Decrease in receivables and accrued revenue	26,490	28,349
Decrease in fuel and materials and supplies inventories	880	3,386
Decrease in accounts payable	(31,255)	(23,186)
Increase in deposits paid and deferred items	(7,029)	(6,521)
Increase in stabilization and deferred revenue accounts	(5,399)	(3,291)
Net cash provided by operating activities	\$ 56,806	\$ 65,320

***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 December 2019 Plan	Year to Date December 2019 Actual	Variance to Budget	Budget
Electric Production (1)	\$ 42,992	\$ 11,299	\$ 7,808	\$ 3,491	30.9%
Transmission	85,250	22,813	9,585	13,228	58.0%
Transmission contributions	(13,000)	(3,250)	(3,509)	259	-8.0%
Transmission, net	72,250	19,563	6,076	13,486	68.9%
Electric Delivery	61,900	13,943	8,312	5,631	40.4%
Electric Delivery contributions	(4,724)	(4,724)	-	(4,724)	100.0%
Electric Delivery, net	57,176	9,219	8,312	908	9.9%
Lighting	8,700	2,928	917	2,011	68.7%
Lighting contributions	(1,000)	(1,000)	-	(1,001)	100.1%
Lighting, net	7,700	1,928	917	1,011	52.3%
Water	24,517	15,016	1,921	13,094	87.2%
Water contributions	(10,000)	(10,000)	-	(10,001)	100.0%
Water, net	14,517	5,016	1,921	3,093	61.7%
Chilled Water	30,300	83	15	68	82.2%
Support Services	39,265	12,526	8,487	4,040	32.2%
Total OUC	\$ 264,200	\$ 59,633	\$ 33,536	\$ 26,098	43.8%

(1) - Totals are net of participant share

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