



**INTERIM FINANCIAL**  
R E P O R T



THREE MONTHS ENDED  
DECEMBER 2011

## 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 principals 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

Income before contributions for the three months ended December 31, 2011 was \$10.8 million, \$2.1 million lower than budget and \$3.7 million lower than the prior year.

### Operating Revenues:

**Variance to Budget** – Operating revenues for the three months ended December 2011 were \$20.9 million lower than budget. Fuel revenues, which are offset by fuel for generation and purchased power costs, were the primary driver of this variance with lower than budget revenues of \$15.4 million. The decrease in Fuel revenues was due to a decline in consumption as a result of warmer than normal weather coupled with the continued lower than expected natural gas costs. Retail and resale electric energy revenues were \$4.4 million and \$1.0 million, respectively, below budget as a result of the weather variances from normal and decreased consumption. Water revenues were \$0.3 million under budget due to lower than projected consumption as a result of mild weather.

**Variance to Prior Year** – Total operating revenues were \$8.4 million lower than that of the prior year. This variance was primarily driven by fuel revenues which were \$5.3 million lower than prior year due to a decline in the volume of resale sales. In addition, retail energy revenues were \$2.1 million lower than that of the prior year due to decreased consumption. Also, water revenues and service fees were lower than prior year revenues in the amounts of \$0.7 million and \$0.4 million, respectively.

### Operating Expenses:

**Variance to Budget** – Operating expenses were \$18.5 million or 9.7% lower than budget. Fuel for generation and purchased power expenses were \$15.4 million lower than budget due to warmer weather and the associated decline in consumption as well as lower than projected natural gas costs. Unit department expenses were \$2.5 million lower than budget primarily due to lower salary costs as well as the timing of benefit costs and minority plant costs.

**Variance to Prior Year** – Operating expenses were \$0.1 million lower than those of the prior year. This change was driven primarily by a decrease in fuel and purchase power of \$5.3 million due to favorable fuel costs and decrease in payments and taxes in the amount of \$0.5 million. Offsetting these decreases was an increase in unit department expenses of \$4.7 million as a result of an outage at the SEC 2 generation facility in the amount of \$1.9 million and an increase in minority plant costs of \$2.7 million. In addition, depreciation and amortization costs increased \$1.2 million.

### Non-Operating Income and Expenses:

**Variance to the Budget and Prior Year** – Net non-operating expenses were \$0.3 million lower than budget. Other income, reported as an offset to Interest expense, was \$0.9 million higher than budget as a result of the receipt of grant funds in association with the early retiree Medicare subsidy program. Net non-operating expenses were \$4.7 million lower than the prior year primarily due to lower interest expense in conjunction with bond refunding activity and lower market interest costs. It should also be noted that the prior year Interest income of \$0.9 million was offset by an unfavorable fair market valuation adjustment.

### **Contributions in Aid of Construction:**

Contributions in aid of construction were \$1.4 million and \$0.1 million lower than budget and prior year, respectively. The variances were due to the timing of system development contributions for water infrastructure projects.

### **Dividend Payments:**

The dividend to the City is based on 60% of income before contributions. As a result of an amended agreement, the total dividend payments (dividend and revenue based) were fixed at \$76.8 million for both 2012 and 2011.

## Statement of Net Assets Changes

### Utility Plant:

Utility plant decreased \$21.5 million as of December 2011 compared to December 2010 primarily due to systematic depreciation charges exceeding capital acquisition costs. Capital acquisitions for the three months ended December 31, 2011 were \$5.0 million or 17.4% below the adopted capital plan.

### Restricted and Internally Designated Assets:

Restricted assets of \$531.4 million were \$51.1 million lower than that of the prior year. The decrease in restricted assets was due to a \$57.9 million decrease in debt service principal payments in association with the annual bond requirements and a \$28.8 million decrease in restricted construction funds for capital spending. These changes were offset by a \$4.5 million increase in deposits and advances, primarily due to rising customer deposits, and \$15.4 million increase in fuel stabilization as a result of favorable fuel costs. In addition, \$12.0 million was restricted in the Capital reserve fund as a result of a Finance Committee action establishing a funded target of approximately \$100.0 million by September 2012.

### Current Assets:

Current assets increased \$52.5 million as compared to December 2010. This variance was primarily due to increased fuel for generation of \$24.4 million. In addition, prepaid expenses increased \$19.5 million due to the deferral of prepaid costs for the SECB long-term service agreement and increased interest rate margin deposit requirements in the amounts of \$3.8 million and \$13.9 million, respectively. Deferred outflows associated with OUC's fuel hedging program and other miscellaneous account receivable also increased \$21.1 million and \$2.8 million, respectively. These increases were offset by a \$15.5 million decrease in customer accounts receivable as a result in the decline in resale sales.

### Other Assets:

Other assets were \$33.7 million lower than that of December 2010. This change was driven primarily by a net decrease in deferred hedge outflows of \$32.0 million as a result of market valuation changes.

### Payables from Restricted and Current Assets:

Restricted and current payables were \$20.0 million higher than that of December 2010. The primary driver of this change was the increases in accounts payable of \$22.7 million due to increased coal purchases for SEC and MC3 in the amounts of \$16.1 million and \$2.2 million, respectively. In addition, customer deposits increased by \$3.4 million as compared to December 2010. Offsetting these changes was a decrease in restricted accrued interest and unrestricted accrued interest in the amounts of \$2.8 million and \$2.4 million, respectively. In addition, the billings for state and local governments were \$1.0 million lower than that of the prior year.

### Other Liabilities and Deferred Credits:

Other liabilities and deferred credits were \$13.5 million lower than that of the prior year. The major driver for this variance was the decreased deferred derivative hedge inflows in the amount of \$23.1 million as a result of market changes. The deferred gain on sale and other deferred charges systematically decreased \$3.1 million and \$2.0 million, respectively. These decreases were offset by the deferral of \$15.4 million of fuel stabilization funds as a result of lower than projected fuel costs.

### Long-term Debt:

Long-term debt, net decreased \$95.1 million since December 2010. The primary driver for this decrease was the payment of outstanding principal on October 1, 2011 coupled with the issuance of the Series 2011C Bonds with a par value of \$86.5 million and an associated premium of \$17.4 million to refund portions of Series 2002C, 2003A, and 2003B totaling \$97.6 million.

OUC continues to maintain its credit rating as follows:

Fitch Investors Service	AA
Moody's Investors Service	Aa1
Standard & Poor's	AA

## Cash Flows

OUC's cash and cash equivalents as of December 31, 2011 were \$151.6 million, \$85.7 million lower than that of the beginning of the fiscal year and \$56.4 million lower than the prior year.

Cash provided by operating activities for the period ended December 31, 2011 was \$30.4 million lower than the prior year. The primary driver of this variance was increased fuel and purchased power costs and the timing of operational payments in association with the planned outages in the amount of \$17.6 million and \$5.8 million, respectively. In addition, cash received from customers decreased \$6.6 million from that of the prior year as a result of decreased consumption and a decline in wholesale sales.

Cash used in non-capital related financing activities during fiscal year 2012 was \$11.8 million which was inline with that of the prior year.

Cash used in capital financing activities during the current fiscal year was \$52.7 million higher than that of the prior year. In 2010, interest rate swap collateral deposit refunds in the amount of \$29.3 million were received and in 2011 \$1.0 million were disbursed. This change coupled with an increase in principal payments associated with the maturity of the Series 2005A Bonds in the amount of \$40.4 million were the key drivers of the cash used in capital financing activities.

Investing activities for the period ended December 2011 was \$31.8 million, \$3.7 million lower than prior year. The variance in activity was primarily due to the increase in available operating cash and investments in 2012.

## Capital Plan

At December 31, 2011 capital expenditures of \$23.9 million were \$5.0 million or 17.4 % lower than budget. The 2012 Adopted Capital Plan was reduced \$1.9 million by the Capital Review Committee in December 2011.

Power Resources was \$2.8 million under the adopted plan due to less than anticipated spending for Stanton B, and the non-OUC operated generation plants (Crystal River, St. Lucie, McIntosh and Stanton A).

Electric Transmission, Energy Delivery and Lighting capital spending, net of contributions, were \$0.6 million under budget for the month of December 2011. Spending on transmission projects was under by \$1.7 million offset by higher than expected spending for energy delivery and streetlight projects of \$0.7 and \$0.4 million, respectively.

Water capital spending was in line with budget at December 2011.

Chilled Water spending was under budget \$0.9 million at December 2011. Project spending is expected to start in early 2012.

Support Services capital spending was \$0.8 million under budget. Project spending is expected to increase during the second quarter of the fiscal year.

# Unaudited

## Orlando Utilities Commission Statements of Revenues, Expenses and Changes in Net Assets

Dollars in thousands

	Actual Year to Date December 2011	Budget Year to Date December 2011	Variance to Budget		Actual Year to Date December 2010	Variance to Prior Year	
<b>Operating revenues</b>							
Retail energy	\$ 84,173	\$ 88,600	\$ (4,427)	-5.0%	\$ 86,319	\$ (2,146)	-2.5%
Resale energy	18,278	19,290	(1,012)	-5.2%	18,394	(116)	-0.6%
Fuel	62,506	77,822	(15,316)	-19.7%	67,810	(5,304)	-7.8%
Electric revenues	164,957	185,712	(20,754)	-11.2%	172,523	(7,565)	-4.4%
Water revenues	15,280	15,576	(297)	-1.9%	16,018	(738)	-4.6%
Other revenues							
Lighting services	3,086	3,262	(176)	-5.4%	3,028	57	1.9%
OUCooling revenues	7,193	7,087	106	1.5%	6,987	206	3.0%
Service fees & other revenues	6,507	6,263	243	3.9%	6,863	(356)	-5.2%
<b>Total operating revenues</b>	<b>197,023</b>	<b>217,900</b>	<b>(20,877)</b>	<b>-9.6%</b>	<b>205,419</b>	<b>(8,396)</b>	<b>-4.1%</b>
<b>Operating expenses</b>							
Fuel for generation and purchased power	62,466	77,822	(15,356)	-19.7%	67,810	(5,344)	-7.9%
Capacity payment	8,181	8,750	(569)	-6.5%	8,375	(194)	-2.3%
Unit department expenses	58,560	61,066	(2,505)	-4.1%	53,862	4,699	8.7%
Depreciation and amortization	29,531	29,355	175	0.6%	28,288	1,243	4.4%
Payments to other governments and taxes	13,767	14,037	(270)	-1.9%	14,250	(484)	-3.4%
<b>Total operating expenses</b>	<b>172,505</b>	<b>191,030</b>	<b>(18,525)</b>	<b>-9.7%</b>	<b>172,585</b>	<b>(80)</b>	<b>0.0%</b>
<b>Non-operating income and expenses</b>							
Interest income	1,148	1,483	(335)	-22.6%	(41)	1,189	-2881.8%
Other income	3,216	2,288	928	40.5%	2,214	1,002	45.2%
Interest expense	(18,042)	(17,726)	(316)	-1.8%	(20,516)	2,474	12.1%
<b>Total non-operating expenses</b>	<b>(13,678)</b>	<b>(13,955)</b>	<b>277</b>	<b>2.0%</b>	<b>(18,343)</b>	<b>4,665</b>	<b>25.4%</b>
<b>Income before contributions</b>	<b>10,840</b>	<b>12,915</b>	<b>(2,076)</b>	<b>-16.1%</b>	<b>14,491</b>	<b>(3,651)</b>	<b>-25.2%</b>
<b>Revenue from contributions in aid of construction</b>	<b>669</b>	<b>2,055</b>	<b>(1,386)</b>	<b>-67.4%</b>	<b>736</b>	<b>(67)</b>	<b>-9.0%</b>
<b>Dividend payments</b>	<b>(11,790)</b>	<b>(11,790)</b>	<b>-</b>	<b>-</b>	<b>(11,994)</b>	<b>204</b>	<b>1.7%</b>
<b>Increase in net assets</b>	<b>(281)</b>	<b>\$ 3,180</b>	<b>\$ (3,461)</b>	<b>-108.8%</b>	<b>3,233</b>	<b>\$ (3,514)</b>	<b>-108.7%</b>
<b>Net assets - beginning of period</b>	<b>1,032,833</b>				<b>994,411</b>		
<b>Net assets - end of period</b>	<b>\$ 1,032,552</b>				<b>\$ 997,644</b>		



# Unaudited

## Orlando Utilities Commission Statements of Net Assets Dollars in thousands

	December 2011	December 2010	Variance to Prior Year	
<b>Assets</b>				
Utility plant	\$ 2,274,026	\$ 2,295,498	\$ (21,472)	-0.9%
Restricted assets	531,383	582,438	(51,055)	-8.8%
Current assets	349,057	296,521	52,536	17.7%
Other assets	100,170	133,880	(33,710)	-25.2%
<b>Total assets</b>	<b>\$ 3,254,636</b>	<b>\$ 3,308,337</b>	<b>\$ (53,701)</b>	<b>-1.6%</b>
<b>Liabilities</b>				
Payable from restricted assets	\$ 59,643	\$ 59,060	\$ 583	1.0%
Payable from current assets	196,414	177,021	19,393	11.0%
Other liabilities and deferred credits	387,555	401,045	(13,490)	-3.4%
Long-term debt, net	1,578,472	1,673,567	(95,095)	-5.7%
<b>Total liabilities</b>	<b>2,222,084</b>	<b>2,310,693</b>	<b>(88,609)</b>	<b>-3.8%</b>
<b>Net assets</b>	<b>1,032,552</b>	<b>997,644</b>	<b>34,908</b>	<b>3.5%</b>
<b>Total liabilities and net assets</b>	<b>\$ 3,254,636</b>	<b>\$ 3,308,337</b>	<b>\$ (53,701)</b>	<b>-1.6%</b>
<b>Cash Reserves</b>	<b>\$ 431,615</b>	<b>\$ 457,653</b>	<b>\$ (26,039)</b>	<b>-5.7%</b>

# Unaudited

## Orlando Utilities Commission Statements of Cash Flows

Dollars in thousands

	December 2011	December 2010
<b>Cash flow from operating activities</b>		
Cash received from customers	\$ 220,436	\$ 226,995
Cash paid for fuel and purchased power	(89,910)	(72,360)
Cash paid for unit department expenses	(40,245)	(34,403)
Cash paid for salaries and benefits	(34,734)	(34,014)
Cash paid for other payments and taxes	(14,055)	(14,282)
<b>Net cash provided by operating activities</b>	<b>41,492</b>	<b>71,936</b>
<b>Cash flows from non-capital related financing activities</b>		
Dividend to the City of Orlando	(11,790)	(11,994)
<b>Net cash used in non-capital related financing activities</b>	<b>(11,790)</b>	<b>(11,994)</b>
<b>Cash flows from capital related financing activities</b>		
Utility plant net of contributions in aid of construction	(20,006)	(29,488)
Debt interest payments	(37,038)	(43,007)
Collateral deposits	(1,000)	29,300
Principal payments on long-term debt	(192,074)	(51,080)
Debt issuances	103,893	-
Debt issuances expense	(990)	(267)
Construction and acquisition of utility plant net of contributions	-	-
<b>Net cash used in capital related financing activities</b>	<b>(147,215)</b>	<b>(94,542)</b>
<b>Cash flows from investing activities</b>		
Proceeds from sale and maturities of investment securities	182,796	280,440
Purchases of investment securities	(153,141)	(248,062)
Investments and other income received	2,138	3,124
<b>Net cash used in investing activities</b>	<b>31,793</b>	<b>35,502</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(85,720)</b>	<b>902</b>
<b>Cash and Cash Equivalents - beginning of year</b>	<b>237,327</b>	<b>207,120</b>
<b>Cash and Cash Equivalents - current</b>	<b>\$ 151,607</b>	<b>\$ 208,022</b>
<b>Reconciliation of operating income to net cash provided by operating activities</b>		
Operating income	\$ 24,518	\$ 32,834
<b>Adjustments to reconcile operating income to net cash provided by operating activities</b>		
Depreciation and amortization	29,531	28,288
Depreciation and amortization charged to fuel for generation and purchased power	609	1,608
Depreciation of vehicles and equipment charged to unit department expenses	894	797
<b>Changes in assets and liabilities</b>		
Decrease in receivables and accrued revenue	16,978	9,316
(Increase)/ Decrease in fuel and materials and supplies inventories	(18,033)	6,262
Decrease in accounts payable	(65)	(21,453)
(Decrease) / Increase in deposits payable and deferred costs	(19,034)	786
Increase in stabilization and deferred revenue	6,094	13,498
<b>Net cash provided by operating activities</b>	<b>\$ 41,492</b>	<b>\$ 71,936</b>

# Unaudited

## Orlando Utilities Commission Capital Plan

Dollars in thousands

	Adopted 2012 Plan	CRC (2) Adjustments	Annual 2012 Budget	Year to Date December 2011 Budget	Year to Date December 2011 Actual	Variance to Budget	
Power resources business unit (1)	\$ 71,880	\$ (1,000)	\$ 70,880	\$ 12,709	\$ 9,930	\$ (2,779)	-21.9%
Transmission business unit	27,900	-	27,900	4,760	2,680	(2,080)	-43.7%
Transmission contributions	(1,600)	-	(1,600)	(400)	-	400	100.0%
Transmission business unit, net	26,300	-	26,300	4,360	2,680	(1,680)	-38.5%
Energy delivery business unit	21,260	(400)	20,860	5,231	5,720	489	9.3%
Energy delivery contributions	(1,600)	-	(1,600)	(400)	(188)	212	53.0%
Energy delivery business unit, net	19,660	(400)	19,260	4,831	5,532	701	14.5%
Lighting business unit	3,565	-	3,565	891	1,244	353	39.6%
Lighting contributions	(100)	-	(100)	(25)	(20)	5	20.0%
Lighting business unit, net	3,465	-	3,465	866	1,224	358	41.3%
Water business unit	20,745	-	20,745	3,205	2,238	(967)	-30.2%
Water contributions	(7,720)	-	(7,720)	(1,805)	(788)	1,017	56.3%
Water business unit, net	13,025	-	13,025	1,400	1,450	50	3.6%
OUCooling business unit	5,265	-	5,265	1,480	612	(868)	-58.6%
Shared business unit	28,825	(500)	28,325	3,329	2,505	(824)	-24.8%
Total OUC	\$ 168,420	\$ (1,900)	\$ 166,520	\$ 28,975	\$ 23,933	\$ (5,042)	-17.4%

(1) - Totals are net of participant share.

(2) - CRC (Capital Review Committee) revised the 2012-2016 capital plan.