



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



THREE MONTHS ENDED  
December 2013

# 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

Income before contributions for the three months ended December 31, 2013 was \$16.1 million, \$2.1 million higher than budget and \$8.1 million higher than prior year.

### Operating Revenues:

**Variance to Budget** – Operating revenues for the three months ended December 2013 were \$4.4 million lower than budget. This variance was due to lower than budget fuel revenues of \$5.2 million and lower retail energy revenues of \$0.5 million offset by higher resale energy revenues of \$0.6 million. In addition, water revenues were \$0.2 million lower than budget primarily due to decreased irrigation sales. Chilled water and service fee revenues were \$0.7 million and \$0.1 million, respectively, higher than budget.

**Variances to Prior Year** – Operating revenues were \$8.2 million higher than the prior year. Retail electric revenues were \$3.7 million higher than prior year as a result of a 4.8 percent increase in consumption. Consistent with retail electric revenues, resale electric revenues earned through the St. Cloud inter local agreement were \$1.0 million higher than prior year. Fuel revenues increased \$2.4 million from the prior year. Supplementing a portion of the increase in electric revenues were increases in chilled water and services fees and other revenue of \$0.3 million each.

### Operating Expenses:

**Variances to Budget** – Operating expenses were \$6.0 million or 3.3 percent lower than budget. Fuel for generation and purchased power expenses were \$5.2 million lower than budget due to a lower than expected purchased power costs. Unit department expenses were in-line with budget expectations for the three months ended December. Depreciation and amortization expenses were \$1.0 million below budget as a result of the timing of completed capital projects.

**Variances to Prior Year** – Operating expenses were \$2.4 million or 1.4 percent higher than prior year due to increased fuel for generation and purchased power costs and unit department expenses of \$2.4 million and \$1.5 million, respectively, offset by lower capacity payments of \$0.9 million.

### Non-Operating Income and Expenses:

**Variance to the Budget and Prior Year** – Net non-operating expenses were \$0.5 million lower than budget and \$2.3 million lower than prior year. The prior year variance was due to lower interest expense as a result of the January 2013 bond refunding.

### Contributions in Aid of Construction:

Contributions in aid of construction were \$2.3 million lower than budget and \$0.3 million lower than prior year. These variances were due to the timing of system development contributions for water infrastructure projects.

### Dividend Payment:

The dividend agreement with the City of Orlando is based on 60% of budgeted income before contributions. The budgeted amount for fiscal year 2014 is \$48.6 million and is paid in equal amounts over the year. The amount paid for the three months ended December 2013 was \$12.2 million.

### **Utility Plant:**

Utility plant increased \$32.8 million as of December 2013 compared to December 2012. Capital acquisitions for major projects including the completion of two large transformer projects and the installation of digital meters contributed to the increase in utility plant in service in excess of systematic depreciation charges.

### **Restricted and Internally Designated Assets:**

Restricted and internally designated assets of \$500.2 million were \$16.1 million less than that of the prior year. Decreases to restricted and designated assets included the utilization of \$9.1 million of debt-related construction funds for capital projects and the planned utilization of \$15.0 million of fuel stabilization funds. Offsetting these decreases was an increase in deposits and advances associated with the collection of system development costs and the transition of the St. Cloud electric customer deposits from the City of St. Cloud to OUC of \$6.4 million and \$2.6 million, respectively.

### **Current Assets:**

Current assets were \$72.1 million lower than prior year. Operating cash and investments decreased \$49.2 million as a result of satisfying current period principal and interest maturity payments as well as utilizing cash from operations to fund a larger portion of utility plant additions offset by cash provided from operations. In addition, prepaid expense and other expenses were lower than prior year primarily due to lower collateral deposit requirements of \$12.1 million and decreased hedge derivative instruments due within one year of \$15.7 million. These decreases were offset by an increase in fuel for generation costs of \$3.8 million due to the timing of coal purchase commitments.

### **Other Assets:**

Other assets were \$25.5 million higher than that of December 2012. This increase was primarily related to the Board approved deferral of the impaired electric and water meters of \$1.8 million and \$4.4 million, respectively. In addition, as a result of Duke Energy's decision to close the Crystal River 3 (CR3) plant, OUC's Board approved the deferral of property, plant, equipment and supplies in the amount of \$15.3 million net of \$3.2 million received for insurance proceeds. OUC continues to work with Duke Energy to estimate and understand the nature and extent of OUC's potential impacts related to the retirement of CR3.

### **Deferred Outflows of Resources:**

Deferred outflows of resources decreased \$17.2 million since December 2012. This change was driven by a decrease in the fair value of interest rate swap derivatives and fuel hedge assets of \$14.0 million and \$3.2 million, respectively.

### **Payables from Restricted and Current Assets:**

Restricted and current payables of \$65.4 million and \$193.6 million were not materially changed from that of the prior year.

### **Other Liabilities:**

Other liabilities were \$7.1 million lower than that of the prior year. This change was primarily driven by the utilization of fuel stabilization funds in the amount of \$15.0 million, as a result of planned usage and the continued systematic recognition of the deferred gain from the IRP of \$4.8 million. This was offset by an increase in the unapplied contributions in aid of construction of \$7.9 million.

**Long-term Debt:**

Long-term debt, net decreased \$75.6 million as a result of the payment of outstanding principal on October 1, 2013 of \$52.0 million. In addition, favorable market conditions enabled OUC to leverage financing opportunities and decrease the amount of long-term debt as compared to the prior year with the Series 2013A Bond refunding.

OUC's credit ratings:

Fitch Investors Service	AA
Moody's Investors Service	Aa2
Standard & Poor's	AA

**Deferred inflows of resources:**

Deferred inflows of resources decreased \$9.0 million from that of December 2012 due to fair value changes for fuel hedge agreements.

## **Cash Flows:**

OUC's cash and cash equivalents as of December 31, 2013 were \$169.0 million, \$18.5 million higher than that of the beginning of the fiscal year and \$30.1 million lower than the prior year.

Cash provided by operating activities for the three months ended December 31, 2013 was \$7.1 million higher than the prior year. The primary drivers of this variance were decreased cash paid for fuel and purchased power and unit department expense from that of the prior year of \$5.8 million and \$5.1 million, respectively. These changes were offset by a decrease in the cash received from customers of \$1.5 million and an increase in cash paid for salaries and benefits \$2.5 million.

Cash used in non-capital related financing activities during fiscal year 2014 was \$12.2 million; an amount consistent with the prior year.

Cash used in capital financing activities was \$14.7 million higher than that of the prior year. The primary driver of this change was increased spending for capital related projects of \$12.8 million.

Investing activities for the period ended December 31, 2013 provided cash of \$81.2 million, \$124.2 million higher than prior year. This variance was primarily due to an increase in investment instruments with maturities less than three months.

## **Capital Plan:**

At December 31, 2013 capital expenditures of \$41.9 million were \$7.9 million or 15.9 % under budget.

Electric Production capital expenditures of \$20.7 million were in line with budgeted expectations.

Electric Transmission, Electric Delivery and Lighting capital expenditures at December were \$11.3 million, net of contributions. Capital spending was under budget \$0.5 million and contributions in aid of construction were \$3.0 million higher than budget.

Water capital expenditures at December 2013 were \$2.8 million, net of contributions in aid of construction of \$2.1 million. Water projects were under budget by \$0.8 million and contributions in aid of capital were \$0.5 million ahead of budget expectations.

Chilled Water capital spending has been delayed and only small projects have been completed through December 2013.

Support Services capital expenditures at December 31, 2013 were \$7.0 million or \$3.1 million under budget. Lower spending on information technology projects and AMI meters were driving the variance.

**Orlando Utilities Commission**  
**Statements of Revenues, Expenses and Changes in Net Positions**

Dollars in thousands

	Actual Year to Date December 2013	Budget Year to Date December 2013	Variance to Budget		Actual Year to Date December 2012	Variance to Prior Year	
<b>Operating revenues</b>							
Retail energy	\$ 83,797	\$ 84,282	\$ (485)	-0.6%	\$ 80,062	\$ 3,735	4.7%
Resale energy	18,010	17,430	580	3.3%	16,935	1,075	6.3%
Fuel	68,366	73,520	(5,154)	-7.0%	65,925	2,441	3.7%
Electric revenues	170,173	175,233	(5,059)	-2.9%	162,923	7,250	4.5%
Water revenues	15,853	16,016	(163)	-1.0%	15,555	299	1.9%
Other revenues							
Lighting services	3,175	3,145	29	0.9%	3,118	57	1.8%
Chilled water revenues	7,548	6,889	660	9.6%	7,226	323	4.5%
Service fees & other revenues	6,868	6,757	111	1.6%	6,595	274	4.2%
<b>Total operating revenues</b>	<b>203,618</b>	<b>208,040</b>	<b>(4,422)</b>	<b>-2.1%</b>	<b>195,416</b>	<b>8,202</b>	<b>4.2%</b>
<b>Operating expenses</b>							
Fuel for generation and purchased power	68,366	73,520	(5,154)	-7.0%	65,933	2,433	3.7%
Capacity payment	7,729	7,634	95	1.2%	8,605	(875)	-10.2%
Unit department expenses	56,630	56,952	(322)	-0.6%	55,121	1,510	2.7%
Depreciation and amortization	30,207	31,156	(949)	-3.0%	30,620	(413)	-1.3%
Payments to other governments and taxes	13,610	13,320	289	2.2%	13,842	(232)	-1.7%
<b>Total operating expenses</b>	<b>176,542</b>	<b>182,583</b>	<b>(6,041)</b>	<b>-3.3%</b>	<b>174,121</b>	<b>2,421</b>	<b>1.4%</b>
<b>Non-operating income and expenses</b>							
Interest income	1,074	1,318	(244)	-18.5%	1,286	(212)	-16.5%
Other income	2,661	2,103	558	26.5%	2,227	434	19.5%
Interest expense	(14,747)	(14,930)	183	1.2%	(16,848)	2,101	12.5%
<b>Total non-operating expenses</b>	<b>(11,010)</b>	<b>(11,509)</b>	<b>498</b>	<b>4.3%</b>	<b>(13,335)</b>	<b>2,323</b>	<b>17.4%</b>
<b>Income before contributions</b>	<b>16,065</b>	<b>13,948</b>	<b>2,117</b>	<b>15.2%</b>	<b>7,961</b>	<b>8,104</b>	<b>101.8%</b>
<b>Revenue from contributions in aid of construction</b>	<b>2,307</b>	<b>4,560</b>	<b>(2,253)</b>	<b>-49.4%</b>	<b>2,589</b>	<b>(281)</b>	<b>-10.9%</b>
<b>Dividend payments</b>	<b>(12,156)</b>	<b>(12,156)</b>	<b>-</b>	<b>0.0%</b>	<b>(11,750)</b>	<b>(407)</b>	<b>-3.5%</b>
<b>Increase in net positions</b>	<b>6,216</b>	<b>\$ 6,353</b>	<b>\$ (136)</b>	<b>-2.1%</b>	<b>(1,200)</b>	<b>\$ 7,416</b>	<b>-618.1%</b>
<b>Net positions - beginning of period</b>	<b>1,104,219</b>				<b>1,066,968</b>		
<b>Net positions - end of period</b>	<b>\$ 1,110,436</b>				<b>\$ 1,065,768</b>		

**Orlando Utilities Commission  
Statements of Net Position**

Dollars in thousands

	December 2013	December 2012	Variance to Prior Year	
<b>Assets</b>				
Utility plant	\$ 2,327,734	\$ 2,294,929	\$ 32,805	1.4%
Restricted and designated assets	500,198	516,284	(16,086)	-3.1%
Current assets	253,657	325,757	(72,100)	-22.1%
Other assets	73,113	47,661	25,452	53.4%
Deferred outflows of resources	20,229	37,396	(17,167)	-45.9%
<b>Total Assets and deferred outflows of resources</b>	<b>\$ 3,174,931</b>	<b>\$ 3,222,027</b>	<b>\$ (47,096)</b>	<b>-1.5%</b>
<b>Liabilities</b>				
Current liabilities - restricted	\$ 65,360	\$ 65,424	\$ (64)	-0.1%
Current liabilities - unrestricted	193,632	193,643	(11)	0.0%
Other liabilities	322,313	329,389	(7,076)	-2.1%
Long-term debt, net	1,481,351	1,556,992	(75,641)	-4.9%
<b>Total liabilities</b>	<b>2,062,656</b>	<b>2,145,448</b>	<b>(82,792)</b>	<b>-3.9%</b>
<b>Deferred inflows of resources</b>	<b>1,839</b>	<b>10,811</b>	<b>(8,972)</b>	<b>-83.0%</b>
<b>Net position</b>	<b>1,110,436</b>	<b>1,065,768</b>	<b>44,668</b>	<b>4.2%</b>
<b>Total liabilities, deferred inflows of resources and net position</b>	<b>\$ 3,174,931</b>	<b>\$ 3,222,027</b>	<b>\$ (47,096)</b>	<b>-1.5%</b>



## Orlando Utilities Commission Statements of Cash Flows

Dollars in thousands

	December 2013	December 2012
<b>Cash flow from operating activities</b>		
Cash received from customers	\$ 219,023	\$ 220,537
Cash paid for fuel and purchased power	(65,370)	(71,163)
Cash paid for unit department expenses	(30,734)	(35,805)
Cash paid for salaries and benefits	(38,115)	(35,620)
Cash paid for other payments and taxes	(14,180)	(14,470)
<b>Net cash provided by operating activities</b>	<b>70,624</b>	<b>63,479</b>
<b>Cash flows from non-capital related financing activities</b>		
Dividend to the City of Orlando	(12,156)	(11,750)
<b>Net cash used in non-capital related financing activities</b>	<b>(12,156)</b>	<b>(11,750)</b>
<b>Cash flows from capital related financing activities</b>		
Utility plant net of contributions in aid of construction	(38,623)	(25,817)
Debt interest payments	(32,566)	(33,482)
Collateral deposits	2,300	1,300
Principal payments on long-term debt	(51,950)	(50,610)
Debt issuances	-	2,500
Debt issue expenses	(357)	(354)
<b>Net cash used in capital related financing activities</b>	<b>(121,196)</b>	<b>(106,463)</b>
<b>Cash flows from investing activities</b>		
Proceeds from sale and maturities of investment securities	144,256	83,257
Purchases of investment securities	(67,192)	(128,680)
Investments and other income received	4,168	2,421
<b>Net cash provided by / (used in) investing activities</b>	<b>81,232</b>	<b>(43,002)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>18,504</b>	<b>(97,736)</b>
<b>Cash and Cash Equivalents - beginning of year</b>	<b>150,545</b>	<b>296,872</b>
<b>Cash and Cash Equivalents - current</b>	<b>\$ 169,049</b>	<b>\$ 199,136</b>
<b>Reconciliation of operating income to net cash provided by operating activities</b>		
Operating income	\$ 27,076	\$ 21,296
<b>Adjustments to reconcile operating income to net cash provided by operating activities</b>		
Depreciation and amortization	30,207	30,620
Depreciation and amortization charged to fuel for generation and purchased power	543	583
Depreciation of vehicles and equipment charged to unit department expenses	646	556
<b>Changes in assets and liabilities</b>		
Decrease in receivables and accrued revenue	12,935	28,329
Decrease in fuel and materials and supplies inventories	8,293	1,919
Decrease in accounts payable	(16,886)	(11,419)
Increase / (decrease) in deposits payable and deferred costs	5,898	(4,623)
Increase / (decrease) in stabilization and deferred revenue	1,912	(3,781)
<b>Net cash provided by operating activities</b>	<b>\$ 70,624</b>	<b>\$ 63,479</b>

## Orlando Utilities Commission Capital Plan

Dollars in thousands

	Adopted 2014 Plan	Year to Date December 2013 Budget	Year to Date December 2013 Actual	Variance to Budget	
Electric production business unit (1)	\$ 59,089	\$ 20,519	\$ 20,674	\$ (155)	-0.8%
Transmission business unit	40,604	9,420	7,644	1,776	18.9%
Transmission contributions	(10,030)	(375)	(3,379)	3,004	801.1%
Transmission business unit, net	30,574	9,045	4,265	4,780	52.8%
Electric delivery business unit	20,720	5,169	6,526	(1,357)	-26.3%
Electric delivery contributions	(1,600)	(400)	(426)	26	6.5%
Electric delivery business unit, net	19,120	4,769	6,100	(1,331)	-27.9%
Lighting business unit	4,365	1,081	981	100	9.3%
Lighting contributions	(100)	(25)	(25)	-	0.0%
Lighting business unit, net	4,265	1,056	956	100	9.5%
Water business unit	23,706	5,701	4,937	764	13.4%
Water contributions	(6,511)	(1,628)	(2,094)	466	28.6%
Water business unit, net	17,195	4,073	2,843	1,230	30.2%
Chilled water business unit	800	198	18	180	90.9%
Shared business unit	48,153	10,151	7,044	3,107	30.6%
Total OUC	\$ 179,196	\$ 49,811	\$ 41,900	\$ 7,911	15.9%

(1) - Totals are net of participant share.