INTERIM FINANCIAL REPORT

The Reliable One®

THREE MONTHS ENDED
December 2014

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.

Income before contributions for the three months ended December 31, 2014 was $22.5 million, $1.3 million higher than budget and $6.4 million higher than prior year.

Operating Revenues:

Variance to Budget – Operating revenues, for the three months ended December 31, 2014, were $7.0 million lower than budget. This variance was primarily due to lower than budget fuel revenues of $7.8 million. Retail energy revenues were also lower than budget, $0.7 million, as a result of lower than expected consumption driven by mild weather. Additionally, water revenues were $0.8 million lower than budget due to decreased irrigation and residential usage. These variances were offset by higher resale energy revenues of $2.1 million, which were driven by an extended unplanned outage at McIntosh Unit 3 and sales to St. Cloud customers of $1.4 million and $0.7 million, respectively.

Variances to Prior Year – Operating revenues were $0.7 million higher than that of the prior year primarily due to increased resale revenues, as a result of the unplanned McIntosh sales in 2015, the current year impact of the City of Winter Park and City of Lake Worth agreements initiated in January 2014 and increased sales to St. Cloud customers of $1.3 million, $0.7 million and $0.3 million, respectively. Fuel revenues through December were $1.9 million lower than that of 2014.

Operating Expenses:

Variances to Budget – Operating expenses were $8.5 million or 4.7 percent lower than budget primarily due to lower than expected fuel for generation and purchased power expenses and unit department expenses of $7.8 million and $0.7 million, respectively.

Variances to Prior Year – Operating expenses for the three months ended December 2014 were down $5.7 million from the prior year due to lower depreciation expense of $3.0 million resulting from the finalization of the depreciation study, along with decreased fuel for generation of $1.9 million.

Non-Operating Income and Expenses:

Variance to the Budget and Prior Year – Net non-operating expenses through December were $0.2 million higher than budget and in line with that of prior year.

Contributions in Aid of Construction:

Contributions in aid of construction of $1.9 million were lower than budget and prior year $0.3 million and $0.4 million, respectively, due to the timing of system development contributions for water projects.

Dividend Payment:

The dividend agreement with the City of Orlando is based on 60.0 percent of budgeted income before contributions. The budgeted amount for fiscal year 2015 is $53.2 million and is paid in equal amounts over the year. The amount paid for the three months ended December 2014 was $13.3 million which was $1.1 million higher than that of the prior year.

Utility Plant:

Utility plant increased $27.7 million as of December 2014 compared to December 2013. Capital acquisitions for major projects including the completion of several large transmission line upgrades 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 $472.6 million were $27.6 million less than that of the prior year. The planned utilization of fuel stabilization funds of $18.4 million and the application of $25.0 million of capital reserve funds for capital project spending contributed to the decrease. These changes were offset by the Board approved deferral of $8.0 million to rate stabilization funds in September 2014 and higher advances associated with the collection of system development costs and customer deposits of $4.6 million and $2.6 million, respectively.

Current Assets:

Current assets were $9.2 million lower than prior year. Operating cash and investments were $36.0 million lower than prior year due to the funding of utility plant additions with cash provided from normal operating activities. Fuel for generation inventory has increased $7.5 million since December 2013 as a result of generation needs at the Stanton Energy plants. In addition, hedging derivatives, related to outstanding fuel contracts, and interest rate margin deposit requirements increased $11.3 million and $6.8 million, respectively.

Other Assets:

Other assets decreased $8.0 million from December 31, 2013 as a result of planned amortization of existing regulatory assets and goodwill of $7.5 million offset by an increase in the net pension asset and the asset retirement obligation of $1.2 million and $0.9 million, respectively. Additionally, In September 2014, Duke Energy and the other joint owners approved a settlement agreement. The estimated CR 3 retirement cost was reduced by $2.3 million to reflect the expected settlement impact.

Deferred Outflows of Resources:

Deferred outflows of resources of $87.1 million increased $10.1 million since December 2013. The increase was due to fair value hedging derivative instrument valuations changes of $16.6 million offset by systematic amortization of debt refunding costs of $6.5 million.

Payables from Restricted and Current Assets:

Restricted and current payables were $0.2 million lower than that of December 2013. While the change was not material in total there were significant changes within the payables classification. Outstanding vendor payables, including fuel purchases, and accrued interest payable were lower than the prior year $8.3 million and $0.6 million, respectively. These variances were offset by an increase in short-term fuel hedge derivative instruments and customer deposits of $6.3 million and $2.8 million, respectively.

Other Liabilities:

Other liabilities were $3.4 million higher than that of the prior year. The variance was driven by increases in the asset retirement obligation for the St. Lucie Unit 2 nuclear facility.

Long-term Debt:

Long-term debt, net decreased $60.4 million as a result of the payment of outstanding principal on October 1, 2014 of $53.3 million. The remaining variance was due to systematic amortization of premiums, net of discounts, on issued bonds of $14.6 million offset by fair value derivative instrument loss adjustments on interest rate swap agreements of $7.5 million.

OUC's credit ratings are:

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

Deferred Inflows of Resources:

For the period ended December 2014, deferred inflows of resources decreased $16.0 million from that of December 2013 due to the utilization of fuel stabilization funds in the amount of $18.4 million, as a result of planned usage, along with the continued systematic recognition of other regulatory credits to mitigate depreciation costs associated with Stanton Energy Center Unit A and Unit B of $2.5 million and $1.1 million, respectively. These variances were offset by the prior-year regulatory action to defer $8.0 million of resale energy revenue.

Cash Flows

OUC's cash and cash equivalents as of December 2014 were $115.9 million, $108.0 million lower than that of the beginning of the fiscal year and $53.2 million lower than the prior year.

Cash provided by operating activities for the three months ended December 2014 was $34.9 million lower than the prior year. Cash paid for fuel and purchased power was $37.8 million higher than the prior year. Additionally, cash paid for unit department expenses and salaries and benefits was $11.2 million higher and $2.0 million higher, respectively. This was offset by an increase from prior year of $15.2 million in cash received from customers.

Cash used in non-capital related financing activities during December 2014 was $13.3 million; an amount $1.1 million higher than the prior year.

Cash used in capital financing activities was $6.2 million lower than that of the prior year. The primary drivers of this change were decreased spending for capital related projects and decreased long-term debt interest payments of $11.4 million and $1.2 million, respectively. Offsetting this decrease was an increase in collateral deposits of $5.2 million and increased principal payments of $1.4 million over the prior year.

Investing activities for the three months ended December 2014 used $14.3 million of cash which was $96.7 million more than that of the prior year. This variance was primarily due to an increase in investment securities with maturities of greater than three months.

Capital Plan

At December 31, 2014 capital expenditures of $25.6 million were $9.8 million or 27.6 percent under budget.

Electric Production capital expenditures of $5.0 million were $3.0 million lower than budgeted expectations mainly due to project spending at Stanton Energy Center.

Electric Transmission, Electric Delivery and Lighting capital expenditures at December 2014 were $14.1 million, net of contributions. Capital spending was over budget $1.4 million and contributions in aid of construction were over budget $2.1 million.

Water capital expenditures at December 2014 were $1.6 million, net of contributions in aid of construction of $1.9 million. Capital spending was under budget $1.5 million and contributions in aid of construction were under budget $0.5 million.

Chilled Water capital spending for the fiscal year has not begun.

Support Services capital expenditures at December 2014 were $4.9 million or $4.7 million under budget. Lower spending on information technology projects was driving the variance.

Orlando Utilities Commission

Statements of Revenues, Expenses and Changes in Net Position

Dollars in thousands

	Actual Year to Date December 2014	Budget Year to Date December 2014	Variance to Budget		Actual Year to Date December 2013	Variance to Prior Year	
Operating revenues							
Retail energy	**$ 84,386**	$ 85,127	$ (742)	-0.9%	$ 83,797	$ 587	0.7%
Resale energy	**20,449**	18,348	2,101	11.4%	18,010	2,440	13.5%
Fuel	**66,460**	74,290	(7,830)	-10.5%	68,366	(1,906)	-2.8%
Electric revenues	**171,295**	177,766	(6,471)	-3.6%	170,174	1,121	0.7%
Water revenues	**15,901**	16,749	(848)	-5.1%	15,853	49	0.3%
Other revenues							
Lighting services	**3,211**	3,263	(52)	-1.6%	3,175	35	1.1%
Chilled water revenues	**7,237**	7,067	169	2.4%	7,548	(311)	-4.1%
Service fees & other revenues	**6,692**	6,499	192	3.0%	6,868	(177)	-2.6%
Total operating revenues	**204,336**	211,344	(7,008)	-3.3%	203,619	717	0.4%
Operating expenses							
Fuel for generation and purchased power	**66,460**	74,290	(7,830)	-10.5%	68,366	(1,906)	-2.8%
Capacity payment	**8,034**	8,112	(78)	-1.0%	7,729	305	4.0%
Unit department expenses	**56,211**	56,871	(660)	-1.2%	56,630	(419)	-0.7%
Depreciation and amortization	**27,212**	27,389	(178)	-0.6%	30,207	(2,995)	-9.9%
Payments to other governments and taxes	**12,941**	12,689	252	2.0%	13,611	(671)	-4.9%
Total operating expenses	**170,858**	179,351	(8,493)	-4.7%	176,543	(5,685)	-3.2%
Non-operating income and (expenses)							
Interest income	**1,012**	1,415	(403)	-28.5%	1,074	(63)	-5.9%
Other income	**2,314**	2,238	76	3.4%	2,661	(347)	-13.0%
Interest expense	**(14,349)**	(14,485)	136	0.9%	(14,746)	397	2.7%
Total non-operating income and (expenses)	**(11,023)**	(10,832)	(191)	-1.8%	(11,009)	(13)	-0.1%
Income before contributions	**22,455**	21,159	1,294	6.1%	16,065	6,389	39.8%
Revenue from contributions in aid of construction	**1,941**	2,238	(298)	-13.3%	2,307	(367)	-15.9%
Dividend payments	**(13,303)**	(13,303)	-	0.0%	(12,156)	(1,147)	-9.4%
Increase in net positions	**11,093**	$ 10,096	$ 997	9.9%	6,216	$ 4,875	78.4%
Net position - beginning of period	**1,165,654**				1,104,219	1,320	
Net position - end of period	**$ 1,176,746**				$ 1,110,436		

Orlando Utilities Commission
Statements of Net Position
Dollars in thousands

	December 2014	December 2013	Variance to Prior Year	
Assets				
Utility plant	**$ 2,355,484**	$ 2,327,734	$ 27,750	1.2%
Restricted and designated assets	**472,583**	500,198	(27,615)	-5.5%
Current assets	**241,829**	251,043	(9,214)	-3.7%
Other assets	**72,847**	80,814	(7,968)	-9.9%
Deferred outflows of resources	**87,132**	77,026	10,107	13.1%
Total Assets and deferred outflows of resources	**$ 3,229,875**	$ 3,236,814	$ (6,938)	-0.2%
Liabilities				
Payables from restrticted assets	**$ 67,529**	$ 65,360	$ 2,168	3.3%
Payables from current assets	**191,258**	193,632	(2,373)	-1.2%
Other liabilities	**91,197**	87,792	3,405	3.9%
Long-term debt, net	**1,480,764**	1,541,175	(60,411)	-3.9%
Total liabilities	**1,830,748**	1,887,960	(57,211)	-3.0%
Deferred inflows of resources	**222,381**	238,419	(16,038)	-6.7%
Net position	**1,176,746**	1,110,436	66,311	6.0%
Total liabilities, deferred inflows of resources and net position	**$ 3,229,875**	**$ 3,236,814**	**$ (6,938)**	-0.2%

Orlando Utilities Commission
Statements of Cash Flows
Dollars in thousands

	December 2014	December 2013
Cash flow from operating activities		
Cash received from customers	**$ 233,072**	$ 217,909
Cash paid for fuel and purchased power	**(103,318)**	(65,505)
Cash paid for unit department expenses	**(41,939)**	(30,734)
Cash paid for salaries and benefits	**(40,098)**	(38,115)
Cash paid for other payments and taxes	**(13,252)**	(14,180)
Net cash provided by operating activities	**34,465**	69,375
Cash flows from non-capital related financing activities		
Dividend to the City of Orlando	**(13,303)**	(12,156)
Net cash used in non-capital related financing activities	**(13,303)**	(12,156)
Cash flows from capital related financing activities		
Utility plant net of contributions in aid of construction	**(27,055)**	(38,488)
Debt interest payments	**(31,349)**	(32,566)
Collateral deposits	**(2,900)**	2,300
Principal payments on long-term debt	**(53,310)**	(51,950)
Debt issuances	**-**	-
Debt issue expenses	**(239)**	(357)
Net cash used in capital related financing activities	**(114,853)**	(121,061)
Cash flows from investing activities		
Proceeds from sale and maturities of investment securities	**116,849**	144,257
Purchases of investment securities	**(132,632)**	(67,192)
Investments and other income received	**1,480**	5,282
Net cash (used in) / provided by investing activities	**(14,303)**	82,347
Net (decrease) / increase in cash and cash equivalents	**(107,994)**	18,505
Cash and Cash Equivalents - beginning of year	**223,866**	150,545
Cash and Cash Equivalents - current	**$ 115,872**	$ 169,050
Reconciliation of operating income to net cash provided by operating activities		
Operating income	**$ 33,477**	$ 27,076
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation and amortization	**27,211**	30,207
Depreciation and amortization charged to fuel for generation and purchased power	**797**	543
Depreciation of vehicles and equipment charged to unit department expenses	**278**	646
Changes in assets and liabilities		
Decrease in receivables and accrued revenue	**30,680**	14,935
(Increase) / decrease in fuel and materials and supplies inventories	**(5,197)**	6,293
Decrease in accounts payable	**(36,869)**	(17,021)
Decrease / (increase) in deposits payable and deferred costs	**(15,387)**	5,898
Decrease / (increase) in stabilization and deferred revenue	**(525)**	798
Net cash provided by operating activities	**$ 34,465**	$ 69,375

Orlando Utilities Commission
Capital Plan
Dollars in thousands

	Adopted 2015 Plan	Year to Date December 2014 Budget	Year to Date December 2014 Actual	Variance to Budget	
Electric Production (1)	$ 39,776	$ 7,946	**$ 4,993**	$ 2,953	37.2%
Transmission	33,597	8,399	**7,591**	808	9.6%
Transmission contributions	-	-	**(279)**	279	-100.0%
Transmission, net	33,597	8,399	**7,312**	1,087	12.9%
Electric Delivery	21,703	5,738	**7,503**	(1,765)	-30.8%
Electric Delivery contributions	(1,600)	(400)	**(2,217)**	1,817	454.3%
Electric Delivery, net	20,103	5,338	**5,286**	52	1.0%
Lighting	4,365	1,091	**1,546**	(455)	-41.7%
Lighting contributions	(100)	(25)	**(59)**	34	136.0%
Lighting, net	4,265	1,066	**1,487**	(421)	-39.5%
Water	20,624	5,048	**3,534**	1,514	30.0%
Water contributions	(7,254)	(2,364)	**(1,906)**	(458)	-19.4%
Water, net	13,370	2,684	**1,628**	1,056	39.3%
Chilled Water	2,130	308	**-**	308	100.0%
Chilled w ater contributions	(500)	(42)	**-**	(42)	-100.0%
Water, net	3,760	266	**-**	266	100.0%
Support Services	40,164	9,613	**4,874**	4,739	49.3%
Total OUC	$ 155,035	$ 35,354	**$ 25,580**	$ 9,774	27.6%

(1) - Totals are net of participant share.