



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



MONTH ENDED  
December 2017

# Orlando Utilities Commission

## Table of Contents

Management’s Discussion and Analysis	3
Statements of Revenues, Expenses and Changes in Net Position based on Budget - Unaudited	6
Statements of Net Position - Unaudited	7
Statements of Cash Flows – Unaudited	8
Capital Plan	9

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.

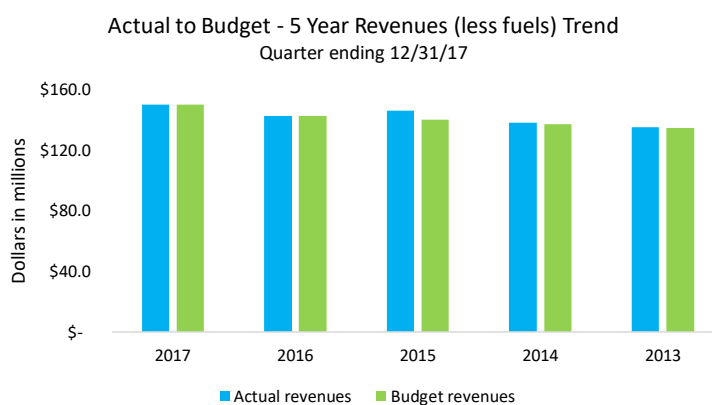
## Management's Discussion and Analysis

Income before contributions for the three months ended December 31, 2017 was \$19.3 million, \$0.4 million higher than budget and \$2.6 million higher than prior year.

### Operating Revenues:

**Variance to Budget** – Operating revenues, for the three months ended December 2017, were \$4.2 million lower than budget. This variance was primarily due to lower than budgeted fuel revenues of \$4.1 million driven by lower commercial consumption and fuel costs. In addition, retail energy revenues were \$3.0 million lower than budgeted due to both lower than projected customer growth and warmer than normal weather. Partially offsetting these unfavorable variances were higher than budgeted resale energy revenues and chilled water revenues of \$0.9 million and \$0.8 million, respectively. Service fees were also \$1.2 million higher than budget primarily due to ancillary revenues for Hurricane Maria storm restoration activities in Puerto Rico of \$0.9 million for which \$0.2 million has been collected.

**Variances to Prior Year** – Operating revenues for the period were \$13.0 million higher than last December primarily due to higher fuel revenues of \$5.7 million driven by higher consumption and fuel costs. Favorable variances in retail energy, resale energy and water revenues of \$3.1 million, \$1.5 million and \$1.3 million also contributed to the variance from prior year.



### Operating Expenses:

**Variances to Budget** – Operating expenses were \$5.9 million or 3.1 percent lower than budgeted primarily due to lower than expected fuel for generation and purchased power expenses of \$4.1 million. Depreciation and amortization expenses were \$1.3 million under budget due to timing. In addition unit/department expenses were \$0.7 million below budget primarily due to unplanned position vacancies.

**Variances to Prior Year** – Operating expenses were \$12.0 million higher than the prior year. Contributing to the increase were higher fuel for generation and purchased power expenses of \$5.7 million driven by higher consumption and fuel costs and higher Unit/department expenses of \$3.2 million driven by SEC Unit 2 steam generator inspection costs. Additionally, depreciation and amortization expenses increased by \$2.6 million.

### Non-Operating Income and Expenses:

**Variance to the Budget and Prior Year** – Net non-operating expenses were higher than budget by \$1.4 million and below prior year by \$1.7 million. The variance to budget was primarily due to unfavorable market valuation adjustments of \$1.7 million. The prior year variance was due to favorable market adjustments of \$0.7 million, increased other income of \$0.5 million and a decrease in interest expense of \$0.5 million.

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

Contributions in aid of construction of \$2.2 million were \$1.0 million lower than budget and \$0.1 million lower than prior year due to the timing of system development contributions for electric and water delivery.

### **Dividend Payment:**

The dividend agreement with the City of Orlando for the period of 2018 through 2020 is based on an annual growth rate of three percent. The budgeted amount for fiscal year 2018 is \$60.6 million and for the period ended December 2017 was \$15.2 million.

### **Utility Plant:**

Utility plant increased \$39.5 million as of December 2017 compared to December 2016. Capital projects contributing to the increase in utility plant in excess of systematic depreciation charges include transmission upgrades, transformer and meter replacements, a SEC Unit 1 turbine electric production upgrade, pond liner replacement upgrades and the CC&B upgrade.

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

Restricted and internally designated assets of \$469.8 million were \$100.7 million lower than prior year. The change was primarily due to a planned decrease in capital reserves of \$79.5 million to fund a portion of the Capital Plan. In addition, the use of renewal and replacement and electric base rate stabilization funds of \$14.5 million and \$8.2 million, respectively, contributed to the decrease for storm restoration costs. Funds utilized from the renewal and replacement account are anticipated to be recovered from the Federal Emergency Management Agency (FEMA).

### **Current Assets:**

Current assets of \$280.9 million were \$11.9 million higher than prior year. The increase was primarily due to an increase in Customer accounts receivable of \$27.2 million resulting from a change in the billing process for consolidated commercial accounts with the CC&B implementation. In addition, there was an increase in the fuel for generation coal inventory of \$11.0 million. Offsetting these increases were decreases in Cash and investments and fuel hedging derivatives maturing within one year of \$20.5 million and \$5.9 million, respectively.

### **Other Assets:**

Other assets of \$199.9 million increased \$14.0 million over the prior year. The increase was driven by Board approved deferred storm restoration costs for hurricanes Matthew and Irma of \$20.9 million for which OUC anticipates securing FEMA reimbursement. Unrecognized hedge expenses were also \$12.6 million higher. These increases were offset by reductions in unrecognized pension and other post-employment benefits (OPEB) costs of \$11.7 million and \$6.8 million, respectively.

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

Deferred outflows of resources of \$129.5 million decreased \$35.9 million since December 2016. The change was due to a decrease in the fair value fuel hedge derivative instrument valuation of \$21.9 million as a result of the partial termination of the interest rate swap agreement executed with the refunding of the Series 2011A *Windows* Bonds. A decrease in systematic amortization of refunded bond losses and increased unrealized pension costs of \$7.1 million and \$4.2 million, respectively, also impacted this variance.

## Payables from Restricted and Current Assets:

Payables from restricted and current assets of \$176.7 million were \$89.8 million lower than prior year due to a reduction of \$98.4 million in other bonds payable associated with the refunding of the Series 2011A *Windows* Bonds. This reduction was offset by an increase in accounts payable and accrued expense and short-term fuel derivative valuation changes of \$6.7 million and \$1.0 million, respectively.

## Other Liabilities:

Other liabilities of \$251.8 million were \$46.7 million lower than that of the prior year. The variance was driven by a decrease in the net pension liability of \$45.5 million as a result of favorable market valuations and the systematic recognition of unfunded actuarial expenses.

## Long-term Debt:

Over the past twelve months, net long-term debt increased by \$14.0 million. The increase was primarily due to the refunding of the Series 2011A *Windows* Bonds offset by annual principal payments and the recognition of unamortized premium and changes in the fair value derivative instrument balance associated with interest rate swap agreements.

OUC's credit ratings, recently affirmed in conjunction with the issuance of new long-term debt scheduled to be offered to the bond markets at the close of January are:

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

## Deferred Inflows of Resources:

For the period ended December 2017, deferred inflows of resources decreased by \$6.5 million from that of December 2016. The change was due to decreases in deferred gain on sale, base rate stabilization and fuel stabilization of \$8.7 million, \$8.5 million and \$7.6 million, respectively. In addition, accumulated increases in fair value hedge derivatives decreased by \$7.3 million. These decreases were offset by the impacts of implementing new accounting guidance for OPEBs in the amount of \$24.6 million and an increase in unrealized pension gains of \$0.8 million.

## Cash Flows:

OUC's cash and cash equivalents as of December 2017 were \$114.3 million, \$65.5 million lower than that of the beginning of the fiscal year and \$47.9 million lower than that of December 2016. The decrease since the beginning of the fiscal year was primarily due to the annual principal and semi-annual interest payments on long-term debt of \$162.3 million and \$34.0 million, respectively. These decreases were partially offset by an increase in cash from operations of \$66.0 million.

## Capital Plan:

At December 31, 2017 capital expenditures of \$34.5 million were \$2.2 million under budget. Capital expenditures in water, electric production and support services were favorable to budget by \$3.8 million, \$3.5 million and \$3.0 million, respectively. These variances were offset by unfavorable transmission, lighting and energy delivery variances of \$5.1 million, \$2.6 million and \$0.5 million, respectively. The lighting variance is driven by the Board approved Eagle Creek OUC convenient lighting acquisition. Remaining variances are largely the result of project timing.

**Orlando Utilities Commission**  
**Statements of Revenues, Expenses and Changes in Net Position - Unaudited**

Dollars in thousands

	Actual Year to Date December 2017	Budget Year to Date December 2017	Variance to Budget		Actual Year to Date December 2016	Variance to Prior Year	
<b>Operating revenues</b>							
Retail energy	\$ 89,979	\$ 92,988	\$ (3,009)	-3.2%	\$ 86,913	\$ 3,066	3.5%
Resale energy	22,419	21,536	883	4.1%	20,952	1,467	7.0%
Fuel	66,524	70,586	(4,062)	-5.8%	60,874	5,650	9.3%
Electric revenues	178,922	185,110	(6,188)	-3.3%	168,739	10,183	6.0%
Water revenues	18,622	18,520	102	0.6%	17,275	1,347	7.8%
Other revenues							
Lighting service revenues	3,337	3,326	11	0.3%	3,225	112	3.5%
Chilled water revenues	7,766	6,996	770	11.0%	7,386	380	5.1%
Service fees & other revenues	7,847	6,692	1,155	17.3%	6,866	981	14.3%
<b>Total operating revenues</b>	<b>216,494</b>	<b>220,644</b>	<b>(4,150)</b>	<b>-1.9%</b>	<b>203,491</b>	<b>13,003</b>	<b>6.4%</b>
<b>Operating expenses</b>							
Fuel for generation and purchased power	66,524	70,586	(4,062)	-5.8%	60,874	5,650	9.3%
Capacity payment	8,024	8,341	(317)	-3.8%	8,030	(6)	-0.1%
Unit/department	66,594	67,251	(657)	-1.0%	63,415	3,179	5.0%
Depreciation and amortization	32,436	33,694	(1,258)	-3.7%	29,816	2,620	8.8%
Payments to other governments and taxes	13,926	13,565	361	2.7%	13,343	583	4.4%
<b>Total operating expenses</b>	<b>187,504</b>	<b>193,437</b>	<b>(5,933)</b>	<b>-3.1%</b>	<b>175,478</b>	<b>12,026</b>	<b>6.9%</b>
<b>Non-operating income and (expenses)</b>							
Interest income	127	1,810	(1,683)	-93.0%	(572)	699	-122.2%
Other income	2,689	2,571	118	4.6%	2,215	474	21.4%
Interest expense	(12,473)	(12,640)	167	-1.3%	(12,956)	483	-3.7%
<b>Total non-operating income and (expenses)</b>	<b>(9,657)</b>	<b>(8,259)</b>	<b>(1,398)</b>	<b>16.9%</b>	<b>(11,313)</b>	<b>1,656</b>	<b>-14.6%</b>
<b>Income before contributions</b>	<b>19,333</b>	<b>18,948</b>	<b>385</b>	<b>2.0%</b>	<b>16,700</b>	<b>2,633</b>	<b>15.8%</b>
<b>Revenue from contributions in aid of construction</b>	<b>2,220</b>	<b>3,174</b>	<b>(954)</b>	<b>-30.1%</b>	<b>2,320</b>	<b>(100)</b>	<b>-4.3%</b>
<b>Dividend payments</b>	<b>(15,154)</b>	<b>(15,154)</b>	<b>-</b>	<b>0.0%</b>	<b>(14,765)</b>	<b>(389)</b>	<b>2.6%</b>
<b>Increase in net position</b>	<b>6,399</b>	<b>\$ 6,968</b>	<b>\$ (569)</b>	<b>-8.2%</b>	<b>4,255</b>	<b>\$ 2,144</b>	<b>50.4%</b>
<b>Net position - beginning of period</b>	<b>1,341,124</b>				<b>1,285,383</b>		
<b>Net position - end of period</b>	<b>\$ 1,347,523</b>				<b>\$ 1,289,638</b>		

**Orlando Utilities Commission**  
**Statements of Net Position - Unaudited**

Dollars in thousands

	December 2017	December 2016	Variance to Prior Year	
<b>Assets</b>				
Utility plant	\$ 2,451,448	\$ 2,411,903	\$ 39,545	1.6%
Restricted and internally designated assets	469,847	570,509	(100,662)	-17.6%
Current assets	280,933	269,067	11,866	4.4%
Other assets	199,890	185,906	13,984	7.5%
Deferred outflows of resources	129,497	165,399	(35,902)	-21.7%
<b>Total Assets and deferred outflows of resources</b>	<b>\$ 3,531,615</b>	<b>\$ 3,602,784</b>	<b>\$ (71,169)</b>	<b>-2.0%</b>
<b>Liabilities</b>				
Payables from restricted assets	\$ 70,937	\$ 70,555	\$ 382	0.5%
Payables from current assets	102,743	192,903	(90,160)	-46.7%
Other liabilities	251,833	298,557	(46,724)	-15.6%
Long-term debt, net	1,473,025	1,459,058	13,967	1.0%
<b>Total liabilities</b>	<b>1,898,538</b>	<b>2,021,073</b>	<b>(122,535)</b>	<b>-6.1%</b>
<b>Deferred inflows of resources</b>	<b>285,554</b>	<b>292,073</b>	<b>(6,519)</b>	<b>-2.2%</b>
<b>Net position</b>	<b>1,347,523</b>	<b>1,289,638</b>	<b>57,885</b>	<b>4.5%</b>
<b>Total liabilities, deferred inflows of resources and net position</b>	<b>\$ 3,531,615</b>	<b>\$ 3,602,784</b>	<b>\$ (71,169)</b>	<b>-2.0%</b>

**Orlando Utilities Commission**  
**Statements of Cash Flows - Unaudited**

Dollars in thousands

	December 2017	December 2016
<b>Cash flow from operating activities</b>		
Cash received from customers	\$ 241,470	\$ 215,367
Cash paid for fuel and purchased power	(80,112)	(67,499)
Cash paid for unit department expenses	(30,653)	(22,052)
Cash paid for salaries and benefits	(43,211)	(43,748)
Cash paid for storm recovery	(6,966)	(1,459)
Cash paid for other payments and taxes	(14,537)	(14,070)
<b>Net cash provided by operating activities</b>	<b>65,991</b>	<b>66,539</b>
<b>Cash flows from non-capital related financing activities</b>		
Dividend to the City of Orlando	(15,154)	(14,765)
<b>Net cash used in non-capital related financing activities</b>	<b>(15,154)</b>	<b>(14,765)</b>
<b>Cash flows from capital related financing activities</b>		
Utility plant net of contributions in aid of construction	(38,119)	(22,334)
Debt interest payments	(34,380)	(31,482)
Collateral deposits	300	8,100
Principal payments on long-term debt and use of bond proceeds	(162,287)	(56,250)
Debt issuances and related costs	108,364	(330)
<b>Net cash used in capital related financing activities</b>	<b>(126,122)</b>	<b>(102,296)</b>
<b>Cash flows from investing activities</b>		
Proceeds from sale and maturities of investment securities	97,186	227,191
Purchases of investment securities	(88,308)	(132,708)
Investments and other expenses paid	894	2,462
<b>Net cash provided by investing activities</b>	<b>9,772</b>	<b>96,945</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>	<b>(65,513)</b>	<b>46,423</b>
<b>Cash and Cash Equivalents - beginning of year</b>	<b>179,779</b>	<b>115,733</b>
<b>Cash and Cash Equivalents - current</b>	<b>\$ 114,266</b>	<b>\$ 162,156</b>
<b>Reconciliation of operating income to net cash provided by operating activities</b>		
Operating income	\$ 28,990	\$ 28,013
<b>Adjustments to reconcile operating income to net cash provided by operating activities</b>		
Depreciation and amortization	32,436	29,816
Depreciation and amortization charged to fuel for generation and purchased power	1,059	971
Depreciation of vehicles and equipment charged to unit department expenses	506	416
<b>Changes in assets and liabilities</b>		
Decrease in receivables and accrued revenue	24,928	6,591
Decrease in fuel and materials and supplies inventories	3,069	6,247
Decrease in accounts payable	(18,818)	(2,887)
Decrease in deposits paid and deferred items	(5,534)	(4,822)
(Decrease) / Increase in stabilization and deferred revenue accounts	(645)	2,194
<b>Net cash provided by operating activities</b>	<b>\$ 65,991</b>	<b>\$ 66,539</b>



**Orlando Utilities Commission  
Capital Plan**

Dollars in thousands

	Adopted 2018 Plan	Year to Date December 2017 Budget	Year to Date December 2017 Actual	Variance to Budget	
Electric Production (1)	\$ 30,000	\$ 7,500	\$ 4,538	\$ 2,962	39.5%
Transmission	34,800	8,700	13,821	(5,121)	-58.9%
Transmission contributions	-	-	-	-	0.0%
Transmission, net	34,800	8,700	13,821	(5,121)	-58.9%
Electric Delivery	33,045	8,261	6,458.22	1,803	21.8%
Electric Delivery contributions	(4,325)	(1,081)	1,253	(2,334)	215.8%
Electric Delivery, net	28,720	7,180	7,711	(531)	-7.4%
Lighting	5,797	1,449	3,919	(2,470)	-170.4%
Lighting contributions	(297)	(74)	44	(118)	159.0%
Lighting, net	5,500	1,375	3,963	(2,588)	-188.2%
Water	24,125	6,031	1,014	5,017	83.2%
Water contributions	(4,575)	(1,144)	44	(1,188)	103.8%
Water, net	19,550	4,888	1,058	3,829	78.4%
Chilled Water	710	178	43	134	75.5%
Chilled water contributions	-	-	-	-	0.0%
Chilled Water, net	710	178	43	134	75.5%
Support Services	27,720	6,930	3,385	3,545	51.1%
Support services contributions	-	-	-	-	0.0%
	27,720	6,930	3,385	3,545	51.1%
<b>Total OUC</b>	<b>\$ 147,000</b>	<b>\$ 36,750</b>	<b>\$ 34,520</b>	<b>\$ 2,230</b>	<b>6.1%</b>