Unaudited

INTERIM FINANCIAL REPORT

OUC The Reliable One®

SIX MONTHS ENDED
MARCH 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 six months ended March 31, 2011 was $22.7 million, $2.5 million lower than budget and $13.3 million lower than the prior year.

Operating Revenues:

Variance to Budget – Operating revenues for the six months ended March 2011 were $44.9 million lower than budget. Fuel revenues, which are equally offset by fuel for generation and purchased power costs, were the primary driver of this variance with lower than budget revenues of $39.3 million. Resale electric energy revenues were $2.9 million below budget as a result of market demand and continued low cost of natural gas. In addition, chilled water revenues were $1.1 million lower than budget due to decreased consumption as a result of contractual changes and mild weather.

Variance to Prior Year – Total operating revenues were consistent with that of the prior year. Retail energy revenues were $4.6 million lower than prior year. Offsetting this decrease was an increase in resale energy revenues of $2.6 million as a result of a new long-term wholesale agreement executed in January 2011. In addition, water revenues and chilled water revenues were higher than prior year revenues in the amounts of $1.2 million and $0.8 million, respectively.

Operating Expenses:

Variance to Budget – Operating expenses were $45.0 million or 11.8% lower than budget. Fuel for generation and purchased power expenses were $39.3 million lower than budget primarily due to lower than projected natural gas expenses; including the impact of these expenses on OUC's generation portfolio utilization. In addition, unit department expenses were $4.7 million lower than budget due to decreased chemical, utility, salary and benefit expenses and the timing of SEC1 planned outage costs. Decreased chemical and utility expenses were directly related to the decrease in chilled water and water sales while the lower than budget salary and benefit expenses were driven by delayed hiring of succession planning and vacated positions. In respect to the timing of SEC1 planned outage expenses, it is anticipated that this variance will adjust as the outage is completed in April.

Variance to Prior Year – Overall operating expenses were $13.5 million higher than those of the prior year driven primarily by an increase in unit department expenses of $9.6 million. Contributing to the increase in unit department expenses was a $3.2 million increase in salaries and benefits, $2.5 million increase for the operations of SECB, which began in February 2010, and a $2.4 million increase in minority owned generation facility expenses. Depreciation and amortization expenses were also impacted by the commencement of SECB, increasing expenses $5.0 million as compared to the prior year. Offsetting these increases, capacity payment expenses were $0.9 million lower than prior year as a result of decreased natural gas costs at the SECA generation facility.

Non-Operating Income and Expenses:

Variance to the Budget and Prior Year – Net non-operating expenses were $2.6 million higher than budget due to unfavorable market valuation changes coupled with higher interest expenses. Net non-operating expenses for the six months ended March 31, 2011 were comparable to the same period in the prior year.

Contributions in Aid of Construction:

Contributions in aid of construction were $2.1 million and $2.7 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 the significant challenges facing both OUC and the City, the total payments (dividend and revenue based) have been fixed for fiscal years 2008 – 2011. The payments are $76.8 million for 2011 and were $74.4 million for 2010.

Statement of Net Assets Changes

Utility Plant:

Utility plant decreased $8.7 million as of March 2011 compared to March 2010 primarily due to the systematic depreciation charges exceeding capital acquisition costs. Capital acquisitions for the six months ended March 31, 2011 were $30.1 million or 37.9% below the approved capital plan.

Restricted and Internally Designated Assets:

Restricted assets of $626.0 million were $21.5 million lower than that of the prior year primarily due to the release of $86.1 million of restricted construction funds from the Series 2010A Build America Bonds which were issued in January 2010 for capital projects. Offsetting this change was a $34.3 million increase in fuel stabilization funds as a result of moderating fuel costs. Additional changes were due to interest earnings on the various restricted funds.

Current Assets:

Current assets increased $31.2 million as compared to March 2010. This variance was primarily due to increased cash and investments of $45.2 million as a result of cash provided from operations and a decrease in cash used for financing in conjunction with capital related activities. Offsetting these changes was a $5.3 million decrease in fuel for generation as a result of decreased costs. In addition, miscellaneous receivables decreased $4.9 million, primarily driven by lower participant receivables, and customer receivables, net of the allowance for uncollectible accounts, and accrued unbilled revenues decreased $2.0 million and $2.2 million, respectively, due to mild weather.

Other Assets:

Other assets were $55.0 million lower than that of March 2010. This change was driven by a net decrease in deferred hedge outflows of $41.7 million, a decrease in prepaid emission allowances of $2.5 million, net of participation and a decrease of $3.5 million for the annual recognition of the advanced funded pension asset. In addition, the systematic amortization of approved regulatory assets decreased Other assets $9.4 million. These decreases were offset by a contingency payment made in accordance with the dissolution of a joint venture agreement in the amount of $4.4 million.

Payables from Restricted and Unrestricted Assets:

Restricted and unrestricted current payables were $90.1 million lower than that of March 2010. The primary driver of this change was the partial refunding of the Series 2009B Bonds with the Series 2010C and 2010D Bonds of $96.5 million and $97.5 million, respectively. The Series 2010D Bonds were issued with a short term maturity and as such remained a current payable. The Series 2010C Bonds were reclassified to Long-term debt with a final maturity date of October 2027. Offsetting this decrease was an increase in customer deposits of $5.8 million as a result of increased customer deposit requirements.

Other Liabilities and Deferred Credits:

Other liabilities and deferred credits were $21.5 million lower than that of the prior year. The major driver for this variance was the termination and valuation adjustment of interest rate swap agreements as the amount of deferred derivative hedge inflows decreased $57.7 million and regulatory liability deferrals associated with terminated interest rate swap agreements decreased $2.2 million. Also contributing to the decrease was the systematic amortization of the deferred gain from the sale of the Indian River generation facility in the amount of $4.2 million. These decreases were offset by the deferral of $34.3 million of fuel revenues and the Board action to defer $8.5 million of depreciation and conservation expenses.

Long-term Debt:

Long-term debt increased $36.6 million since March 2010 primarily due to the refunding of a portion of the Series 2009B Bonds, previously classified as current, with the Series 2010C Bonds of $96.5 million. This was offset by the annual scheduled maturities of $47.7 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 March 31, 2011 were $159.3 million, $47.9 million lower than that of the beginning of the fiscal year and $29.7 million lower than the prior year.

Cash provided by operating activities for the year-to-date period ended March 31, 2011 was $8.9 million higher than the prior year. This variance was driven in part by an increase in cash received from customers in the amount of $12.8 million and an $8.4 million decrease in cash paid for fuel for generation and purchased power. Offsetting these increases was an increase in cash paid for unit department expenses and salaries and benefits of $9.5 million and $2.7 million, respectively. Cash paid for unit department increased primarily due to higher generation costs including minority plant costs and costs associated with the operations of SECB.

Cash used in non-capital related financing activities during fiscal year 2011 was $24.0 million, $1.2 million higher than that of the prior year.

Cash used in capital financing activities during the current fiscal year was $125.6 million. In the prior year, $59.6 million was provided from capital financing activities as a result of the issuance of the Series 2010A Bonds in the amount of $200.0 million. In addition, cash used in capital financing activities decreased $13.5 million as a result of lower cash used for the construction and acquisition of utility plant, net of contributions as well as lower cash requirements for interest rate swap agreements in the amount of $9.0 million.

Investing activities for the period ended March 2011 resulted in cash used in the amount of $58.1 million compared to the prior year when $167.5 million was used. This variance was primarily the result of the issuance and subsequent reinvestment of funds received in association with the issuance of the 2010A Build America Bonds in January 2010 in the amount of $200.0 million.

Capital Plan

At March 31, 2011, capital expenditures of $49.4 million were $30.1 million or 37.9% lower than the approved plan.

Power Resources was $9.5 million under plan due to less than anticipated spending for Stanton Energy Center, Indian River CT's, and renewable projects.

Electric Transmission, Energy Delivery and Lighting capital spending, net of contributions, was $8.1 million lower than plan due to the timing of capital projects as well as the continued impacts of the economic downturn.

Water capital spending was $3.1 million under plan due to delayed project start-ups including renewal and replacement, inter-agency and consumptive use projects.

Chilled Water spending was $1.6 million under due to the timing of capital projects.

Support Services capital spending was $7.8 million under budget due to a delay in spending for Sustainable Services projects such as the Pershing paving project, various indoor lighting projects, and transportation purchases.

Results of Operations – Chilled Water

OUCooling income before contributions was $0.6 million which was $0.8 million lower than budget and in line with the prior year.

Operating Revenues, Operating Expenses and Non-Operating Expenses:

OUCooling revenues of $12.7 million for the six months ending March 31, 2011 were $1.1 million lower than budget due to decreased consumption as a result of contractual changes and milder weather. In comparison to the prior year, chilled water business segment revenues increased $0.7 million from prior year revenues of $12.0 million.

Total operating expenses were $0.3 million lower than budget primarily due to lower unit department expenses of $0.7 million offset by increased depreciation and amortization of $0.4 million. In comparison to the prior year, operating expenses increased $0.7 million as a result of growth in the chilled water system.

Non-operating expenses for the six months ending March 31, 2011 were slightly higher than the budget and were $0.1 million higher than in the prior year. The increase in costs as compared to the prior year was the result of OUCooling securing additional debt for plant expansion.

Results of Operations – Lighting

Lighting income before contributions was $1.7 million which was $0.4 million higher than budget and $0.2 million higher than prior year.

Operating Revenues, Operating Expenses and Non-Operating Expenses:

Lighting revenues for the six months ending March 31, 2011 were $6.2 million, an amount consistent with budget and $0.4 million higher than the same six month period in the prior year.

Total operating expenses of $3.3 million were consistent with budget and $0.2 million higher than the same six month period in the prior year.

Non-operating expenses for the period ending March 31, 2011 were $0.5 million lower than budget and in line with prior year.

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

	Actual Year to Date March 2011	Budget Year to Date March 2011	Variance to Budget		Actual Year to Date March 2010	Variance to Prior Year	
Operating revenues							
Retail energy	**$ 168,605**	$ 169,306	$ (701)	-0.4%	$ 173,182	$ (4,577)	-2.6%
Resale energy	**35,669**	38,595	(2,926)	-7.6%	33,085	2,584	7.8%
Fuel	**126,752**	166,047	(39,295)	-23.7%	127,109	(357)	-0.3%
Electric revenues	**331,026**	373,948	(42,922)	-11.5%	333,376	(2,350)	-0.7%
Water revenues	**30,621**	30,468	153	0.5%	29,427	1,194	4.1%
Other revenues							
Lighting services	**6,147**	6,272	(125)	-2.0%	6,008	139	2.3%
OUCooling revenues	**12,743**	13,808	(1,065)	-7.7%	11,991	752	6.3%
Service fees & other revenues	**12,109**	13,015	(906)	-7.0%	11,690	419	3.6%
Total operating revenues	**392,646**	437,511	(44,865)	-10.3%	392,492	154	0.0%
Operating expenses							
Fuel for generation and purchased power	**126,752**	166,047	(39,295)	-23.7%	127,109	(357)	-0.3%
Capacity payment	**15,258**	16,811	(1,553)	-9.2%	16,146	(888)	-5.5%
Unit department expenses	**109,481**	114,230	(4,749)	-4.2%	99,894	9,587	9.6%
Depreciation and amortization	**56,447**	55,970	477	0.9%	51,443	5,004	9.7%
Payments to other governments and taxes	**27,260**	27,172	88	0.3%	27,149	111	0.4%
Total operating expenses	**335,198**	380,230	(45,032)	-11.8%	321,741	13,457	4.2%
Non-operating income and expenses							
Interest income	**1,802**	3,690	(1,888)	-51.2%	2,994	(1,192)	-39.8%
Other income	**4,515**	4,240	275	6.5%	3,188	1,327	41.6%
Interest expense	**(41,021)**	(40,000)	(1,021)	-2.6%	(40,922)	(99)	-0.2%
Total non-operating expenses	**(34,704)**	(32,070)	(2,634)	-8.2%	(34,740)	36	0.1%
Income before contributions	**22,744**	25,211	(2,467)	-9.8%	36,011	(13,267)	-36.8%
Revenue from contributions in aid of construction	**2,254**	4,375	(2,121)	-48.5%	4,940	(2,686)	-54.4%
Dividend payments	**(23,988)**	(23,988)	-	-	(22,798)	(1,190)	-5.2%
Increase in net assets	**1,010**	$ 5,598	$ (4,588)	-82.0%	18,153	$ (17,143)	-94.4%
Net assets - beginning of period	**994,411**				956,285		
Net assets - end of period	**$ 995,421**				$ 974,438		

Orlando Utilities Commission
Statements of Net Assets
Dollars in thousands

	March 2011	March 2010	Variance to Prior Year	
Assets				
Utility plant	**$ 2,294,270**	$ 2,302,968	$ (8,698)	-0.4%
Restricted assets	**625,959**	647,500	(21,541)	-3.3%
Current assets	**282,007**	250,805	31,202	12.4%
Other assets	**89,628**	144,584	(54,956)	-38.0%
Total assets	**$ 3,291,864**	$ 3,345,857	$ (53,993)	-1.6%
Liabilities				
Payable from restricted assets	**$ 176,345**	$ 266,580	$ (90,235)	-33.8%
Payable from current assets	**82,291**	82,110	181	0.2%
Other liabilities and deferred credits	**364,814**	386,339	(21,525)	-5.6%
Long-term debt, net	**1,672,993**	1,636,390	36,603	2.2%
Total liabilities	**2,296,443**	2,371,419	(74,976)	-3.2%
Net assets	**995,421**	974,438	20,983	2.2%
Total liabilities and net assets	**$ 3,291,864**	$ 3,345,857	$ (53,993)	-1.6%

Orlando Utilities Commission
Statements of Cash Flows
Dollars in thousands

	March 2011	March 2010
Cash flow from operating activities		
Cash received from customers	$ 439,852	$ 427,006
Cash paid for fuel and purchased power	(137,900)	(146,346)
Cash paid for unit department expenses	(51,063)	(41,595)
Cash paid for salaries and benefits	(63,822)	(61,162)
Cash paid for other payments and taxes	(27,288)	(26,988)
Net cash provided by operating activities	159,779	150,915
Cash flows from non-capital related financing activities		
Dividend to the City of Orlando	(23,988)	(22,798)
Net cash used in non-capital related financing activities	(23,988)	(22,798)
Cash flows from capital related financing activities		
Debt interest payments	(42,797)	(46,737)
Collateral deposits	29,800	20,800
Principal payments on long-term debt	(51,080)	(168,350)
Debt issuances	-	331,492
Debt issuances expense	(642)	(3,861)
Construction and acquisition of utility plant net of contributions	(60,845)	(74,317)
Net cash (used in) / provided by capital related financing activities	(125,564)	59,027
Cash flows from investing activities		
Proceeds from sale and maturities of investment securities	510,922	266,021
Purchases of investment securities	(577,483)	(442,160)
Investments and other income received	8,468	8,617
Net cash used in investing activities	(58,093)	(167,522)
Net decrease in cash and cash equivalents	(47,866)	19,622
Cash and Cash Equivalents - beginning of year	207,120	169,296
Cash and Cash Equivalents - current	$ 159,254	$ 188,918

	March 2011	March 2010
Reconciliation of operating income to net cash provided by operating activities		
Operating income	$ 57,448	$ 70,751
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation and amortization	56,448	51,443
Depreciation and amortization charged to fuel for generation and purchased power	2,964	2,024
Depreciation of vehicles and equipment charged to unit department expenses	1,678	1,564
Changes in assets and liabilities		
Decrease in receivables and accrued revenue	28,666	14,893
Decrease / (increase) in fuel and materials and supplies inventories	5,095	(11,163)
(Decrease) / increase in accounts payable	(17,507)	1,591
Increase in deposits payable and deferred costs	2,941	20,748
Increase / (decrease) in stabilization and deferred revenue	22,046	(936)
Net cash provided by operating activities	$ 159,779	$ 150,915

Orlando Utilities Commission
Capital Plan
Dollars in thousands

	Annual 2011 Budget	Year to Date March 2011 Budget	Year to Date March 2011 Actual	Variance to Budget	
Power resources business unit (1)	$ 74,971	$ 32,659	**$ 23,160**	$ (9,499)	-29.1%
Transmission business unit	35,850	12,157	**5,832**	(6,325)	-52.0%
Transmission contributions	(800)	(400)	**(1,540)**	(1,140)	-285.0%
Transmission business unit, net	35,050	11,757	**4,292**	(7,465)	-63.5%
Energy delivery business unit	29,060	14,049	**12,923**	(1,126)	-8.0%
Energy delivery contributions	(1,600)	(800)	**(618)**	182	22.8%
Energy delivery business unit, net	27,460	13,249	**12,305**	(944)	-7.1%
Lighting business unit	3,065	1,531	**1,843**	312	20.4%
Lighting contributions	(100)	(50)	**(37)**	13	26.0%
Lighting business unit, net	2,965	1,481	**1,806**	325	21.9%
Water business unit	28,545	8,720	**3,757**	(4,963)	-56.9%
Water contributions	(19,177)	(4,200)	**(2,307)**	1,893	45.1%
Water business unit, net	9,368	4,520	**1,450**	(3,070)	-67.9%
OUCooling business unit	4,175	1,675	**30**	(1,645)	-98.2%
Shared business unit	28,086	14,141	**6,319**	(7,822)	-55.3%
Total OUC	$ 182,075	$ 79,482	**$ 49,362**	$ (30,120)	-37.9%

(1) - Totals are net of participant share.