



INTERIM FINANCIAL
REPORT



SIX-MONTHS ENDED
MARCH 31, 2021
(UNAUDITED)

Orlando Utilities Commission

Table of Contents

COVID-19 Update	3
Management's Discussion and Analysis	3
Statements of Net Position – Unaudited	8
Statements of Revenues, Expenses and Changes in Net Position based on Budget - Unaudited	9
Statements of Cash Flows – Unaudited	10
Capital Spend	11

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.

COVID-19 Update

OUC continues to respond to effects of the pandemic with the well-being of our employees, customers and the community at the center of our response. Health and safety guidelines for essential and on-site employees continue to be administered along with medical and travel screening protocols. Customer assistance continues to be prioritized including providing customers with resources to access the expanded federal grant assistance programs of the Low Income Housing and Energy Assistance Program (LIHEAP), the Coronavirus Relief Fund (CRF), the traditional United Way Project Care funding and extended bill payment terms and arrangements.

Management's Discussion and Analysis

The following discussion and analysis provides an overview of OUC's unaudited and preliminary financial position and results of operations in comparison to the approved budget and prior year equivalent period.

- The Operating Revenues, Expenses and Change in Net Position report presents the projected financial information for the six-months ended March 31, 2021 in comparison to the approved budget and prior year equivalent period.
 - Income before contributions for the six-months ended March 31, 2021 was \$36.4 million, which is \$1.6 million higher than budget and \$7.8 million lower than prior year.
- The Total Assets and Deferred Outflow of Resources and Total Liabilities and Deferred Inflows of Resources presents the nature and amount of resources and obligations at March 31, 2021 and September 30, 2020.
- The Statement of Cash Flows report presents the cash provided and used by operating activities, non-capital financing activities, capital financing activities and investing activities.

Operating Revenues Analysis

(\$ in thousands)	As of March			Variance			
	2021 Actual	2021 Budget	2020 Actual	Actual vs Budget		2021 vs 2020	
Retail energy revenues (OUC and STC)	\$ 215,240	\$ 211,218	\$ 214,494	\$ 4,022	1.9 %	\$ 746	0.3 %
Wholesale energy revenues	11,553	11,553	13,845	—	— %	(2,292)	(16.6)%
Water revenues	37,085	38,776	40,870	(1,691)	(4.4)%	(3,785)	(9.3)%
Other revenues	36,325	35,810	35,731	515	1.4 %	594	1.7 %
Operating revenues, net of fuel	300,203	297,357	304,940	2,846	1.0 %	(4,737)	(1.6)%
Fuel revenues	112,043	113,769	102,377	(1,726)	(1.5)%	9,666	9.4 %
Total operating revenues	\$ 412,246	\$ 411,126	\$ 407,317	\$ 1,120	0.3 %	\$ 4,929	1.2 %

Budget Analysis:

- Operating revenues, net of fuel were higher than budget as a result of stronger than projected electric retail residential revenues. Different than electric retail revenues, residential and commercial water revenues continue to trail budget as a result of lower than expected consumption impacted by COVID-19 and higher than normal rainfall. Fuel revenues also continue to be lower than budget as a result of favorable commodity pricing.

Prior Year Analysis:

- As operating revenues in the prior year only include a few weeks of the pandemic, the unfavorable variance in operating revenues, net of fuel, appears reasonable. From an electric revenues perspective, we noted that while residential electric revenues are higher than prior year this increase is not sufficient to offset the 5.9% decrease in commercial energy sales. Similar results were also noted with water revenues inclusive of higher than normal current year year-to-date rainfall.

Operating Expenses Analysis

(\$ in thousands)	As of March			Variance			
	2021 Actual	2021 Budget	2020 Actual	Actual vs Budget		2021 vs 2020	
Unit department expenses	\$ 125,412	\$ 130,290	\$ 134,071	\$ (4,878)	(3.7)%	\$ (8,659)	(6.5)%
Depreciation and amortization	81,324	74,964	69,788	6,360	8.5 %	11,536	16.5 %
Payments to other governments and taxes	27,108	26,180	27,299	928	3.5 %	(191)	(0.7)%
Capacity payments	12,855	12,912	14,405	(57)	(0.4)%	(1,550)	(10.8)%
Emergency response expenses	1,306	—	2,110	1,306	100.0 %	(804)	(38.1)%
Operating expenses, net of fuel	248,005	244,346	247,673	3,659	1.5 %	332	0.1 %
Fuel for generation and purchased power	112,043	113,769	102,377	(1,726)	(1.5)%	9,666	9.4 %
Total operating expenses	\$ 360,048	\$ 358,115	\$ 350,050	\$ 1,933	0.5 %	\$ 9,998	2.9 %

Budget Analysis:

- Operating expenses, net of fuel were \$3.7 million higher than budget due to increased depreciation charges associated with the closing of the City of Lakeland's McIntosh Unit 3 (MC 3) generation facility on March 31, 2021. This increase was offset by lower unit department expenses of \$4.9 million as a result of timing and savings from cost optimization efforts.
- Fuel for generation and purchased power were \$1.7 million below budget as a result of lower than budgeted commodity cost and decreased consumption.

Prior Year Analysis:

- Operating expenses, net of fuel were \$0.3 million higher than prior year as a result of decreased unit department expenses as a result on the continued impact of the pandemic offset by accelerated depreciation for the MC 3 decommissioning.
- Fuel for generation and purchased power was \$9.7 million higher than prior year due year-over-year higher commodity costs.

Non-Operating Income and Expenses Analysis

(\$ in thousands)	As of March			Variance			
	2021 Actual	2021 Budget	2020 Actual	Actual vs Budget		2021 vs 2020	
Interest and other income	\$ 7,121	\$ 5,139	\$ 10,887	\$ 1,982	38.6 %	\$ (3,766)	(34.6)%
Interest expense	22,931	23,379	23,995	(448)	(1.9)%	(1,064)	(4.4)%
Total non-operating expenses	\$ 15,810	\$ 18,240	\$ 13,108	\$ (2,430)	(13.3)%	\$ 2,702	20.6 %

Budget and Prior Year Analysis:

- Results were favorable to budget for interest and other income in conjunction with the execution of market opportunities and the recognition of investment gains. The variance to budget is anticipated to decrease as gains from investment sales are offset by lower reinvested yields. In comparison to prior year, similar market opportunities were expected in 2020 which resulted in one-time investment gains.

Change in Net Position Analysis

(\$ in thousands)	As of March			Variance			
	2021 Actual	2021 Budget	2020 Actual	Actual vs Budget		2021 vs 2020	
Income before contributions	\$ 36,386	\$ 34,771	\$ 44,160	\$ 1,615	4.6 %	\$ (7,774)	(17.6)%
Contributions in aid of construction	7,937	9,245	10,128	(1,308)	(14.1)%	(2,191)	(21.6)%
Annual dividend	(30,915)	(30,915)	(32,864)	—	— %	1,949	(5.9)%
Increase in net position	\$ 13,408	\$ 13,101	\$ 21,424	\$ 307	2.3 %	\$ (8,016)	(37.4)%

Budget and Prior Year Analysis:

- Income before contributions were favorable to budget offset by trailing contributions in aid of construction due to timing of projects. In respect to prior year, the impact of the pandemic beginning in March 2020 is the driver for the year-over-year unfavorable changes with total operating revenues and non-operating expenses variances of \$4.7 million and \$2.7 million, respectively.

Total Assets and Deferred Outflows of Resources

(\$ in thousands)	March 2021	Fiscal Year 2020	Year-to-Date Change	March 2020
Utility plant	\$ 2,587,005	\$ 2,589,767	\$ (2,762)	\$ 2,542,771
Restricted and internally designated assets	848,518	543,603	304,915	558,538
Current assets	210,691	270,120	(59,429)	250,483
Other assets	119,602	121,126	(1,524)	167,688
Deferred outflows of resources	107,616	133,490	(25,874)	110,321
Total assets and deferred outflows of resources	\$ 3,873,432	\$ 3,658,106	\$ 215,326	\$ 3,629,801

Year-to-Date Analysis:

- Total assets and deferred outflows of resources increased \$215.3 million from fiscal year 2020. The change is primarily due to \$324.1 million in net proceeds from the issuance of 2021A and 2021B bonds, offset by \$99.9 million of debt service payments on October 1, 2020.

Total Liabilities and Deferred Inflows of Resources

(\$ in thousands)	March 2021	Fiscal Year 2020	Year-to-Date Change	March 2020
Current liabilities	\$ 253,178	\$ 268,832	\$ (15,654)	\$ 175,939
Other liabilities	190,938	187,431	3,507	190,592
Long-term debt, net	1,646,174	1,439,320	206,854	1,506,677
Deferred inflows of resources	271,316	264,105	7,211	289,028
Total liabilities and deferred inflows of resources	2,361,606	2,159,688	201,918	2,162,236
Net position	1,511,826	1,498,418	13,408	1,467,565
Total liabilities, deferred inflows of resources and net position	\$ 3,873,432	\$ 3,658,106	\$ 215,326	\$ 3,629,801

Year-to-Date Analysis:

- Current liabilities decreased due to the debt service payments offset by the reclassification of the portion of year long-term debt maturing within one-year.
- Long-term debt, net increased due to the \$324.1 million issuance of 2021A and 2021B bonds. This increase was offset due to the classification of October 1, 2021 debt service costs and favorable changes in derivative valuations.

Condensed Statement of Cash Flows and Capital Spend Analysis

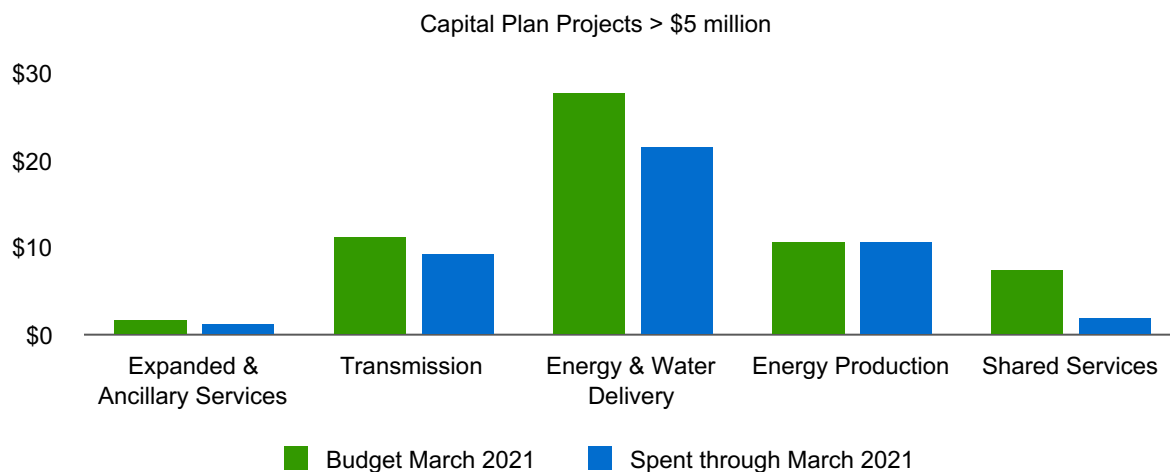
(\$ in thousands)	As of March		
	2021	2020	Change
Net cash provided by operating activities	\$ 156,549	\$ 126,373	\$ 30,176
Net cash used in non-capital related financing activities	(27,164)	(30,325)	3,161
Net cash provided by/(used in) capital related financing activities	159,317	(187,293)	346,610
Net cash provided by investing activities	40,599	78,765	(38,166)
Net decrease in cash and cash equivalents	329,301	(12,480)	341,781
Cash and cash equivalents - beginning of Year	249,357	234,115	15,242
Cash and cash equivalents - current	\$ 578,658	\$ 221,635	\$ 357,023

Cash provided by operating activities: Cash provided by operations was \$156.5 million, an increase of \$30.2 million from 2020, primarily due to the receipt of \$8.7 million of emergency response grant receivables, decreased cash paid for fuel and purchased power expenses and reduced unit department spending in conjunction with business optimization initiatives.

- As of March 31, 2021, OUC expects to receive an additional \$10.0 million in emergency grant reimbursement funds in fiscal year 2021.

Cash used in non-capital and capital related financing activities: Cash used in non-capital related financing activities was \$3.2 million lower than prior year as a result of the timing of cash receipts from the Build America Bond program and a lower dividend payment to the City of Orlando. Cash provided by capital related activities increased \$346.6 million for the period as a result of the proceeds from the Series 2021A and 2021B Bonds issued at the close of March 2021.

- Capital Spend:** As of March 31, 2021, net capital spending was \$78.5 million, or 19.4%, behind the approved Capital Plan. In respect to the individual capital projects greater than \$5.0 million, the timing of customer initiatives and COVID-19 have impacted the timeline of these projects.



Orlando Utilities Commission
Statement of Net Position - Unaudited
Dollars in thousands

	March 2021	Fiscal Year 2020	Variance	
Assets				
Utility plant	\$ 2,587,005	\$ 2,589,767	\$ (2,762)	(0.1)%
Restricted and internally designated assets	848,518	543,603	304,915	56.1 %
Current assets	210,691	270,120	(59,429)	(22.0)%
Other assets	119,602	121,126	(1,524)	(1.3)%
Deferred outflows of resources	107,616	133,490	(25,874)	(19.4)%
Total Assets and deferred outflows of resources	\$ 3,873,432	\$ 3,658,106	\$ 215,326	5.9 %
Liabilities				
Payables from restricted assets	\$ 166,626	\$ 156,747	\$ 9,879	6.3 %
Payables from current assets	86,552	112,085	(25,533)	(22.8)%
Current Liabilities	253,178	268,832	(15,654)	(5.8)%
Other liabilities	190,938	187,431	3,507	1.9 %
Long-term debt, net	1,646,174	1,439,320	206,854	14.4 %
Total liabilities	2,090,290	1,895,583	194,707	10.3 %
Deferred inflows of resources	271,316	264,105	7,211	2.7 %
Net position	1,511,826	1,498,418	13,408	0.9 %
Total liabilities, deferred inflows of resources and net position	\$ 3,873,432	\$ 3,658,106	\$ 215,326	5.9 %

***See page 6 for additional information related to changes in the Statement of Net Position

Orlando Utilities Commission
Statement of Revenue, Expenses and Changes in Net Position - Unaudited
Dollars in thousands

	Actual March 2021	Budget March 2021	Variance to Budget		Actual March 2020	Variance to Prior Year	
Operating revenues							
Retail energy revenues (OUC and STC)	\$ 215,240	\$ 211,218	\$ 4,022	1.9 %	\$ 214,494	\$ 746	0.3 %
Wholesale energy revenues	11,553	11,553	—	— %	13,845	(2,292)	(16.6)%
Fuel	112,043	113,769	(1,726)	(1.5)%	102,377	9,666	9.4 %
Electric revenues	338,836	336,540	2,296	0.7 %	330,716	8,120	2.5 %
Water revenues	37,085	38,776	(1,691)	(4.4)%	40,870	(3,785)	(9.3)%
Other revenues							
Lighting service revenues	8,247	8,376	(129)	(1.5)%	8,089	158	2.0 %
Chilled water revenues	13,427	13,636	(209)	(1.5)%	14,143	(716)	(5.1)%
Service fees & other revenues	14,650	13,797	853	6.2 %	13,500	1,150	8.5 %
Total operating revenues	412,245	411,125	1,120	0.3 %	407,318	4,927	1.2 %
Operating expenses							
Fuel for generation and purchased power	112,043	113,769	(1,726)	(1.5)%	102,377	9,666	9.4 %
Unit/department	125,412	130,290	(4,878)	(3.7)%	134,071	(8,659)	(6.5)%
Depreciation and amortization	81,324	74,964	6,360	8.5 %	69,788	11,536	16.5 %
Payments to other governments and taxes	27,108	26,180	928	3.5 %	27,299	(191)	(0.7)%
Capacity payments	12,855	12,912	(57)	(0.4)%	14,405	(1,550)	(10.8)%
Emergency response costs	1,306	—	1,306	100.0 %	2,110	(804)	(38.1)%
Total operating expenses	360,048	358,115	1,933	0.5 %	350,050	9,998	2.9 %
Non-operating income and (expenses)							
Interest income	3,521	1,731	1,790	103.4 %	7,320	(3,799)	(51.9)%
Other income	3,599	3,408	191	5.6 %	5,567	(1,968)	(35.4)%
Interest expense	22,931	23,379	(448)	(1.9)%	23,995	(1,064)	(4.4)%
Total non-operating income and (expenses)	(15,811)	(18,240)	2,429	(13.3)%	(11,108)	(4,703)	42.3 %
Income before contributions	36,386	34,770	1,616	4.6 %	46,160	(9,774)	(21.2)%
Contributions in aid of construction	7,937	9,245	(1,308)	(14.1)%	10,128	(2,191)	(21.6)%
Dividend payments	(30,915)	(30,915)	—	— %	(32,864)	1,949	(5.9)%
Increase in net position	13,408	\$ 13,100	\$ 308	2.4 %	23,424	\$(10,016)	(42.8)%
Net position - beginning of period	1,498,418				1,446,141		
Net position - end of period	\$ 1,511,826				\$ 1,469,565		

***See pages 4-5 for additional information related to changes in the Statement of Revenues, Expenses, and Changes in Net Position

Orlando Utilities Commission
Statement of Cash Flows - Unaudited
Dollars in thousands

	March 2021	March 2020
Cash flow from operating activities		
Cash received from customers	\$ 435,838	\$ 435,247
Cash paid for fuel and purchased power	(121,688)	(129,953)
Cash paid for unit department expenses	(53,394)	(64,493)
Cash paid for salaries and benefits	(85,059)	(87,588)
Cash received for emergency response expenses	8,708	1,080
Cash paid for other payments and taxes	(27,856)	(27,920)
Net cash provided by operating activities	<u>156,549</u>	<u>126,373</u>
Cash flows from non-capital related financing activities		
Dividend to the City of Orlando	(30,915)	(32,864)
Build America Bonds subsidy received	3,751	2,539
Net cash used in non-capital related financing activities	<u>(27,164)</u>	<u>(30,325)</u>
Cash flows from capital related financing activities		
Utility plant net of contributions in aid of construction	(80,051)	(90,475)
Debt interest payments	(25,980)	(31,129)
Collateral deposits received/(paid)	15,146	(4,700)
Principal payments on long-term debt and use of bond proceeds	(73,930)	(60,340)
Debt issuances and related costs	324,132	(649)
Net cash used in capital related financing activities	<u>159,317</u>	<u>(187,293)</u>
Cash flows from investing activities		
Proceeds from sale and maturities of investment securities	156,231	275,117
Gain on sale of investments	1,394	2,833
Purchases of investment securities	(125,612)	(207,514)
Investments and other income received	8,586	8,329
Net cash provided by investing activities	<u>40,599</u>	<u>78,765</u>
Net decrease in cash and cash equivalents	<u>329,301</u>	<u>(12,480)</u>
Cash and Cash Equivalents - beginning of year	<u>249,357</u>	<u>234,115</u>
Cash and Cash Equivalents - current	<u>\$ 578,658</u>	<u>\$ 221,635</u>
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ 52,198	\$ 57,268
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation and amortization	81,324	69,788
Depreciation and amortization charged to fuel for generation and purchased power	1,299	1,476
Depreciation of vehicles and equipment charged to unit department expenses	1,297	1,343
Changes in assets and liabilities		
Decrease in receivables and accrued revenue	28,118	26,711
Decrease in fuel and materials and supplies inventories	15,651	(2,328)
Decrease in accounts payable	(21,832)	(26,930)
Increase in deposits paid and deferred items	(7,287)	(6,483)
Increase in stabilization and deferred revenue accounts	5,781	5,528
Net cash provided by operating activities	<u>\$ 156,549</u>	<u>\$ 126,373</u>

***See page 7 for additional information related to changes in the Statements of Cash Flows

Orlando Utilities Commission
Capital Plan
Dollars in thousands

	Adopted 2021 Plan	Year to Date March 2021 Plan	Year to Date March 2021 Actual	Variance to	Budget
Electric Production (1)	\$ 19,030	\$ 13,865	\$ 14,820	\$ 955	6.9 %
Transmission	66,740	21,239	21,244	5	— %
Transmission contributions	(7,000)	(1,600)	(1,729)	(129)	8.1 %
Transmission, net	59,740	19,639	19,515	(124)	(0.6)%
Electric Delivery	45,387	31,721	26,225	(5,496)	(17.3)%
Electric Delivery contributions	(4,800)	(2,400)	(2,467)	(67)	2.8 %
Electric Delivery, net	40,587	29,321	23,758	(5,563)	(19.0)%
Lighting	8,510	4,507	3,734	(773)	(17.2)%
Lighting contributions	(1,000)	(498)	(236)	262	(52.6)%
Lighting, net	7,510	4,009	3,498	(511)	(12.7)%
Water	29,864	8,659	7,720	(939)	(10.8)%
Water contributions	(1,000)	(498)	(242)	256	(51.4)%
Water, net	28,864	8,161	7,478	(683)	(8.4)%
Chilled Water (2)	29,940	(505)	(1,008)	(503)	99.6 %
Support Services	61,282	22,885	10,437	(12,448)	(54.4)%
Total OUC	<u>\$ 246,953</u>	<u>\$ 97,375</u>	<u>\$ 78,498</u>	<u>(18,877)</u>	(19.4)%

(1) - Totals are net of participant share

(2) - Year-to-date actual negative balance is a result of accrued projects for fiscal year 2020 that have not yet been paid

***See page 7 for additional information related to changes in the Capital Plan