



INTERIM FINANCIAL
R E P O R T



NINE MONTHS ENDED
June 2015

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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 nine months ended June 30, 2015 was \$72.7 million, \$15.3 million higher than budget and \$17.1 million higher than prior year.

Operating Revenues:

Variances to Budget – Operating revenues, for the nine months ended June 30, 2015, were \$18.3 million lower than budget. This variance was primarily due to lower than budgeted fuel revenues of \$30.5 million. Additionally, water revenues were \$1.8 million lower than budget due to a delay in the planned rate increase until mid-fiscal year 2016 and decreased irrigation and residential usage. Offsetting these variances was higher retail energy revenues of \$6.9 million, which were driven by warmer weather. Additionally, resale energy revenues were \$5.7 million higher than budget due to unplanned sales to Lakeland Electric of \$2.5 million and increased sales to St. Cloud customers of \$3.6 million due to greater than expected customer growth of 3.8 percent.

Variances to Prior Year – Operating revenues were \$10.5 million lower than that of the prior year primarily due to decreased fuel revenues of \$24.3 million as a result of lower coal and natural gas pricing. The decrease was offset by an increase in retail and resale energy revenues of \$9.9 million and \$1.3 million, respectively driven by customer growth and weather.

Operating Expenses:

Variances to Budget – Operating expenses were \$33.3 million or 6.1 percent lower than budget primarily due to lower than expected fuel for generation and purchased power expenses of \$30.5 million as a result of favorable coal and natural gas pricing. In addition, decreased medical claim costs contributed to a decrease in unit/department expenses of \$3.1 million.

Variances to Prior Year – Operating expenses for the nine months ended June 2015 were down \$27.2 million from the prior year. Fuel for generation was \$24.3 million less than the prior year due to lower fuel pricing. Payments to other governments declined \$1.9 million as a result of making the final system-use payment to the City of St. Cloud in 2014 and the timing of tax payments. Additionally, unit department expenses decreased \$1.6 million as a result of decreased medical claim costs of \$6.8 million offset by an increase in internal and contract labor costs of \$4.3 million and net work order and participant costs of \$1.1 million.

Non-Operating Income and Expenses:

Variances to Budget and Prior Year – Net non-operating expenses through June 2015 were slightly lower than budget and the prior year. The decrease was due to a decline in interest expense. The variance to budget was also favorably impacted by the recognition of Medicare subsidy reimbursements.

Contributions in Aid of Construction:

Contributions in aid of construction of \$9.2 million were \$2.5 million higher than budget and \$1.0 million higher than prior year due to the timing of system development contributions for water projects which supports the sales growth noted above.

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 nine months ended June 2015 was \$39.9 million which was \$3.4 million higher than that of the prior year.

Utility Plant:

Utility plant increased \$22.4 million as of June 2015 compared to June 2014. Capital acquisitions for major projects, including the completion of several large transmission line upgrades, installation of water AMI meters, improvements to the turbines at the Stanton Energy Site and commencement of several technology projects including the IVR upgrade all 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 \$582.0 million were \$66.6 million higher than prior year. In April 2015, OUC received \$112.1 million in proceeds from the issuance of the Series 2015A Bonds, of which \$46.0 million was released to fund capital improvements.

Current Assets:

Current assets of \$279.4 million were \$42.1 million higher than prior year. The increase is attributed to additional fuel for generation inventory of \$18.3 million as a result of more consistent coal deliveries. Additionally, collateral deposits related to fuel and investment hedges increased \$14.0 million and outstanding customer and other receivables increased \$12.3 million.

Other Assets:

Other assets decreased \$4.6 million from June 2014 as a result of planned amortization of existing regulatory assets. Additionally, in September 2014, Duke Energy and the other joint owners approved the Crystal River Unit 3 plant (CR 3) settlement agreement in association with the plant retirement. The estimated CR 3 retirement cost was reduced by \$1.5 million to reflect the expected settlement impact.

Deferred Outflows of Resources:

Deferred outflows of resources of \$80.0 million increased \$3.9 million since June 2014. The increase was due to fair value hedging derivative instrument valuation changes of \$10.4 million offset by systematic amortization of debt refunding costs of \$6.5 million.

Payables from Restricted and Current Assets:

Restricted and current payables were \$1.4 million higher than that of June 2014. The variance was primarily due to an increase in unrecognized short-term fuel hedge derivative losses of \$5.8 million, customer deposits of \$1.9 million, and accrued wages and payments to other governments of \$1.2 million. These variances were offset by a decrease in outstanding vendor payables, including fuel purchases, of \$8.8 million.

Long-term Debt:

Over the past twelve months, net long-term debt increased \$46.7 million. The increase was primarily due to the issuance of the Series 2015A Bonds and related issue premium of \$95.0 million and \$18.0 million, respectively, in April 2015. Additionally, the increase was driven by fair value adjustments on interest rate swap agreements of \$1.5 million. These increases were offset by the payment of outstanding principal on October 1, 2014 of \$53.3 million and the systematic amortization of previously issued bond premiums, net of discounts, of \$14.4 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 June 2015, deferred inflows of resources increased \$5.4 million from that of June 2014. The change was due to the prior-year regulatory action to defer \$8.0 million of resale energy. This was offset by the continued systematic recognition of other regulatory credits related to Stanton Energy Center Unit A and Unit B of \$3.5 million and \$1.1 million, respectively.

Cash Flows:

OUC's cash and cash equivalents as of June 2015 were \$134.7 million, \$89.1 million lower than that of the beginning of the fiscal year and \$24.4 million lower than the prior year. The decrease over the past nine months was due to capital improvements, net of construction bond funds and an increase in investments instruments with maturities greater than three months.

Capital Plan:

At June 30, 2015 capital expenditures of \$90.5 million were \$19.3 million under budget. The variance was primarily driven by changes in the timing of capital projects. Timing variances in the Support Services area of \$14.6 million include the Customer Care & Billing system, Outage Management System upgrade and Meter Data Management projects. Additionally, capital expenditures in both Electric and Water Production areas are under budget due to timing variances.

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

Dollars in thousands

	Actual Year to Date June 2015	Budget Year to Date June 2015	Variance to Budget		Actual Year to Date June 2014	Variance to Prior Year	
Operating revenues							
Retail energy	\$ 257,574	\$ 250,723	\$ 6,851	2.7%	\$ 247,638	\$ 9,936	4.0%
Resale energy	61,414	55,755	5,659	10.1%	60,112	1,302	2.2%
Fuel	200,052	230,545	(30,493)	-13.2%	224,342	(24,290)	-10.8%
Electric revenues	519,040	537,023	(17,983)	-3.3%	532,092	(13,052)	-2.5%
Water revenues	48,433	50,196	(1,763)	-3.5%	46,979	1,454	3.1%
Other revenues							
Lighting service revenues	9,783	9,789	(6)	-0.1%	9,604	179	1.9%
Chilled water revenues	21,775	20,601	1,174	5.7%	21,467	308	1.4%
Service fees & other revenues	19,944	19,689	255	1.3%	19,319	625	3.2%
Total operating revenues	618,975	637,298	(18,323)	-2.9%	629,461	(10,486)	-1.7%
Operating expenses							
Fuel for generation and purchased power	200,052	230,545	(30,493)	-13.2%	224,342	(24,290)	-10.8%
Capacity payment	23,972	23,943	29	0.1%	23,217	755	3.3%
Unit department expenses	169,471	172,544	(3,073)	-1.8%	171,076	(1,605)	-0.9%
Depreciation and amortization	83,310	83,266	44	0.1%	83,455	(145)	-0.2%
Payments to other governments and taxes	37,087	36,920	167	0.5%	38,971	(1,884)	-4.8%
Total operating expenses	513,892	547,218	(33,326)	-6.1%	541,061	(27,169)	-5.0%
Non-operating income and (expenses)							
Interest income	3,896	4,219	(323)	-7.7%	4,143	(247)	-6.0%
Other income	7,154	6,715	439	6.5%	7,184	(30)	-0.4%
Interest expense	(43,482)	(43,706)	224	0.5%	(44,219)	737	1.7%
Total non-operating income and (expenses)	(32,432)	(32,772)	340	1.0%	(32,892)	460	1.4%
Income before contributions	72,651	57,308	15,343	26.8%	55,508	17,143	30.9%
Revenue from contributions in aid of construction	9,225	6,715	2,510	37.4%	8,227	998	12.1%
Dividend payments	(39,908)	(39,908)	-	0.0%	(36,467)	(3,441)	-9.4%
Increase in net position	41,968	\$ 24,115	\$ 17,853	74.0%	27,268	\$ 14,700	53.9%
Net position - beginning of period	1,165,654				1,104,219		
Net position - end of period	\$ 1,207,622				\$ 1,131,487		

**Orlando Utilities Commission
Statements of Net Position**

Dollars in thousands

	June 2015	June 2014	Variance to Prior Year	
Assets				
Utility plant	\$ 2,365,072	\$ 2,342,695	\$ 22,377	1.0%
Restricted and designated assets	582,015	515,372	66,643	12.9%
Current assets	279,429	237,362	42,067	17.7%
Other assets	69,027	73,659	(4,632)	-6.3%
Deferred outflows of resources	79,962	76,065	3,897	5.1%
Total Assets and deferred outflows of resources	\$ 3,375,505	\$ 3,245,153	\$ 130,352	4.0%
Liabilities				
Payables from restricted assets	\$ 69,506	\$ 67,474	\$ 2,032	3.0%
Payables from current assets	195,243	195,875	(632)	-0.3%
Other liabilities	94,335	93,581	754	0.8%
Long-term debt, net	1,584,156	1,537,479	46,677	3.0%
Total liabilities	1,943,240	1,894,409	48,831	2.6%
Deferred inflows of resources	224,644	219,256	5,388	2.5%
Net position	1,207,621	1,131,488	76,133	6.7%
Total liabilities, deferred inflows of resources and net position	\$ 3,375,505	\$ 3,245,153	\$ 130,352	4.0%

Orlando Utilities Commission

Statements of Cash Flows

Dollars in thousands

	June 2015	June 2014
Cash flow from operating activities		
Cash received from customers	\$ 631,151	\$ 622,178
Cash paid for fuel and purchased power	(258,653)	(217,311)
Cash paid for unit department expenses	(72,099)	(58,694)
Cash paid for salaries and benefits	(111,408)	(114,235)
Cash paid for other payments and taxes	(36,864)	(39,482)
Net cash provided by operating activities	152,127	192,456
Cash flows from non-capital related financing activities		
Dividend to the City of Orlando	(39,908)	(36,467)
Net cash used in non-capital related financing activities	(39,908)	(36,467)
Cash flows from capital related financing activities		
Utility plant net of contributions in aid of construction	(87,705)	(103,400)
Debt interest payments	(65,489)	(64,917)
Collateral deposits	2,000	(1,300)
Principal payments on long-term debt	(53,310)	(51,950)
Debt issuances	112,100	-
Debt issue expenses	(562)	(1,129)
Net cash used in capital related financing activities	(92,966)	(222,696)
Cash flows from investing activities		
Proceeds from sale and maturities of investment securities	252,516	320,502
Gain on sale of investments	292	336
Purchases of investment securities	(368,488)	(256,678)
Investments and other income received	7,301	11,189
Net cash (used in) / provided by investing activities	(108,379)	75,349
Net (decrease) / increase in cash and cash equivalents	(89,126)	8,642
Cash and Cash Equivalents - beginning of year	223,866	150,545
Cash and Cash Equivalents - current	\$ 134,740	\$ 159,187
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ 105,083	\$ 88,400
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation and amortization	83,310	83,455
Depreciation and amortization charged to fuel for generation and purchased power	2,387	1,883
Depreciation of vehicles and equipment charged to unit department expenses	854	(680)
Changes in assets and liabilities		
Decrease in receivables and accrued revenue	2,913	20,182
(Increase) / decrease in fuel and materials and supplies inventories	(4,632)	18,862
Decrease in accounts payable	(32,982)	(9,016)
(Decrease) / increase in deposits paid and deferred items	(14,499)	3,791
Increase/ (decrease) in stabilization and deferred revenue accounts	9,693	(14,421)
Net cash provided by operating activities	\$ 152,127	\$ 192,456

**Orlando Utilities Commission
Capital Plan**

Dollars in thousands

	Adopted 2015 Plan	Year to Date June 2015 Budget	Year to Date June 2015 Actual	Variance to Budget	
Electric Production (1)	\$ 39,776	\$ 25,233	\$ 21,688	\$ 3,545	14.0%
Transmission	33,597	25,198	27,664	(2,466)	-9.8%
Transmission contributions	-	-	(279)	279	100.0%
Transmission, net	33,597	25,198	27,385	(2,187)	-8.7%
Electric Delivery	21,703	16,330	20,132	(3,802)	-23.3%
Electric Delivery contributions	(1,600)	(1,200)	(3,544)	2,344	195.3%
Electric Delivery, net	20,103	15,130	16,588	(1,458)	-9.6%
Lighting	4,365	3,274	5,196	(1,922)	-58.7%
Lighting contributions	(100)	(75)	(336)	261	348.0%
Lighting, net	4,265	3,199	4,860	(1,661)	-51.9%
Water	20,624	16,142	12,721	3,421	21.2%
Water contributions	(7,254)	(5,991)	(8,263)	2,272	37.9%
Water, net	13,370	10,151	4,458	5,693	56.1%
Chilled Water	2,130	784	-	784	100.0%
Chilled water contributions	(500)	(42)	-	(42)	-100.0%
Chilled Water, net	1,630	742	-	742	100.0%
Support Services	40,164	30,086	15,475	14,611	48.6%
Total OUC	\$ 152,905	\$ 109,739	\$ 90,454	\$ 19,285	17.6%

(1) - Totals are net of participant share.