



INTERIM FINANCIAL
R E P O R T



NINE MONTHS ENDED
June 2018

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.

Management's Discussion and Analysis

The following discussion and analysis provides an overview of OUC's financial position and results of operations for the period identified within each component of the financial statements presented below.

- The Operating and Expense Analyses along with the Change in Net Position Analysis report the fiscal year-to-date revenues and expenses for June 30, 2018 in comparison to the approved budget and prior year equivalent period. Income before contributions for the nine months ended June 30, 2018 was \$51.0 million, \$3.8 million lower than budget and \$10.4 million lower than prior year.
- The Total Assets and Deferred Outflow of Resources and Total Liabilities and Deferred Inflows of Resources discuss the nature and amount of resources and obligations at June 30, 2018 and September 30, 2017
- The Statement of Cash Flows report the cash provided and used by operating activities, non-capital financing activities, capital financing activities and investing activities.

Operating Revenue Analysis

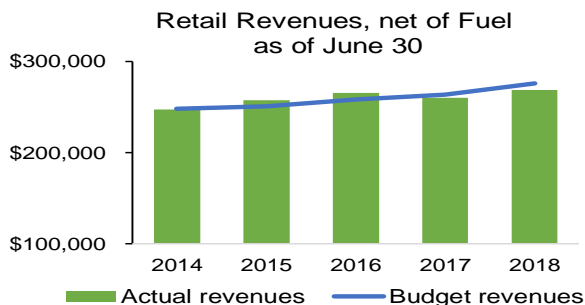
(\$ in thousands)	As of June 30,			Variance			
	2018 Actual	2018 Budget	2017 Actual	Actual vs Budget		FY18 vs FY17	
Retail energy revenues	\$ 268,607	\$ 275,977	\$ 260,108	\$ (7,370)	-2.7%	\$ 8,499	3.3%
Resale energy revenues	66,613	62,228	63,464	4,385	7.0%	3,150	5.0%
Water revenues	57,590	57,028	54,204	561	1.0%	3,386	6.2%
Other revenues	52,333	50,463	50,196	1,870	3.7%	2,136	4.3%
Operating revenues, net of fuel	445,143	445,697	427,972	(554)	-0.1%	17,171	4.0%
Fuel revenues	192,983	205,322	192,204	(12,339)	-6.0%	779	0.4%
Total operating revenues	\$ 638,126	\$ 651,019	\$ 620,176	\$ (12,893)	-2.0%	\$ 17,950	2.9%

Budget Analysis:

- Retail energy revenues were \$7.4 million unfavorable due to lower than projected customer growth and milder than normal weather. The decrease was partially offset by a \$4.4 million favorable increase in resale energy revenues due to unexpected wholesale sales and higher than projected inter-local revenues.
- Other revenues were \$1.9 million favorable due to \$1.7 million in increase in chilled water revenues due to higher than expected consumption.
- Fuel revenues were \$12.4 million lower than budget due to lower than projected commodity and transportation costs as well as retail consumption.

Prior Year Analysis:

- Retail energy revenues increased due to a combination of the use of reserves and customer growth in the amounts of \$5.1 million and \$3.4 million, respectively.
- Resale energy revenues increased \$3.2 million due to growth in the St. Cloud service territory in the amount of \$1.8 million and higher wholesale sales.
- Water revenues increased due to the use of reserves in the amount of \$2.6 million, customer growth and a mid-year price increase.
- Other revenues increased \$2.1 million due to a \$1.0 million increase in OUConvenient lighting revenues and a \$0.7 million increase in chilled water revenues due to higher consumption.



Operating Expense Analysis

(\$ in thousands)	As of June 30,			Variance			
	2018	2018	2017	Actual vs Budget		FY18 vs FY17	
	Actual	Budget	Actual				
Capacity payments	\$ 24,365	\$ 25,022	\$ 23,952	\$ (656)	-2.6%	\$ 414	1.7%
Unit department expenses	199,952	200,551	186,065	(600)	-0.3%	13,886	7.5%
Depreciation and amortization	100,477	101,083	90,266	(606)	-0.6%	10,211	11.3%
Payments to other governments and taxes	39,791	39,540	37,819	251	0.6%	1,972	5.2%
Operating expenses, net of fuel	364,585	366,195	338,102	(1,611)	-0.4%	26,483	7.8%
Fuel for generation and purchased power	192,983	205,322	192,204	(12,339)	-6.0%	779	0.4%
Total operating expenses	\$ 557,568	\$ 571,517	\$ 530,305	(13,950)	-2.4%	\$ 27,262	5.1%

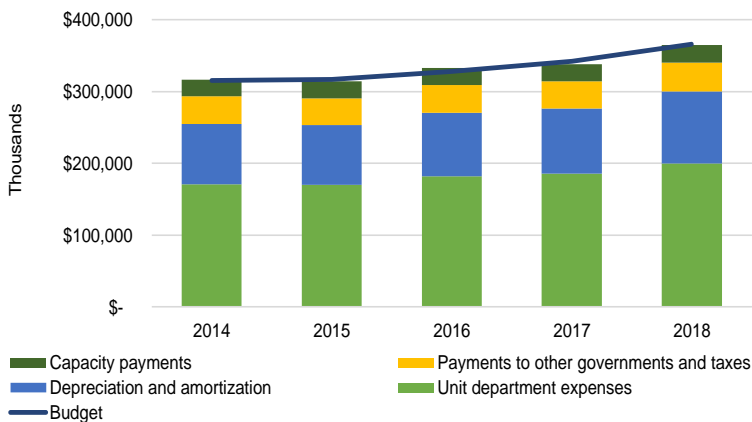
Budget Analysis:

- Fuel for generation and purchased power were \$12.4 million favorable due to lower than projected commodity and transportation costs as well as a decrease in retail energy consumption.

Prior Year Analysis:

- Overall operating expenses increased \$27.3 million primarily due to the go-live of the Customer Care and Billing system. In conjunction with the go-live of this system, capitalized labor costs decreased in the amount of \$5.6 million and annual depreciation charges increased \$10.2 million as the previous billing system was fully depreciated at the time of go-live. In addition, outside services, inclusive of annual maintenance agreements, increased \$4.3 million and controllable labor costs increased \$4.0 million, or 3%, consistent with the annual merit program.
- Payments to other governments and taxes increased \$2.0 million due to increasing sales.

Operating Expenses, net of Fuel and Purchased Power
as of June 30



Non-Operating Income and Expense Analysis

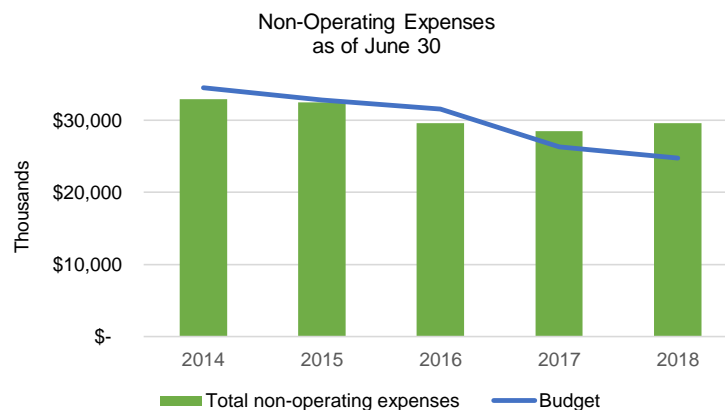
(\$ in thousands)	As of June 30,			Variance			
	2018	2018	2017	Actual vs Budget		FY18 vs FY17	
	Actual	Budget	Actual				
Interest and other income	\$ 11,388	\$ 13,198	\$ 10,454	\$ (1,810)	-13.7%	\$ 934	8.9%
Interest expense	40,996	37,919	38,937	3,077	8.1%	2,059	5.3%
Total non-operating expenses	\$ 29,608	\$ 24,721	\$ 28,483	\$ 4,887	19.8%	\$ 1,125	3.9%

Budget Analysis:

- Interest and other income was \$1.8 million unfavorable primarily due to unrealized investment portfolio market valuations of \$2.9 million, offset by \$1.0 million in higher rental income and third-party billing fees.
- Interest expense was \$3.0 million unfavorable due to the January issuance of the Series 2018A Bonds.

Prior Year Analysis:

- Interest expense increased \$2.0 million due to the January issuance of the Series 2018A Bonds.



Change in Net Position Analysis

(\$ in thousands)	As of June 30,			Variance			
	2018	2018	2017	Actual vs Budget		FY18 vs FY17	
	Actual	Budget	Actual				
Income before contributions	\$ 50,951	\$ 54,781	\$ 61,387	\$ (3,830)	-7.0%	\$ (10,437)	-17.0%
Contributions in aid of construction	13,820	9,523	12,445	4,297	45.1%	1,375	11.0%
Annual dividend	(45,462)	(45,462)	(44,296)	-	0.0%	(1,166)	2.6%
Increase in net position	\$ 19,309	\$ 18,842	\$ 29,537	\$ 467	2.5%	\$ (10,228)	-34.6%

Budget Analysis:

- Income before contributions was \$3.8 million unfavorable to budget primarily driven by higher than planned non-operating expenses.
- Contributions in aid of construction were \$4.3 million favorable to budget due to the timing of system development contributions for water and electric delivery of \$3.7 million and \$0.6 million, respectively.

Prior Year Analysis:

- Income before contributions was \$51.0 million and represents a \$10.4 million decrease from prior year primarily associated with higher operating costs.
- Contributions in aid of construction increased \$1.4 million due to timing of system development contributions.
- Annual dividend increased by \$1.3 million due to an annual 3% increase per the agreement with the City of Orlando for the period of 2018 through 2020.

Total Assets and Deferred Outflows of Resources

(\$ in thousands)	June 2018	September 2017	Change	June 2017
Utility Plant	\$ 2,473,204	\$ 2,449,437	\$ 23,767	\$ 2,440,095
Restricted and internally designated assets	632,388	539,295	93,092	560,800
Current Assets	267,804	307,789	(39,985)	262,622
Other Assets	198,627	200,091	(1,464)	135,857
Deferred Outflows of Resources	125,371	130,727	(5,356)	116,541
Total assets and deferred outflows of resources	\$ 3,697,394	\$ 3,627,339	\$ 70,055	\$ 3,515,914

Utility Plant: Utility plant increased \$23.8 million since September 30, 2017. Capital projects contributing to the increase in utility plant, in excess of systematic depreciation charges, include large transmission line upgrades for Grant 115kV and Taft, coal and gas generation facility projects inclusive of the SEC Unit B major inspection, pond liner upgrades, a coal ash landfill haul road project and the unplanned acquisition of a community lighting system.

Restricted and Internally Designated Assets: Restricted and internally designated assets increased by \$93.1 million since September 30, 2017 as a result of the residual amount of unreimbursed construction funds associated with the issuance of the Series 2018A Bonds. Offsetting this increase, was the utilization of electric reserves for storm restoration activities in the amount of \$22.6 million which are anticipated to be recovered from the Federal Emergency Management Agency (FEMA).

Current Assets: Current assets decreased by \$40.0 million since September 30, 2017. While there was a decrease in operating cash of \$14.5 million, cash and cash equivalents at June 30, 2018 were \$132.3 million and represent 295 days of cash on hand. Customer accounts receivable also decreased \$13.4 million as a result of a change in the billing process at the go-live of the new system coupled with the seasonal nature of operations. In addition, prepaid expenses decreased \$12.0 million due to the recognition of deferred long-term service agreement cost associated with the planned SEC Unit B outage.

Total Liabilities and Deferred Inflows of Resources

(\$ in thousands)	June 2018	September 2017	Change	June 2017
Payables from restricted assets	\$ 73,682	\$ 144,166	\$ (70,484)	\$ 73,142
Payables from current assets	90,387	123,000	(32,613)	97,105
Other Liabilities	252,924	250,413	2,511	216,210
Long-Term Debt, net	1,636,619	1,477,363	159,256	1,539,648
Deferred Inflows of Resources	283,349	291,275	(7,926)	274,891
Total liabilities and deferred inflows of resources	2,336,961	2,286,216	50,745	2,200,995
Net position	1,360,433	1,341,123	19,310	1,314,919
Total liabilities, deferred inflows of resources and net position	\$ 3,697,394	\$ 3,627,339	\$ 70,055	\$ 3,515,914

Payables from Restricted and Current Assets: Payables from restricted and current assets decreased by \$103.1 million since September 30, 2017 primarily due to less bonds maturing within one year of \$58.4 million. In addition, there were decreases in accounts payable and accrued interest of \$31.7 million and \$13.2 million, respectively, as a result of the timing of payments and lower fuel related costs.

Long-term Debt: Net long-term debt increased by \$159.3 million since September 30, 2017 primarily due to the January issuance of \$180 million in Series 2018A Bonds. Additionally, there were systematic amortization of related premiums of \$13.2 million and changes in the fair value derivative instrument balance associated with the interest rate swap agreements of \$8.7 million.

Credit Rating as of Series 2018A Issuance

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

Condensed Statement of Cash Flows and Capital Spend Analysis

(\$ in thousands)	As of June 30,		
	2018	2017	Change
Net cash provided by operating activities	\$ 177,309	\$ 151,148	\$ 26,161
Net cash used in non-capital related financing activities	(45,462)	(44,296)	(1,166)
Net cash used in capital related financing activities	(54,158)	(215,629)	161,471
Net cash (used in)/provided by investing activities	(125,132)	96,024	(221,156)
Net decrease in cash and cash equivalents	(47,443)	(12,753)	(34,690)
Cash and cash equivalents - beginning of Year	179,779	115,733	64,046
Cash and cash equivalents - current	\$ 132,336	\$ 102,980	\$ 29,356

Cash flow from operating activities: Cash provided by operating activities for the nine months ending June 2018 was \$177.3 million due to \$654.7 million in cash received from customers, offset by \$226.9 million in cash used for fuel and purchased power and \$131.1 million in cash used for salaries and benefits.

Cash flow from capital related financing activities: Cash used in capital related financing activities for the nine months ending June 2018 was \$54.2 million due to the utilization of \$118.6 million for the 2018 Capital Plan inclusive of payments for accrued expenditures from the 2017 Capital Plan and \$117.0 million used for the principal and interest payments, offset by \$180.0 million in cash provided by the issuance of the Series 2018A Bonds.

Cash flow from investing activities: Cash used in investing activities for the nine months ending June 2018 was \$125.1 million primarily due to the issuance on the Series 2018A Bonds and the investment of these funds outside of the cash and cash equivalent period.

Capital Spend: At June 30, 2018 capital expenditures of \$104.1 million were \$6.1 million under budget. Capital expenditures in water, support services, and electric production were under budget by \$10.8 million, \$10.2 million and \$4.9 million, respectively. These variances were offset by unfavorable transmission, electric delivery and lighting variances of \$10.5 million, \$5.2 million and \$4.1 million, respectively. The lighting variance is driven by the Board approved Eagle Creek OUConvenient 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 June 2018	Budget Year to Date June 2018	Variance to Budget		Actual Year to Date June 2017	Variance to Prior Year	
Operating revenues							
Retail energy	\$ 268,607	\$ 275,977	\$ (7,370)	-2.7%	\$ 260,108	\$ 8,499	3.3%
Resale energy	66,613	62,228	4,385	7.0%	63,464	3,150	5.0%
Fuel	192,983	205,322	(12,339)	-6.0%	192,204	779	0.4%
Electric revenues	528,203	543,527	(15,324)	-2.8%	515,775	12,428	2.4%
Water revenues	57,590	57,028	561	1.0%	54,204	3,386	6.2%
Other revenues							
Lighting service revenues	10,737	9,978	759	7.6%	9,781	955	9.8%
Chilled water revenues	22,103	20,422	1,680	8.2%	21,403	700	3.3%
Service fees & other revenues	19,493	20,062	(569)	-2.8%	19,012	481	2.5%
Total operating revenues	638,126	651,019	(12,893)	-2.0%	620,176	17,950	2.9%
Operating expenses							
Fuel for generation and purchased power	192,983	205,322	(12,339)	-6.0%	192,204	779	0.4%
Capacity payment	24,365	25,022	(656)	-2.6%	23,952	414	1.7%
Unit/department	199,952	200,551	(600)	-0.3%	186,065	13,886	7.5%
Depreciation and amortization	100,477	101,083	(606)	-0.6%	90,266	10,211	11.3%
Payments to other governments and taxes	39,791	39,540	251	0.6%	37,819	1,972	5.2%
Total operating expenses	557,568	571,517	(13,950)	-2.4%	530,305	27,262	5.1%
Non-operating income and (expenses)							
Interest income	3,060	5,485	(2,425)	-44.2%	2,801	259	9.3%
Other income	8,328	7,714	615	8.0%	7,653	675	8.8%
Interest expense	(40,996)	(37,919)	(3,077)	8.1%	(38,937)	(2,059)	5.3%
Total non-operating income and (expenses)	(29,608)	(24,721)	(4,887)	19.8%	(28,483)	(1,125)	3.9%
Income before contributions	50,951	54,781	(3,830)	-7.0%	61,387	(10,437)	-17.0%
Revenue from contributions in aid of construction	13,820	9,523	4,297	45.1%	12,445	1,375	11.0%
Dividend payments	(45,462)	(45,462)	-	0.0%	(44,296)	(1,166)	2.6%
Increase in net position	19,309	\$ 18,842	\$ 467	2.5%	29,537	\$ (10,228)	-34.6%
Net position - beginning of period	1,341,124				1,285,382		
Net position - end of period	\$ 1,360,433				\$ 1,314,918		

Orlando Utilities Commission
Statements of Net Position - Unaudited

Dollars in thousands

	June 2018	September 2017	Variance to Prior Year	
Assets				
Utility plant	\$ 2,473,204	\$ 2,449,437	\$ 23,767	1.0%
Restricted and internally designated assets	632,388	539,295	93,092	17.3%
Current assets	267,804	307,789	(39,985)	-13.0%
Other assets	198,627	200,091	(1,464)	-0.7%
Deferred outflows of resources	125,371	130,727	(5,356)	-4.1%
Total Assets and deferred outflows of resources	\$ 3,697,394	\$ 3,627,339	\$ 70,055	1.9%
Liabilities				
Payables from restricted assets	\$ 73,682	\$ 144,166	\$ (70,484)	-48.9%
Payables from current assets	90,387	123,000	(32,613)	-26.5%
Other liabilities	252,924	250,413	2,511	1.0%
Long-term debt, net	1,636,619	1,477,363	159,256	10.8%
Total liabilities	2,053,613	1,994,942	58,671	2.9%
Deferred inflows of resources	283,349	291,275	(7,926)	-2.7%
Net position	1,360,433	1,341,123	19,310	1.4%
Total liabilities, deferred inflows of resources and net position	\$ 3,697,394	\$ 3,627,339	\$ 70,055	1.9%

Orlando Utilities Commission
Statements of Cash Flows - Unaudited

Dollars in thousands

	June 2018	June 2017
Cash flow from operating activities		
Cash received from customers	\$ 654,735	\$ 595,553
Cash paid for fuel and purchased power	(226,924)	(226,068)
Cash paid for unit department expenses	(63,067)	(44,133)
Cash paid for salaries and benefits	(131,075)	(129,061)
Cash paid for storm recovery	(16,465)	(7,146)
Cash paid for other payments and taxes	(39,895)	(37,997)
Net cash provided by operating activities	177,309	151,148
Cash flows from non-capital related financing activities		
Dividend to the City of Orlando	(45,462)	(44,296)
Net cash used in non-capital related financing activities	(45,462)	(44,296)
Cash flows from capital related financing activities		
Utility plant net of contributions in aid of construction	(118,596)	(117,047)
Debt interest payments	(63,291)	(58,216)
Collateral deposits	2,100	17,000
Principal payments on long-term debt and use of bond proceeds	(53,630)	(164,913)
Debt issuances and related costs	179,259	107,547
Net cash used in capital related financing activities	(54,158)	(215,629)
Cash flows from investing activities		
Proceeds from sale and maturities of investment securities	247,897	477,517
Purchases of investment securities	(378,358)	(390,705)
Investments and other expenses paid	5,329	9,212
Net cash (used in) / provided by investing activities	(125,132)	96,024
Net (decrease) / increase in cash and cash equivalents	(47,443)	(12,753)
Cash and Cash Equivalents - beginning of year	179,779	115,733
Cash and Cash Equivalents - current	\$ 132,336	\$ 102,980
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ 80,558	\$ 89,870
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation and amortization	100,477	90,266
Depreciation and amortization charged to fuel for generation and purchased power	3,163	3,085
Depreciation of vehicles and equipment charged to unit department expenses	1,736	1,268
Changes in assets and liabilities		
Decrease / (Increase) in receivables and accrued revenue	13,166	(26,884)
(Decrease) / Increase in fuel and materials and supplies inventories	2,360	(8,793)
Decrease in accounts payable	(36,838)	(2,808)
Increase in deposits paid and deferred items	9,944	2,796
Increase in stabilization and deferred revenue accounts	2,743	2,348
Net cash provided by operating activities	\$ 177,309	\$ 151,148

**Orlando Utilities Commission
Capital Plan**

Dollars in thousands

	Adopted 2018 Plan	Year to Date June 2018 Budget	Year to Date June 2018 Actual	Variance to Budget	
Electric Production (1)	\$ 30,000	\$ 22,500	\$ 17,644	\$ 4,856	21.6%
Transmission	34,800	26,100	36,644	(10,544)	-40.4%
Electric Delivery	33,045	24,784	29,878	(5,094)	-20.6%
Electric Delivery contributions	(4,325)	(3,244)	(3,141)	(102)	3.2%
Electric Delivery, net	28,720	21,540	26,737	(5,197)	-24.1%
Lighting (2)	5,797	4,348	8,887	(4,539)	-104.4%
Lighting contributions	(297)	(223)	(643)	421	-188.9%
Lighting, net	5,500	4,125	8,243	(4,118)	-99.8%
Water	24,125	18,094	4,404	13,690	75.7%
Water contributions	(4,575)	(3,431)	(522)	(2,909)	84.8%
Water, net	19,550	14,663	3,882	10,781	73.5%
Chilled Water	710	533	411	121	22.7%
Support Services	27,720	20,790	10,542	10,248	49.3%
Total OUC	\$ 147,000	\$ 110,250	\$ 104,104	\$ 6,146	5.6%

(1) - Totals are net of participant share

(2) - Board approved on April 29, 2017 the acquisition of a community owned lighting system (Eagle Creek) which was unplanned during the budget process.