



INTERIM FINANCIAL
REPORT



NINE-MONTHS ENDED
JUNE 30, 2022
(UNAUDITED)

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 unaudited and preliminary financial position and results of operations in comparison to the approved budget and prior year equivalent period.

- The Statements of Revenues, Expenses and Changes in Net Position present the financial information for the nine-months ended June 30, 2022 in comparison to the approved budget and prior year equivalent period.
 - Income before contributions for the nine-months ended June 30, 2022 was \$88.7 million, which is \$2.5 million higher than budget and \$23.4 million higher than prior year, reflecting the gradual return to the target 9.5 percent return on equity.
- The Statements of Net Position present the nature and amount of resources and obligations at June 30, 2022 and September 30, 2021.
- The Statements of Cash Flows present 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 June			Variance			
	2022 Actual	2022 Budget	2021 Actual	Actual vs Budget		2022 vs 2021	
Retail energy revenues (OUC and STC)	\$ 359,125	\$ 345,495	\$ 338,558	\$ 13,630	3.9 %	\$ 20,567	6.1 %
Wholesale energy revenues	13,972	18,849	15,550	(4,877)	(25.9)%	(1,578)	(10.1)%
Water revenues	66,892	66,071	61,378	821	1.2 %	5,514	9.0 %
Other revenues	60,652	61,255	54,656	(603)	(1.0)%	5,996	11.0 %
Operating revenues, net of fuel	500,641	491,670	470,142	8,971	1.8 %	30,499	6.5 %
Fuel revenues	283,594	175,482	181,185	108,112	61.6 %	102,409	56.5 %
Total operating revenues	\$ 784,235	\$ 667,152	\$ 651,327	\$117,083	17.5 %	\$132,908	20.4 %

Budget Analysis:

- Operating revenues, net of fuel revenues and inclusive of an \$11.5 million wholesale revenue deferral, were \$9.0 million higher than budget as a result of warmer weather and continued growth for residential and commercial retail electric services. Higher than budgeted fuel revenues were driven by the utilization of fuel reserves and the advancing of OUC funds on behalf of the customers to offset the rise in fuel for generation and purchased power costs. As of June 30, 2022 fuel reserves have been exhausted and a customer receivable in the amount of \$23.7 million has been recognized.

Prior Year Analysis:

- Operating revenues, net of fuel revenues were \$30.5 million higher than prior year due to continued residential energy sales growth, the recovery of the commercial energy sales and increased wholesale energy revenues. Water and other revenues were higher than prior year primarily due to the return to normal operations, conservation focused price changes and service fee assessments. Fuel revenues were also higher than prior year as a result of the \$2.50 and \$12.00 per MWh price increase effective January 1, 2022 and June 1, 2022 for the average residential customer using 1,000 kWh per month, the complete utilization of fuel reserves and the advancing of OUC resources on behalf of the customers to offset elevated fuel commodity prices.

Operating Expenses Analysis

(\$ in thousands)	As of June			Variance			
	2022 Actual	2022 Budget	2021 Actual	Actual vs Budget		2022 vs 2021	
Unit department expenses	\$ 193,070	\$ 199,103	\$ 191,697	\$ (6,033)	(3.0)%	\$ 1,373	0.7 %
Depreciation and amortization	120,818	112,421	111,946	8,397	7.5 %	8,872	7.9 %
Payments to other governments and taxes	41,978	41,258	40,647	720	1.7 %	1,331	3.3 %
Capacity payments	18,693	18,661	19,275	32	0.2 %	(582)	(3.0)%
Emergency response expenses	77	—	1,963	77	100.0 %	(1,886)	(96.1)%
Operating expenses, net of fuel	374,636	371,443	365,528	3,193	0.9 %	9,108	2.5 %
Fuel for generation and purchased power	283,594	175,482	181,185	108,112	61.6 %	102,409	56.5 %
Total operating expenses	\$ 658,230	\$ 546,925	\$ 546,713	\$111,305	20.4 %	\$111,517	20.4 %

Budget Analysis:

- Operating expenses, net of fuel for generation and purchased power were \$3.2 million higher than budget driven by accelerated clean energy plan depreciation and amortization expenses. Offsetting these increased costs were lower than projected unit department expenses as a result of pandemic related labor and supply chain constraints.
- Fuel for generation and purchased power expenses were \$108.1 million higher than budgeted as a result of elevated fuel commodity prices driven by a wide range of pandemic and industry related constraints.

Prior Year Analysis:

- Operating expenses, net of fuel for generation and purchased power were \$9.1 million higher than prior year. This change was primarily due to a \$6.5 million increase in unit department expenses associated with generation operations including increased operations and maintenance costs at SEC 1 and 2 and additional transmission wheeling costs to support the Osceola Generating Station. Offsetting these generation operations and maintenance increases was the reduction in operating costs for the McIntosh Unit 3 generation facility which was shuttered in April 2021. Additional costs were also incurred in the current year for inventory related costs as a result of supply chain constraints.
- Fuel for generation and purchased power expenses were \$102.4 million higher than prior year due to year-over-year rising fuel commodity costs and pandemic and industry related constraints.

Net Non-Operating and Special Item Expenses Analysis

(\$ in thousands)	As of June			Variance			
	2022 Actual	2022 Budget	2021 Actual	Actual vs Budget		2022 vs 2021	
Interest and other income	\$ 7,351	\$ 8,181	\$ 10,007	\$ (830)	(10.1)%	\$ (2,656)	(26.5)%
Interest expense	(34,367)	(34,132)	(35,402)	(235)	0.7 %	1,035	(2.9)%
Total non-operating income and (expenses)	\$ (27,016)	\$ (25,951)	\$ (25,395)	\$ (1,065)	4.1 %	\$ (1,621)	6.4 %
Generation decommissioning	\$ (10,325)	\$ (8,152)	\$ (13,946)	\$ (2,173)	26.7 %	\$ 3,621	(26.0)%
Total special items	\$ (10,325)	\$ (8,152)	\$ (13,946)	\$ (2,173)	26.7 %	\$ 3,621	(26.0)%

Budget and Prior Year Analysis:

- Non-operating income and expenses were higher than budget and prior year as a result of one-time costs incurred to rebalance the investment portfolio in-line with the rise in interest rates.
- Special items were \$2.1 million higher than budget and \$3.6 million lower than prior year as a result of the McIntosh Unit 3 generation facility being retired as of April 2021 and costs in the current year being amortized in a systematic manner in alignment with the Board approved regulatory action.

Change in Net Position Analysis

(\$ in thousands)	As of June			Variance			
	2022 Actual	2022 Budget	2021 Actual	Actual vs Budget		2022 vs 2021	
Income before contributions	\$ 88,664	\$ 86,124	\$ 65,273	\$ 2,540	2.9 %	\$ 23,391	35.8 %
Contributions in aid of construction	15,618	11,625	11,556	3,993	34.3 %	4,062	35.2 %
Annual dividend	(47,623)	(47,623)	(46,373)	—	— %	(1,250)	2.7 %
Increase in net position	\$ 56,659	\$ 50,126	\$ 30,456	\$ 6,533	13.0 %	\$ 26,203	86.0 %

Budget and Prior Year Analysis:

- Income before contributions and contributions in aid of construction were favorable to budget as a result of stronger than budgeted revenues and increased water system development contributions. In respect to the prior year, a gradual return to the target return on equity of 9.5 percent was the primary driver of this variance coupled with the growth in contributions in aid of construction as a result of strong community growth past the impacts of the pandemic.

Total Assets and Deferred Outflows of Resources

(\$ in thousands)	June 2022	September 2021	Year-to-Date Change	June 2021
Utility plant	\$ 2,645,074	\$ 2,624,130	\$ 20,944	\$ 2,562,864
Restricted and internally designated assets	705,456	830,350	(124,894)	855,394
Current assets	323,514	299,032	24,482	222,001
Other assets	238,141	180,037	58,104	182,731
Deferred outflows of resources	63,095	73,611	(10,516)	106,419
Total assets and deferred outflows of resources	\$ 3,975,280	\$ 4,007,160	\$ (31,880)	\$ 3,929,409

Year-to-Date Analysis:

- Total assets and deferred outflows of resources decreased \$31.9 million from the fiscal year ended 2021. Restricted and internally designated assets decreased \$124.9 million as a result of the October 1 debt service payments coupled with the utilization of fuel reserves and construction funds offset by the systematic monthly funding of the bond sinking funds. Beyond these changes, current and other assets increased as a result of the construction fund reimbursements to operating cash for qualifying capital projects, favorable fuel hedge valuations and the recognition of customer receivables for the advance funding of pass-through electric fuel costs in the amount of \$23.7 million.

Total Liabilities and Deferred Inflows of Resources

(\$ in thousands)	June 2022	September 2021	Year-to-Date Change	June 2021
Current liabilities	\$ 357,416	\$ 336,808	\$ 20,608	\$ 250,550
Other liabilities	178,099	161,095	17,004	210,690
Long-term debt, net	1,540,624	1,645,197	(104,573)	1,643,576
Deferred inflows of resources	286,840	308,419	(21,579)	295,717
Total liabilities and deferred inflows of resources	2,362,979	2,451,519	(88,540)	2,400,533
Net position	1,612,301	1,555,641	56,660	1,528,876
Total liabilities, deferred inflows of resources and net position	\$ 3,975,280	\$ 4,007,160	\$ (31,880)	\$ 3,929,409

Year-to-Date Analysis:

- Total liabilities and deferred inflows of resources decreased \$88.5 million due to timing of the annual debt service payments, the utilization of fuel reserves coupled with fuel hedge and other market valuation changes offset by the timing of current and other liabilities. As of May 31, 2022, fuel reserves to help stabilize customer pricing were exhausted.

Condensed Statement of Cash Flows and Capital Spend Analysis

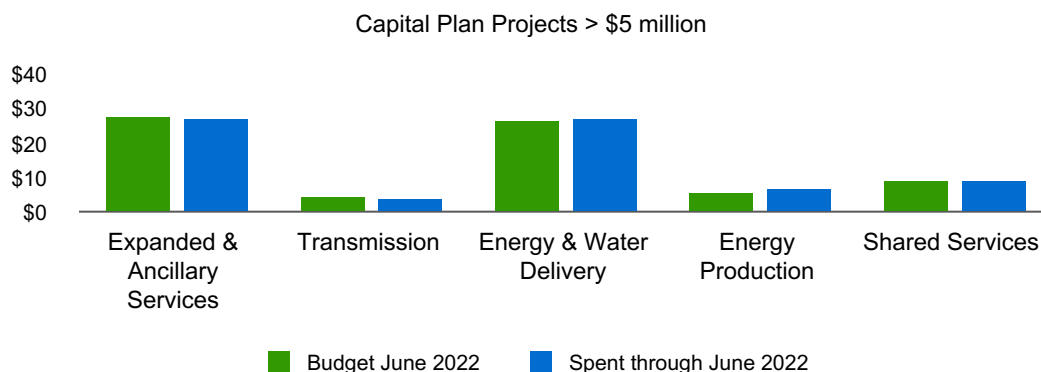
(\$ in thousands)	As of June		
	2022	2021	Change
Net cash provided by operating activities	\$ 202,911	\$ 237,338	\$ (34,427)
Net cash used in non-capital related financing activities	(45,754)	(42,622)	(3,132)
Net cash (used)/provided in capital related financing activities	(273,232)	110,923	(384,155)
Net cash used by investing activities	(76,417)	(87,851)	11,434
Net decrease in cash and cash equivalents	(192,492)	217,788	(410,280)
Cash and cash equivalents - beginning of year	447,192	249,357	197,835
Cash and cash equivalents - current	\$ 254,700	\$ 467,145	\$ (212,445)

Cash provided by operating activities: Cash provided by operations was \$202.9 million, a decrease of \$34.4 million from 2021, due to both the prior year one-time receipt of \$9.5 million of emergency response grant receivables and the current year utilization of OUC financial resources to advance fund the pass-through customer fuel costs.

- As of June 30, 2022, OUC expects to receive an additional \$7.2 million in emergency response cost reimbursement grant funds as a result of the modification of the federal funding level and the duration of the coverage period for pandemic emergency response and preparedness costs through April 2022.

Cash used in capital related financing activities: Cash used in capital related activities was \$273.2 million compared to cash provided in the prior year of \$110.9 million as a result of the receipt of construction proceeds from the Series 2021A and 2021B Bonds issued at the close of March 2021. In addition, capital spending as of June 30, 2022 was higher than prior year as a result of strong customer growth and increased energy and water delivery projects.

- Capital Spend:** As of June 30, 2022, net capital spending was \$134.2 million, or 7.0 percent lower than the approved Capital Plan.



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

	June 2022	September 2021	Variance	
Assets				
Utility plant	\$ 2,645,074	\$ 2,624,130	\$ 20,944	0.8 %
Restricted and internally designated assets	705,456	830,350	(124,894)	(15.0)%
Current assets	323,514	299,032	24,482	8.2 %
Other assets	238,141	180,037	58,104	32.3 %
Deferred outflows of resources	63,095	73,611	(10,516)	(14.3)%
Total assets and deferred outflows of resources	\$ 3,975,280	\$ 4,007,160	\$ (31,880)	(0.8)%
Liabilities				
Payables from restricted assets	\$ 156,489	\$ 170,825	\$ (14,336)	(8.4)%
Payables from current assets	200,927	165,983	34,944	21.1 %
Current liabilities	357,416	336,808	20,608	6.1 %
Other liabilities	178,099	161,095	17,004	10.6 %
Long-term debt, net	1,540,624	1,645,197	(104,573)	(6.4)%
Total liabilities	2,076,139	2,143,100	(66,961)	(3.1)%
Deferred inflows of resources	286,840	308,419	(21,579)	(7.0)%
Net position	1,612,301	1,555,641	56,660	3.6 %
Total liabilities, deferred inflows of resources and net position	\$ 3,975,280	\$ 4,007,160	\$ (31,880)	(0.8)%

***See page 4 for additional information related to changes in the Statements of Net Position

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

	Actual June 2022	Budget June 2022	Variance to Budget		Actual June 2021	Variance to Prior Year		
Operating revenues								
Retail energy revenues (OUC and STC)	\$ 359,125	\$ 345,495	\$ 13,630	3.9 %	\$ 338,558	\$20,567	6.1 %	
Wholesale energy revenues	13,972	18,849	(4,877)	(25.9)%	15,550	(1,578)	(10.1)%	
Fuel	283,594	175,482	108,112	61.6 %	181,185	102,409	56.5 %	
Electric revenues	656,691	539,826	116,865	21.6 %	535,293	121,398	22.7 %	
Water revenues	66,892	66,071	821	1.2 %	61,378	5,514	9.0 %	
Other revenues								
Lighting service revenues	13,342	13,281	61	0.5 %	12,516	826	6.6 %	
Chilled water revenues	23,782	22,860	922	4.0 %	21,127	2,655	12.6 %	
Service fees & other revenues	23,528	25,114	(1,586)	(6.3)%	21,013	2,515	12.0 %	
Total operating revenues	784,235	667,152	117,083	17.5 %	651,327	132,908	20.4 %	
Operating expenses								
Fuel for generation and purchased power	283,594	175,482	108,112	61.6 %	181,185	102,409	56.5 %	
Unit/department	193,070	199,103	(6,033)	(3.0)%	191,697	1,373	0.7 %	
Depreciation and amortization	120,818	112,421	8,397	7.5 %	111,946	8,872	7.9 %	
Payments to other governments and taxes	41,978	41,258	720	1.7 %	40,647	1,331	3.3 %	
Capacity payments	18,693	18,661	32	0.2 %	19,275	(582)	(3.0)%	
Emergency response costs	77	—	77	100.0 %	1,963	(1,886)	(96.1)%	
Total operating expenses	658,230	546,925	111,305	20.4 %	546,713	111,517	20.4 %	
Non-operating income and (expenses)								
Interest income	2,695	2,732	(37)	(1.4)%	4,688	(1,993)	(42.5)%	
Other income	4,656	5,449	(793)	(14.6)%	5,319	(663)	(12.5)%	
Interest expense	(34,367)	(34,132)	(235)	0.7 %	(35,402)	1,035	(2.9)%	
Total non-operating income and (expenses)	(27,016)	(25,951)	(1,065)	4.1 %	(25,395)	(1,621)	6.4 %	
Special items								
Generation decommissioning	(10,325)	(8,152)	(2,173)	26.7 %	(13,946)	3,621	(26.0)%	
Income before contributions	88,664	86,124	2,540	2.9 %	65,273	23,391	35.8 %	
Contributions in aid of construction	15,618	11,625	3,993	34.3 %	11,556	4,062	35.2 %	
Dividend payments	(47,623)	(47,623)	—	— %	(46,373)	(1,250)	2.7 %	
Increase in net position	56,659	\$ 50,126	\$ 6,533	13.0 %	30,456	\$26,203	86.0 %	
Net position - beginning of year	1,555,641				1,498,420			
Net position - end of period	\$ 1,612,300				\$ 1,528,876			

***See pages 2-3 for additional information related to changes in the Statements of Revenues, Expenses, and Changes in Net Position

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

	June 2022	June 2021
Cash flow from operating activities		
Cash received from customers	\$ 681,990	\$ 643,618
Cash paid for fuel and purchased power	(248,621)	(184,388)
Cash paid for unit department expenses	(61,130)	(60,375)
Cash paid for salaries and benefits	(128,547)	(131,773)
Cash received for emergency response expenses	1,244	11,089
Cash paid for other payments and taxes	(42,026)	(40,833)
Net cash provided by operating activities	<u>202,911</u>	<u>237,338</u>
Cash flows from non-capital related financing activities		
Dividend to the City of Orlando	(47,623)	(46,373)
Build America Bonds subsidy received	1,869	3,751
Net cash used in non-capital related financing activities	<u>(45,754)</u>	<u>(42,622)</u>
Cash flows from capital related financing activities		
Utility plant net of contributions in aid of construction	(132,715)	(102,425)
Debt interest payments	(57,648)	(51,951)
Collateral deposits received	—	15,146
Principal payments on long-term debt and use of bond proceeds	(82,050)	(73,730)
Debt issuances	—	326,780
Debt issuance expense	(819)	(2,897)
Net cash (used in)/provided by capital related financing activities	<u>(273,232)</u>	<u>110,923</u>
Cash flows from investing activities		
Proceeds from sale and maturities of investment securities	240,236	180,505
(Loss)/Gain on sale of investments	(1,847)	1,578
Purchases of investment securities	(322,128)	(281,208)
Investments and other income received	7,322	11,274
Net cash (used in) by investing activities	<u>(76,417)</u>	<u>(87,851)</u>
Net (decrease)/increase in cash and cash equivalents	<u>(192,492)</u>	<u>217,788</u>
Cash and cash equivalents - beginning of year	<u>447,192</u>	<u>249,357</u>
Cash and cash equivalents - current	<u>\$ 254,700</u>	<u>\$ 467,145</u>
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ 126,005	\$ 104,614
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation and amortization	120,818	111,246
Depreciation and amortization charged to fuel for generation and purchased power	3,602	1,943
Depreciation of vehicles and equipment charged to unit department expenses	1,802	1,945
Changes in assets and liabilities		
Decrease in receivables and accrued revenue	(30,665)	754
(Increase)/Decrease in fuel and materials and supplies inventories	(646)	20,311
Increase/(Decrease) in accounts payable	44,018	(18,114)
Decrease in deposits payable and deferred items	6,982	7,103
(Decrease)/Increase in stabilization and deferred revenue accounts	(69,005)	7,536
Net cash provided by operating activities	<u>\$ 202,911</u>	<u>\$ 237,338</u>

***See page 5 for additional information related to changes in the Statements of Cash Flows

Orlando Utilities Commission
Capital Plan
Dollars in thousands

	Year to Date June 2022 Plan	Year to Date June 2022 Actual	Variance to Budget	
Electric Production ¹	\$ 24,280	\$ 25,032	\$ 752	3.1 %
Transmission	17,827	17,176	(651)	(3.7)%
Transmission contributions	—	(557)	(557)	— %
Transmission, net	17,827	16,619	(1,208)	(6.8)%
Electric Delivery	40,659	39,422	(1,237)	(3.0)%
Electric Delivery contributions	(6,832)	(6,558)	274	(4.0)%
Electric Delivery, net	33,827	32,864	(963)	(2.8)%
Lighting	6,879	7,729	850	12.4 %
Lighting contributions	(770)	(1,012)	(242)	31.4 %
Lighting, net	6,109	6,717	608	10.0 %
Water ²	35,035	31,005	(4,030)	(11.5)%
Water contributions	(11,569)	(11,415)	154	(1.3)%
Water, net	23,466	19,590	(3,876)	(16.5)%
Chilled Water	14,846	13,650	(1,196)	(8.1)%
Support Services ³	23,952	19,740	(4,212)	(17.6)%
Total OUC	<u>\$ 144,307</u>	<u>\$ 134,212</u>	<u>(10,095)</u>	<u>(7.0)%</u>

¹ Totals are net of participant share.

² Project timing related to alternative water supply and various repair and restoration projects.

³ Timing of various projects in Digital & Technology, Customer Service and New Products and Services.