



INTERIM FINANCIAL
R E P O R T



THREE MONTHS ENDED
December 2015

Orlando Utilities Commission

Table of Contents

Management’s Discussion and Analysis	3
Statements of Revenues, Expenses and Changes in Net Position based on Budget - Unaudited	6
Statements of Net Position - Unaudited	7
Statements of Cash Flows – Unaudited	8
Capital Plan	9

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 three months ended December 31, 2015 was \$27.4 million, \$9.1 million higher than budget and \$5.5 million higher than prior year.

Operating Revenues:

Variance to Budget – Operating revenues, for the three months ended December 2015, were \$2.5 million higher than budget. This variance was primarily due to higher than budgeted resale energy revenues of \$3.1 million driven by demand sales to the City of Vero Beach of \$1.6 million and increased sales to St. Cloud customers of \$1.0 million, as a result of warmer weather and higher than expected growth. Higher retail energy sales of \$2.7 million were also driven by favorable weather conditions. Offsetting these increases was lower than budgeted fuel revenues of \$3.7 million.

Variances to Prior Year – Operating revenues were \$3.2 million higher than that of the prior year primarily due to increased retail energy revenues and water revenues of \$5.8 million and \$1.2 million, respectively, as a result of customer growth. Resale energy revenues were \$0.7 million higher than the prior year due to increased sales to St. Cloud customers offset by unplanned demand sales in 2015 to Lakeland Electric. These increases were offset by decreased fuel revenues of \$5.1 million as a result of lower coal and natural gas pricing.

Operating Expenses:

Variances to Budget – Operating expenses were \$8.2 million or 4.6 percent lower than budget. Unit/department expenses were \$4.2 million under budget due to lower than expected supplies expense, outside service costs and medical costs. Lower than expected fuel for generation and purchased power expenses of \$3.7 million, as a result of favorable coal and natural gas pricing, also contributed to the decrease.

Variances to Prior Year – Operating expenses were \$3.6 million lower than that of the prior year due to lower fuel for generation and purchased power expense of \$5.1 million, as a result of continued lower fuel costs. Offsetting this decrease was increased depreciation and amortization expenses and payments and taxes costs of \$0.9 million and \$0.5 million, respectively.

Non-Operating Income and Expenses:

Variance to the Budget and Prior Year – Net non-operating expenses through December 2015 were \$1.6 million higher than budget and \$1.2 million higher than prior year. The variances to budget and prior year were primarily due to unfavorable market valuation adjustments.

Contributions in Aid of Construction:

Contributions in aid of construction of \$3.1 million were \$0.9 million lower than budget and \$1.2 million higher than prior year due to the timing of system development contributions for electric and water delivery projects.

Dividend Payment:

The dividend agreement with the City of Orlando was based on 60.0 percent of annual budgeted income before contributions. The budgeted amount for fiscal year 2016 is \$55.7 million and is paid in equal amounts over the year. The amount paid for the three months ended December 2015 was \$13.9 million which was \$0.6 million higher than that of the prior year.

Utility Plant:

Utility plant increased \$17.1 million as of December 2015 compared to December 2014. Capital acquisitions for major projects, including the completion of several large transmission line upgrades, the landfill gas project from Holopaw to St. Cloud. Additionally, the commencement of several technology projects, including the Customer Care & Billing (CC&B) upgrade expected to be completed later in 2016, contributed to the increase in utility plant. These increases were offset by systematic depreciation charges.

Restricted and Internally Designated Assets:

Restricted and internally designated assets of \$545.2 million were \$72.6 million higher than prior year. OUC received construction fund proceeds of \$112.1 million as a result of the issuance of the Series 2015A Bonds. Since October 2014, \$77.6 million of construction and capital reserve funds were released to fund capital improvements. Other designated funds increased \$36.9 million due to an increase in customer deposits, a rise in fuel stabilization funds and the deferral of funds related to a regulatory action approved by the Board in September 2015. Additionally, the Crystal River Unit 3 (CR 3) settlement agreement with Duke Energy was finalized in October 2015. As a result, OUC transferred the decommissioning trust funds of \$13.5 million to Duke Energy. In return, Duke Energy remitted a settlement payment of \$12.6 million to OUC. These funds were designated as renewal and replacement.

Current Assets:

Current assets of \$296.4 million were \$54.5 million higher than prior year. The increase was primarily due to additional cash on hand of \$29.8 million as a result of operations. The prepaid long-term service agreement for Stanton Energy Center Unit B increased \$25.5 million as a result of additional purchased warranty coverage and a prepayment for future project outage costs. Additionally, margin deposits related to fuel hedges increased \$14.0 million. Offsetting these increases was a decrease of \$8.3 million in fuel for generation due to decreased coal pricing. Supplies Inventory also decreased from the prior year \$8.9 million primarily due to a one-time adjustment to the allowance for obsolescence reserve of \$8.1 million in September 2015.

Other Assets:

Other assets decreased \$20.9 million from the prior year due to the write-down of deferred asset retirement obligation costs and the receipt of funds due from Duke Energy as a result of the finalization of the CR 3 settlement agreement of \$2.4 million and \$13.0 million, respectively. Additionally, planned regulatory asset amortization of \$3.6 million contributed to the decrease.

Deferred Outflows of Resources:

Deferred outflows of resources of \$118.5 million increased \$10.2 million since December 2014. The increase was primarily due to derivative instrument valuation changes of \$6.5 million and deferred bond costs associated with the defeasance of the Series 2009A Bonds of \$14.1 million. These increases were offset by the systematic amortization of debt refunding costs of \$7.8 million.

Payables from Restricted and Current Assets:

Payables from restricted and current assets were \$3.2 million lower than that of December 2014. The change was the result of a decrease in outstanding supplier payables primarily related to fuel purchases of \$8.9 million, a decrease in taxes payable of \$3.0 million, and the reversal of a \$2.0 million FEMA obligation in September 2015. These variances were offset by increased unrealized short-term fuel hedge losses of \$7.1 million and customer deposits of \$1.9 million.

Other Liabilities:

Other liabilities were \$29.6 million lower than that of the prior year. The variance was primarily driven by a decrease in the asset retirement obligation of \$15.4 million primarily due to the finalization of the CR 3 settlement agreement with Duke Energy and a decrease of \$16.9 million in the net pension liability.

Long-term Debt:

Over the past twelve months, net long-term debt increased \$55.1 million. The increase was primarily due to the issuance of the Series 2015A Bonds and related premium of \$94.9 million and \$18.0 million, respectively. Additionally in October 2015, OUC issued the Series 2015B variable rate demand bonds in the amount of \$115.1 million to refund the \$100.0 million Series 2009A Bonds resulting in net present value interest savings of \$32.0 million over the life of the new bonds. These increases were offset by the payment of outstanding principal on October 1, 2015 of \$55.8 million and the systematic amortization of previously issued bond premiums of \$13.7 million.

OUC's credit ratings are:

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

Deferred Inflows of Resources:

At December 2015, deferred inflows of resources increased \$45.2 million from that of December 2014. The change was due to the prior-year Board approved regulatory action to defer \$13.8 million of retail energy revenues, an increase in fuel stabilization of \$16.7 million and an increase to unrealized pension gains of \$18.6 million. These increases were offset by the continued systematic recognition of other regulatory credits related to Stanton Energy Center Unit A and Unit B of \$3.0 million and \$1.1 million, respectively.

Cash Flows:

OUC's cash and cash equivalents as of December 2015 were \$200.5 million, \$43.4 million higher than that of the beginning of the fiscal year and \$84.6 million higher than December 2014. The increase over the past three months was due to an increase in cash from operating.

In addition, cash related to financing activities showed significant activity as a result of the Series 2015B Bond issuance of \$115.1 million. The proceeds were used to purchase an escrow for the refunding of the \$100.0 million Series 2009A Bonds.

Capital Plan:

At December 31, 2015 capital expenditures of \$31.9 million were \$12.5 million under budget. Lower Support Services project spending of \$7.3 million was due to the delayed CC&B project spending. Capital expenditures in Water were under budget \$3.2 million due to the postponement of projects to later in the year. Additionally, due to lower than expected spending, Electric Transmission projects were \$8.1 million under budget. These increases were offset by higher than expected Electric Production spending of \$7.3 million due to a prepayment of \$9.9 million for planned future outage projects at Stanton Energy Center Unit B.

Orlando Utilities Commission
Statements of Revenues, Expenses and Changes in Net Position based on Budget - Unaudited

Dollars in thousands

	Actual		Budget		Actual			
	Year to Date		Year to Date		Year to Date		Variance to Prior Year	
	December 2015	December 2015	December 2015	December 2015	December 2014	December 2014	December 2014	December 2014
Operating revenues								
Retail energy	\$ 90,161	\$ 87,486	\$ 2,675	3.1%	\$ 84,386	\$ 5,775	6.8%	
Resale energy	21,133	17,991	3,142	17.5%	20,449	684	3.3%	
Fuel	61,357	65,035	(3,678)	-5.7%	66,460	(5,103)	-7.7%	
Electric revenues	172,651	170,512	2,139	1.3%	171,295	1,356	0.8%	
Water revenues	17,104	16,991	113	0.7%	15,901	1,203	7.6%	
Other revenues								
Lighting service revenues	3,195	3,347	(152)	-4.5%	3,211	(16)	-0.5%	
Chilled water revenues	7,818	7,126	692	9.7%	7,237	581	8.0%	
Service fees & other revenues	6,753	7,084	(331)	-4.7%	6,692	61	0.9%	
Total operating revenues	207,521	205,060	2,461	1.2%	204,336	3,185	1.6%	
Operating expenses								
Fuel for generation and purchased power	61,357	65,035	(3,678)	-5.7%	66,460	(5,103)	-7.7%	
Capacity payment	8,082	8,112	(30)	-0.4%	8,034	48	0.6%	
Unit/department	56,828	61,069	(4,241)	-6.9%	56,805	23	0.0%	
Depreciation and amortization	28,137	28,634	(497)	-1.7%	27,212	925	3.4%	
Payments to other governments and taxes	13,468	13,195	273	2.1%	12,941	527	4.1%	
Total operating expenses	167,872	176,045	(8,173)	-4.6%	171,452	(3,580)	-2.1%	
Non-operating income and (expenses)								
Interest income	(351)	1,570	(1,921)	-122.4%	1,012	(1,363)	-134.7%	
Other income	2,401	2,396	5	0.2%	2,314	87	3.8%	
Interest expense	(14,320)	(14,677)	357	-2.4%	(14,349)	29	-0.2%	
Total non-operating income and (expenses)	(12,270)	(10,711)	(1,559)	14.6%	(11,023)	(1,247)	11.3%	
Income before contributions	27,379	18,304	9,075	49.6%	21,861	5,518	25.2%	
Revenue from contributions in aid of construction	3,093	4,024	(931)	-23.1%	1,941	1,152	59.4%	
Dividend payments	(13,930)	(13,930)	-	0.0%	(13,303)	(627)	4.7%	
Increase in net position	16,542	\$ 8,398	\$ 8,144	97.0%	10,499	\$ 6,043	57.6%	
Net position - beginning of period	1,226,361				1,166,247			
Net position - end of period	\$ 1,242,903				\$ 1,176,746			

Orlando Utilities Commission
Statements of Net Position - Unaudited

Dollars in thousands

	December 2015	December 2014	Variance to Prior Year	
Assets				
Utility plant	\$ 2,372,590	\$ 2,355,484	\$ 17,106	0.7%
Restricted and internally designated assets	545,172	472,583	72,589	15.4%
Current assets	296,369	241,829	54,540	22.6%
Other assets	140,221	161,100	(20,879)	-13.0%
Deferred outflows of resources	118,547	108,330	10,217	9.4%
Total assets and deferred outflows of resources	\$ 3,472,899	\$ 3,339,326	\$ 133,573	4.0%
Liabilities				
Payables from restricted assets	\$ 68,819	\$ 67,529	\$ 1,290	1.9%
Payables from current assets	186,738	191,258	(4,520)	-2.4%
Other liabilities	171,011	200,648	(29,637)	-14.8%
Long-term debt, net	1,535,845	1,480,764	55,081	3.7%
Total liabilities	1,962,413	1,940,199	22,214	1.1%
Deferred inflows of resources	267,583	222,381	45,202	20.3%
Net position	1,242,903	1,176,746	66,157	5.6%
Total liabilities, deferred inflows of resources and net position	\$ 3,472,899	\$ 3,339,326	\$ 133,573	4.0%

Orlando Utilities Commission

Statements of Cash Flows - Unaudited

Dollars in thousands

	December 2015	December 2014
Cash flow from operating activities		
Cash received from customers	\$ 240,778	\$ 233,072
Cash paid for fuel and purchased power	(69,949)	(103,318)
Cash paid for unit department expenses	(50,130)	(41,939)
Cash paid for salaries and benefits	(40,676)	(40,098)
Cash paid for other payments and taxes	(14,116)	(13,252)
Net cash provided by operating activities	65,907	34,465
Cash flows from non-capital related financing activities		
Dividend to the City of Orlando	(13,930)	(13,303)
Net cash used in non-capital related financing activities	(13,930)	(13,303)
Cash flows from capital related financing activities		
Utility plant net of contributions in aid of construction	(30,693)	(27,055)
Debt interest payments	(46,251)	(31,349)
Collateral deposits	1,819	(2,900)
Principal payments on long-term debt and use of bond proceeds	(156,851)	(53,310)
Debt issuances and related costs	113,685	(239)
Net cash used in capital related financing activities	(118,291)	(114,853)
Cash flows from investing activities		
Proceeds from sale and maturities of investment securities	193,187	116,849
Gain on sale of investments	48	-
Purchases of investment securities	(85,733)	(132,632)
Investments and other expenses paid	2,260	1,480
Net cash provided by / (used in) investing activities	109,762	(14,303)
Net increase / (decrease) in cash and cash equivalents	43,448	(107,994)
Cash and Cash Equivalents - beginning of year	157,048	223,866
Cash and Cash Equivalents - current	\$ 200,496	\$ 115,872
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ 39,649	\$ 32,884
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation and amortization	28,137	27,212
Depreciation and amortization charged to fuel for generation and purchased power	932	796
Depreciation of vehicles and equipment charged to unit department expenses	318	278
Changes in assets and liabilities		
Decrease in receivables and accrued revenue	23,794	30,678
Decrease / (increase) in fuel and materials and supplies inventories	9,620	(5,197)
Decrease in accounts payable	(27,808)	(36,274)
Decrease in deposits paid and deferred items	(17,199)	(15,387)
Increase / (decrease) in stabilization and deferred revenue accounts	8,464	(525)
Net cash provided by operating activities	\$ 65,907	\$ 34,465

**Orlando Utilities Commission
Capital Plan**

Dollars in thousands

	Adopted 2015 Plan	Year to Date December 2015 Budget	Year to Date December 2015 Actual	Variance to Budget	
Electric Production (1)	\$ 43,630	\$ 9,504	\$ 16,833	\$ (7,329)	-77.1%
Transmission	36,800	11,541	4,460	7,081	61.4%
Transmission contributions	(1,000)	(250)	(1,222)	972	-388.8%
Transmission, net	35,800	11,291	3,238	8,053	71.3%
Electric Delivery	29,470	7,364	6,599	765	10.4%
Electric Delivery contributions	(4,600)	(1,150)	(666)	(484)	-42.1%
Electric Delivery, net	24,870	6,214	5,933	281	4.5%
Lighting	5,065	1,262	1,745	(483)	-38.3%
Lighting contributions	(100)	(25)	(1,361)	1,336	-5344.0%
Lighting, net	4,965	1,237	384	853	69.0%
Water	29,712	6,577	3,889	2,688	40.9%
Water contributions	(8,122)	(2,306)	(2,839)	533	-23.1%
Water, net	21,590	4,271	1,050	3,221	75.4%
Chilled Water	1,850	238	-	238	100.0%
Chilled water contributions	(425)	(106)	-	(106)	100.0%
Chilled Water, net	1,425	132	-	132	100.0%
Support Services	36,670	11,859	4,508	7,351	62.0%
Support services contributions	(750)	(63)	-	(63)	100.0%
Support services, net	35,920	11,796	4,508	7,288	61.8%
Total OUC	\$ 168,200	\$ 44,445	\$ 31,946	\$ 12,499	28.1%

(1) - Totals are net of participant share