Unaudited

INTERIM FINANCIAL REPORT

OUC The Reliable One®

NINE MONTHS ENDED
JUNE 2012

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.

Income before contributions for the nine months ended June 30, 2012 was $39.2 million, $2.8 million higher than budget and $3.7 million lower than the prior year.

Operating Revenues:

Variance to Budget – Operating revenues for the nine months ended June 2012 were $68.8 million lower than budget. Retail energy was $11.5 million below budget as a result of mild weather. This weather variance also impacted resale energy with lower than budget inter-local revenues from St. Cloud of $2.4 million offset by slightly higher resale sales. Overall the net reduction for resale energy in comparison to budget was $1.4 million. In addition, fuel revenues, which are offset by fuel for generation and purchased power costs, were lower than budget revenues of $55.5 million.

Variance to Prior Year – Total operating revenues were $15.7 million lower than that of the prior year. A significant portion of this variance was driven by retail energy revenues which were $8.8 million lower than prior year as a result of the warmer weather. Fuel revenues were also impacted by warmer weather and the market optimization of natural gas generation facilities to yield a variance from prior year of $6.9 million. In addition, water revenues were $0.6 million lower than prior year.

Operating Expenses:

Variances to Budget – Operating expenses were $68.6 million or 11.5% lower than budget. Fuel for generation and purchased power expenses were $55.5 million lower than budget due to lower than budget consumption as well as lower than projected natural gas costs. Unit department expenses were $12.1 million lower than budget primarily due to lower salary, overtime and fringe benefit costs particularly in the area of medical costs.

Variance to Prior Year – Operating expenses were $2.7 million lower than those of the prior year. This change was driven primarily by a decrease in fuel and purchase power of $6.9 million due to lower natural gas costs. Also, payments to other governments were $0.7 million lower than the prior year in direct correlation to the decrease in revenue. Offsetting these decreases was an increase in unit department expenses in the amount of $0.6 million as a result of higher generation facility costs including costs for minority owned generation facilities. In addition, depreciation and amortization costs and capacity payment increased $2.9 million and $1.5 million, respectively.

Non-Operating Income and Expenses:

Variance to the Budget and Prior Year – Net non-operating expenses were $3.1 million lower than budget. Other income, reported as an offset to Interest expense, was $2.5 million higher than budget in association with the sale of uncollectible accounts and the true-up of the allowance provision. Net non-operating expenses were $9.4 million lower than the prior year primarily due to lower interest expense as a byproduct of bond refunding activity and lower market interest costs.

Contributions in Aid of Construction:

Contributions in aid of construction were $3.3 million below budget and $0.2 million higher than prior year. The variance was due to the timing of system development contributions for water infrastructure projects.

Dividend Payment:
The dividend agreement with the City of Orlando is based on 60% of income before contributions. The amount paid through June 2012 was $35.4 million. The annual dividend payment for 2012 is $47.2 million.

Statement of Net Assets Changes

Utility Plant:

Utility plant increased $1.6 million as of June 2012 compared to June 2011. This increase was a result of a combination of capital expenditures including the purchase of the Indian River Plant in January 2012 for $11.7 million. Additionally, capital acquisitions for the nine months ended June 30, 2012 were $91.1 million which was $29.3 million or 24.3% below the adopted capital plan.

Restricted and Internally Designated Assets:

Restricted assets and internally designated assets of $582.6 million were $53.0 million lower than that of the prior year. The decrease in restricted assets was due to a $76.0 million decrease in debt service principal payments in association with lower current year annual bond requirements and a $62.4 million decrease in restricted construction funds for capital spending. In addition, fuel stabilization was $2.6 million lower than that of the prior year. These changes were offset by $84.0 million increase in Capital reserve fund in accordance with Finance Committee action. The renewal and replacement fund increased $2.7 million as a result of designating the proceeds received from the sale of the previous Administration Building in accordance with the Disposal of Capital Asset policy.

Current Assets:

Current assets were $0.3 million lower than prior year. Operating cash and investments decreased by $32.3 million as a result of the designation of $84.0 million to the Capital reserve fund included as a component of Restricted and Internally Designated Assets. Customer accounts receivable also decreased by $14.1 million as a result of lower retail and resale sales. These decreases were offset by $11.2 million increase in fuel for generation primarily due to reduced coal generation production at the Stanton Energy Center and higher coal inventory amounts. In addition, prepaid expenses increased by $21.4 million for the deferral of SECB long-term service agreement costs and increased interest rate margin deposit requirements in the amounts of $3.3 million and $15.7 million, respectively. Deferred outflows associated with OUC's fuel hedging program also increased $14.3 million compared to prior year as a result of the continued decline in natural gas costs.

Other Assets:

Other assets were $10.9 million higher than that of June 2011. Market valuation changes were the primary driver of this change with an increase in deferred interest rate hedge outflows of $14.5 million. Offsetting this was a decrease in the systematic recognition of deferred regulatory assets in the amount of $2.8 million. In addition, deferred customer retention costs were adjusted $1.9 million to reflect changes in the contract lives. As the customer retention assets were related to infrastructure agreements, the offset for these adjustments was a reduction to contributions in aid of construction.

Payables from Restricted and Current Assets:

Restricted and current payables were $1.5 million higher than that of June 2011. The primary driver for this change was the increase in the customer deposits in the amount of $2.6 million and $0.8 million increase in deferred inflow of natural gas hedge gains. Offsetting these changes were the decrease in accrued interest payable and billings for local governments in the amounts of $1.3 million and $1.5 million, respectively.

Other Liabilities and Deferred Credits:

Other liabilities and deferred credits were $18.1 million higher than that of the prior year. The major driver for this variance was the increase in deferred inflow of natural gas hedge derivatives in the amount of $24.0 million in conjunction with an increase in the quantity of outstanding hedge instruments and their current market value. These increases were offset by the decrease in deferred gain on sale in the amount of $3.3 million due to the reclassification of the deferred transmission wheeling revenue net of the systematic gain on the Indian River plant sale and the deferral from the gain on the sale of the old Administration Building. In addition, year-to-date fuel stabilization funds decreased by $2.6 million as a result of the fuel rate reduction effective March 1, 2012. Fuel stabilization funds utilized since the implementation of the rate change were $10.0 million.

Long-term Debt:

Over the one-year period ended June 2012, long-term debt, net decreased $96.0 million as a result of the payment of outstanding principal on October 1, 2011. In addition, in December 2011, the Series 2011C Bonds were issued with a par value of $86.5 million and an associated premium of $17.4 million to refund portions of Series 2002C, 2003A, and 2003B totaling $97.6 million.

OUC's credit ratings:

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

In June 2012, OUC's rating with Moody's Investors Service was changed from Aa1 to Aa2. The classification of this rating is in-line with those provided from Fitch Investors Service and Standard & Poor's. The change was not event driven and is not anticipated to impact OUC's financial transactions.

Cash Flows

OUC's cash and cash equivalents as of June 30, 2012 were $201.2 million, $36.2 million lower than that of the beginning of the fiscal year and $68.2 million higher than the prior year.

Cash provided by operating activities for the period ended June 30, 2012 was $60.4 million lower than the prior year. The primary driver of this variance was a decrease in cash received from customers in the amount of $33.6 million as compared to the prior year as a result of lower retail and resale sales. In addition cash provided from operations decreased as a result of higher fuel and purchased power payments of $28.8 million including increased net payments for natural gas hedge derivatives in the amount of $33.6 million and increased coal inventory on hand. Cash outflows from unit department expense also increased a net amount of $1.9 million as a result of higher generation facility costs including minority owned generation facilities were offset by lower salaries and benefits in the amount of $3.0 million. Payments and taxes also decreased $1.0 million.

Cash used in non-capital related financing activities during fiscal year 2012 was $35.4 million which was in line with that of the prior year.

Cash used in capital financing activities during the current fiscal year was $59.8 million higher than that of the prior year. A key driver of this change was that in the prior year interest rate swap deposit requirements were refunded to OUC in the amount of $28.5 million and in the current year, $3.6 million were paid. This change coupled with an increase in principal payments for the maturity of the Series 2005A Bonds in the amount of $44.5 million caused cash paid for capital financing activities to increase.

Investing activities for the period ended June 2012 provided cash of $94.3 million, $157.6 million higher than prior year. The variance in activity was primarily due to the timing of operational cash flow needs.

Capital Plan

At June 30, 2012 capital expenditures of $91.1 million were $29.3 million or 24.3 % lower than budget. The 2012 accepted Capital Plan was reduced $1.9 million by the CRC (Capital Review Committee) in December 2011.

Power Resources capital expenditures of $46.5 million were $6.0 million under the plan due to the concerted effort to reduce capital plan spending offset by the reacquisition of the Indian River power plant site.

Electric Transmission, Energy Delivery and Lighting capital expenditures through June were $31.9 million, net of contributions. Capital spending was $3.8 million lower than the plan primarily due to the timing of transmission projects which were $7.6 million lower than plan offset by increased spending on the energy delivery projects in the amount of $4.1 million.

Water capital expenditures were $5.6 million below plan offset by contributions in aid of capital of $1.0 million for a net of $4.6 million lower than the adopted plan.

Chilled Water capital expenditures were $2.4 million which was $2.1 million under the plan. Timing of capital spending for the Downtown Performing Arts Center was the driver for this variance.

Support Services capital expenditures were $7.5 million or $12.7 million under budget primarily due to the timing of Information Technology projects coupled with reductions in the capital plan for Sustainable Services, and Indoor lighting projects.

Orlando Utilities Commission
Statements of Revenues, Expenses and Changes in Net Assets
Dollars in thousands

	Actual Year to Date June 2012	Budget Year to Date June 2012	Variance to Budget		Actual Year to Date June 2011	Variance to Prior Year	
Operating revenues							
Retail energy	$ 251,604	$ 263,138	$ (11,534)	-4.4%	$ 260,388	$ (8,784)	-3.4%
Resale energy	56,432	57,824	(1,392)	-2.4%	56,487	(55)	-0.1%
Fuel	199,781	255,300	(55,519)	-21.7%	206,661	(6,880)	-3.3%
Electric revenues	507,817	576,262	(68,445)	-11.9%	523,536	(15,719)	-3.0%
Water revenues	47,308	47,338	(30)	-0.1%	47,955	(647)	-1.3%
Other revenues							
Lighting services	9,314	9,785	(471)	-4.8%	9,177	137	1.5%
OUCooling revenues	21,126	20,768	358	1.7%	20,946	180	0.9%
Service fees & other revenues	18,541	18,769	(228)	-1.2%	18,216	325	1.8%
Total operating revenues	604,106	672,922	(68,816)	-10.2%	619,830	(15,724)	-2.5%
Operating expenses							
Fuel for generation and purchased power	199,781	255,300	(55,519)	-21.7%	206,661	(6,880)	-3.3%
Capacity payment	26,120	25,951	169	0.7%	24,654	1,466	5.9%
Unit department expenses	172,273	184,332	(12,059)	-6.5%	171,690	583	0.3%
Depreciation and amortization	87,921	88,067	(146)	-0.2%	85,055	2,866	3.4%
Payments to other governments and taxes	39,877	40,874	(997)	-2.4%	40,568	(691)	-1.7%
Total operating expenses	525,972	594,524	(68,552)	-11.5%	528,628	(2,656)	-0.5%
Non-operating income and expenses							
Interest income	4,285	4,421	(136)	-3.1%	4,430	(145)	-3.3%
Other income	9,253	6,795	2,458	36.2%	7,332	1,921	26.2%
Interest expense	(52,433)	(53,178)	745	1.4%	(60,021)	7,588	12.6%
Total non-operating expenses	(38,895)	(41,962)	3,067	7.3%	(48,259)	9,364	19.4%
Income before contributions	39,239	36,436	2,803	7.7%	42,943	(3,704)	-8.6%
Revenue from contributions in aid of construction	3,869	7,165	(3,296)	-46.0%	3,664	205	5.6%
Dividend payments	(35,371)	(35,371)	-	-	(35,982)	611	1.7%
Increase in net assets	7,737	$ 8,230	$ (493)	-6.0%	10,625	$ (2,888)	-27.2%
Net assets - beginning of period	1,032,834				994,411		
Net assets - end of period	$ 1,040,571				$ 1,005,036		

Orlando Utilities Commission
Statements of Net Assets
Dollars in thousands

	June 2012	June 2011	Variance to Prior Year	
Assets				
Utility plant	**$ 2,291,020**	$ 2,289,454	$ 1,566	0.1%
Restricted assets	**582,595**	635,573	(52,978)	-8.3%
Current assets	**280,306**	280,647	(341)	-0.1%
Other assets	**97,195**	86,288	10,907	12.6%
Total assets	**$ 3,251,116**	$ 3,291,962	$ (40,846)	-1.2%
Liabilities				
Payable from restricted assets	**$ 62,695**	$ 61,414	$ 1,281	2.1%
Payable from current assets	**189,020**	188,768	252	0.1%
Other liabilities and deferred credits	**382,281**	364,220	18,061	5.0%
Long-term debt, net	**1,576,550**	1,672,524	(95,974)	-5.7%
Total liabilities	**2,210,546**	2,286,926	(76,380)	-3.3%
Net assets	**1,040,571**	1,005,036	35,535	3.5%
Total liabilities and net assets	**$ 3,251,117**	$ 3,291,962	$ (40,845)	-1.2%

Orlando Utilities Commission
Statements of Cash Flows
Dollars in thousands

	June 2012	June 2011
Cash flow from operating activities		
Cash received from customers	**$ 612,089**	$ 645,731
Cash paid for fuel and purchased power	**(251,311)**	(222,493)
Cash paid for unit department expenses	**(62,385)**	(60,481)
Cash paid for salaries and benefits	**(102,903)**	(105,930)
Cash paid for other payments and taxes	**(39,564)**	(40,540)
Net cash provided by operating activities	**155,926**	216,287
Cash flows from non-capital related financing activities		
Dividend to the City of Orlando	**(35,371)**	(35,982)
Net cash used in non-capital related financing activities	**(35,371)**	(35,982)
Cash flows from capital related financing activities		
Utility plant net of contributions in aid of construction	**(86,407)**	(82,737)
Debt interest payments	**(71,818)**	(87,361)
Collateral deposits	**(3,600)**	28,500
Debt allocations to individual companies	**(0)**	-
Principal payments on long-term debt	**(192,074)**	(147,545)
Debt issuances	**103,893**	99,360
Debt issuances expense	**(952)**	(1,330)
Net cash used in capital related financing activities	**(250,958)**	(191,113)
Cash flows from investing activities		
Proceeds from sale and maturities of investment securities	**567,973**	730,151
Purchases of investment securities	**(482,982)**	(805,033)
Investments and other income received	**9,259**	11,511
Net cash provided by/(used in) investing activities	**94,250**	(63,371)
Net decrease in cash and cash equivalents	**(36,153)**	(74,179)
Cash and Cash Equivalents - beginning of year	**237,327**	207,120
Cash and Cash Equivalents - current	**$ 201,174**	$ 132,941

	June 2012	June 2011
Reconciliation of operating income to net cash provided by operating activities		
Operating income	**$ 78,134**	$ 91,202
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation and amortization	**87,921**	85,055
Depreciation and amortization charged to fuel for generation and purchased power	**1,677**	3,899
Depreciation of vehicles and equipment charged to unit department expenses	**2,533**	2,483
Changes in assets and liabilities		
Decrease in receivables and accrued revenue	**5,663**	8,757
(Increase)/ Decrease in fuel and materials and supplies inventories	**(7,120)**	5,380
Decrease in accounts payable	**(10,584)**	(8,642)
(Decrease)/Increase in deposits payable and deferred costs	**(9,312)**	1,262
Increase in stabilization and deferred revenue	**7,014**	26,891
Net cash provided by operating activities	**$ 155,926**	$ 216,287

Orlando Utilities Commission
Capital Plan
Dollars in thousands

	Adopted 2012 Plan	Year to Date June 2012 Budget	Year to Date June 2012 Actual	Variance to Budget	
Power resources business unit (1)	$ 71,880	$ 52,540	**$ 46,498**	$ (6,042)	-11.5%
Transmission business unit	27,900	19,870	**10,993**	(8,877)	-44.7%
Transmission contributions	(1,600)	(1,200)	**-**	1,200	100.0%
Transmission business unit, net	26,300	18,670	**10,993**	(7,677)	-41.1%
Energy delivery business unit	21,260	15,662	**19,134**	3,472	22.2%
Energy delivery contributions	(1,600)	(1,200)	**(529)**	671	55.9%
Energy delivery business unit, net	19,660	14,462	**18,605**	4,143	28.6%
Lighting business unit	3,565	2,671	**2,665**	(6)	-0.2%
Lighting contributions	(100)	(75)	**(357)**	(282)	-376.0%
Lighting business unit, net	3,465	2,596	**2,308**	(288)	-11.1%
Water business unit	20,745	12,815	**7,248**	(5,567)	-43.4%
Water contributions	(7,720)	(5,415)	**(4,440)**	975	18.0%
Water business unit, net	13,025	7,400	**2,808**	(4,592)	-62.1%
OUCooling business unit	5,265	4,530	**2,429**	(2,101)	-46.4%
Shared business unit	28,825	20,170	**7,470**	(12,700)	-63.0%
Total OUC	$ 168,420	$ 120,368	**$ 91,111**	$ (29,257)	-24.3%

(1) - Totals are net of participant share.