2023 AUDITED FINANCIAL STATEMENTS

LETTER FROM THE GENERAL MANAGER AND COMMISSION PRESIDENT

On June 19, 2023, OUC marked a Century of Reliability, recognizing OUC's transition from a utility serving 2,795 customers in 1923 to an organization providing innovative solutions to more than 275,000 customers today. In honor of the occasion, the City of Orlando proclaimed June 26, 2023, as "OUC 100th Anniversary Day" to recognize the utility's long history of reliably serving and empowering the Central Florida community. It's been an opportunity to reflect on our accomplishments, leaders and key strategic partners who have guided and supported OUC and our employees through the past 100 years.

While pausing to pay homage to our history, we remain steadfast on the future: achieving our vision to be the partner of choice and an innovative solutions provider, and our mission to provide exceptional value to our customers and community through the delivery of sustainable and reliable services and solutions, as outlined in our "*Connected 2025 Strategic Plan.*" We are accomplishing these goals by executing strategic roadmaps – delivering value to the "*Community*" as a committed partner and sustainability leader, providing *"Customers"* an outstanding experience, and strengthening *"Employee"* engagement through continuous improvement of our workplaces, processes and organization.

In 2023, transformative energy and water goals (as outlined in the *"Community"* strategic pillar), remained a priority, along with an array of initiatives focused on the "*Path to Clean Energy"* and "*Path to Alternative Water Sources"* strategic roadmaps.

The "*Path to Clean Energy"* initiatives focus on enhancing grid reliability and resiliency to support the planned expansion of solar generation, energy storage and electrification. These measures align with our CO2-reduction goals – 50% fewer emissions by 2030, 75% fewer by 2040, and Net Zero CO2 Emissions by 2050. A key component of this strategic roadmap is the phased-in recommissioning of the quick-starting single-cycled natural gas-fired generation units at the Osceola Generating Station (OGS) and construction of a new 230 kV transmission line and substation, costing $142.3 million. The new transmission line will interconnect OGS with OUC's growing solar generation portfolio, which by mid- 2025 is poised to add an additional 149 megawatts to offset the impact of the retirement of Stanton Unit 1, a coal-fired generation unit. The large-scale generation facility "*Path to Clean Energy"* roadmap also includes the planned conversion of Stanton Unit 2 from coal-to-natural gas to support our long-term goals. Complimenting these initiatives are distribution-level projects that help advance OUC's floating solar generation portfolio with the installation of a 2-megawatt floating solar array for the Florida Department of Transportation, and refined technology to enable the use of data from regionally dispersed weather stations to enhance cloud-mapping technologies. Beyond these initiatives, OUC is evaluating future-focused technology with a pilot energy storage solution being readied for operations at the St. Cloud substation and large-scale hydrogen generation, transport and storage alternatives.

Our "*Path to Alternative Water Sources"* includes our multi-year alternative water resource project to determine the feasibility of withdrawing water from the Lower Lower Floridan Aquifer in a safe and cost-effective manner. This project has been advancing with the support of the St. John's Water Management District's oversight and has an estimated cost of $61.4 million. The strategic roadmap also includes a $56.2 million implementation of next-generation water automated meter technology to bolster conservation efforts and support advanced technologies that help preserve our valuable water resources.

Supporting both the "*Path to Clean Energy"* and the "*Path to Alternative Water Sources,"* customer programs designed to strengthen awareness of energy efficiency and water conservation continue to play a key role in fulfilling our "*Community"* and "*Customer"* strategic roadmaps. In 2023, OUC launched new energy efficiency and water conservation education and awareness campaigns. Additionally, a five-year electric retail pricing roadmap is being developed to complement these conservation efforts and provide customers with effective price signals to reduce peak demand requirements in concert with Board approved pricing of up to 1 percent of retail electric revenues in alignment with the results of the 2020 Electric Integrated Resource Plan to support our CO_2 reduction goals. With respect to water, pricing design initiatives were aligned with regional and district guidelines to promote water conservation efforts and reduce high customer consumption.

Closely aligned with our "*Path to Clean Energy,"* but also supporting our *Innovation and Growth* roadmap, are initiatives that focus on increasing vehicle electrification for the *"Community"* and *"Customers."* With that in mind, in July 2023, OUC opened the Robinson Recharge Mobility Hub, our largest high-speed (Level 3) electric vehicle (EV) charging hub. The hub features 21 universal plug-in ports and newly designed pricing to promote effective use of these resources. Looking ahead to the first quarter of 2024, a second charging hub is scheduled to open at the Orange County Convention Center.

Included in the *Innovation and Growth* roadmap is the expansion of our chilled water and backup generation operations. In 2023, OUC began operations at the Greater Orlando Aviation Authority's Terminal C and Universal Orlando's Epic Universe theme park. Combined, these two custodial operating agreements increased OUC's asset base by $107 million and also provided a significant portion of the 21.6 percent increase in chilled water revenues.

2023 saw significant construction at our new St. Cloud Operations & Maintenance Center, which was designed to meet the City of St. Cloud's growing customer base. The first phase of the 24-acre project is expected to open in early 2024, and when completed, will be the first net-zero energy campus in Florida to be built for a utility. Future site expansions include the addition of a new substation to support customer growth in the St. Cloud service territory.

Delivering on our commitment to providing *"Customers*" with outstanding experience remains paramount. When warmer-than-normal weather drove system peaks for three successive days this August, our reliability remained best in class, even as we maintained our pledge to our number one value *"Make Safety First"* for our employees. Reaching out to our customers in advance and during these unseasonably warm periods with messaging tailored to offer hot weather tips and ways to save was a priority. In addition, OUC communicated financial assistance information through Project CARE (a customer-assistance program administered through the United Way Heart of Florida) and promoted OUC's Power Pass prepaid billing option, along with energy efficiency and bill-payment assistance programs.

With a focus on delivering value to our customers, OUC recognized the impact of the pandemic and the successive pass-through electric retail fuel price increases in 2022. In June 2023, in advance of the peak summer season, the Board approved a $13 monthly bill decrease for the average electric retail customer using 1,000 kWh. This action was again followed in conjunction with the annual budget process, providing for a second monthly bill decrease of $2 and allowing for the monthly average electric retail customer bill to remain below the strategic peer average.

These efforts combined with our commitment to reliability, affordability, sustainability, and resiliency helped OUC earn the recognition of Most Trusted Brand for the sixth consecutive year in a national customer survey conducted by Escalent and the number one ranked utility in three of the last four years. This accolade follows being recognized as an Environmental Champion, Customer Champion and a Most Trusted Brand in 2022 and serves as a testament to the exemplary work ethic of OUC's employees.

Crossing through each of the three strategic pillars is our Business Transformation roadmap, which includes a wide range of initiatives, beginning with efforts to strengthen cybersecurity. OUC is promoting security awareness through continuous employee education, online training sessions, and participation in tabletop exercises. Also included on this roadmap are the Meter Data Platform (MDP) and our Customer Care and Billing (CC&B) system, both of which were upgraded over Labor Day weekend this year. The systems are now poised for implementation of dynamic customer pricing options, including energy efficiency and conservation-focused time-of-use pricing beyond the pilot phase and integration of advanced customer-focused technologies in 2025. Advancing our enterprise data analytics platform also is an element of the roadmap: providing a foundation that supports the continuing evolution of energy resources, changing customer expectations, enhanced employee engagement and operational efficiency.

Business Transformation encompasses building on OUC's grant capabilities to facilitate securing federal and state funding allocated toward the advancement of renewable energy generation, storage solutions, energy efficiency programs, and electrification to bolster grid resiliency and advance our smart grid applications. In addition to leveraging grant opportunities available through the Infrastructure Investment and Jobs Act and the Inflation Reduction Act, OUC is engaging with a variety of other governmental agencies to advance energy generation, storage solutions and alternative water sources.

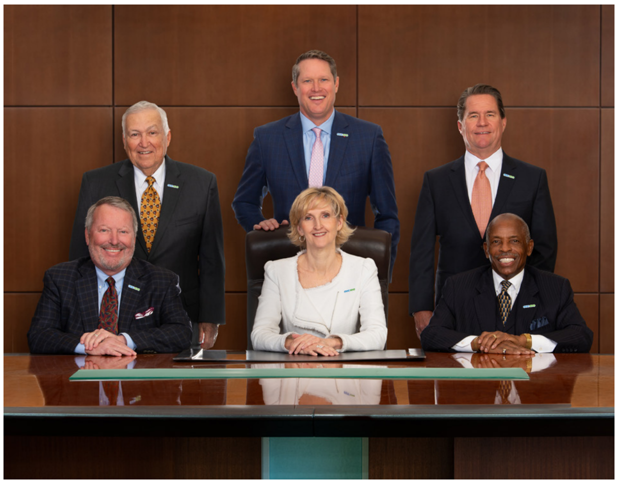
As our most valuable resources, *"Employees"* are always a priority for OUC. In 2023, we launched our bi-annual employee survey to secure their feedback on ways we can continue to build upon our commitment to being the "Employer of Choice." Over 79 percent of our employees participated in the survey and scores increased from 2021, reflecting the strength of our evolving employee partnerships as new and tenured employees transition roles.

Remaining committed to safety and well-being, OUC earned several local and national recognitions in 2023. Those include: "One of the Top 5 Healthiest Employers in Central Florida," according to the Orlando Business Journal; "Best Wellness Employer Gold Certification" for six consecutive years by Wellness Workdays, a provider of corporate wellness programs in partnership with Harvard Medical School; and for the second time OUC was recognized as one of the "Healthiest 100 Workplaces in America," according to a 2023 national assessment by Healthiest Employers®. While earning local and national recognition for well-being and safety, it is the results of our own safety key performance indicators collaborated across the organization through our Executive and Steering Committees that is most valued to support our number one value - *"Make Safety First"*.

Overall, financial operations for 2023 provided results consistent with the adopted budget. Key performance metrics remained strong in support of OUC's strong "AA" credit ratings, which were reaffirmed with the issuance of the Series 2023 Bonds issued in June 2023.

LETTER FROM THE GENERAL MANAGER AND COMMISSION PRESIDENT

In closing, with the *"Connected 2025 Strategic Plan"* as its guide, OUC recognizes that we must be flexible to meet the ever-changing challenges facing the energy and water industry. With 100 years of experience as the hometown utility, we are aware that significant advances cannot be accomplished without the commitment and dedication of our employees. They help ensure that OUC is The Reliable One, delivering reliability, affordability, sustainability and resiliency every day for our customers.



OUC Commission 2023: *front row; left to right:* Mayor Buddy Dyer | Britta Gross, Commission President | Larry Mills, Th.D., First Vice President *back row; left to right:* Cesar Calvet, Immediate Past President | Clint Bullock, General Manager & CEO | Roger Chapin, Second Vice President

Clint Bullock
General Manager & CEO

Britta Gross
Commission President

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Selected Statistical and Financial Information (Unaudited)

	2023	2022	% Increase/ (Decrease)
Total Customers	278,826	274,082	1.7 %
Electric Business Operations			
Active services [1]	276,751	270,702	2.2 %
Average retail revenue (per MWh) [2]	$ 134.73	$ 112.96	19.3 %
Retail customer sales in MWh [1]	7,194,226	7,005,075	2.7 %
Average annual residential usage (kWh)	11,383	11,312	0.6 %
Customer billed revenues (in thousands) [2]	$ 969,300	$ 791,288	22.5 %
Water Business Operations			
Active Services	167,032	165,812	0.7 %
Average revenue per 10 KGAL	$ 29.42	$ 29.70	(0.9)%
Total sales in MGAL	31,977	31,046	3.0 %
Average annual residential usage (KGAL)	76	75	1.3 %
Customer billed revenues (in thousands)	$ 94,062	$ 92,196	2.0 %
Chilled Water Business Operations			
Active Services	2,705	2,701	0.1 %
Average revenue per 100 TON hours	$ 25.62	$ 24.55	4.4 %
Production in TON hours [3]	167,525	143,815	16.5 %
Operating revenues (in thousands) [3]	$ 42,918	$ 35,305	21.6 %
Consolidated Financial Highlights [4]			
Income before contributions (in thousands)	$ 117,690	$ 108,607	8.4 %
City of Orlando revenue based payments and dividend (in thousands)	$ 107,138	$ 93,605	14.5 %
Debt service coverage	3.05	2.81	8.5 %
Debt/net position	50%/50%	48%/52%	
Days cash on hand	246	180	36.7 %
Senior bond ratings [5]	AA,Aa2,AA	AA,Aa2,AA	

[1] Retail customer sales outpaced active services as a result of stronger than anticipated post-pandemic commercial sales.

[2] The average retail revenue increased as a result of higher pass-through retail electric fuel prices.

[3] Chilled water production and operating revenues increased with the addition of new customer-sited chilled water facilities.

[4] Income before contributions increased consistent with the transition back to a target return on equity rate of 9.5 percent to reflect the return to business as usual practices post pandemic. The increase in the City of Orlando revenue-based payment and dividends is aligned with these changes.

[5] Bond Rating Agencies: Fitch Ratings, Moody's Investors Service and Standard & Poor's, respectively.

ORLANDO UTILITIES COMMISSION

September 30, 2023

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COMMISSION MEMBERS and OFFICERS

Britta Gross
President

Cesar Calvet
Immediate Past President

Larry Mills, Th.D.
First Vice President

Roger Chapin
Second Vice President

Buddy H. Dyer
Mayor – Commissioner

Clint Bullock
Secretary

Mindy Brenay
W. Christopher Browder
Paula Velasquez
Assistant Secretaries

Ernst & Young LLP
Suite 2800
200 South Orange Avenue
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Report of Independent Auditors

To Management and the Commissioners of Orlando Utilities Commission

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities and the fiduciary activities of Orlando Utilities Commission, as of and for the years ended September 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Orlando Utilities Commission's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and fiduciary activities of Orlando Utilities Commission at September 30, 2023 and 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States *(Government Auditing Standards)*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Orlando Utilities Commission, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Orlando Utilities Commission's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Orlando Utilities Commission's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Orlando Utilities Commission's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6-17, the Schedule of changes in Net Pension liability/(asset) (NPL/NPA), Total Pension Liability (TPL), Net OPEB liability/(asset) (NOL/NOA) and related ratios and the Schedule of Employer Contributions to the pension plan on pages 61-63 be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Letter from the General Manager and Commission President, and the Selected Statistical and Financial Information (Unaudited) but does not include the financial statements and our auditor's report thereon. Our opinions on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 11, 2024 on our consideration of Orlando Utilities Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Orlando Utilities Commission's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Orlando Utilities Commission's internal control over financial reporting and compliance.

Ernst & Young LLP

January 11, 2024

This discussion should be read in conjunction with the Financial Statements and Notes to the Financial Statements.

Management's Report

The management of Orlando Utilities Commission (OUC) has prepared — and is responsible for — the integrity of the financial statements and related information included in this report. The financial statements have been prepared in accordance with generally accepted accounting principles and follow the standards outlined by the Governmental Accounting Standards Board.

To ensure the integrity of our financial statements, OUC maintains a system of internal accounting controls that is supported by written policies and procedures and an organizational structure that appropriately assigns responsibilities to mitigate risks. These controls have been put in place to ensure OUC's assets are properly safeguarded and the books and records reflect only those transactions that have been duly authorized. OUC's controls are evaluated on an ongoing basis by both management and OUC's internal auditors.

Based on the statements above, it is management's assertion that the financial statements do not omit any disclosures necessary for a fair presentation of the information, nor do they improperly include untrue statements of a material fact or statements of a misleading nature.

Clint Bullock
General Manager &
Chief Executive Officer

Mindy Brenay
Chief Financial Officer

Wade Durham
Director of Accounting
& Budget

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to OUC's financial statements. It defines the basic financial statements and summarizes OUC's general financial condition and results of operations and should be read in conjunction with OUC's financial statements and accompanying notes.

Background

OUC was created in 1923 by a Special Act of the Florida Legislature as a statutory commission of the State of Florida and is governed by a Board (the Board) consisting of five members including the Mayor of the City of Orlando. The Act confers upon OUC the rights and powers to set prices for services and solutions. OUC is responsible for a portfolio of energy services and solutions including the acquisition, generation, production, transmission and distribution of electric and water services to its customers within Orange and Osceola counties as well as chilled water, lighting, back-up generation, electric vehicle charging and solar services and solutions.

Financial Reporting

OUC's financial statements are presented in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). The accounting records are maintained in accordance with the accounting principles and methods prescribed by the Federal Energy Regulatory Commission (FERC) with the exception of contributions in aid of construction which are recorded in accordance with the standards prescribed by GASB.

OUC is a regulated enterprise and applies the Regulated Operations provision of GASB Statement No. 62 *"Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements."* In accordance with the design of these principles and financial reporting guidance, the Board has approved regulatory actions that have resulted in the deferral or recognition of certain revenues or expenses (see Note G).

- **Fiscal Year 2023:** The annual deferral of up to one percent of electric retail revenues to fund the Path to Clean Energy in alignment with the Board adopted 2020 Electric Integrated Resource Plan (EIRP), the deferral of anticipated eligible Federal Emergency Management Agency (FEMA) Hurricane Idalia emergency response expenses, the deferral of landfill closure and post-closure costs at the Stanton Energy Center and the deferral of wholesale revenues in excess of budget to reduce the impacts of future retail electric price increases.
- **Fiscal Year 2022:** Deferral of anticipated eligible FEMA Hurricane Ian emergency response expenses and the deferral of retail and wholesale revenues in excess of budget to reduce the impacts of future retail electric fuel price increases.

Beyond the regulatory adjustments noted above, fuel reserves, unrealized investment valuations and pension benefit expenses other than amounts equivalent to the annual active service members were deferred or recognized to stabilize customer pricing.

Setting of Prices

Board approved pricing: The pricing of regulated electric and water services is the responsibility of the Board. To ensure prices are implemented in a measured and responsible manner, electric and water price changes are implemented after comprehensive cost recovery evaluations are completed, public workshops are held and customers are notified.

- **Electric pricing:** Using the average residential customer electric bill based on 1,000 kWh per month as the proxy to measure the impact of retail electric customer price changes, the following changes were approved.
    - **Fiscal Year 2023:** Fuel prices were increased $10.00 effective January 1, 2023 providing for a monthly bill increase from $137.00 to $147.00 and allowing for the recovery of exhausted fuel reserves. On June 1, 2023, fuel prices were decreased $13.00, reflecting the recovery of fuel reserves and moderating fuel commodity costs providing for a monthly bill decrease from $147.00 to $134.00. In conjunction with the annual budget process, prices were decreased $2.00 effective October 1, 2023 providing for a monthly bill decrease from $134.00 to $132.00. This change included a $10.85 decrease in fuel prices offset by a base energy and customer charge increase of $6.35 and $2.50, respectively.

    - **Fiscal Year 2022:** Fuel prices were increased $2.50 and $12.00 effective January 1, 2022 and June 1, 2022, respectively, providing for a monthly bill to increase from $109.50 to $124.00. Effective October 1, 2022, prices were increased $13.00 providing for a monthly bill from $124.00 to $137.00. This change included an increase in fuel prices of $16.50 partially offset by a retail electric base price decrease of $3.50 to reduce the impact of rapidly rising fuel commodity costs.

- **Water pricing:**
    - **Fiscal Year 2023:** Effective October 1, 2023, retail water prices increased to promote conservation, replenish reserves and phase-out jurisdictional pricing. While these price changes were primarily focused on high consumption users, changes also resulted in the average inside city residential monthly bill based on 10,000 gallons increasing $0.95 to $23.25. Initial meter connection charges and system development charges to support water resource initiatives defined through our "Path to Alternative Water Sources" strategic initiative were also increased 19.0% and 12.0%, respectively.
    - **Fiscal Year 2022:** No price changes were approved.
- **Ancillary service pricing:** The pricing of chilled water, lighting, back-up generation, electric vehicle charging and solar services and solutions were designed utilizing an equivalent cost recovery model to the Board approved electric and water pricing with terms defined within the customer contract.

Basic Financial Statements

OUC Utility Operations: Three basic financial statements were prepared to provide a comprehensive overview of OUC’s financial position, results of operations and cash flows.

- **Statements of Net Position:** The Statement of Net Position was prepared using the accrual method of accounting distinguishing current and long-term assets and liabilities, deferred inflows and outflows of resources, as well as the nature and amount of resources and obligations at a point in time.
- **Statements of Revenues, Expenses and Changes in Net Position:** This statement presents current period revenues and expenses. In addition, included in this statement is the presentation of operating income, which was reported separately from net non-operating and special item expenses, contributions in aid of construction and annual dividend.
- **Statements of Cash Flows:** This statement was presented using the direct method and outlines the sources and uses of cash resulting from operations, non-capital related financing, capital related financing and investing activities.

OUC Fiduciary Activities: Two fiduciary fund financial statements were prepared using the accrual method of accounting to provide a comprehensive overview of the fiduciary fund financial position and results of operations for the OUC Defined Benefit Pension Plan and Other Postemployment Benefits Plan.

- **Statements of Fiduciary Net Position:** This statement was prepared to present the Benefit Plan Trusts assets and liabilities at a point in time.
- **Statements of Changes in Fiduciary Net Position:** This statement presents current period additions and deductions associated with the Benefit Plan Trusts.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Condensed Statements of Net Position

As of September 30

(Dollars in thousands)	2023	2022	2021
Assets			
Utility plant, net	$ 2,760,752	$ 2,649,319	$ 2,591,276
Restricted and internally designated assets	861,538	701,152	543,603
Current assets	303,656	292,353	247,461
Other assets	279,200	380,750	187,693
Total assets	**4,205,146**	**4,023,574**	**3,570,033**
Deferred outflows of resources	**156,195**	**65,307**	**120,200**
Total assets and deferred outflows of resources	**$ 4,361,341**	**$ 4,088,881**	**$ 3,690,233**
Liabilities			
Long-term debt, net	$ 1,725,900	$ 1,541,780	$ 1,439,320
Current liabilities	310,345	415,184	265,190
Other liabilities	296,828	137,951	203,969
Total liabilities	**2,333,073**	**2,094,915**	**1,908,479**
Deferred inflows of resources	**333,236**	**366,249**	**283,336**
Net position			
Net investment in capital assets	1,247,173	1,239,258	1,236,286
Unrestricted	447,859	388,459	262,132
Total net position	**1,695,032**	**1,627,717**	**1,498,418**
Total liabilities, deferred inflows of resources and net position	**$ 4,361,341**	**$ 4,088,881**	**$ 3,690,233**

2023 Compared to 2022

Total Assets and Deferred Outflows of Resources

Total assets: Overall increased $181.6 million or 4.5 percent.

- **Utility plant, net:** These assets increased $111.4 million primarily due to system advancements designed to achieve our *Net Zero CO_2 Emissions* goals defined in our "Path to Clean Energy" strategic initiative including the readying for the energizing of the second of the three generation facilities at the Osceola Generating Station (OGS), construction of adjacent transmission grid facilities and the acquisition of land for the siting of future utility scale solar facilities. Utility plant assets also increased with the construction of a new St. Cloud Operations Center and water production facility enhancements. Offsetting these increases were systematic and limited accelerated depreciation expenses.
- **Restricted and internally designated assets:** These assets increased $160.4 million primarily due to the issuance of Series 2023A Bonds in the amount of $276.7 million offset by the spend-down of $191.7 million to support the 2023 Capital Plan resulting in a net increase of $85.0 million and the replenishment of fuel reserves in the amount of $64.7 million. Also in 2023, Audit-Finance Committee action was taken to earmark previously designated funds to support both the Paths to Clean Energy and Alternative Water Sources (see Note E).
- **Other assets:** These assets decreased $101.6 million primarily due to market-driven benefit trust investment valuation changes in the amount of $73.4 million, the recovery of customer advanced funds of $53.3 million to restore depleted fuel reserves and fuel hedge derivative valuation changes of $23.2 million as a result of market-drive natural gas price decreases. These decreases were offset by an increase in long-term receivables in the amount of $50.4 million due to the addition of a second customer-sited chilled water facility for which OUC maintains contractual custodial responsibilities and the establishment of a regulatory asset in the amount of $34.1 million associated with the closure and post-closure costs of the Stanton Energy Center (SEC) landfill.

Deferred outflows of resources: These resources increased $90.9 million or 139.2 percent as a result of a $93.9 million increase in unrealized benefit expenses primarily from the impacts of market-driven investment declines and reducing the actuarial investment assumption rate from 7.0 percent to 6.75 percent. These increases were offset by the systematic recognition of the loss on refunded debt in the amount of $7.7 million.

Total Liabilities, Deferred Inflows of Resources and Net Position

Total liabilities: Overall increased $238.2 million or 11.4 percent.

- **Long-term debt, net:** Debt increased $184.1 million primarily due to the issuance of Series 2023A Bonds in the amount of $276.7 offset by the scheduled maturities and the amortization of debt-related expenses.
- **Other liabilities:** Other liabilities increased $158.9 million due to the rise of benefit plan liabilities in the amount of $109.0 million as a result of current year investment valuation changes, a $38.5 million increase in asset retirement costs primarily driven by the updated SEC landfill closure and post-closure costs and increased developer advanced contributions in aid of construction in the amount of $10.1 million.
- **Current liabilities:** Current liabilities decreased $104.8 million as a result of lower fuel commodity prices including a $44.7 million decrease in fuel payables and a $39.8 million decrease in counter-party fuel hedge derivative margin advances and the timing of other current liabilities.

Deferred inflows of resources: These resources decreased $33.0 million or 9.0 percent as a result of a $83.0 million and $35.8 million decrease in the valuation of benefit plan investments and unrealized fuel hedge derivatives, respectively. These decreases were offset by the recovery of customer advanced funds provided in 2022 to offset the rapid rise in fuel prices.

Total net position increased $67.3 million, or 4.1 percent, as a result of current year operations and consistent with annual revenue requirements.

2022 Compared to 2021

Total Assets and Deferred Outflows of Resources

Total assets: Overall increased $84.5 million or 2.1 percent.

- **Utility plant, net:** These assets increased $22.9 million primarily due to the energizing of the Osceola Generating Station (OGS) Unit 2, the construction of the St. Cloud Operations Center, water production facility enhancements and electric distribution expansions to meet customer growth offset by systematic and limited accelerated depreciation expenses and the reclassification of customer-sited chilled water assets to other assets.
- **Restricted and internally designated assets:** These assets decreased $129.2 million primarily due to the utilization of construction funds and fuel reserves in the amounts of $115.8 million and $61.5 million, respectively, offset by the $25.0 million increase in electric rate stabilization funds as a result of a Board approved regulatory action to defer retail and wholesale revenues to partially offset the October 2022 retail electric fuel price increase.
- **Other assets:** These assets increased $175.3 million inclusive of long-term receivables in the amount of $45.3 million associated with the customer-sited chilled water facility for which OUC maintains contractual custodial responsibilities, recognition of advance funded customer receivables for the pass-through electric fuel cost in the amount of $70.7 million excluding the recognition of accrued electric revenues of $17.4 million, reducing this amount to a net regulatory receivable of $53.3 million, fuel hedge derivative valuation changes of $27.3 million and the recognition of net benefit and other investments valuation changes in the amount of $39.4 million.

Deferred outflows of resources decreased $8.3 million or 11.3 percent as a result of the systematic recognition of the loss on refunded debt in the amount of $9.5 million and a decrease in fuel-hedge valuation changes of $3.2 million. These decreases were offset by a $5.1 million increase in unrealized benefit contributions.

Total Liabilities, Deferred Inflows of Resources and Net Position

Total liabilities: Overall decreased $44.7 million or 2.0 percent.

- **Long-term debt, net:** Debt decreased $103.4 million as a result of scheduled maturities and the amortization of debt-related expenses.
- **Other liabilities:** Other liabilities decreased $26.8 million due to the reduction of benefit plan liabilities in the amount of $48.0 million as a result of current year actuarial contributions and valuation changes offset by a $11.7 million increase in asset retirement costs for updated landfill closure costs at the McIntosh Unit 3 (MC3) and the Stanton Energy Center generation facilities and increased unapplied contributions in aid of construction.

- **Current liabilities:** Current liabilities increased $85.6 million as a result of rising fuel commodity costs and increased fuel payables in the amount of $38.2 million along with the recognition of estimated Hurricane Ian storm restoration expenses of $18.5 million. Counter-party margin advances received from fuel hedge derivatives also increased $21.6 million as a result of unrealized market valuations.

Deferred inflows of resources increased $48.8 million or 15.3 percent as a result of a $56.4 million and $39.2 million increase in the valuation of benefit plan investments and unrealized fuel hedge derivatives, respectively, along with the Board approved deferral of retail and wholesale revenues in the amount of $25.0 million to mitigate the October 1, 2022 electric retail fuel price increase. These increases were offset by the use of $70.5 million of fuel reserves which were exhausted as of May 2022 to offset the impact of rising fuel commodity costs.

Total net position increased $72.1 million, or 4.6 percent, as a result of current year operations.

Condensed Statements of Revenues, Expenses and Changes in Net Position

Years Ended September 30

(Dollars in thousands)	**2023**	**2022**	**2021**
Operating revenues	$ 1,072,468	$ 1,134,512	$ 946,389
Operating expenses	921,180	974,686	797,472
Operating income	**151,288**	**159,826**	**148,917**
Net non-operating expenses	(33,598)	(51,219)	(47,666)
Income before contributions	**117,690**	**108,607**	**101,251**
Contributions in aid of construction	19,832	26,967	17,803
Annual dividend	(70,207)	(63,498)	(61,831)
Increase in net position	**67,315**	**72,076**	**57,223**
Net position - beginning of year	**1,627,717**	**1,555,641**	**1,498,418**
Net position - end of year	**$ 1,695,032**	**$ 1,627,717**	**$ 1,555,641**

2023 Compared to 2022

Changes in Net Position

Total operating revenues: Operating revenues decreased $62.0 million, or 5.5 percent.

- Retail and resale electric fuel revenues, reflecting pass-through fuel expenses, decreased $104.4 million or 23.6 percent as a result of declining fuel commodity costs.
- Retail and resale non-fuel revenues increased $32.9 million due to a combination of the prior year regulatory action which reduced electric retail revenues $25.0 million, current year customer growth and unplanned short-term wholesale revenue opportunities.
- Water revenues increased $2.0 million or 2.2 percent due to both customer service growth and price changes.
- Other revenues include ancillary revenues from chilled water, lighting and other energy services along with service and user fee charges. In 2023, these revenues increased $7.5 million primarily due to customer-sited chilled water and back-up generation facilities during the year.

Total operating expenses: Operating expenses decreased $53.5 million, or 5.5 percent.

- Fuel and purchased power decreased $103.5 million, or 22.1 percent as a result of continued easing of natural gas commodity costs.
- Operating expenses, excluding fuel and purchased power, increased $50.0 million. This change was driven by accelerated depreciation expenses in the amount of $12.4 million to align with the Path to Clean Energy strategic initiative, increased payments to other governments of $12.5 million consistent with the increase in retail electric revenues, and rising supply chain costs in the amount of $9.0 million. Additionally, rising labor and benefit costs increased in the amount of $11.8 million.

Net non-operating expenses: Total net non-operating expenses decreased $17.6 million. This change was primarily due to the implementation of accounting guidance requiring the recognition of revenues from the new customer-sited chilled water and back-up generation maintained and operated through long-term custodial contractual agreements and interest income from rising interest rates. These increased amounts were offset by the one-time loss on the sale of investments coupled with the addition of interest expenses associated with the issuance of the Series 2023A Bonds.

Contributions in aid of construction: Contributions in aid of construction decreased $7.1 million as a result of prior year stronger than anticipated customer growth and the recognition of customer construction commitments.

2022 Compared to 2021

Changes in Net Position

Total operating revenues: Operating revenues increased $188.1 million, or 19.9 percent primarily due to the rise in pass-through retail and wholesale electric fuel revenues.

- Retail and resale electric fuel revenues increased $174.2 million or 64.8 percent inclusive of the utilization of $123.1 million of fuel reserves of which $53.3 million was advanced funded on behalf of the customer.
- Retail and resale non-fuel revenues decreased $1.3 million, including the impact of the $25.0 million Board approved deferral of retail and resale energy revenues. Exclusive of the deferral, electric retail and resale non-fuel revenues increased as a result of warmer than normal weather, favorable customer growth and the stronger than anticipated post-pandemic recovery of retail electric commercial sales.
- Water revenues increased $7.6 million primarily driven by the conservation-focused 6.2% price increase on April 1, 2021.
- Other revenues include ancillary revenues from chilled water, lighting and other energy services along with service and user fee charges. In 2022, these revenues increased $7.6 million primarily due to the return to normal operations and service fee assessments.

Total operating expenses: Operating expenses increased $177.3 million, or 22.2 percent primarily due to the rise of fuel and purchased power costs.

- Fuel and purchased power increased $173.0 million, or 58.6 percent due to rising fuel commodity costs, pandemic and industry related supply chain constraints coupled with the impacts of geopolitical challenges.
- Operating expenses, excluding fuel and purchased power, increased $4.3 million. This change was driven by several factors including the accelerated depreciation and amortization expenses associated with the Path to Clean Energy in the amount of $4.3 million, increased payments and taxes to other governments in the amount of $3.1 million and Hurricane Ian emergency response expenses in the amount of $4.5 million. These increases were offset by lower pension benefit unit department expenses in the amount of $3.0 million as a result of investment valuations exceeding actuarial targets and the Board approved regulatory action limiting these expenses to the annual active service member costs as well as reduced operating costs for the MC3 generation facility which was shuttered in April 2021.

Net non-operating expenses: Total net non-operating expenses increased $3.4 million as a result of annualizing the recognition of decommissioning expenses related to MC3 offset by lower debt service costs including the impact of recognizing the one-time bond issuance costs in 2021 for the issuance of Series 2021A and 2021B Bonds and reduced bond amortization costs for maturing bond series.

Contributions in aid of construction: Contributions in aid of construction increased $9.2 million as a result of stronger than anticipated customer growth and the recognition of customer construction commitments.

Condensed Statement of Cash Flows

Years Ended September 30

(Dollars in thousands)	2023	2022
Net cash provided by operating activities	$ 408,276	$ 245,449
Net cash used in non-capital related financing activities	(68,325)	(59,761)
Net cash used in capital related financing activities	(139,867)	(352,135)
Net cash used in investing activities	(163,349)	(50,906)
Net increase/(decrease) in cash and cash equivalents	**$ 36,735**	**$ (217,353)**

2023 Compared to 2022

Changes in Cash Flow

Total cash and cash equivalents increased $36.7 million in 2023 due to increased fuel revenues driven by higher pass-through fuel expenses partially offset by an increase in salaries and benefits expenses. Net cash used in non-capital related financing activities was consistent with the prior year while net cash used in capital related financing activities was lower due to the receipt of bond proceeds of $276.7 million from the Series 2023A Bonds offset by increased investment in utility plant in alignment with the Path to Clean Energy. Cash used in investing activities increased as the unspent bond proceeds were invested in anticipation of supporting the 2024 Capital Plan.

Future Capital Funding Needs

Consistent with the nature of the essential services provided by OUC, significant investment in infrastructure is needed to maintain the core customer values of reliability, sustainability and resiliency.

While internal cash resources are projected to be used to meet a portion of the anticipated costs of the Five-Year Capital Plan (Capital Plan), OUC may elect to fund a portion of the Capital Plan with the issuance of long-term debt. The undertaking of the Capital Plan and the underlying financing of this plan are reviewed annually by the Audit-Finance Committee.

Capital Plan

The 2024 Capital Plan incorporates funding of $1,644.0 million, which is $391.3 million, or 31.2 percent, higher than the 2023 Capital Plan. Funding for the Capital Plan is provided with bond proceeds, internally designated capital reserves, the board approved deferral of up to 1.0 percent of retail electric revenue, and the results of operation. In 2023, OUC secured $275.0 million of bond proceeds, net of issuance costs, in conjunction with the issuance of the Series 2023A Bonds which are anticipated to fund the Capital Plan through fiscal year 2025.

(Dollars in millions)	2024	2025	2026	2027	2028	Total
Transmission and electric and water distribution	$ 148.2	$ 166.6	$ 170.1	$ 189.1	$ 120.8	$ 794.8
Electric and water production	60.8	42.0	31.5	61.6	39.4	235.3
Support services	167.2	142.4	102.1	108.6	93.6	613.9
Total five-year capital plan	**$ 376.2**	**$ 351.0**	**$ 303.7**	**$ 359.3**	**$ 253.8**	**$ 1,644.0**

Fiduciary Fund Financial Statements

Beyond the inclusion of the Statement of Fiduciary Net Position and the Statement of Changes in Fiduciary Net Position for the Benefit Plan Trusts, the Defined Benefit Pension and Other Post-Employment Benefit Plans also issue separate financial statements.

Condensed Statements of Fiduciary Net Position

As of September 30

(Dollars in thousands)	2023	2022	2021
Assets			
Investments	$ 612,022	$ 567,814	$ 716,399
Receivables	814	3,664	1,639
Total assets	**612,836**	**571,478**	**718,038**
Liabilities	**785**	**2,130**	**3,204**
Fiduciary net position	**$ 612,051**	**$ 569,348**	**$ 714,834**

Condensed Statements of Changes in Fiduciary Net Position

Years ended September 30

(Dollars in thousands)	2023	2022	2021
Additions			
Net (decrease)/increase in fair value of investments	$ 59,984	$ (130,667)	$ 115,389
Interest, dividends and other income, net of investment expense	12,715	10,222	11,165
Contributions	16,208	19,121	20,726
Total additions	**88,907**	**(101,324)**	**147,280**
Deductions			
Benefit payments, including refunds of plan member contributions	45,976	43,905	41,101
Administrative expenses, net of foreign tax withheld	228	257	340
Total deductions	**46,204**	**44,162**	**41,441**
Net (decrease)/increase in fiduciary net position	**42,703**	**(145,486)**	**105,839**
Fiduciary net position - beginning of year	**569,348**	**714,834**	**608,995**
Fiduciary net position - end of year	**$ 612,051**	**$ 569,348**	**$ 714,834**

2023 Compared to 2022

Fiduciary Net Position and Changes in Fiduciary Net Position

Net position increased $42.7 million or 7.5 percent as a result of an increase in the fair value of investments.

2022 Compared to 2021

Fiduciary Net Position and Changes in Fiduciary Net Position

Net position decreased $145.5 million or 20.4 percent as a result of a decrease in the fair value of investments coupled with a small increase in benefit payments.

Currently Known Facts or Conditions That May Have a Significant Effect on OUC's Financial Condition or Results of Operations

Electric Operations

Electric Generation: On December 8, 2020, the Board adopted the Electric Integrated Resource Plan (EIRP) designed to balance the customer driven attributes of reliability, affordability, sustainability and resiliency and achieve its *Net Zero CO_2 Emissions* strategic goal by 2050 with interim CO_2 emission reduction goals of 50 percent and 75 percent in 2030 and 2040, respectively.

With the first interim goal of a 50 percent reduction in CO_2 emissions by 2030 in our line of sight, the Path to Clean Energy was established and continues to advance including energizing two of the three dual-fired combined cycle generation facilities at the Osceola Generating Station (OGS). The third dual-fired combined cycle at OGS will be completed in fiscal year 2025 in alignment with the addition of two new utility-scale solar generation facilities and the completion of expanded transmission facilities to interconnect these facilities. Coordinated with these changes is the planned retirement of SEC Unit 1, a coal-fired generation facility in 2025. Also advancing as a component of the Path to Clean Energy is a land acquisition strategy to ensure site stability for utility-scale solar generation into the future with the addition of 1,490 acres in 2023.

In tandem with these generation and transmission initiatives, up to a 1.0 percent annual retail electric price increase was approved by the Board to support the Path to Clean Energy and reserves in the amount of $84.4 million were reclassified and internally designated.

Updates to the Path to Clean Energy are revised as needed with a comprehensive update planned to begin in 2025 to ensure alignment to net zero interim 2030, 2040 and strategic goal by 2050.

Prices: Recent retail electric fuel price decreases have been driven by declining fuel and purchased power costs offset by the impacts of inflation and decreased market valuations driving higher supply chain, labor and benefit plan expenses. With fuel reserves replenished close to updated Audit-Finance Committee target levels, customer prices and Energy Risk Management guidelines are being reviewed to bolster price stability.

A 5-year electric pricing roadmap is being finalized with time-of-use pricing and other alternative pricing methodologies being planned to update the current one-size fits all residential pricing model and provide customer opportunities to leverage advancing home energy technologies, support the electrification of transportation in a cost efficient manner and promote conservation and community sustainability efforts. Additional commercial customer program designs are also being evaluated in alignment with providing solar services and solutions to support the Clean Energy Plan, promote supply-side renewable energy initiatives and deliver on our customer and community commitments.

Economic Recessionary Considerations: While proactive measures are continually evaluated to offset the impact of higher costs as a result of elongated labor and supply chain constraint, dynamic external forces could have a significant effect on the results of operations. Accordingly, rate stabilization funds are evaluated annually to ensure resources are available to assist OUC with navigating through potentially challenging times while continuing to deliver customer value.

Legislative and Regulatory: As OUC's electric operations are subject to legislative and regulatory mandates and rulings regarding environmental matters can have a significant impact on operational and financial results, OUC's intentions and strategies are to ensure compliance with any rule requirements, and as outlined in the Clean Energy Plan, OUC balances reliability, affordability, sustainability and resiliency while adhering to legislative and regulatory mandates (see Note G and J).

Water Operations

Legislative and Regulatory: OUC provides potable water to its customers through its groundwater consumptive use permit (CUP). The most recent CUP was issued in May 2004 for a 20-year period and authorizes an annual average withdrawal rate of 109.2 million gallons per day (mgd) through October 1, 2023. In conjunction with the issuance of the CUP, a mitigation project was required within the 20-year permit period in advance of triggering the automatic CUP reduction provision to 100.1 mgd.

In October of 2020, OUC submitted a request to renew the CUP at a withdrawal rate of 109.2 mgd for a second 20-year period. On October 1, 2021, OUC's groundwater allocation was reduced to 100.1 mgd as a result of complexities associated with the execution of the required mitigation project and potential offsetting pumping impacts. In addition, the District's preliminary current groundwater modeling indicates that OUC's use of groundwater over 82.2 mgd may have negative impacts on certain sensitive lakes and springs in central Florida. These new results will require OUC to develop mitigation initiatives for pumping over the 82.2 mgd levels needed to serve its water customers. OUC currently pumps an average of 88.7 mgd.

While alternative water supply options continue to be pursued, including the evaluation of the water supply resources from the brackish lower aquifer, the completion of these options are still in process. OUC's renewal application includes a variety of additional conservation measures to demonstrate OUC's commitment to water conservation including water price increases focused on elevated tier pricing for high usage customers implemented in October 2023 and January 2022. In addition, OUC will participate with the City of Orlando in a reclaimed planning study to identify additional reclaimed water usage options to reduce potable irrigation. Longer term, OUC will continue to seek out alternate water sources such as the Southeast Brackish Water Treatment Plant and the use of surface water through the Taylor Creek Reservoir Project. OUC has also started working with the Water Management Districts to partner on mitigation projects that will benefit the environment and reduce OUC’s overall impact to sensitive lakes and springs in central Florida.

Requests for information should be emailed to recordscustodian@ouc.com or (407) 434-2727.

STATEMENTS OF NET POSITION

(Dollars in thousands)	As of September 30 2023	2022
Assets		
Utility plant, net		
Utility plant in service	$ 4,775,253	$ 4,691,091
Allowances for depreciation and amortization	(2,591,218)	(2,436,483)
Utility plant in service, net	2,184,035	2,254,608
Land and other non-depreciable assets	146,407	115,456
Construction work in progress	430,310	279,255
Total utility plant, net	**2,760,752**	**2,649,319**
Internally designated and restricted assets		
Internally designated assets	636,500	566,631
Restricted assets	225,038	134,521
Total internally designated and restricted assets	**861,538**	**701,152**
Current assets		
Cash and investments	31,501	4,506
Customer receivables, net	94,166	104,606
Miscellaneous receivables, net	15,574	23,137
Accrued utility revenues	45,287	46,605
Fuel for generation	26,660	30,121
Materials and supplies inventory, net	62,527	54,037
Accrued interest receivable	2,330	1,840
Prepaid and other expenses	21,903	7,365
Hedging derivative instruments maturing within one year	3,708	20,136
Total current assets	**303,656**	**292,353**
Other assets		
Other long-term assets	125,757	152,752
Regulatory assets	83,836	135,583
Hedging derivative instruments	38,810	58,205
Lease receivables	15,970	14,444
Right of use assets, net	14,827	19,766
Total other assets	**279,200**	**380,750**
Total assets	**4,205,146**	**4,023,574**
Deferred outflows of resources		
Unamortized loss on refunded bonds	24,352	32,084
Unrealized pension and other postemployment benefits contributions and losses	125,695	32,018
Accumulated decrease in fair value of hedging derivatives	6,148	1,205
Total deferred outflows of resources	**156,195**	**65,307**
Total assets and deferred outflows of resources	**$ 4,361,341**	**$ 4,088,881**

See Notes to the Financial Statements for additional information.

(Dollars in thousands)	As of September 30 2023	2022
Liabilities		
Current liabilities		
Payable from restricted and designated assets		
Current portion of long-term debt	$ 74,875	$ 79,915
Customer meter deposits	63,445	62,054
Accrued interest payable on notes and bonds	29,378	27,462
Total payable from restricted and designated assets	**167,698**	**169,431**
Payable from current assets		
Accounts payable and accrued expenses	91,496	197,628
Billings on behalf of state and local governments	25,260	23,858
Compensated absences and accrued wages	20,231	19,972
Accrued governmental payments	3,766	3,090
Hedging derivative instruments maturing within one year	1,894	1,205
Total payable from current assets	**142,647**	**245,753**
Total current liabilities	**310,345**	**415,184**
Other liabilities and credits		
Asset retirement obligation and other liabilities	171,281	120,980
Lease liability	12,329	16,971
Pension liabilities	108,964	—
Hedging derivative instruments	4,254	—
Total other liabilities	**296,828**	**137,951**
Long-term debt, net		
Bond and note principal	1,612,185	1,441,930
Unamortized premium	113,715	99,850
Total long-term debt, net	**1,725,900**	**1,541,780**
Total liabilities	**2,333,073**	**2,094,915**
Deferred inflows of resources		
Regulatory credits	239,252	155,042
Unrealized pension and other postemployment benefits gains	34,103	117,113
Accumulated increase in fair value of hedging derivatives	42,519	78,341
Lease revenue	16,781	14,900
Unamortized gain on refunded bonds	581	853
Total deferred inflows of resources	**333,236**	**366,249**
Net position		
Net investment in capital assets	1,247,173	1,239,258
Unrestricted	447,859	388,459
Total net position	**1,695,032**	**1,627,717**
Total liabilities, deferred inflows of resources and net position	**$ 4,361,341**	**$ 4,088,881**

See Notes to the Financial Statements for additional information.

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

(Dollars in thousands)	Years ended September 30 2023	2022
Operating revenues		
Retail electric revenues	$ 673,342	$ 760,359
Resale electric revenues	214,879	199,395
Water revenues	92,985	91,002
Chilled water revenues	41,942	34,477
Lighting revenues	18,214	17,740
Other revenues	31,106	31,539
Total operating revenues	**1,072,468**	**1,134,512**
Operating expenses		
Fuel for generation and purchased power	364,429	467,974
Unit/department expenses	305,794	280,619
Depreciation and amortization	179,404	166,994
Payments to other governments and taxes	71,553	59,099
Total operating expenses	**921,180**	**974,686**
Operating income	**151,288**	**159,826**
Net non-operating expenses		
Interest income	24,962	6,268
Other income, net	7,393	6,805
Gain on sale of assets	75	—
Interest expense	(51,413)	(45,917)
Generation decommissioning	(14,615)	(18,375)
Total net non-operating expenses	**(33,598)**	**(51,219)**
Income before contributions	**117,690**	**108,607**
Contributions in aid of construction	19,832	26,967
Annual dividend	(70,207)	(63,498)
Increase in net position	**67,315**	**72,076**
Net position - beginning of year	**1,627,717**	**1,555,641**
Net position - end of year	**$ 1,695,032**	**$ 1,627,717**

See Notes to the Financial Statements for additional information.

STATEMENTS OF CASH FLOWS

(Dollars in thousands)	Years ended September 30 2023	2022
Cash flows from operating activities		
Cash received from customers	$ 1,235,406	$ 993,021
Cash paid for fuel and purchased power	(445,118)	(419,867)
Cash paid for unit/department expenses excluding salaries and benefits	(107,273)	(92,899)
Cash paid for salaries and benefits	(197,113)	(173,117)
Cash paid for emergency response expenses	(6,749)	(2,733)
Cash paid to other governments and taxes	(70,877)	(58,956)
Net cash provided by operating activities	**408,276**	**245,449**
Cash flows from non-capital related financing activities		
Dividend payment	(70,207)	(63,498)
Build America Bond interest subsidy received	1,882	3,737
Net cash used in non-capital related financing activities	**(68,325)**	**(59,761)**
Cash flows from capital related financing activities		
Utility plant, net of contributions in aid of construction	(272,879)	(210,326)
Debt interest payments	(61,180)	(58,736)
Principal payments and refunding costs on long-term debt	(79,915)	(82,050)
Debt issuances	276,670	—
Debt issuance expense	(2,563)	(1,023)
Net cash used in capital related financing activities	**(139,867)**	**(352,135)**
Cash flows from investing activities		
Proceeds from sales and maturities of investment securities	270,223	325,311
Loss on sale of investments	(1,963)	(1,847)
Purchases of investment securities	(414,156)	(391,699)
Investments and other income received	(17,453)	17,329
Net cash used in by investing activities	**(163,349)**	**(50,906)**
Net increase/(decrease) in cash and cash equivalents	**36,735**	**(217,353)**
Cash and cash equivalents - beginning of year	**229,839**	**447,192**
Cash and cash equivalents - end of year	**$ 266,574**	**$ 229,839**
Reconciliation of operating income to net cash provided by operating activities		
Operating income	$ 151,288	$ 159,826
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation and amortization of plant charged to operations	179,404	166,994
Depreciation and amortization charged to fuel for generation and purchased power	2,501	3,690
Depreciation of vehicles and equipment charged to unit/department expenses	2,097	2,153
Changes in assets and liabilities		
Decrease/(Increase) in receivables and accrued revenue	22,108	(39,035)
Increase in fuel and materials and supplies inventories	(431)	(13,513)
(Decrease)/Increase in accounts payable	(93,391)	85,137
Increase/(Decrease) in deposits payable and liabilities	2,633	(7,791)
Increase/(Decrease) in stabilization and deferred credits	142,067	(112,012)
Net cash provided by operating activities	**$ 408,276**	**$ 245,449**
Reconciliation of cash and cash equivalents		
Restricted and internally designated cash and cash equivalents	$ 221,089	$ 199,280
Unrestricted cash and cash equivalents	45,485	30,559
Cash and cash equivalents - end of year	**$ 266,574**	**$ 229,839**
Non-cash investing, capital and financing activities		
Increase in donated utility plant assets	$ 2,748	$ 9,097
Increase/(Decrease) in fair value of investments	$ 6,491	$ (26,367)
(Decrease)/Increase in accounts payable related to utility plant purchases	$ (10,221)	$ 2,888

See Notes to the Financial Statements for additional information.

STATEMENTS OF FIDUCIARY NET POSITION

	As of September 30	
(Dollars in thousands)	**2023**	**2022**
Assets		
Investments		
Cash and cash equivalents	$ 18,268	$ 10,646
U.S. equity funds	280,349	252,562
Fixed income funds	78,294	84,749
International equity funds	94,985	78,027
Real estate funds	48,878	59,785
Alternative investments	86,185	77,374
Balanced mutual fund investments	5,063	4,671
Total investments	**612,022**	**567,814**
Receivables		
Pending investment sales	288	3,387
Benefits receivable	82	—
Net interest and dividends receivable	444	277
Total receivables	**814**	**3,664**
Total assets	**612,836**	**571,478**
Liabilities		
Pending investment purchases	762	1,875
Benefits payable	—	226
Investment advisory fees payable	23	29
Total liabilities	**785**	**2,130**
Fiduciary net position	**$ 612,051**	**$ 569,348**

See Notes to Financial Statements for additional information.

STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION

(Dollars in thousands)	Years ended September 30 2023	2022
Additions		
Contributions		
Employer	$ 15,964	$ 18,811
Plan member	244	310
Total contributions	**16,208**	**19,121**
Investment income, net of investment expense		
Net increase/(decrease) in fair value of investments	59,984	(130,667)
Interest, dividends and other income	16,387	14,565
Investment expense	(3,672)	(4,343)
Total investment income, net of investment expense	**72,699**	**(120,445)**
Total additions	**88,907**	**(101,324)**
Deductions		
Benefit payments, including refunds of plan member contributions	45,976	43,905
Administrative expenses, net of foreign tax withheld	228	257
Total deductions	**46,204**	**44,162**
Net increase/(decrease) in fiduciary net position	**42,703**	**(145,486)**
Fiduciary net position - beginning of year	**569,348**	**714,834**
Fiduciary net position - end of year	**$ 612,051**	**$ 569,348**

See Notes to Financial Statements for additional information.

NOTES TO THE FINANCIAL STATEMENTS

Note A – The Organization

OUC was created in 1923 by a Special Act of the Florida Legislature as a statutory commission of the State of Florida. The Act confers upon OUC the rights and powers to set rates and charges for electric and water. OUC provides a portfolio of services including the acquisition, generation, transmission and distribution of electric and water services to its customers within Orange and Osceola Counties as well as chilled water, lighting, back-up generation, electric vehicle charging and solar solution services.

OUC's Board consists of five members including the Mayor of the City of Orlando. Members serve without compensation and with the exception of the Mayor, who is an ex-officio member of the Board, may serve no more than two full consecutive four-year terms.

Note B – Summary of Significant Accounting Policies

Basis of presentation: The financial statements are presented in conformity with generally accepted accounting principles for enterprise funds as prescribed by the GASB inclusive of the fiduciary fund financial statements. The accounting records are also maintained in accordance with the accounting principles and methods prescribed by the FERC with the exception of contributions in aid of construction which are recorded in accordance with the standards prescribed by GASB.

OUC is a regulated enterprise and, as such, applies GASB Statement No. 62 "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements" (Statement No. 62 or Regulated Operations). Under this guidance, certain revenues and expenses are recognized and deferred in accordance with rate actions approved by the Board.

Reporting entity: OUC meets the criteria of an "other stand-alone government" as defined in GASB Statement No. 14, "The Financial Reporting Entity" and GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units."

OUC has undivided interests in several power generation facilities which are operated through participation agreements and are described in Note D. Title to the property is held in accordance with the terms defined in each agreement and, as such, each party is obligated for its contractual share of operations. There are no separate entities or organizations associated with these agreements.

Measurement focus, basis of accounting, and financial statement presentation: OUC utility operations report operating revenues and expenses separately from net non-operating and special item expenses and contributions in aid of construction. Operating revenues and expenses generally result from producing and delivering utility services and solutions. The principal operating revenues are charges to retail and wholesale customers, net of the allowance for uncollectible accounts. Operating expenses include fuel and purchased power, unit/department expenses, emergency response expenses, taxes and depreciation on capital assets. Net non-operating expenses include costs related to financing and investment and generation facility decommissioning (see Note D and G), respectively. Contributions in aid of construction are primarily comprised of water system impact fees and electric customer contributions to provide services beyond the required obligation to serve.

Fiduciary activities report additions to and deductions from the employee benefit plan trusts, including contributions to the trusts from OUC and plan members, investment income net of investment expense, benefit payments to plan members, and administrative expenses.

Pricing: The pricing of regulated electric and water services are the responsibility of the Board after the completion of comprehensive cost recovery evaluations, public workshops are held and customers are notified to ensure changes are implemented in a measured and responsible manner.

- **Electric pricing:** Using the average residential customer electric bill based on 1,000 kWh per month as the proxy to measure the impact of retail electric customer price changes, the following changes were approved.
    - **Fiscal Year 2023:** Fuel prices were increased $10.00 effective January 1, 2023 providing for a monthly bill increase from $137.00 to $147.00 and allowing for the recovery of exhausted fuel reserves. On June 1, 2023, fuel prices were decreased $13.00, reflecting the recovery of fuel reserves and moderating fuel commodity costs providing for a monthly bill decrease from $147.00 to $134.00. In conjunction with the annual budget process, prices were decreased $2.00 effective October 1, 2023 providing for a monthly bill decrease from $134.00 to $132.00. This change included a $10.85 decrease in fuel prices offset by a base energy and customer charge increase of $6.35 and $2.50, respectively.

Note B – Summary of Significant Accounting Policies (continued)

- ◦ **Fiscal Year 2022:** Fuel prices were increased $2.50 and $12.00 effective January 1, 2022 and June 1, 2022, respectively, providing for a monthly bill to increase from $109.50 to $124.00. Effective October 1, 2022, prices were increased $13.00 providing for a monthly bill from $124.00 to $137.00. This change included an increase in fuel prices of $16.50 partially offset by a retail electric base price decrease of $3.50 to reduce the impact of rapidly rising fuel commodity costs.

- **Water pricing:**
  - **Fiscal Year 2023:** Effective October 1, 2023, retail water prices increased to promote conservation, replenish reserves and phase-out jurisdictional pricing. While these price changes were primarily focused on high consumption users, changes also resulted in the average inside city residential monthly bill based on 10,000 gallons increasing $0.95 to $23.25. Initial meter connection charges and system development charges to support the Path to Alternative Water Sources were also increased 19.0% and 12.0%, respectively.
  - **Fiscal Year 2022:** No price changes were approved.
- **Ancillary service pricing:** The pricing of chilled water, lighting, back-up generation, electric vehicle charging and solar services and solutions were designed utilizing an equivalent cost recovery model to the Board approved electric and water pricing with terms defined within the customer contract.

Budgets: Revenue and expense budgets are prepared on an annual basis in accordance with OUC's budget policy and bond resolutions and submitted to the Board for approval. OUC's annual operating budget and capital plan are approved and adopted, respectively, in the month of August preceding the budgeted fiscal year. The legal adoption of OUC's operating budget and capital plan are not required.

In accordance with OUC's budget policy and bond resolutions, actual revenues and expenses are compared to the approved budget by operating unit line items and reported to the Board monthly.

Utility plant, net: Utility plant is stated at historical cost with the exception of impaired assets recorded in accordance with GASB Statement No. 42, "Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries" (see Note C).

Historical utility plant costs include the costs of contract work, labor, materials, allocated indirect charges for equipment, supervision and engineering and assembled nuclear fuel costs. Interest expense is not a component of OUC's utility plant costs.

Assets are subject to capitalization if they have a useful life of at least two years, a unit cost of at least $1,000 with the exception of bulk asset purchases, which must have a minimum per-unit cost of $500 and a total purchase amount of at least $75,000. Assets are depreciated systematically using the straight-line method over the estimated useful life, the consideration of FERC guidelines, the license period of the asset and the Board approved Path to Clean Energy Plan.

The cost of retired utility plant assets, together with removal costs less salvage value, are charged to depreciation except for assets currently in service with post-retirement obligations extending beyond their service end date. These assets are either accreted within unit department expenses in accordance with GASB Statement No. 18, "Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs", accreted within depreciation expenses in accordance with GASB Statement No. 83, "Certain Asset Retirement Obligations", or in accordance with Board action as a component of depreciation expense if currently in service or as a non-operating expenses if the asset is retired.

In addition, when a utility plant asset constituting an operating unit or system is sold or disposed of and the net proceeds of the sale are at least $0.5 million, the gain on the sale or disposal is deferred and proceeds are placed in the renewal and replacement fund in accordance with the Board-approved Policy for Accounting Treatment of Disposal of Capital Assets.

The consolidated average annual depreciation rate, inclusive of impairment expense, retirement obligations and regulatory actions, was 3.8 percent and 3.6 percent for 2023 and 2022, respectively. Depreciation is calculated using the following range of estimated lives:

Electric	3 – 55 years
Water	3 – 75 years
Chilled Water	3 – 50 years
Lighting	20 years
Common	3 – 40 years

Note B – Summary of Significant Accounting Policies (continued)

Cash, cash equivalents and investments: Cash, cash equivalents and investments are reported under the headings of restricted and internally designated assets and current assets. OUC's cash and cash equivalents include all authorized instruments purchased with an original maturity date of three months or less, including all investments in money market funds. Premiums and discounts on investments are amortized using the effective interest method.

Investments having maturities of greater than one year at the time of purchase are reported at fair value and those with maturities of less than one year at the time of purchase are reported at amortized book value. Effective in 2018, the Board approved the deferral of the recognition of unrealized investment valuations to ensure revenues and expenses are recovered consistent with the rate-making model. Realized investment valuations continue to be recognized and included as a component of interest income in the Statements of Revenues, Expenses and Changes in Net Position, except for realized valuation changes associated with a bond refunding, which are included as a component of the unamortized amount on refunding.

Restricted and internally designated assets: Restricted and internally designated assets represent cash, cash equivalents and investments that are designated in accordance with legal, financial or regulatory statutes or in alignment with customer obligations or Board actions. In 2023, Audit-Finance Committee action was taken to earmark previously designed funds to support both the Paths to Clean Energy and Alternative Water Sources (see Note E).

Customer and Miscellaneous receivables: OUC recognizes revenues and the associated customer receivables, net of the allowance for uncollectible accounts in the period in which it was earned. The allowance for uncollectible accounts was calculated based upon OUC's historical collections experience, local economic market conditions and the projected impacts from emergency response events. Bad debt expenses for estimated uncollectible accounts were recorded as a reduction of operating revenues in the Statements of Revenues, Expenses and Changes in Net Position.

The net customer receivable balance of $94.2 million and $104.6 million at September 30, 2023 and 2022 includes an allowance for uncollectible accounts of $19.5 million and $16.8 million, respectively. Included in net customer receivables were billings on behalf of the State and other local governments of $11.4 million and $11.7 million at September 30, 2023 and 2022, inclusive of an allowance for uncollectible accounts of $2.5 million and $1.9 million, respectively. Agency billings are not reflected in the Statements of Revenues, Expenses and Changes in Net Position. Bad debt expenses were $2.4 million and $7.0 million for the years ended September 30, 2023 and 2022, respectively.

As of September 30, 2023 and 2022, miscellaneous receivables were $15.6 million and $23.1 million, net of allowance for uncollectible accounts of $3.7 million and $4.2 million for the years ended September 30, 2023 and 2022, respectively.

All receivables are anticipated to be collected within the annual operating cycle and are reported as current assets at September 30:

(Dollars in thousands)	2023	2022
Customer receivables, net		
Customer receivables	$ 76,134	$ 74,725
Wholesale receivables	6,611	18,140
Agency receivables	11,420	11,741
Total customer receivables, net	**94,165**	**104,606**
Miscellaneous receivables, net	**15,574**	**23,137**
Total accounts receivable, net	**$ 109,739**	**$ 127,743**

Accrued utility revenues: This amount represents utility services provided to retail customers but not billed at the end of the fiscal year due to the timing of the monthly bill cycle. Accrued utility revenues were $45.3 million and $46.6 million at September 30, 2023 and 2022, respectively, including unbilled electric fuel revenues in the amount of $13.8 million and $17.4 million, respectively.

Fuel for generation: Fuel for generation includes oil and coal inventories reported at their market indexed amounts or current costs. Fuel for generation at September 30, 2023 and 2022 was $26.7 million and $30.1 million, respectively.

Materials and supplies inventory, net: Materials and supplies are reported at current cost based on contractual material and supply agreements inclusive of the current supply chain constraints. Materials and supplies inventory at September 30, 2023 and 2022 was $62.5 million and $54.0 million, including an allowance for obsolescence of $22.0 million and $18.6 million, respectively.

Note B – Summary of Significant Accounting Policies (continued)

Prepaid and other expenses: Prepaid expenses represent costs that are anticipated to be recognized in the Statements of Revenues, Expenses and Changes in Net Position in the near future, including service agreement costs and collateral or margin deposits for interest rate hedges resulting from unrealized market valuations. Prepaid expenses at September 30, 2023 and 2022 were $21.9 million and $7.4 million, respectively with the increase driven by prepaid service agreement costs in conjunction with fiscal year 2024 planned generation outages.

Other long-term assets: This amount includes contractual custodial rights for the operations and maintenance of customer-sited chilled water and back-up generation facilities, employee benefit plan assets and other long-term prepaid expenses (see Note K and L).

(Dollars in thousands)	2023	2022
Other long-term assets		
Contractual custodial asset rights	$ 100,576	$ 46,844
Employee benefit plan other assets	15,600	78,680
Long-term prepaid expenses	9,581	27,228
Total other long-term assets	**$ 125,757**	**$ 152,752**

Hedging derivative instruments: All effective derivative instruments were included in the Statements of Net Position as either an asset or liability measured at fair value. Changes in the fair value of the hedging derivative instruments during the year were deferred and recognized in the period in which the derivative was settled. Ineffective interest rate hedges are expensed in the period in which they are deemed ineffective or evaluated for deferral as a Board approved regulatory asset. The settlement of fuel and financial related hedging derivative instruments were included in fuel for generation and purchased power and interest expenses, respectively, in the Statements of Revenues, Expenses and Changes in Net Position. The asset value of hedging derivatives were $38.8 million and $58.2 million and the liability value for the hedging derivatives were $1.9 million and $1.2 million at September 30, 2023 and 2022, respectively (see Note M).

Lease receivables: OUC provides lease rights for land, building and equipment to third parties without the transfer of ownership for periods greater than one year. The rights associated with these leases are required to be recognized at their net present value using OUC's incremental borrowing rate or in accordance with the lease terms. The value of these lease receivables were $16.0 million and $14.4 million at September 30, 2023 and 2022, respectively. Revenues recognized in conjunction with these long-term lease receivables at September 30, 2023 and 2022 were $0.7 million and $0.6 million, respectively, and interest revenues were $0.4 million at September 30, 2023 and 2022.

Right of use assets, net: OUC has secured contractual lease rights for the use of land, vehicles, information technology software through subscription based information technology arrangements (SBITA) and other assets in an exchange or exchange-like transaction without the transfer of asset ownership. The value of the leased assets was recorded at the present value of the minimum lease payments and amortized using the straight line method equal to the lesser of the length of the contract or the life of the asset. The present value of these right of use assets was determined by using OUC’s incremental borrowing rate unless otherwise noted in the lease terms with the following leased assets, net of amortization, by major class at September 30:

(Dollars in thousands)	2023	2022
Right of use assets		
Land	$ 12,292	$ 12,292
Vehicles	10,389	13,272
SBITA	4,585	5,218
Other	554	899
Total right of use assets	**27,820**	**31,681**
Accumulated amortization	**(12,993)**	**(11,915)**
Right of use assets, net	**$ 14,827**	**$ 19,766**

Note B – Summary of Significant Accounting Policies (continued)

Long-term employee benefits: OUC records the financial results of the defined benefit pension and other post employment benefit plans based on the actuarially determined results with long-term receivables, unrealized contributions and losses, liabilities, and unrealized employee benefits gains recognized under the headings of other assets, deferred outflows of resources, other liabilities and deferred inflows of resources, respectively (see Note L).

- **Fiduciary financial statements:** Trust assets for employee benefit plans are presented in separate fiduciary fund financial statements based on accrued employee benefit and administrative expenses, actuarially determined contributions and the fair value of investments inclusive of investment earnings. Standalone fiduciary fund financial statements are also issued for OUC single-employer benefit plans.

Current portion of long-term debt: Bonds payable due within one year represent scheduled principal payments due within the upcoming year, in accordance with the serial requirements of the bond agreements. Funds to satisfy these scheduled principal payments are segregated and included as a component of internally designated assets (See Note E).

Accounts payable and accrued expenses: Accounts payable and accrued expenses include liabilities for the receipt of supplier and emergency response goods and services, fuel and purchased power, margin advances received on fuel hedge derivative counter-parties in conjunction with unrealized market valuations and self-insurance accrual requirements.

The following summarizes the payable balances included under this heading at September 30:

(Dollars in thousands)	2023	2022
Supplier payables	$ 44,224	$ 49,696
Fuel and purchased power payables	23,775	69,376
Margin advances on fuel hedge derivatives	10,990	50,749
Emergency response supplier payables	1,685	18,476
Other accounts payable and accrued expenses	6,486	5,720
Accrued self-insurance expenses	4,337	3,611
Total accounts payable and accrued expenses	**$ 91,497**	**$ 197,628**

Compensated absences and accrued wages: OUC accrues vacation and sick leave for all employees annually with vacation accrued in January and sick leave accrued on the employee's anniversary date. Each of these earned benefits are accrued based on administrative policy guidance and an estimate of leave earned but not yet used. Compensatory time and accrued wages are also recognized when earned. Compensated absences and accrued wages at September 30, 2023 and 2022 were $20.2 million and $20.0 million, respectively.

Asset retirement obligation and other liabilities: Included under this heading are asset retirement obligations (ARO), contributions in aid of construction, accrued environmental and other long-term liabilities.

- **ARO:** Asset retirement obligations have been accrued for St. Lucie Unit 2 (SL2) nuclear generation facility and the closure and post-closure requirements for the SEC and MC3 landfills.
    - In accordance with the results of the approved Florida Public Service Commission (FPSC) report provided by the owner-operator, OUC's 6.09 percent minority ownership interest and the license maturity period of 2043 for SL2, an ARO estimate for the decommission of this facility is accrued. The most recent study completed for the period ending December 31, 2020, presented in 2020 dollars, estimated OUC's ARO commitment to be $45.6 million or $13.2 million lower than projected based on the previous report. Based on these updated results, the ARO was $49.7 million and $48.1 million with restricted assets of $44.5 million and $43.3 million, at September 30, 2023 and 2022, respectively (see Note E).
    - In conjunction with new State of Florida requirements under the Coal Combustion Residual rules and OUC's 70.07 percent majority ownership interest, a recent study resulted in an increase in the closure and post-closure landfill costs at SEC. At September 30, 2023 and 2022, OUC's accrued ARO for the landfill closure and post-closure costs were $44.6 million and $7.6 million, respectively and included in the regulatory assets (see Note G).
    - The ARO for the landfill closure and post-closure costs at MC3, decommissioned in April 2021, were accrued in the amount of $6.4 million at September 30, 2023 and 2022 and included in the regulatory asset (see Note G).
- **Accrued contributions in aid of construction:** These amounts represent funds received from developers and customers beyond OUC's duty to serve. As projects are completed, contributions are recognized as revenue and at September 30, 2023 and 2022 accrued contributions in aid of construction were $41.1 million and $31.0 million, respectively.

Note B – Summary of Significant Accounting Policies (continued)

- **Accrued environmental liabilities:** In February 2021, OUC accrued an environmental liability in the amount of $6.0 million in concert with its commitment to remediate the decommissioned City of St. Cloud owned diesel generation facility in exchange for an extension of the inter-local agreement. In conjunction with this agreement, OUC is responsible for the managerial, operational and financial oversight activities to ready this site for future use. OUC shall have no future liability for the environmental condition once remediation efforts are complete and the $6.0 million commitment has been either utilized for site remediation or remitted to the City of St. Cloud. The outstanding remediation liability at September 30, 2023 and 2022 was $5.7 million and $5.9 million, respectively.

Unamortized discount/premium: Unamortized discount/premium on outstanding bonds are recorded in the year of issuance. Amortization of these amounts are recorded using the bonds outstanding method based on the individual serial maturities and are presented net of accumulated amortization.

Net positions: OUC classifies net position into three components as follows:

- **Net investment in capital assets:** This component of net position consists of capital assets, net of accumulated depreciation reduced by the outstanding debt balances used to acquire or construct these assets.
- **Restricted:** This component consists of net position with external constraints placed on their use. Constraints include those by debt indentures, grants or laws and regulations of other governments and those established by law through constitutional provisions or enabling legislation.
- **Unrestricted:** This component of net position consists of net position that is not included in the definition of “net investment in capital assets” or “restricted.”

Implementation of New GASB Accounting Standards

Fiscal year 2023:

OUC adopted GASB Statement No. 94, "Public-Private and Public-Public Partnerships and Availability Payment Arrangements," (Statement No. 94). Statement No. 94 requires that public-private and public-public partnerships that meet the definition of a lease apply the guidance in Statement No. 87, "Leases," (Statement No. 87) based on amended criteria. This statement also provides accounting and financial reporting guidance for availability payment arrangements. The effective date of this standard is for periods beginning after June 15, 2022. This statement had no effect on the financial statements.

OUC adopted GASB Statement No. 96, "Subscription-Based Information Technology Arrangements," (Statement No. 96). This statement provides uniform accounting and financial reporting requirements for governments who enter into subscription-based contracts to use vendor provided information technology which affords governments access to software and associated tangible assets without granting a perpetual license or title. OUC was required to recognize a lease liability and an intangible right of use lease asset for certain of its subscription-based information technology arrangements that were not previously reported under previous accounting standards. For comparative purposes, the Statement of Net Position has been restated for the year ended September 30, 2022 and reflects an increase of approximately $3.7 million in total assets for the recognition of right of use lease assets and a corresponding increase in accounts payable and lease liability. The Statement of Revenues, Expenses, and Changes in Net Position was also restated modifying operating income and non-operating expenses with no impact to the change in net position.

OUC adopted GASB Statement No. 101, "Compensated Absences," (Statement No. 101). This statement requires that liabilities for compensated absences be recognized for leave that has not been used, leave that has been used but not yet paid and establishes guidance for measuring a liability for leave that has not been used. The effective date of this standard is for period beginning after December 15, 2023. This statement had no effect on the financial statements as these liabilities are already accrued in alignment with the guidance provided.

Fiscal year 2022:

OUC adopted GASB Statement No. 92, "Omnibus 2020," (Statement No. 92) addressing practice issues identified during prior implementation and application of certain GASB statements. This statement includes provisions related to the effective date of Statement No. 87, the applicability of Statement No. 73, "Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68," as amended, Statement No. 74, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans," as amended, and Statement No. 84, "Fiduciary Activities." This statement had no effect on the financial statements.

Note B – Summary of Significant Accounting Policies (continued)

OUC adopted GASB Statement No. 93, "Replacement of Interbank Offered Rates," (Statement No. 93) to address the elimination of the London Interbank Offered Rate (LIBOR) in its current form. The objective of this statement was to address accounting and financial reporting implications that result from the replacement of an interbank offered rate. The removal of LIBOR as an appropriate benchmark interest rate for a derivative instrument that hedges the interest risk of taxable debt when LIBOR ceases to be determined by the ICE Benchmark Administration. This statement had no effect on the financial statements since the LIBOR rate has not yet ceased to exist and the use of LIBOR has been extended with the issuance of GASB Statement No. 99 "Omnibus 2022."

OUC adopted GASB Statement No. 97, "Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and supersession of GASB Statement No. 32," (Statement No. 97). The objectives of this statement are to increase consistency and comparability for component units that do not have a governing board, mitigate costs associated with the reporting of certain retirement plans and enhance accounting and financial reporting for 457 deferred compensation plans that meet the definition of a pension plan. This statement had no effect on the financial statements.

OUC adopted GASB Statement No. 98, "The Annual Comprehensive Financial Report," (Statement No. 98) establishing the term *annual comprehensive financial report* and its acronym ACFR. That new term and acronym replace instances of *comprehensive annual financial report* and its acronym in generally accepted accounting principles for state and local governments. This statement had no effect on the financial statements.

Future GASB Accounting Standard Implementations

Reporting Impacts

In April 2022, the GASB issued Statement No. 99, "Omnibus 2022," (Statement No. 99) addressing practice issues identified during prior implementation and application of certain GASB statements. This statement includes provisions related to the classification and reporting of derivative instruments within the scope of GASB Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments," clarification of provisions in GASB Statement No. 63 "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position", Statement No. 87, GASB Statement No. 94, Statement No. 96, GASB Statement No. 34 "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments", and the extended use of the LIBOR associated with Statement No. 93. This statement has varying effective dates and management has yet to determine the impact, if any, to the financial statements.

In June 2022, GASB issued Statement No. 100, "Accounting Changes and Error Corrections," (Statement No. 100) prescribing the accounting and financial reporting for each type of accounting change and error corrections. Statement No. 100 requires that changes in accounting principles and error corrections be reported retroactively by restating prior periods, changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period and changes in accounting estimates be reported prospectively by recognizing the change in the current period. The requirements of this standard are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023.

Note C – Utility Plant

Net utility plant increased 4.2 percent and 0.9 percent in 2023 and 2022, respectively, and represented 65.7 percent and 65.8 percent of total assets, respectively.

- **Additions:** Utility plant, net additions were $124.1 million and $74.3 million in 2023 and 2022, respectively. These additions represented a 4.7 percent and 2.8 percent in utility plant, net in comparison to 2022 and 2021, respectively, with the primary driver of the increase in 2023 driven by construction work in progress for the energizing of OGS Units 1 and 3, the build out of the St. Cloud Operations Center and system upgrades to transmission, energy delivery and water to support customer growth and system reliability and resiliency.
- **Transfers:** Utility plant, net transfers represents completed construction work in progress with $81.7 million and $140.7 million of projects completed and placed into operations in 2023 and 2022, respectively.
- **Retirements/reclassifications:** Utility plant, net retirements/reclassifications were $12.7 million and $51.5 million in 2023 and 2022, respectively. In 2022, utility plant, net retirements/reclassifications included the reclassification of $38.9 million to other assets for customer-sited chilled water facilities in which OUC retains contractual custodial and managerial oversight. In addition, included under this heading was the reclassification of $26.6 million for the commencement of commercial operations for OGS Unit 2. The remaining two units at OGS remain classified as land and other non-depreciable assets as they are still in the process of being readied for commercial operations.

Activities for the years ended September 30, 2023 and 2022 were as follows:

Utility Plant (Net) (Dollars in thousands)	**2022**	**Additions**	**Transfers**	**Retirements/ Reclassifications**	**2023**
Utility plant					
Electric	$ 3,526,645	$ 18,991	$ 50,395	$ (14,579)	$ 3,581,452
Water	697,351	2,709	14,090	(5,804)	708,346
Chilled Water	118,136	—	662	—	118,798
Lighting	119,895	—	8,400	11	128,306
Shared/Customer Service	229,064	1,577	8,161	(451)	238,351
Total utility plant	**4,691,091**	**23,277**	**81,708**	**(20,823)**	**4,775,253**
Accumulated depreciation					
Electric	(1,851,114)	(120,036)	(50)	7,692	(1,963,508)
Water	(319,259)	(21,903)	—	5,804	(335,358)
Chilled Water	(66,233)	(3,001)	—	—	(69,234)
Lighting	(63,237)	(5,505)	—	18	(68,724)
Shared/Customer Service	(136,640)	(18,353)	50	549	(154,394)
Total accumulated depreciation	**(2,436,483)**	**(168,798)**	**—**	**14,063**	**(2,591,218)**
Total depreciable utility plant, net	2,254,608	(145,521)	81,708	(6,760)	2,184,035
Land and other non-depreciable assets	115,456	30,951	—	—	146,407
Construction work in progress	279,255	238,681	(81,708)	(5,918)	430,310
Utility plant, net	**$ 2,649,319**	**$ 124,111**	**$ —**	**$ (12,678)**	**$ 2,760,752**

Note C – Utility Plant (Continued)

Utility Plant (Net) (Dollars in thousands)	2021	Additions	Transfers	Retirements/ Reclassifications	2022
Utility plant					
Electric	$ 3,393,134	$ 18,155	$ 103,190	$ 12,166	$ 3,526,645
Water	669,208	9,824	18,934	(615)	697,351
Chilled Water	118,153	—	78	(95)	118,136
Lighting	112,938	—	6,936	21	119,895
Shared/Customer Service	217,097	731	11,563	(327)	229,064
Total utility plant	**4,510,530**	**28,710**	**140,701**	**11,150**	**4,691,091**
Accumulated depreciation					
Electric	(1,736,706)	(118,294)	—	3,886	(1,851,114)
Water	(300,183)	(19,503)	—	427	(319,259)
Chilled Water	(62,988)	(3,245)	—	—	(66,233)
Lighting	(57,653)	(5,584)	—	—	(63,237)
Shared/Customer Service	(120,553)	(16,330)		243	(136,640)
Total accumulated depreciation	**(2,278,083)**	**(162,956)**	**—**	**4,556**	**(2,436,483)**
Total depreciable utility plant, net	2,232,447	(134,246)	140,701	15,706	2,254,608
Land and other non-depreciable assets	141,714	349		(26,607)	115,456
Construction work in progress	252,300	208,209	(140,701)	(40,553)	279,255
Utility plant, net	**$ 2,626,461**	**$ 74,312**	**$ —**	**$ (51,454)**	**$ 2,649,319**

Note D – Generation Resources

OUC secures its generation resource needs through owned assets and power purchase agreements as follows:

Wholly owned and OUC operated: OUC maintains fiscal, budgetary and operating control of SEC Unit B and OGS with no undivided participant ownership interests.

Jointly owned and OUC operated: OUC maintains fiscal, budgetary and operating control at four power generation facilities for which there are undivided participant ownership interests. These undivided ownership interests are with the Florida Municipal Power Agency (FMPA) and Kissimmee Utility Authority (KUA). Each agreement is limited to the generation facilities and excludes the external facilities. OUC also maintains operational control of a wastewater treatment facility at the Stanton Energy Center through an agreement with Orange County.

Jointly owned and non-OUC operated: OUC maintains an undivided participant interest at the SEC Unit A located at OUC's SEC and SL2 generation facilities. In each of these agreements, fiscal, budgetary and operational controls are not maintained by OUC, with the exception of fuel-related services at SEC Unit A where OUC retains responsibility as fuel agent through terms of the power purchase agreement. Funds secured in this role as fuel agent are restricted on the Statements of Net Position (see Note E).

Power purchase agreements: OUC maintains contractual commitments to secure traditional generation resources, beyond its ownership interest, through its power purchase agreement at the SEC Unit A generation facility. In addition, renewable energy generation resources are secured through a variety of third party providers all of whom maintain fiscal, budgetary and operational controls of these generation resources.

OUC operated, non-OUC operated and power purchase agreements are as follows:

	Operational year	Nameplate capacity	OUC undivided ownership interest	Net OUC megawatt capacity	Fuel source
Wholly owned and operated					
Stanton Unit B (SEC Unit B)	2010	300	100.00%	300	Natural gas
Osceola Generating Station (OGS) [1]	2022	510	100.00%	510	Natural gas/Oil
Jointly owned and operated					
Indian River (IRP - A&B)	1989	76	48.80%	37	Natural gas
Indian River (IRP - C&D)	1992	224	79.00%	177	Natural gas
Stanton Unit 1 (SEC Unit 1) [2]	1987	425	68.55%	291	Coal
Stanton Unit 2 (SEC Unit 2)	1996	425	71.59%	304	Coal
Jointly owned and non-OUC operated					
Stanton Unit A (SEC Unit A)	2003	633	28.00%	177	Natural gas
St. Lucie Unit 2 (SL2)	1983	850	6.09%	52	Nuclear
Power purchase agreements					
Stanton Unit A (SEC Unit A) [3]	2018	n/a [4]	n/a [4]	330	Natural gas
Solar	2010-2020	n/a [4]	n/a [4]	123	Solar
Landfill Gas	2011-2016	n/a [4]	n/a [4]	21	Landfill gas

[1] In August of 2022, OGS Unit 2 was energized while initiatives to energize the remaining two units are underway in alignment with Clean Power Plan initiatives which is reflected in the Net OUC megawatt capacity.

[2] SEC Unit 1, in alignment with the Path to Clean Energy, is scheduled to be retired in 2025.

[3] In November of 2023, OUC secured an additional 87 megawatt capacity beginning in January 2024 increasing Net OUC megawatt capacity to 417 MW.

[4] Power purchase agreements are based on contracted terms related to individual generation or expected availability of generation under each agreement and nameplate capacity and undivided interest are not applicable.

Asset valuation: Jointly owned and OUC-operated generation facility asset balances include the cost of common and/or external facilities. At the other jointly owned and non-OUC operated generation facilities, participants pay user charges to the operating entity for the cost of common and/or external facilities. User charges paid through the power purchase agreement for SEC Unit A are remitted back to OUC at their proportionate ownership interest of shared facilities.

Allowance for generation facility depreciation and asset retirement obligations are determined by each participant based on their proportionate ownership interest.

Note D – Generation Resources (continued)

The following is a summary of OUC's recorded gross and net share of each jointly and wholly owned power generation facility at September 30:

	2023			2022		
(Dollars in thousands)	Utility plant	Accumulated depreciation	Net book value	Utility plant	Accumulated depreciation	Net book value
SEC Unit B	$ 310,590	$ 144,368	$ 166,222	$ 309,485	$ 130,798	$ 178,687
SEC Unit 2	416,566	273,220	143,346	428,425	259,355	169,070
SL2	226,378	113,329	113,049	217,299	107,812	109,487
SEC Common	264,979	173,073	91,906	263,139	167,529	95,610
OGS	81,006	2,268	78,738	68,499	318	68,181
SEC Unit 1	320,297	285,470	34,827	320,238	266,936	53,302
SEC Unit A	96,297	73,593	22,704	95,978	68,653	27,325
IRP	64,209	58,228	5,981	60,401	54,397	6,004
Total	**$ 1,780,322**	**$ 1,123,549**	**$ 656,773**	**$ 1,763,464**	**$ 1,055,798**	**$ 707,666**

Note E – Cash, Cash Equivalents and Investments

Cash, cash equivalent and investment policies are designed and maintained to safeguard fund assets and ensure compliance and operational effectiveness and transparency. OUC cash, cash equivalents and investments are maintained and reported to the Board through the Audit-Finance Committee and in adherence with the Audit-Finance Committee Charter. Fiduciary fund cash, cash equivalents and investments are maintained in accordance with each of the Trust's investment policies and administered through a third-party financial advisor with quarterly oversight by the Board appointed Trustees.

OUC Utility Operations

OUC maintains a portion of its cash, cash equivalents and investments in qualified public depository accounts with institutions insured by the Federal Deposit Insurance Corporation or collateralized by a pool of U.S. Governmental securities, per the Florida Security for Public Deposits Act, Chapter 280, of the Florida Statutes as well as other types authorized by the Finance Committee Charter.

Unexpended funds from the sale of bonds, debt service funds and other special funds are included in the restricted and internally designated assets section of the Statements of Net Position. The use of these funds is designated in accordance with applicable debt indentures, Board action or any other laws and regulations established through legislation.

Securities are recorded at fair value with realized gains and losses recognized when incurred and unrealized gains and losses deferred as a component of regulatory assets in the Statements of Net Position (see Note G).

The Audit-Finance Committee Charter provides management with guidelines to ensure risks associated with these assets are mitigated. The following are the key controls which OUC utilizes to mitigate investment risk:

- **Interest rate risk:** OUC limits maturities based on investment type and credit strength and executes transactions in accordance with the “prudent person” rule requiring the evaluation of current market conditions to ensure overall interest rate risks that might adversely affect the portfolio value are mitigated.
- **Custodial credit risk:** OUC invests in Qualified Public Depositories (QPD) of the State of Florida, local government investment pools, which are backed by securities allowed by law by the State of Florida, or money market mutual funds rated at the highest available credit rating to mitigate this risk. OUC had $247.4 million and $235.8 million of investments held in money market funds and QPD accounts that were exposed to this risk as of September 30, 2023 and 2022, respectively.
- **Credit risk:** OUC limits investments at the time of purchase to those rated, at a minimum, “A-1 / P-1 / F1” or equivalent for commercial paper and “A3 / A-” for medium-term corporate notes by nationally recognized rating agencies.
- **Foreign and digital currency risk:** OUC is not authorized to invest in foreign or digital currency and, as such, is not exposed to this risk.

Note E – Cash, Cash Equivalents and Investments (continued)

- **Concentration risk:** OUC places limits on the amounts invested in any one issuer for certain types of securities to mitigate risk. The following were the investment concentrations greater than 5.0 percent in either of the two years for a single issuer as of September 30:

Investment type (Dollars in thousands)		2023			2022	
U.S. Agencies						
Federal Home Loan Banks	$	226,027	25.3 %	$	108,273	15.2 %
Local government surplus funds investment pool						
Florida FIT	$	61,801	6.9 %	$	60,914	8.6 %
Florida State Board of Administration	$	98,499	11.0 %	$	74,105	10.4 %
U.S. Treasury Notes	$	156,563	17.5 %	$	70,493	9.9 %

The following table summarizes the investment criteria underlying the Audit-Finance Committee Charter segregated by investment type, credit guidelines and maximum portfolio weighting.

Investment type	Credit guidelines	Maximum portfolio weighting	Portfolio weighting at September 30, 2023	Portfolio weighting at September 30, 2022
Certificates of deposit	Investments held by or purchased from institutions certified with the Florida Security of Public Deposits Act, Chapter 280 of the Florida Statutes.	5%	—%	—%
Corporate notes and multi-national sovereign debt	Minimum rating of "A3" / "A-" by at least two nationally recognized rating agencies.	35%	8%	16%
Municipal notes	Minimum "A" rating by a nationally recognized rating agency.	25%	2%	3%
Bankers acceptances	Inventory based with an unsecured, uninsured and unguaranteed obligation rating of at least "P-1" and "A", and "A-1" and "A" by Moody’s and S&P, respectively. Bank must be ranked in the top 100 banks.	10%	—%	—%
Money market mutual funds	Limited to funds that meet a stable net asset value and have the highest available credit rating for this type of security.	30%	3%	7%
Commercial paper	Minimum rating of "A-1", "P-1" and "F1" by at least two nationally recognized rating agencies.	20%	5%	14%
Depository accounts	Investments held by or purchased from institutions certified with the Florida Security of Public Deposits Act, Chapter 280 of the Florida Statutes.	30%	6%	6%
Local government surplus funds investment pool [1]	Qualified under the laws of the State of Florida with no limitations or restrictions on withdrawals.	25%	18%	19%
U.S. Treasury notes	Direct obligations that are unconditionally guaranteed by the United States Government.	100%	17%	10%
U.S. Agencies	Indebtedness issued by government-sponsored enterprises (GSE), which are non-full faith and credited by the United States Government.	100%	41%	25%
Repurchase and reverse repurchase agreements	Secured transactions executed under a master repurchase agreement with collateral limited to direct governmental and agency obligations with terms of less than 10 years and held and maintained by a third-party trust at a market value of 102% of the cash value.	50% and 20%, respectively	—%	—%

[1] Financial Statements for the Florida Prime investment pool may be obtained by contacting the Chief Financial Officer, State Board of Administration of Florida, 1801 Hermitage Boulevard, Suite 101, Tallahassee, Florida 32308 and Financial Statements for the Florida Fixed Income Trust investment pool may be obtained by contacting the Administrator for Florida Fixed Income Trust, c/o Wertz York Capital Management Group, P.O. Box 9691, Tampa, FL 33674.

Note E – Cash, Cash Equivalents and Investments (continued)

The following schedule discloses the weighted average maturity in years for each of the investment classifications at September 30:

Investment type	Credit ratings Moody's Investors Service/Standard & Poor's/Fitch Ratings	2023	2022
Corporate notes and multi-national sovereign debt	AA- A- / Aaa - A1 / AA+ - A	1.95	2.28
Municipal notes	AA+ - A / Aaa - A3 / AAA - AA+	1.58	2.52
U.S. Agencies	Aaa / AA+ / AAA	1.34	2.27
U.S. Treasury notes	AA+ / Aaa / AA+	0.43	1.13
Commercial paper	A-1 / P-1 / F1+ - F1	0.06	0.04

The following schedule discloses cash, cash equivalents and investments at September 30, including the financial liquidity measure of days on hand:

(Dollars in thousands)	2023	2022
Cash and cash equivalents		
Local government investment pool	$ 160,300	$ 135,019
Money market mutual funds	36,419	59,576
Depository accounts	48,035	35,244
U.S. Agencies	21,820	—
Total cash and cash equivalents	**266,574**	**229,839**
Investments		
U.S. Treasury notes	156,563	70,493
Corporate notes and multi-national sovereign debt	70,573	114,091
U.S. Agencies	350,734	174,868
Commercial paper	32,910	96,510
Municipal notes	15,004	19,497
Total investments	**625,784**	**475,459**
Total cash, cash equivalents and investments	**$ 892,358**	**$ 705,298**
Restricted and internally designated assets		
Restricted assets		
Construction funds	$ 180,553	$ 91,186
Nuclear generation facility decommissioning funds	44,485	43,335
Total restricted assets	**225,038**	**134,521**
Internally designated assets		
Capital reserve, storm restoration, system development and renewal and replacement fund	132,991	175,663
Debt service reserve	103,255	106,908
Deposits and advances	94,763	148,021
Path to Clean Energy reserves	84,673	—
Electric base and water rate reserves	72,534	113,802
Fuel reserves	64,748	—
Path to Alternative Water Sources reserves	61,400	—
Self-insurance fund and excess benefit plan funds	22,136	22,237
Total internally designated assets	**636,500**	**566,631**
Total restricted and internally designated assets	**861,538**	**701,152**
Cash and investments	**31,501**	**4,506**
Less accrued interest receivable from restricted and internally designated assets	**(681)**	**(360)**
Total cash, cash equivalents and investments	**$ 892,358**	**$ 705,298**
Days cash on hand	**246**	**180**

Note E – Cash, Cash Equivalents and Investments (continued)

Fiduciary Activities

The Benefit Trusts maintain a portion of the cash, cash equivalents and investments in interest-bearing qualified public depository accounts with institutions insured by the Federal Deposit Insurance Corporation. Cash, cash equivalents and investments are managed by the Trustees with advisory services provided by the Trusts' investment advisor. Investing activity is modeled to achieve the actuarial target return and in alignment with the Trustee approved investment policy.

The investment policies, inclusive of the maximum weighting by asset class, provide management with guidelines to ensure risks associated with these assets are mitigated. The following are key controls which the Trustees utilize to mitigate investment risk:

- **Interest rate risk:** The investment policy limits holdings of the Trusts based on investment type and credit strength and entrusts the Trustees and the Trusts' investment advisor to execute transactions in accordance with the "prudent person" rule requiring the evaluation of current market conditions to ensure overall interest rate risks that might adversely affect the portfolio value are mitigated.

- **Custodial credit risk:** This risk is mitigated as all investment assets are maintained in the name of the Trusts and not in the possession or title of a third party.

- **Credit and concentration risk:** These risks are mitigated by providing specific guidance as to the weighting and integrity of the deposit and investment instruments other than those investments in mutual funds, collective trusts, limited partnerships or other alternative investment vehicle, U.S. Treasury obligations, U.S. Agency obligations and accounts insured by the Federal Deposit Insurance Corporation, as well as the execution of these transactions by the Trustees in accordance with the "prudent person" rule. At September 30, 2023 and 2022 there were no individually-held investments that made up more than 5.0 percent of the Trusts' portfolio.

- **Foreign and digital currency risk:** The Trusts do not hold any investments denominated in a foreign or digital currency, although it is exposed to foreign currency risk through its U.S. dollar-denominated international equity mutual funds and collective trusts, including those in private limited partnerships.

- **Liquidity risk:** This risk is mitigated by limiting the amount of real estate and alternative assets held in commingled funds, private limited partnerships or private equity structures to 15.0 percent each. All other securities within the plans must be traded on a national exchange or be in an open ended mutual fund or commingled fund structure. These funds typically have daily liquidity and always have no lock up provisions that would prevent the plans from selling them as needed.

The following table summarizes the investment policy guidelines for the Benefit Plan Trusts segregated by asset class including benchmark indices to measure performance.

<table>
<tr><th rowspan="2">Asset class</th><th rowspan="2">Benchmark</th><th colspan="2">Pension allocation %</th><th colspan="2">OPEB allocation %</th></tr>
<tr><th colspan="2">2023 - 2022</th><th colspan="2">2023 - 2022</th></tr>
<tr><td>Domestic equity securities</td><td>Russell 3000</td><td colspan="2">38-48</td><td colspan="2">38-58</td></tr>
<tr><td>Foreign equity securities</td><td>MSCI-ACWxUS</td><td colspan="2">10-20</td><td colspan="2">10-20</td></tr>
<tr><td>Bank loans</td><td>S&P / LSTA Leveraged Loan</td><td colspan="2">0-5</td><td colspan="2">0-5</td></tr>
<tr><td>Cash and cash equivalents</td><td></td><td colspan="2">0-10</td><td colspan="2">0-10</td></tr>
<tr><td>Global fixed income</td><td>Barclays Global Aggregate ex US</td><td colspan="2">0-5</td><td colspan="2">0-5</td></tr>
<tr><td>Real estate</td><td>NCREIF ODCE Eq-Wt</td><td colspan="2">5-15</td><td>5-10</td><td>0-10</td></tr>
<tr><td>Domestic fixed income</td><td>Barclays US Aggregate Bond</td><td>2-22</td><td>12-22</td><td>2-22</td><td>7-27</td></tr>
<tr><td>Alternative assets</td><td>Strategy Index</td><td>0-25</td><td>0-15</td><td>0-25</td><td>0-15</td></tr>
</table>

Note E – Cash, Cash Equivalents and Investments (continued)

Rate of return: The annual money-weighted rate of return on pension plan investments, net of plan investment expense resulted in a gain of 12.30 percent and a loss of 17.02 percent for the years ended September 30, 2023 and 2022, respectively. The annual money-weighted rate of return on OPEB plan investments, net of plan investment expense resulted in a gain of 14.90 percent and a loss of 18.13 percent for the years ended September 30, 2023 and 2022, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts invested. A 10-year historic schedule is provided in the Required Supplementary Information.

The following schedule discloses the average credit rating and the weighted average maturity in years for the domestic and global fixed income investments at September 30:

Domestic and global fixed income investments	Average credit rating [1]	2022	2021
Pension trust			
Garcia Hamilton			
U.S. government bonds and treasury bills	AA+	12.4	10.7
Corporate bonds	A	5.9	7.1
Mortgage-backed securities	AA+	9.7	5.9
PIMCO Div Inc Bond Fund	BB	8.4	8.6
Met West Total Return Bond Fund	BBB	8.3	8.2
Pacific Funds Floating Rate Income	B	3.9	4.1
OPEB trust			
Garcia Hamilton			
U.S. government bonds and treasury bills	AA+	12.0	10.7
Corporate bonds	A	5.9	7.1
Mortgage-backed securities	AA+	3.6	6.0
PIMCO Div Inc Bond Fund	BB	8.4	8.6
Met West Total Return Bond Fund	BBB	8.3	8.2
Pacific Funds Floating Rate Income	B	3.9	4.1

[1] Average credit rating of underlying assets as assigned by Standard & Poor's.

Note F – Fair Value Measurements

Fair value measurements for OUC and its separately presented long-term employee benefits plan assets are based upon the observability of the valuation inputs for the fair value of the asset being measured. Level 1 inputs are based on quoted prices in active markets for identical assets; Level 2 inputs are based on significant other observable inputs; and Level 3 inputs are based on significant unobservable inputs for which OUC has no assets.

OUC Utility Operations

Investments are recorded at fair value with the following additional considerations used to categorize investments:

- **Depository accounts** include money market and other liquid funds which are classified as Level 1 since quoted prices in active markets are available. According to GASB Statement No. 72, “Fair Value Measurement and Application,” (Statement No. 72), money market investments and participating interest-earning investment contracts that have a remaining maturity at the time of purchase of one year or less and are held by governments other than external investment pools are measured at amortized cost.
- **Local government surplus funds investment pools** are classified as Level 2 as they are financial instruments held in co-mingled funds and are measured at the amortized cost per share determined by the pool.
- **Debt securities** are classified as Level 1 and Level 2 dependent on the valuation source with Level 1 valued based on quoted active markets for those securities and Level 2 valued using a matrix pricing technique based on the securities’ relationship to benchmark quoted prices.

The fair value of OUC’s interest rate swap agreements are based on a discounted cash flow model with Level 2 inputs including the value of the relevant market index upon which the swaps are based. The fair value of OUC’s debt and interest rate swaps are presented in Note H and Note M.

Fuel derivatives are classified as Level 1 based on observable quoted commodity prices in active markets. The fair value of OUC’s fuel hedges are presented in Note M.

Donated capital assets are measured at acquisition value and excluded from the following fair value table. Acquisition value is the price that would be paid to acquire an asset with equivalent service potential in an orderly market transaction at the acquisition date or the amount at which a liability could be liquidated with the counterparty at the acquisition date. The donated capital assets acquisition value for water infrastructure received from developers and customers were included as contributions in aid of construction in the Statements of Revenues, Expenses and Changes in Net Position and were $2.7 million and $9.1 million for the years ended September 30, 2023 and 2022, respectively.

Note F – Fair Value Measurements (continued)

OUC had the following fair value measurements by fair value level at September 30:

(Dollars in thousands)	2023	2022
Cash equivalents and investments		
Investments by fair value level:		
Debt securities		
Level 1		
U.S. Treasury notes	$ 36,061	$ 50,518
Level 2		
U.S. agencies	196,159	125,074
Corporate notes and multi-national sovereign debt	70,573	114,091
Municipal notes	15,004	19,497
Total Level 2	**281,736**	**258,662**
Total investments by fair value level	**317,797**	**309,180**
Investments measured at the amortized cost:		
Debt securities		
U.S. Agencies	154,574	49,794
U.S. Treasury notes	120,502	19,975
Commercial paper	32,910	96,510
Total investments measured at the amortized cost	**307,986**	**166,279**
Cash equivalents measured at the amortized cost:		
Local government investment pool	160,300	135,019
Money market mutual funds	36,390	59,576
Depository accounts	48,064	35,244
Debt securities		
U.S. Agencies	11,880	—
Commercial paper	9,940	—
Total cash equivalents measured at the amortized cost	**266,574**	**229,839**
Total cash equivalents and investments	**$ 892,357**	**$ 705,298**
Derivatives:		
Level 1		
Fuel hedges	$ 21,807	$ 66,419
Level 2		
Interest rate swaps	14,563	10,717
Total derivatives	**$ 36,370**	**$ 77,136**

Note F – Fair Value Measurements (continued)

Fiduciary Activities

The OUC long-term employee benefit plan investments are recorded at fair value with the following additional considerations used to categorize investments:

- **Real estate investments** were stated at the net asset value, with annual valuations performed by independent third-party appraisers for each property in the portfolio, considering monthly events that impact property value.
- **Alternative investments** were stated at the net asset value or quoted market price based on the composition of the fund as calculated by the fund advisor. The unfunded commitments related to alternative investments as of September 30, 2023 and 2022 were $23.5 million and $15.8 million, respectively.

The plans had the following fair value measurements at September 30:

(Dollars in thousands)	**2023**	**2022**
Cash equivalents and investments by fair value level:		
Level 1		
Debt securities		
U.S. Treasury notes	$ 9,845	$ 22,137
Mutual funds		
Fixed income	52,086	50,806
U.S. equity	153,756	124,147
International equity	94,985	78,027
Balanced	5,063	4,671
U.S. equity	106,692	114,132
Total Level 1	**422,427**	**393,920**
Level 2		
U.S. Agencies	12,542	3,800
Corporate notes and private placements	3,820	8,006
U.S. equity	19,901	14,283
Total Level 2	**36,263**	**26,089**
Total investments by fair value level	**458,690**	**420,009**
Other investments and cash equivalents measured at the net asset value:		
Alternative investments	86,185	77,374
Mutual funds - real estate	48,880	59,785
Money market	18,268	10,646
Total other investments and cash equivalents measured at the net asset value	**153,333**	**147,805**
Total cash equivalents and investments	**$ 612,023**	**$ 567,814**

Note G – Regulatory Deferrals

Based on Board action, OUC has recorded the following regulatory assets and credits that will be included in the rate-making process and recognized as expenses and revenues, respectively, in future periods.

Regulatory Assets

Deferred operating expenses: The following deferrals resulted from Board actions in response to non-budgeted operating costs or changes in accounting guidance which were and will continue to be included in the rate-making process in future periods.

- **Long-term employee benefit expenses:** The recognition of these regulatory assets have evolved over the past several years as investment valuations have risen, plan changes have been incorporated and OUC has continued to meet or exceed its annual actuarial funding requirements. These changes have allowed for the recognition period associated with long-term employee benefits to be extended from 2024 to 2032. Beyond the extension of the recognition period, in 2019 Board action was taken to defer OPEB actuarially determined credits to offset the regulatory asset with no impact to current operating expenses. In 2022, a similar action was taken to defer pension actuarially determined credits with a modification to allow for the continued recognition of pension expenses at an amount equivalent to the annual member service costs. Combined regulatory amounts for long-term employee benefits were $14.8 million and $18.6 million, at September 30, 2023 and 2022, respectively.

- **Emergency response expenses:** Emergency response expenses were incurred in conjunction with unplanned major events including weather and other historic emergency response events such as the COVID-19 pandemic. Regulatory action is taken to as these expenses are expected to be reimbursed by Federal Emergency Management Agency (FEMA) funding. Once funding is approved by federal and state agencies, the regulatory action is reclassed to an accounts receivable. At September 30, 2023 and 2022, regulatory amounts for emergency response expenses were $12.3 million and $17.3 million, respectively.

    - **Weather related emergency response expenses:** Expenses in the amount of $2.0 million were incurred in 2023 for storm preparation and restoration efforts for Hurricanes Nicole and Idalia and $18.6 million in 2022 for Hurricane Ian. Regulatory amounts for weather related emergency response, including adjustments for Hurricane Ian, were $9.2 million and $14.2 million at September 30, 2023 and 2022, respectively.

    - **COVID-19 emergency response expenses:** Expenses in the amount of $7.9 million were incurred in response to the COVID-19 pandemic for the purchase of cleaning supplies, social distancing measures, medical screening measures, personal protective equipment and technology for work-at-home and office re-entry support. In anticipation of cost reimbursements through the FEMA process, the Board approved the deferral of $5.8 million. Regulatory amounts for COVID-19 emergency response were $3.1 million at September 30, 2023 and 2022.

- **ARO expenses:** ARO expenses for the SL2 nuclear generation facility are based on the difference between the decommissioning accretion expense and the earnings on the associated restricted decommissioning funds as these amounts are anticipated to be offset over the long-term. To date, ARO expenses exceed the investment earnings, resulting in a regulatory asset at September 30, 2023 and 2022 of $2.0 million and $1.5 million, respectively.

  As a result of updated environmental guidance and refined third-party estimates for closure and post-closure costs for the SEC landfill, Board action was taken to recognize these updated amounts systematically over a ten year period beginning in fiscal year 2023. The regulatory amounts for these closure and post-closure costs were $30.7 million and $0.0 million at September 30, 2023 and 2022, respectively.

Deferred non-operating expenses: The following deferrals resulted from Board approved actions in response to unplanned non-operating expenses which were and will continue to be included in the rate-making process in future periods.

- **Deferred bond issue costs:** In conjunction with the implementation of accounting guidance for bond issue costs, a regulatory asset was established for a ten-year period to allow for the recovery of previously deferred bond issue costs. Debt issue costs incurred after 2015 are expensed as incurred. Unrecognized issue cost at September 30, 2023 and 2022 was $0.0 million and $0.8 million, respectively.

Note G – Regulatory Deferrals (continued)

- **Decommissioning costs:** In April 2021, the City of Lakeland retired its MC3 facility from operations and decommissioning activities commenced resulting in an accelerated retirement of OUC's 40.0 percent ownership. In July 2021, the Board approved the deferral of the net book value of MC3 allowing for these amounts to be systematically recognized through 2024, the originally planned depreciable useful life. As of September 30, 2023 and 2022, the balance of the regulatory asset was $4.5 million and $18.1 million, respectively, excluding the estimated facility decommission costs which are projected to be offset by the scrap value of the decommissioned assets.
- **Unrealized investment valuations:** Mark-to-market valuation changes for investments with a maturity of one year or greater are deferred. At September, 2023 and 2022, these unrealized investment valuations resulted in a deferred loss of $19.4 million and $25.9 million, respectively.

Regulatory Credits

Deferred operating credits: The following deferrals resulted from Board approved actions in response to non-budgeted transactions which were and will continue to be included in the rate-making process in future periods.

- **Fuel reserves:** Fuel reserves were established in accordance with guidelines from the Public Utilities Regulatory Policies Act of 1978 and represent the difference between the fuel costs charged to customers, inclusive of accrued electric utility revenues, and fuel costs incurred. The amount of fuel reserves at September 30, 2023 was $78.6 million. The balance in the fuel reserves at September 30, 2022 was a regulatory asset of $53.3 million to reflect customer-advanced funds.
- **Path to Clean Energy reserves:** In 2023, Board action was taken to reclassify a portion of base rate and capital reserves to align with the Capital Plan requirements of the Path to Clean Energy strategic initiative. Additionally effective October 1, 2023, Board approved electric retail prices changes of up to a 1.0 percent of retail electric revenues in alignment with the adopted 2020 Electric Integrated Resource Plan to meet the CO^2 reduction goal of 50 percent fewer emissions by 2030. These amounts will be deferred to offset future revenue requirements associated with with the Path to Clean Energy strategic roadmap. The amount of Path to Clean Energy reserves at September 30, 2023 and 2022 were $84.7 million and $0.0 million, respectively.
- **Base rate reserves:** Rate reserves are designed to maintain stable electric and water customer pricing with target ranges reviewed and approved annually by the Audit-Finance Committee. In 2023, electric base rate reserves increased $5.7 million as a result of higher than projected wholesale electric and the recognition of adjusted storm recovery costs from Hurricane Ian. In 2022, electric base rate reserves increased $25.0 million as a result of stronger than anticipated retail and wholesale non-fuel energy revenues from rebounded post-pandemic sales. Base rate reserves at September 30, 2023 and 2022 were $72.5 million and $113.8 million, respectively.
- **Capital reserves:** In accordance with the Board's Capital Asset Disposal policy, the sale of capital assets in excess of $0.5 million resulting in a gain are required to be deferred and recognized systematically over a period consistent with the lives of the assets with which they are associated. Capital reserves from the sale of assets, adjusted to reflect earmarked reserves for the Path to Clean Energy were $3.5 million and $41.2 million at September 30, 2023 and 2022, respectively.

In conjunction with the recording of these regulatory operating credits, the Board internally designated funds in the amount of $218.5 million and $110.3 million at September 30, 2023 and 2022, respectively.

The following is a summary of OUC's regulatory deferrals at September 30:

(Dollars in thousands)	2023	2022
Regulatory assets		
Deferred operating expenses	$ 79,356	$ 116,681
Deferred non-operating expenses	4,480	18,902
Total regulatory assets	**$ 83,836**	**$ 135,583**
Regulatory credits		
Deferred operating credits	$ (239,252)	$ (155,042)
Total regulatory credits	**$ (239,252)**	**$ (155,042)**

Note H – Long-Term Debt

The following schedule summarizes the long-term debt activity for the years ended September 30:

Bond series (Dollars in thousands)	Final principal payment	Interest rates (%)	2022	Additions during year	Decreases during year	2023	Current portion
2010A	2040	5.66%	$ 200,000	$ —	$ —	$ 200,000	$ —
2010C	2022	4.00 - 5.25%	10,275	—	10,275	—	—
2011C [5]	2027	4.00 - 5.00%	26,050	—	26,050	—	—
2012A	2027	4.00 - 5.00%	46,885	—	410	46,475	15,135
2013A	2025	5.00%	167,105	—	35,610	131,495	27,750
2015A	2035	5.00%	94,905	—	—	94,905	—
2016A	2033	4.00 - 5.00%	47,670	—	1,455	46,215	9,605
2018A	2038	5.00%	150,220	—	—	150,220	6,350
2019A	2040	5.00%	54,735	—	—	54,735	10,140
2020A	2027	5.00%	95,115	—	—	95,115	—
2021A	2046	2.125 - 5.00%	143,250	—	—	143,250	—
2021B	2046	1.25 - 2.50%	150,860	—	—	150,860	—
2021C [5]	2027	5.00%	19,685	—	6,115	13,570	5,895
2023A	2048	5.00%	—	245,130	—	245,130	—
Total fixed rate debt			**1,206,755**	**245,130**	**79,915**	**1,371,970**	**74,875**
2008	2033	Variable rate [1,3]	200,000	—	—	200,000	—
2015B	2039	Variable rate [1,4]	115,090	—	—	115,090	—
Total variable rate debt			**315,090**	**—**	**—**	**315,090**	**—**
Total debt			**1,521,845**	**245,130**	**79,915**	**1,687,060**	**74,875**
Less current portion			(79,915)	—	5,040	(74,875)	
Total long-term debt			**$ 1,441,930**	**$ 245,130**	**$ 74,875**	**$ 1,612,185**	

Bond series (Dollars in thousands)	Final principal payment	Interest rates (%)	2021	Additions during year	Decreases during year	2022	Current portion
2010A	2040	5.66%	$ 200,000	$ —	$ —	$ 200,000	$ —
2010C	2022	4.00 - 5.25%	20,040	—	9,765	10,275	10,275
2011B [5]	2023	5.000%	8,015	—	8,015	—	—
2011C [5]	2027	4.00 - 5.00%	50,975	—	24,925	26,050	26,050
2012A	2027	4.00 - 5.00%	47,280	—	395	46,885	410
2013A	2025	5.00%	191,665	—	24,560	167,105	35,610
2015A	2035	5.00%	94,905	—	—	94,905	—
2016A	2033	4.00 - 5.00%	62,060	—	14,390	47,670	1,455
2018A	2038	5.00%	150,220	—	—	150,220	—
2019A	2040	5.00%	54,735	—	—	54,735	—
2020A	2027	5.00%	95,115	—	—	95,115	—
2021A	2046	2.125 - 5.00%	143,250	—	—	143,250	—
2021B	2046	1.25 - 2.50%	150,860	—	—	150,860	—
2021C [5]	2027	5.00%	19,685	—	—	19,685	6,115
Total fixed rate debt			**1,288,805**	**—**	**82,050**	**1,206,755**	**79,915**
2008	2033	Variable rate [2,3]	200,000	—	—	200,000	—
2015B	2039	Variable rate [2,4]	115,090	—	—	115,090	—
Total variable rate debt			**315,090**	**—**	**—**	**315,090**	**—**
Total debt			**1,603,895**	**—**	**82,050**	**1,521,845**	**79,915**
Less current portion			(82,050)	—	(2,135)	(79,915)	
Total long-term debt			**$ 1,521,845**	**$ —**	**$ 79,915**	**$ 1,441,930**	

[1] Variable rates ranged from 1.64% to 4.75% for the year ended September 30, 2023.
[2] Variable rates ranged from 0.03% to 2.62% for the year ended September 30, 2022.
[3] The Series 2008 Variable Rate Demand Obligation Bonds of $200.0 million are supported by a Standby Bond Purchase Agreement (SBPA), which will expire on expire on January 4, 2027.
[4] The Series 2015B Variable Rate Demand Obligation Bonds of $115.1 million are supported by a SBPA, which will expire on August 3, 2025.
[5] The Series 2011B and 2011C Bonds were partially refunded by the Series 2021C Bonds in 2021.

Note H – Long-Term Debt (continued)

Debt service requirements: Aggregate annual debt service requirements at September 30 are presented below. The schedule includes net receipts and payments on outstanding effective interest rate swap agreements and interest subsidies anticipated on refundable tax credits. The Series 2008 and Series 2015B Bonds were reported according to the scheduled maturity dates as management anticipates these bonds will remain outstanding.

Variable interest rates are included based upon budgeted projections and are assumed to remain static until maturity. As these rates vary, actual interest payments on variable rate bonds and effective hedging derivative instruments will vary in relation to these changes.

(Dollars in thousands)	Principal	Interest	Federal interest subsidy	Total
2024	$ 75,580	$ 69,847	$ (3,737)	$ 141,690
2025	75,805	62,698	(3,737)	134,766
2026	82,260	58,907	(3,737)	137,430
2027	82,965	55,501	(3,737)	134,729
2028	64,090	51,760	(3,737)	112,113
2029-2033	358,585	225,372	(18,687)	565,270
2034-2038	378,125	143,964	(14,222)	507,867
2039-2043	301,490	64,869	(2,327)	364,032
2044-2048	193,285	18,309	—	211,594
Long-term debt	**1,612,185**	**751,227**	**(53,921)**	**2,309,491**
Current portion	**74,875**	**58,183**	**(3,737)**	**129,321**
Total debt	**$ 1,687,060**	**$ 809,410**	**$ (57,658)**	**$ 2,438,812**

General bond resolution: All bonds outstanding were subject to the provision of this resolution for which some of the key provisions are as follows:

- **Rate covenant:** The net revenue requirement for annual debt service has been set at 100.0 percent of available funds plus net revenues at 125.0 percent of annual debt service.
- **Conditions precedent:** This test is limited to OUC’s certification that it meets the rate covenant.
- **Flow of funds:** There are no funding requirements; however, consistent with prior resolutions, OUC can determine whether to fund a debt service reserve account on an issue-by-issue basis or internally designate funds.
- **System definition:** OUC's system definition has been modified to utility system. This definition is a more expansive definition to accommodate organizational changes and the expansion into new services.
- **Sale of assets:** System assets may be sold if the sale will not interfere with OUC's ability to meet rate covenants. The net benefit of capital asset dispositions in excess of $0.5 million will be reinvested into the utility system or used to retire outstanding debt. As such, there are no assets pledged as collateral.
- **Finance-related consequences and acceleration:** There are no events of default or other termination events with finance-related consequences or subjective acceleration clauses.

Refunded bonds: Consistent with accounting guidance, all refunded and defeased bonds are treated as extinguished debt for financial reporting purposes and have been removed from the Statements of Net Position. The proceeds secured from refunding transactions are invested in United States Treasury obligations in irrevocable escrow deposit trust funds. Each escrow deposit trust is structured to mature at such time as to provide sufficient funds for the payment of maturing principal and interest on the refunded bonds. Interest earned or accrued on these escrow funds has been pledged and will be used for the payment of the principal and interest on each respective bond series.

Note H – Long-Term Debt (continued)

Interest rate swaps: OUC limits its execution of interest rate swap agreements to major financial institutions with a minimum credit rating of "A3" or "A-" by any two nationally recognized credit rating agencies. The ratings of all current swap counterparties met the minimum rating requirements as of the execution dates. All counterparty ratings continue to meet this credit criteria and OUC does not anticipate nonperformance by a counterparty nor have any instances of this nature occurred. In the event of the termination of a swap agreement, OUC may be required to make or be subject to receiving a termination payment, as shown in the swap schedule below.

The following schedule summarizes OUC's fair value position, based on quoted market rates, for its outstanding swap agreement at September 30, 2023 and 2022. Costs associated with these agreements are deferred and amortized over the life of the underlying bond agreement. The notional amounts below are the basis for which interest is calculated; however, the notional amounts are not exchanged.

Bond series	Notional amount (000)'s	OUC pays	Rate paid	Rate received	Initiation date	Termination date	2023 Fair value asset	2022 Fair value asset	Counterparty
2015B	$ 115,090	Fixed	1.78%	67% of LIBOR	10/23/2015	10/1/2039	$ 14,563	$ 10,717	Goldman Sachs

Goldman Sachs counterparty credit rating - A1 / A+ / A+

In 2021 and in accordance with the updated interest rate swap agreements, collateral deposits are no longer required unless OUC's credit ratings deteriorate below its current level.

Unused lines of credits: There were no unused lines of credit at September 30, 2023 and 2022.

Note I – Insurance Programs

Background

OUC was exposed to various risks of loss related to torts, theft and destruction of assets, errors and omissions and natural disasters. In addition, OUC was exposed to risks of loss due to injuries and illness of its employees. These risks were managed through OUC’s self-insurance and third-party claims administration programs and recovery of eligible costs through FEMA public assistance grants.

Third party coverage is available for liabilities, in excess of the self-insurance retention (SIR), for employee-related claims, including health and wellness benefits and workers' compensation, as well as for general and vehicle claims, which include but are not limited to slip, trip and falls, customer property damage from power surges and motor vehicle accidents. OUC also retains third-party administrator services for its health and wellness program and workers' compensation coverages. OUC’s transmission and distribution systems are not covered by property insurance since such coverage is generally not available.

Under the self-insurance program, OUC was liable for all claims up to certain maximum amounts per occurrence. At September 30, 2023 and 2022, the following coverages were available:

Type of coverage	OUC limits	Third party limits
Health and wellness benefits	$0.3 million per insured/year	125.0% of expected annual claims up to $2.0 million
Workers' compensation	$0.5 million per occurrence	$0.5 million to statutory limit
General and vehicle liability	$2.0 million per occurrence	$2.0 million to $50.0 million and up to $10.0 million for directors and officers, fiduciary responsibilities, and criminal activities

Liabilities

Liabilities associated with the health and wellness programs included amounts for claims that were incurred, but not reported, based on actuarial information received in conjunction with OUC's annual State of Florida self-insurance filing. For workers’ compensation claims, liabilities were determined based on past experience and the age and type of claim. Liabilities associated with general and vehicle liability coverage were determined based on historic information in addition to estimated costs for current pending claims.

Liabilities associated with OUC's self-insurance program at September 30 were as follows:

(Dollars in thousands)	2022	Payments, net	Incurred claims	2023
Health and wellness benefits	$ 2,100	$ (24,431)	$ 24,981	$ 2,650
Workers' compensation	1,134	(491)	497	1,140
General and vehicle liability	377	(387)	556	546
Total	**$ 3,611**	**$ (25,309)**	**$ 26,034**	**$ 4,336**

(Dollars in thousands)	2021	Payments, net	Incurred claims	2022
Health and wellness benefits	$ 2,440	$ (20,479)	$ 20,139	$ 2,100
Workers' compensation	743	(444)	835	1,134
General and vehicle liability	369	(214)	222	377
Total	**$ 3,552**	**$ (21,137)**	**$ 21,196**	**$ 3,611**

The total of these liabilities is included in the Statements of Net Position under the heading of accounts payable and accrued expenses.

Claims

It is the opinion of OUC’s general counsel that OUC, as a statutory commission, may enjoy sovereign immunity against tort claims under Section 768.28, Florida Statutes, in the same manner as a municipality, as allowed by Florida Court of Appeals rulings. Under current case law, these rulings, and the Florida Statutes, OUC's limit of liability for tort claims for general liability or vehicle liability is $0.2 million per claim or a total of $0.3 million for the same incident or occurrence; greater liability can result only through an act of the Florida Legislature. Furthermore, under applicable case law, sovereign immunity shall not be deemed to have been waived or the limits of liability increased as a result of obtaining or providing insurance in excess of statutory limitations.

Under certain of its business transactions, OUC is obliged to waive sovereign immunity to the enforcement of contractual provisions by the counterparty as well as to its contractual indemnification obligations to the counterparty. OUC's contractual liability is insured under its general liability policies, in excess of its $2.0 million self-insured retention and capped in the aggregate over the life of each agreement.

Note I – Insurance Programs and Claims (continued)

To support the operations and maintenance of OUC's self-insurance programs, an internally designated fund was established from operating revenues. A review is performed annually and in 2022, the fund was increased $5.3 million to cover increases in the health and wellness programs and contract performance requirements. No changes were made in 2023. As a result, the self-insurance reserve balance was $21.8 million at September 30, 2023 and 2022. Refer to Note E for details related to cash reserves.

Nuclear liability and property insurance: Liability for accidents at the SL2 nuclear power plant, for which OUC has a minority interest, is governed by the Price-Anderson Act which limits the public liability of nuclear reactor owners to the amount of insurance available from private sources and an industry retrospective payment plan. Florida Power & Light (FPL), the owner-operator, maintains private liability insurance for all participants owning an undivided interest in the nuclear generation facility of $450.0 million per site and participates in a secondary financial protection system. In addition, FPL participates in nuclear mutual companies that provide limited insurance coverage for property damage, decontamination and premature decommissioning risks. Irrespective of the insurance coverage, should a catastrophic loss occur, the amount of insurance available may not be adequate to cover property damage and other expenses incurred. The majority owner of a nuclear power plant is subject to retrospective assessments of up to $963.0 million per unit, per incident at any nuclear utility reactor in the United States, payable at a rate not to exceed $143.0 million per incident, per year. In the case of SL2, FPL is contractually entitled to recover a proportionate share of any such assessment from the owners of minority interests in SL2 which, at the maximum level, approximates $20.0 million plus applicable taxes per incident. Any such assessment to minority owners would be borne by each minority owner at their proportionate ownership share. See Note D for OUC's ownership interest in SL2.

In respect to property insurance coverage, FPL, on behalf of all the co-owners, carries in excess of $2,750.0 million of coverage, however, substantially all insurance proceeds must first be used to satisfy decontamination and clean-up costs before they can be used for repair or restoration of generation facility assets.

Note J – Commitments, Contingent Liabilities and Regulation

Fuel for Generation and Power Purchase Commitments

Fuel supply and transportation: OUC periodically enters into natural gas and fossil fuel supply and transportation contracts which align with its owner-operator responsibilities as well as its fuel agent requirements at SEC Unit A, taking into considerations planned generation facility retirements. The amounts below represent the full commitment of which a proportionate amount is attributable to the participant owners.

Included as a component of the fuel supply contracts are long-term natural gas discounted supply agreements which were executed in the amounts of 22,800 million and 16,800 million British thermal units (MMBtu) per day, for terms not exceeding 30 years, for years ended September 30, 2023 and 2022, respectively. Contract terms for these agreements price the physical supply of gas, at the time of purchase, based on market indices adjusted for the contractually agreed upon discounted price. As the market price fluctuates, the actual market rate and discount will vary in relation to these changes.

Power purchase agreements (PPA): Beyond OUC's ownership interest in SEC Unit A, OUC also retains a capacity power purchase commitment at this generation facility which in November 2023 was expanded to include an additional 87 megawatts for a 5-year period beginning in January 2024. OUC also retains power purchase agreements at nine solar and three landfill gas renewable energy sites with a total contract capacity of 144.7 megawatts. Two additional solar renewable energy capacity commitments have been secured and are included below with commercial operations planned for 2024 and increasing total renewable energy capacity to 294.7 megawatts.

(Dollars in thousands)	Fuel [1]	Transportation	Power purchase commitments [2]	Total
2024	$ 79,872	$ 29,573	$ 37,611	$ 147,056
2025	76,751	28,000	48,945	153,696
2026	59,990	25,665	50,155	135,810
2027	54,314	24,622	49,239	128,175
2028	37,072	24,986	49,239	111,297
2029-2033	176,002	36,601	194,247	406,850
2034 - thereafter	800,668	16,434	215,747	1,032,849
Total	**$ 1,284,669**	**$ 185,881**	**$ 645,183**	**$ 2,115,733**

[1] Variable pricing is included based upon the market price at September 30, 2023 and is assumed to remain static through contract expiration.
[2] Renewable energy purchase commitments are based on variables including capacity and projected power production.

Note J – Commitments, Contingent Liabilities and Regulation (continued)

Leases

OUC has entered into lease agreements whereby OUC obtains the right to the present service capacity of certain assets without the transfer of ownership for periods greater than one year. These lease obligations are recorded as a liability at present value using OUC's incremental borrowing rate unless otherwise noted in the lease terms and are as follows:

- **Land leases:** Land leases have been secured to support the delivery of chilled water services at four sites. These leases are aligned with chilled water customer service agreements, are payable either monthly or annually and have lease terms ranging from 25 to 35 years. None of the leases contain provisions for residual guarantees. Additionally, there are no other payments such as residual value guarantees or termination penalties, not previously included in the measurement of the lease liability reflected as outflows of resources.
- **Vehicle leases:** OUC leases a fleet of traditionally-fueled and electric vehicles ranging from passenger cars to heavy duty trucks with lease terms up to 96 months. The monthly lease payments are based on straight-line depreciation of the vehicle cost over its term. At the end of the term, OUC may elect to extend the lease at the current monthly rental payment, purchase the vehicle at fair market value or return the vehicle. At the end of certain vehicle leases, differences between the residual value of the vehicle, as determined under the lease agreement and the proceeds received from the sale of the vehicle by the leasing company are either returned to OUC if the proceeds are greater than the residual value or charged to OUC if less than the residual value. There are no other payments such as termination penalties, not previously included in the measurement of the lease liability reflected as outflows of resources.
- **Subscription Based Information Technology Arrangements (SBITA):** OUC has entered into SBITA to support operations with terms that vary by arrangement. None of the arrangements contain variable payments or other payments such as termination penalties not previously included in the measurement of the subscription liability.
- **Other leases:** OUC leases other equipment such as printers, office space, gas storage and monitor equipment to support operations with terms that vary by lease. None of the leases contain provisions for variable payments or residual guarantees. Additionally, there are no other payments such as residual value guarantees or termination penalties not previously included in the measurement of the lease liability reflected as outflows of resources.

Lease requirements at September 30:

(Dollars in thousands)	Principal	Interest	Total
2024	$ 2,910	$ 268	$ 3,178
2025	2,171	226	2,397
2026	1,672	192	1,864
2027	1,221	166	1,387
2028	734	149	883
2029-2033	3,710	508	4,218
2034-2038	2,568	141	2,709
2039-2041	254	3	257
Total	**$ 15,240**	**$ 1,653**	**$ 16,893**

Regulation

The electric utility industry continues to be affected by a number of legislative and regulatory factors. The following summarizes the key regulations impacting OUC.

Environmental Protection Agency (EPA)

- **Greenhouse Gas (GHG) Regulation:** In 2015 the EPA began issuing guidance regulating GHG emissions. The form and substance of this guidance has evolved over the past several years and on August 21, 2018, the EPA proposed a new rule, entitled the Affordable Clean Energy (ACE) Rule, to replace the Clean Power Plan (CPP). On June 19, 2019 the final ACE Rule was issued and the former GHG proposed guidance, the CPP, was repealed. On January 19, 2021, the D.C. Circuit vacated the ACE Rule but left the CPP repeal in place. On May 11, 2023, EPA proposed new standards for carbon dioxide emissions from new and existing power plants. A final rule is expected to be issued in the first half of 2024.

Note J – Commitments, Contingent Liabilities and Regulation (continued)

- **Mercury and Air Toxics Standards (MATS) Rule:** The EPA proposed the MATS Rule to enhance regulation for mercury and other hazardous air pollutant emissions from electric generating units in April 2015. In April 2016, the EPA finalized its supplemental finding in order to fulfill the directives of the Supreme Court of the United States. Although litigation of the MATS Rule continues, all affected OUC generating units have operated under the requirements of the MATS Rule.
- **EPA Coal Combustion Residual (CCR) Regulations:** On April 17, 2015, the EPA issued new rules regulating the disposal and beneficial use of CCRs. In late 2016, Congress passed the Water Infrastructure Improvements for the Nation Act (WIIN Act) which fundamentally changed the manner in which the CCR rules are to be implemented. Under the WIIN Act, the EPA is authorized to review and approve state CCR permit programs that are at least as protective as the federal CCR rules. Provisions of the CCR regulations were remanded back to the EPA in August 2018 and the EPA issued proposed amendments to the CCR rule in July 2019. The CCR: Closure Part A and Part B rules were finalized in 2020. In January 2022 EPA proposed determinations associated with the CCR Rule that reflected its positions on various CCR Rule compliance requirements including closure standards, groundwater monitoring and corrective action. In May 2023, EPA proposed changes to the existing CCR regulations. As part of this action, EPA proposes to establish groundwater monitoring, corrective action, closure and post closure care requirements for all CCR management units, regardless of how or when the CCR was placed) at regulated CCR facilities. Under the current CCR regulations, the original Stanton landfill is exempt from the CCR rule. If these proposed rule changes are finalized, the original Stanton landfill would be considered a CCR management unit and would be subject the applicable CCR regulatory requirements.
- **Interstate Transport Rule:** Based on current modeling, Florida is not significantly contributing to any other state's ozone compliance and as such is meeting its transport-related obligations. Therefore, OUC's electric generating units are not currently impacted by this ruling, although subsequent modeling could impact this status and require subsequent compliance measures.

Federal Regulation Enforcement

The Federal Energy Regulatory Commission (FERC) has primary jurisdiction over investor-owned utilities including rulemaking authority for non-discriminatory open transmission system access requirements and wholesale PPAs. To ensure OUC operates in a manner that is aligned with FERC's non-discriminatory open transmission system access requirements, OUC has adopted a "safe harbor" Open Access Transmission Tariff (OATT). OUC's contractual PPAs are not subject to FERC oversight.

FERC also has the authority to impose standards which enforce an acceptable level of reliability to the Bulk Electric System. OUC is subject to these standards including Critical Infrastructure Protection standards through FERC's delegated authority to the SERC Reliability Corporation (SERC). Compliance related audits, performed under FERC oversight, are performed on a periodic basis with the most recent audit performed in 2021.

Florida State Regulation

Legislation under Sections 366.80 through 366.85, and 403.519, Florida Statutes (FS), are known collectively as the Florida Energy Efficiency and Conservation Act (FEECA). This Act provides the FPSC with the authority to establish goals every five years to encourage electric utilities to increase the efficiency of energy consumption, limit the growth of energy consumption and minimize weather-sensitive peak demands. OUC submitted its five-year Conservation Plan in February 2020 and final approval was submitted through a Consummating Order on June 5, 2020. The FPSC's review of OUC's conservation goals and the supporting demand-side management plan covers the period between 2020 and 2024.

Note K – Major Agreements

All Requirements and Wholesale Power Supply Agreements

City of St. Cloud: In April 1997, OUC entered into an inter-local agreement with the City of St. Cloud (STC) to be the all requirements electric provider, including maintaining and operating STC's electric transmission, distribution and generation facility rights and ownership interests. The term of the agreement commenced May 1, 1997 and, as amended in February 2021, continues through September 30, 2042. In return, OUC's commitment is to pay STC 9.5 percent of gross retail electric sales from STC customers billed during the second preceding fiscal year. OUC will increase its commitment to pay 9.75 percent and 10.0 percent of gross retail electric billings in 2026 and 2032, respectively.

Billed fuel and non-fuel revenues for the years ended September 30, 2023 and 2022, subject to the inter-local agreements are included under the heading of resale electric revenues and were $133.1 million and $105.1 million, respectively. Revenue-based payments recorded under the heading of payments to other governments and taxes for the years ended September 30, 2023 and 2022 were $8.9 million and $8.5 million, respectively.

City of Lake Worth: In February 2013, OUC and the City of Lake Worth (Lake Worth) initiated an agreement whereby OUC would act as the administrator to provide wholesale electric and asset management services. The term of the agreement began January 1, 2014 with the most recent extension exercised beginning January 1, 2019 for a six year period with an option to extend an additional year. Billed revenues, included under the heading of resale electric revenues, were $10.4 million and $18.8 million for the years ended September 30, 2023 and 2022, respectively.

City of Winter Park: In August 2013, OUC and the City of Winter Park (Winter Park) initiated an agreement whereby OUC supplements Winter Park's electric capacity and energy requirements. The term of the agreement began January 1, 2014 with the most recent extension exercised beginning January 1, 2020 for a new seven-year term. Billed revenues, included under the heading of resale electric revenues, were $2.9 million and $4.9 million for the years ended September 30, 2023 and 2022, respectively. In addition, OUC and Winter Park have executed an inter-local agreement whereby OUC and Winter Park may pursue additional joint projects for energy efficiency and utility services.

City of Mount Dora: In April 2020, OUC and the City of Mount Dora (Mount Dora) initiated an agreement whereby OUC provides and delivers wholesale electric service and Mount Dora purchases electric energy and capacity requirements necessary for Mount Dora to serve its load obligation. The term of this agreement began January 1, 2021 with a duration of seven years and the option of a three-year extension. Billed revenues, included under the heading of resale electric revenues, were $3.7 million and $6.3 million for the years ended September 30, 2023 and 2022, respectively.

City of Chattahoochee: In April 2020, OUC and the City of Chattahoochee (Chattahoochee) initiated an agreement whereby OUC provides and delivers wholesale electric service and Chattahoochee purchases electric energy and capacity requirements necessary for Chattahoochee to serve its load obligation. The term of this agreement began January 1, 2021 with a duration of seven years and the option of a three-year extension. Billed revenues, included under the heading of resale electric revenues, were $1.1 million and $2.3 million for the years ended September 30, 2023 and 2022, respectively.

City of Lakeland: In January 2021, OUC and the City of Lakeland (Lakeland) initiated an agreement whereby OUC provides and delivers wholesale electric service and Lakeland purchases electric energy and capacity requirements as a "bridge" energy source in conjunction with Lakeland's decision to shutter MC3. The term of this agreement began April 1, 2021 with a duration of 33 months and an option to extend one year through December 31, 2024. Billed revenues, included under the heading of resale electric revenues, were $12.8 million and $16.1 million for the year ended September 30, 2023 and 2022, respectively.

Note K – Major Agreements (continued)

Other Major Agreements

City of Orlando: OUC pays the City of Orlando (City) a revenue-based payment and an income-based dividend payment. The underlying bi-lateral agreement defines the percentage of revenue based payments at 6.0 percent of retail revenues and the income based payment at 60.0 percent of income before contributions. In 2021 and 2022, the payment was fixed to reflect modified growth targets and the projected impacts of the pandemic. Beginning in 2023, the payment will resume being calculated in accordance with the bi-lateral agreement. Total revenue and income-based payments for the years ended September 30, 2023 and 2022 were $107.1 million and $93.6 million, respectively.

Orange County: OUC pays a revenue-based payment to Orange County (County) calculated at 1.0 percent of gross retail electric and chilled water billings to customers within the County but outside the city limits of the City and other municipalities. This payment is recorded under the heading of payments to other governments and taxes on the Statements of Revenues, Expenses and Changes in Net Position. Revenue-based payments for the years ended September 30, 2023 and 2022 were $2.1 million and $1.7 million, respectively.

Greater Orlando Aviation Authority: In June 2019, OUC and the Greater Orlando Aviation Authority (GOAA) Board executed a Global Agreement whereby OUC would assume contractual custodial responsibility for the maintenance and operation of the chilled water and back-up generation energy resources at GOAA's new South Terminal. While construction of these facilities was performed by GOAA, OUC retained oversight responsibilities during construction and upon construction completion on November 3, 2022, full custodial rights were transferred to OUC. The total contract value of the assets for which OUC retains custodial rights is $55.0 million including capital reserve funds designated for the continued maintenance of these facilities over the 20 year term. Revenues in the amount of $7.3 million were recognized beginning in 2023.

Universal City Development Partners, LLC: In November 2019, OUC and Universal City Development Partners, LLC (UCDP) executed an agreement under which OUC will retain contractual custodial rights to maintain and operate the chilled water facilities on property owned by UCDP. Construction of the chilled water facilities was performed by OUC in collaboration with UCDP and was completed during the fiscal year at a total contract value of $55.0 million. The chilled water plant is set to be commissioned in spring of 2024. Revenues for the years ended September 30, 2023 and 2022 were $4.6 million and $0.8 million respectively.

Note L – Long-term Employee Benefits

OUC provides a traditional defined benefit pension plan for employees hired prior to January 1, 1998 and a hybrid pension plan for employees hired on or after January 1, 1998. Included in the hybrid pension plan are benefits provided through a cash balance defined benefit plan and a defined contribution plan. In addition, OUC offers non-pension postemployment benefits, including health and wellness and life insurance coverage to retirees and a utility discount for retirees hired prior to 1985.

The defined benefit pension plan benefits are funded through the defined benefit pension trust, while the defined contribution benefits are funded through direct distributions from a third party administrator to employees. Non-pension postemployment benefits are funded through the other postemployment benefits (OPEB) trust.

The defined benefit pension and OPEB plan assets are included in the fiduciary financial statements. Detailed information about the defined benefit pension plan and OPEB plan fiduciary net positions are available in annual standalone financial statements, with the most recent reports issued for the year ended September 30, 2022. These reports may be obtained by writing to OUC Benefit Plans, Reliable Plaza at 100 West Anderson Street, Orlando, Florida 32801 or from the OUC website at www.ouc.com/about-ouc/careers-at-ouc/benefits. The next available report will be issued in 2024 for the plan year ended September 30, 2023.

Pension and Other Postemployment Benefits

OUC is the administrator of the Orlando Utilities Commission Pension Plan (Pension Plan) and the Orlando Utilities Commission Other Postemployment Benefits Plan (OPEB Plan), both single-employer benefit plans with the authority to modify benefits subject to Board approval. Plan assets held in trusts are separately managed through the appointment of Board-approved Trustees and Trustee-approved advisors.

The Pension Plan Trustees administer the Orlando Utilities Commission 415(m) plan for pension benefit payments that exceed the Internal Revenue Service Section 415(b) limits. OUC maintains fiduciary responsibility over this non-qualified plan.

Note L – Long-term Employee Benefits (continued)

Benefits are available to all employees who regularly work 20 or more hours per week and are detailed as follows:

Traditional Plan

- **Defined benefit:** This benefit offering was closed on December 31, 1997 and provides benefits to all employees hired prior to January 1, 1998 who did not elect to transition their pension plan interests to the defined contribution pension plan. Under the provisions of this closed offering, benefits vest after five years of service and are earned for up to a maximum service period of 30 years. Upon retirement, participants who have attained normal retirement age receive a pension benefit equal to 2.5 percent of the highest three consecutive years' average base earnings times years of employment. The normal retirement age of a participant is the date at which the participant has attained age 62 and five years of participation in the plan. A participant may retire with a reduced benefit at age 55 with a minimum of ten years of service. The benefit reduction for early retirement is 1.0 percent per year for each year which precedes the normal retirement date.

  Benefit terms provide for annual cost of living adjustments (COLA) to each employee's retirement benefit subsequent to the employee's retirement date. Future COLA increases, each January 1st, are based on the net return on plan investments for the previous fiscal year as follows:

Net investment return	COLA rate
Up to 4.0%	—
Greater than 4.0% up to 8.0%	1.0%
Greater than 8.0% up to 12.0%	1.5%
Greater than 12.0%	2.0%

- **Non-pension postemployment benefits:** Employees are also provided continued access to health and wellness and life insurance coverage upon retirement on or after age 55 with at least ten years of service or at any age after completing 25 or more years of service. Secondary health coverage is also available for those retirees who are Medicare eligible. Costs associated with these benefits are subsidized for the employee and their dependents.

Hybrid Plan

- **Cash balance defined benefit:** This benefit offering began on May 1, 2011 and provides benefits to all employees hired on or after January 1, 1998 and those who elected to transition their pension plan interests. Under the provisions of this plan, benefits vest after five years of service and are determined based on a sliding pay credit scale using a combination of an employee's age and years of service at September 30. Pay credits typically range from 5.0 percent to 12.0 percent and are earned annually. A service credit is earned if an employee has worked 1,000 hours or more in the fiscal year. Benefits are available at the earlier of an employee reaching age 62 with a minimum of five years of service or 30 years of continuous service. Annually, pay credits earn interest based on the net return on plan investments for the previous fiscal year as follows:

Net investment return	Interest credit
Up to 4.0%	4.0%
Greater than 4.0% up to 8.0%	5.0%
Greater than 8.0% up to 12.0%	5.5%
Greater than 12.0%	6.0%

- **Defined contribution benefit:** This benefit offering began on January 1, 1998 and provides benefits to all employees hired on or after January 1, 1998 and those who elected to transition their pension plan interests. Under the provisions of this 401(a) plan, employees who regularly work 20 or more hours per week are required to participate with a contribution of 4.0 percent of their salary. This required contribution is matched equally by OUC. Eligible employees may also voluntarily contribute up to an additional 2.0 percent of their salary to their account, which is also matched by OUC for employees completing seven years of service. Employees are fully vested after one year of employment. On September 30, 2023 and 2022, the number of active employees enrolled in this pension benefit program were 1,154 and 1,089, respectively. Total contributions for the years ended September 30, 2023 and 2022 were $12.9 million ($5.4 million employer and $7.5 million employee) and $11.6 million ($4.9 million employer and $6.7 million employee), respectively.

Note L – Long-term Employee Benefits (continued)

- **Non-pension postemployment benefits:** Employees and their dependents are provided access to health and wellness and life insurance coverage upon retirement on or after age 62 with at least five years of service or at any age after completing 30 years of service. Health and wellness benefits, inclusive of secondary health coverage for Medicare-eligible employees, are not directly subsidized. Participants are eligible for implicit subsidy benefits and, at retirement, access to an employer-funded health reimbursement account (HRA), indexed annually, which can be used to pay all eligible medical costs including medical premiums at retirement. Effective October 1, 2023, these benefits were adjusted to align with the cash balance defined benefit plan provisions including vesting after five years of service at an estimated actuarial valuation of $3.7 million.

Employee benefit plan membership: The following table presents qualified plan participation as of the valuation date for the years ended September 30:

	Pension plan		OPEB plan	
	2023	**2022**	**2023**	**2022**
Active cash balance plan members	1,107	1,065	1,109	1,066
Active traditional plan members	69	89	69	89
Inactive plan members currently receiving benefits	930	929	896	894
Inactive plan members entitled to deferred benefits	204	178	—	—
Total	**2,310**	**2,261**	**2,074**	**2,049**

Membership in the non-qualified 415(m) plan included three active and three inactive participants receiving benefits for the year ended September 30, 2023 and three active and four inactive participants for the year ended September 30, 2022.

Funding policy: OUC contributes, at a minimum, amounts actuarially determined. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. OUC is required to contribute the difference between the actuarially determined rate and the contribution rate of its employees.

- **Pension:** Traditional defined benefit required participant contributions are 4.0 percent of earnings until the later of age 62 or completion of 30 years of service, with no required contributions thereafter. No participant contributions are required for the cash balance defined benefit offering. The OUC required rate of contribution to the Pension Trust, net of participant contributions based on annual covered payroll, for the actuarial valuation years ended September 30, 2021 and 2020 was 14.2 percent and 17.1 percent, respectively. No contributions were made to the 415(m) plan in 2023 or 2022.
- **OPEB:** Participant contributions to the OPEB Trust are not required, however, participants are required to remit directly to OUC costs for their coverage beyond the employee's annual subsidy. OUC contributes, at a minimum, amounts actuarially determined directly to the OPEB Trust and the amounts for the years ended September 30, 2023 and 2022 were $1.2 million and $1.1 million, respectively. Since benefits were paid through operations and not directly from the OPEB Trust, OUC was reimbursed by the OPEB Trust in 2023 and 2022 $7.6 million and $6.1 million, respectively for annual expenses of $7.6 million and $6.4 million, respectively. The rate of contribution to the OPEB Trust, based on annual covered payroll for the actuarial valuation years ended September 30, 2021 and 2020 was 1.0 percent and 1.1 percent, respectively.

Note L – Long-term Employee Benefits (continued)

Long-term employee benefits liability: The following schedule presents the changes in net pension liability/asset (NPL/NPA), total pension liability (TPL), total OPEB liability (TOL), and net OPEB liability/asset (NOL/NOA) at September 30:

	Qualified plan				Non-qualified	
	Pension		OPEB		415(m) plan	
(Dollars in thousands)	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
Total liability						
Service cost	$ 7,158	$ 6,820	$ 889	$ 1,039	$ 85	$ 75
Interest on the total liability	35,753	35,816	7,579	8,620	71	80
Benefit changes	—	—	—	—	—	—
Difference between expected and actual experience	(600)	(640)	(2,476)	(5,592)	(585)	(190)
Assumption changes	10,628	10,398	12,716	(8,028)	(603)	87
Benefit payments, including refunds of plan member contributions	(37,174)	(34,810)	(6,731)	(6,291)	(152)	(168)
Net change in total liability	**15,765**	**17,584**	**11,977**	**(10,252)**	**(1,184)**	**(116)**
Total liability - beginning of year	**522,186**	**504,602**	**110,754**	**121,006**	**3,214**	**3,330**
Total liability - end of year	**$ 537,951**	**$ 522,186**	**$ 122,731**	**$ 110,754**	**$ 2,030**	**$ 3,214**
Plan fiduciary net position						
Contributions - employer	$ 17,678	$ 19,173	$ 1,133	$ 1,185		
Contributions - plan members	310	369	—	—		
Total investment (loss)/income, net of investment expense	(89,101)	95,240	(31,344)	31,313		
Benefit payments, including refunds of plan member contributions	(37,174)	(34,810)	(6,731)	(6,291)		
Administrative expense	(254)	(323)	(3)	(17)		
Net change in plan fiduciary net position	**(108,541)**	**79,649**	**(36,945)**	**26,190**		
Plan fiduciary net position - beginning of year	**539,558**	**459,909**	**175,276**	**149,086**		
Plan fiduciary net position - end of year	**$ 431,017**	**$ 539,558**	**$ 138,331**	**$ 175,276**		
Net (asset)/liability - beginning of year	**$ (17,372)**	**$ 44,693**	**$ (64,522)**	**$ (28,080)**		
Net liability/(asset) - end of year	**$ 106,934**	**$ (17,372)**	**$ (15,600)**	**$ (64,522)**		

The following schedule presents the long-term employee benefits liability and asset as reported in the Statements of Net Position for the years ended September 30:

(Dollars in thousands)	**2023**	**2022**
Pension plan		
Total pension liability	$ 537,951	$ 522,186
Net position	431,017	539,558
Net pension liability/(asset)	106,934	(17,372)
415(m) plan		
Total pension liability	2,030	3,214
Pension liability/(asset)	**$ 108,964**	**$ (14,158)**
OPEB plan		
Total OPEB liability	$ 122,731	$ 110,754
Net position	138,331	175,276
Net OPEB asset	**$ (15,600)**	**$ (64,522)**

Actuarial methods and assumptions used to measure TPL, TOL, NPL/NPA and NOL/NOA: The TPL, TOL, NPL/NPA and NOL/NOA as of September 30, 2023 and 2022 were measured as of September 30, 2022 and 2021, respectively. Since the measurement date and valuation date are the same, no update procedures were used to roll forward the TPL and TOL from the valuation date to the measurement date.

The measurements of the TPL and TOL were determined by an independent actuary in accordance with the American Academy of Actuaries Interpretations, and there were no deviations from the guidance in the Actuarial Standards of Practice in the selection of assumptions used to determine the TPL and TOL and related measures. Annual actuarial amounts for reporting were calculated using the entry age normal cost method.

Note L – Long-term Employee Benefits (continued)

The following assumptions were used to measure the TPL and TOL as of September 30:

	2022	2021
Plan benefit assumptions		
Annual COLA (pension only)	0.0%, based on actual COLA granted for the current year, and 1.0% per year, compounded annually, thereafter	2.0%, based on actual COLA granted for the current year, and 1.0% per year, compounded annually, thereafter
Hybrid Plan interest credit rate	5.0% per year for active members and 3.5% per year for terminated vested members	5.0% per year for active members and 3.75% per year for terminated vested members
Healthcare cost trend rate	Based on the Getzen Model, with trend starting at 7.5% and gradually decreasing to an ultimate trend rate of 4.0%	Based on the Getzen Model, with trend starting at 6.0% and gradually decreasing to an ultimate trend rate of 3.75%
Actuarial assumptions		
Asset valuation method	20.0% of the difference between expected actuarial value, based on assumed return, and market value is recognized each year with 10.0% corridor around market value	20.0% of the difference between expected actuarial value, based on assumed return, and market value is recognized each year with 10.0% corridor around market value
Inflation	2.25% per year	2.25% per year
Investment rate of return	6.75%	7.00%
Salary Increases	4.5% to 10.0% per year, depending on age and plan group	4.5% to 10.0% per year, depending on age and plan group
Mortality	PUB-2010 Headcount Weighted General Below Median Employee Mortality Table (for pre-retirement mortality) and PUB-2010 Headcount Weighted General Below Median Healthy Retiree Mortality Table (for post-retirement mortality), with separate rates for males and females and ages set back one year for males, with mortality improvements projected to all future years after 2010 using Scale MP-2018.	PUB-2010 Headcount Weighted General Below Median Employee Mortality Table (for pre-retirement mortality) and PUB-2010 Headcount Weighted General Below Median Healthy Retiree Mortality Table (for post-retirement mortality), with separate rates for males and females and ages set back one year for males, with mortality improvements projected to all future years after 2010 using Scale MP-2018.

Employer contributions were assumed to be made at the end of each calendar quarter. Member contributions were assumed to be received continuously throughout the year based upon the computed percent of payroll.

The projected long-term real rate of return on benefit plan investments, valued as of September 30, 2022 and 2021, was determined with the assistance of the plans' independent investment adviser and actuarial review using a building block method, which considers historical performance data and future expectations for each major asset class, while also reflecting current capital market conditions. These best-estimate ranges, net of assumed long-term inflation and investment expenses, were combined to produce the long-term expected rate of return.

The target allocation and best estimates of arithmetic real rates of return for each major asset class as of September 30 are summarized in the following table:

	Pension				OPEB			
	2022		2021		2022		2021	
Asset class	**Target allocation**	**Long-term expected real rate of return**	**Target allocation**	**Long-term expected real rate of return**	**Target allocation**	**Long-term expected real rate of return**	**Target allocation**	**Long-term expected real rate of return**
U.S. equity	43.0 %	7.5%	43.0 %	7.5%	48.0 %	7.5%	48.0 %	7.5%
International equity	15.0 %	8.5%	15.0 %	8.5%	15.0 %	8.5%	15.0 %	8.5%
Domestic bonds	7.0 %	2.5%	17.0 %	2.5%	7.0 %	2.5%	17.0 %	2.5%
International bonds	5.0 %	3.5%	5.0 %	3.5%	5.0 %	3.5%	5.0 %	3.5%
Real estate	10.0 %	4.5%	10.0 %	4.5%	5.0 %	4.5%	5.0 %	4.5%
Alternative assets	20.0 %	6.2%	10.0 %	6.2%	20.0 %	6.2%	10.0 %	6.3%
Total	**100.0 %**		**100.0 %**		**100.0 %**		**100.0 %**	

Note L – Long-term Employee Benefits (continued)

Discount rate: The discount rate used to measure the TPL and TOL was 6.75 percent and 7.00 percent, valued as of September 30, 2022 and 2021, respectively. The projection of cash flows used to determine the discount rate assumed that employee contributions would be made at the current contribution rate and that future employer contributions would be made at rates equal to the difference between actuarially determined contribution rates and the employee rate. Based on these assumptions, the fiduciary net position for both plans was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the TPL and TOL.

The TPL for the non-qualified plan as of September 30, 2022 and 2021 was calculated using a municipal bond rate of 4.40 percent and 2.19 percent, respectively, as reported in Fidelity's "20-Year Municipal GO AA Index" as reported on the last business day of the month of the measurement date.

The following presents the sensitivity of the NPL/NPA, NOA and TPL calculations to a 1.0 percent increase and a 1.0 percent decrease in the discount rates and medical cost assumption rates used to measure the NOA at September 30:

	Net pension liability/ (asset)		Net OPEB asset		Total pension liability 415(m) plan	
(Dollars in thousands)	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**
Discount rate	$ 106,934	$ (17,372)	$ (15,600)	$ (64,522)	$ 2,030	$ 3,214
1.0 percent decrease	$ 154,444	$ 28,905	$ (2,513)	$ (53,014)	$ 2,268	$ 3,667
1.0 percent increase	$ 65,662	$ (57,563)	$ (26,697)	$ (74,311)	$ 1,833	$ 2,850
Medical cost assumption rate			$ (15,600)	$ (64,522)		
1.0 percent decrease			$ (27,397)	$ (74,954)		
1.0 percent increase			$ (1,700)	$ (52,262)		

Pension and OPEB expense, deferred outflows of resources and deferred inflows of resources: OUC recorded a debit of $18.7 million and a credit of $8.4 million in pension expense and a credit of $0.4 million and a debit of $0.4 million in non-qualified pension plan expense for the years ended September 30, 2023 and 2022, respectively. OUC also recognized a credit of $6.8 million and $19.5 million in OPEB expense for the years ended September 30, 2023 and 2022, respectively. In accordance with Board approved regulatory actions (see Note G), pension expenses are recognized at an amount equivalent to the annual member service costs and OPEB credit expenses are fully offset.

The following schedule presents information about the postemployment benefit-related deferred outflows of resources at September 30:

	Pension		OPEB	
(Dollars in thousands)	**2023**	**2022**	**2023**	**2022**
Deferred outflows of resources				
Pension and OPEB plans				
Employer's contributions to the plan after measurement of NPL	$ 14,995	$ 17,678	$ 969	$ 1,133
Changes in assumptions	15,668	8,635	10,846	—
Net difference between projected and actual earnings on investments	59,633	—	21,128	—
Differences between expected and actual experience	824	2,282	1,496	1,964
Subtotal pension and OPEB plans	**91,120**	**28,595**	**34,439**	**3,097**
415(m) plan				
Benefit payments	132	152	—	—
Changes in assumptions	4	160	—	—
Differences between expected and actual experience	—	14	—	—
Subtotal 415(m) plan	**136**	**326**	**—**	**—**
Total deferred outflows of resources	**$ 91,256**	**$ 28,921**	**$ 34,439**	**$ 3,097**

Note L – Long-term Employee Benefits (continued)

The following schedule presents information about the postemployment benefit-related deferred inflows of resources at September 30:

	Pension		OPEB	
(Dollars in thousands)	**2023**	**2022**	**2023**	**2022**
Deferred inflows of resources				
Pension and OPEB plans				
Net difference between projected and actual earnings on plan investments	$ —	$ 56,298	$ —	$ 18,349
Changes in assumptions	4,314	6,112	20,075	27,000
Differences between expected and actual experience	1,841	1,837	7,336	7,418
Subtotal pension and OPEB plans	**6,155**	**64,247**	**27,411**	**52,767**
415(m) plan				
Changes in assumptions	268	—	—	—
Differences between expected and actual experience	269	99	—	—
Subtotal 415(m) plan	**537**	**99**	**—**	**—**
Total deferred inflows of resources	**$ 6,692**	**$ 64,346**	**$ 27,411**	**$ 52,767**

The following schedule is based on a measurement date of September 30, 2022, excluding market valuation impacts for the year ending September 30, 2023, and presents the future amortization of pension and OPEB-related deferred outflows of resources and deferred inflows of resources, excluding the balance attributable to the employer's contribution to the plan in the current fiscal year and subsequent to the measurement date, at September 30:

(Dollars in thousands)	**Pension**	**415(m) plan**	**OPEB**
2024	$ 13,933	$ (533)	$ (1,913)
2025	10,943	—	(983)
2026	15,256	—	510
2027	28,455	—	7,512
2028	1,383	—	(271)
Thereafter	—	—	1,205
Net deferred outflows/(inflows) of resources	**$ 69,970**	**$ (533)**	**$ 6,060**

The difference between projected and actual earnings on plan investments are recorded in the actuarial annual pension and OPEB expense over a closed five-year period. Changes in assumptions and the difference between expected and actual experience in the measurement of TPL and TOL are recorded in expense over a period equal to the average of the expected remaining service lives of all participants in the plans. Net credit deferred inflows of resources beyond current postemployment expenses will be recognized in the period incurred or deferred, consistent with Board action outlined in Note G.

Note M – Hedging Activities

OUC manages the impacts of interest rate and fuel market fluctuations on its earnings, cash flows and market value of assets and liabilities through its hedging programs.

Interest rate hedges: Interest rate risk for variable rate debt is managed through the execution of interest rate swap agreements (swaps). Swaps are executed in accordance with the Audit-Finance Committee Charter, reviewed on a quarterly basis by the Audit-Finance Committee and approved by the Board. Swaps are initiated in conjunction with bond transactions and as such, have inception and termination dates that align with the underlying debt series. Early termination of a swap can be executed in accordance with the terms of the agreement.

The Audit-Finance Committee Charter requires counterparty creditworthiness to achieve at least an “A” rating category from at least two of the three nationally recognized rating agencies, at the time of execution, maintaining a rating for qualified swap providers. In addition, two-way credit support agreements may be required with parental guarantees and/or letters of credit or collateral. In respect to the fair value of swaps, the value of these agreements takes into consideration the prevailing interest-rate environment and the specific terms and conditions of each contract. Fair value amounts are estimated using the zero-coupon discounting method, including utilizing option pricing models, which consider probabilities, volatility, time, underlying prices and other variables.

Fuel rate hedges: Fuel hedge risk is managed through the Energy Risk Management Committee (ERMOC) with Audit-Finance Committee oversight. ERMOC’s responsibilities include establishing volume and financial limits, as well as overall program compliance and counterparty creditworthiness. Counterparty creditworthiness is evaluated considering the market segment, financial ratios, agency and market implied ratings and other factors.

As a result of engaging in hedging activities, OUC is subject to the following key risks:

- **Credit risk:** OUC addresses this risk through creditworthiness criteria included in its Finance Committee Charter and responsibilities of the ERMOC. Interest rate counterparties must have minimum credit ratings of “A-“, issued by Standard and Poor’s or Fitch Ratings or “A3”, issued by Moody’s Investors Service at the time the agreement is executed.
- **Interest rate risk:** OUC is exposed to this risk through its pay-fixed receive variable rate swaps and mitigates this risk through active management. There is no exposure to this risk for fuel hedges.
- **Basis risk:** OUC is exposed to this risk on its interest rate swap associated with the Series 2015B Bonds, as the variable-rate index received by OUC differs from the rate paid on the swap. OUC is exposed to this risk for fuel hedges due to a difference in commodity value between different delivery points or between cash market prices and the pricing points used in the financial markets. Basis risk is mitigated through active management.
- **Termination risk:** This risk is mitigated through OUC’s creditworthiness criteria. To date, no instances of this nature have occurred.
- **Rollover risk:** OUC is not exposed to this risk as all derivative instruments are hedged to maturity.
- **Market access risk:** OUC maintains a strong credit rating; “AA” from Standard & Poor’s and Fitch Ratings and “Aa2” from Moody’s Investors Service and to date, has not encountered any market barriers or credit market challenges.

In accordance with accounting guidance, outstanding derivatives are evaluated and classified as either hedging derivative instruments (effective) or investment derivative instruments (ineffective), with the accumulated change in fair market value recognized as deferred inflows/outflows of resources or investment income/expense, respectively.

Interest rate derivatives: As of September 30, 2023 and 2022, OUC’s interest rate swap related to the Series 2015B Bonds have been determined to be effective and changes in the fair value of these derivatives were included on the Statements of Net Position.

Note M – Hedging Activities (continued)

The following statement summarizes the interest rate derivative contracts outstanding for the years ended September 30:

(Dollars in thousands)	2022 Fair value asset/(liability)	Change in fair value	Settlement/ (Termination) amount	2023 Fair value asset/(liability)	Net settlement charges	Notional amount
Interest rate swap agreements						
2015B Bonds [1]	$ 10,717	$ 3,846	$ —	$ 14,563	$ —	$ 115,090

(Dollars in thousands)	2021 Fair value asset/(liability)	Change in fair value	Settlement/ (Termination) amount	2022 Fair value asset/(liability)	Net settlement charges	Notional amount
Interest rate swap agreements						
2015B Bonds [1]	$ (4,385)	$ 15,102	$ —	$ 10,717	$ —	$ 115,090

[1] See Note H for additional information.

Fuel derivatives: Fuel derivatives are settled in the period in which the option expires and are recognized as fuel expenses on the Statements of Revenues, Expenses and Changes in Net Position. For the year ended September 30, 2023 settlement losses were $6.2 million and for the year ended September 30, 2022 settlement gains were $36.0 million for fuel-related derivatives. The outstanding fuel derivatives were determined to be effective, and as such, the changes in fair value have been recorded on the Statements of Net Position as either a deferred outflow of resources or deferred inflow of resources until such time as the contracts mature. The following is a summary of the fuel-related derivative transactions for the years ended September 30:

(Dollars in thousands)	2022 Fair value	Change in fair value	2023 Fair value	2023 Notional amount	Volume [1]
Current natural gas fuel hedge assets	$ 20,136	$ (16,427)	$ 3,708	$ 6,120	MMBTU
Non-current natural gas fuel hedge assets	47,488	(23,241)	24,247	$ 18,520	MMBTU
Accumulated increase in fair value hedging derivatives	**$ 67,624**	**$ (39,668)**	**$ 27,955**		
Current natural gas fuel hedge liabilities	$ (1,205)	$ (689)	$ (1,894)	$ 9,820	MMBTU
Non-current natural gas fuel hedge liabilities	—	(4,254)	(4,254)	$ 12,640	MMBTU
Accumulated decrease in fair value hedging derivatives	**$ (1,205)**	**$ (4,944)**	**$ (6,148)**		

(Dollars in thousands)	2021 Fair value	Change in fair value	2022 Fair value	2022 Notional amount	Volume [1]
Current natural gas fuel hedge assets	$ 18,903	$ 1,233	$ 20,136	$ 7,060	MMBTU
Non-current natural gas fuel hedge assets	20,209	27,279	47,488	$ 23,280	MMBTU
Accumulated increase in fair value hedging derivatives	**$ 39,112**	**$ 28,512**	**$ 67,624**		
Current natural gas fuel hedge liabilities	$ —	$ (1,205)	$ (1,205)	$ 2,640	MMBTU
Accumulated decrease in fair value hedging derivatives	**$ —**	**$ (1,205)**	**$ (1,205)**		

[1] Million British Thermal Units (MMBTU)

Long-term Employee Benefit Plans

Schedule of changes in net pension liability/(asset) (NPL/NPA), total pension liability (TPL), net OPEB liability/(asset) (NOL/NOA) and related ratios: The following schedules present multi-year trend information that demonstrate the components of change in the TPL, NPL/NPA and NOL/NOA from year to year, as well as trends in related statistical information. Information is presented related to all periods for which the required data is available. Amounts presented are determined as of the measurement date for September 30:

Pension Plan

(Dollars in thousands)	**2023**	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**
Total pension liability									
Service cost	$ 7,158	$ 6,820	$ 5,814	$ 5,867	$ 5,754	$ 5,748	$ 5,539	$ 5,570	$ 5,935
Interest on the total pension liability	35,753	35,816	36,079	35,407	34,492	33,535	32,767	32,104	29,891
Benefit changes	—	—	—	68	—	408	—	—	15,187
Difference between expected and actual experience	(600)	(640)	(2,073)	2,106	4,904	3,706	(106)	(2,501)	(2,546)
Assumption changes	10,628	10,398	(9,708)	—	—	—	171	29,125	(14,449)
Benefit payments, including refunds of plan member contributions	(37,174)	(34,810)	(34,671)	(33,576)	(31,726)	(28,663)	(27,324)	(25,773)	(23,095)
Net change in total pension liability	**15,765**	**17,584**	**(4,559)**	**9,872**	**13,424**	**14,734**	**11,047**	**38,525**	**10,923**
Total pension liability - beginning of year	**522,186**	**504,602**	**509,161**	**499,289**	**485,865**	**471,131**	**460,084**	**421,559**	**410,636**
Total pension liability - end of year	**$ 537,951**	**$ 522,186**	**$ 504,602**	**$ 509,161**	**$ 499,289**	**$ 485,865**	**$ 471,131**	**$ 460,084**	**$ 421,559**
Plan fiduciary net position									
Contributions - employer	$ 17,678	$ 19,173	$ 22,405	$ 22,491	$ 22,614	$ 21,876	$ 17,803	$ 18,573	$ 21,198
Contributions - plan members	310	369	423	475	555	660	748	821	882
Net investment income/(loss)	(89,101)	95,240	46,228	17,599	37,039	48,761	29,872	4,783	28,906
Benefit payments, including refunds of plan member contributions	(37,174)	(34,810)	(34,671)	(33,576)	(31,726)	(28,663)	(27,324)	(25,773)	(23,095)
Administrative expense	(254)	(323)	(242)	(240)	(320)	(115)	(36)	(122)	(85)
Net change in plan fiduciary net position	**(108,541)**	**79,649**	**34,143**	**6,749**	**28,162**	**42,519**	**21,063**	**(1,718)**	**27,806**
Plan fiduciary net position - beginning of year	**539,558**	**459,909**	**425,766**	**419,017**	**390,855**	**348,336**	**327,273**	**328,991**	**301,185**
Plan fiduciary net position - end of year	**$ 431,017**	**$ 539,558**	**$ 459,909**	**$ 425,766**	**$ 419,017**	**$ 390,855**	**$ 348,336**	**$ 327,273**	**$ 328,991**
Net pension (asset/)liability - beginning of year	**$ (17,372)**	**$ 44,693**	**$ 83,395**	**$ 80,272**	**$ 95,010**	**$ 122,795**	**$ 132,811**	**$ 92,568**	**$ 109,451**
Net pension liability/(asset) - end of year	**$ 106,934**	**$ (17,372)**	**$ 44,693**	**$ 83,395**	**$ 80,272**	**$ 95,010**	**$ 122,795**	**$ 132,811**	**$ 92,568**
Plan fiduciary net position as a percentage of total pension liability	**80.1%**	**103.3%**	**91.1%**	**83.6%**	**83.9%**	**80.5%**	**73.9%**	**71.1%**	**78.0%**
Covered payroll	**$ 100,135**	**$ 100,621**	**$ 97,896**	**$ 90,907**	**$ 86,573**	**$ 78,314**	**$ 75,405**	**$ 72,479**	**$ 70,147**
Net pension (asset)/liability as a percentage of covered payroll	**106.8%**	**(17.3)%**	**45.7%**	**91.7%**	**92.7%**	**121.3%**	**162.8%**	**183.2%**	**132.0%**

415(m) plan[1]

(Dollars in thousands)	**2023**	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**
Total pension liability								
Service cost	$ 85	$ 75	$ 57	$ 40	$ 36	$ 28	$ 22	$ 21
Interest on the total pension liability	71	80	82	99	91	38	41	40
Benefit changes	—	—	—	—	—	1,124	—	—
Difference between expected and actual experience	(585)	(190)	27	64	82	373	47	—
Assumption changes	(603)	87	320	350	(96)	(132)	97	—
Benefit payments, including refunds of plan member contributions	(152)	(168)	(160)	(157)	(118)	(80)	(51)	(56)
Net change in total pension liability	**(1,184)**	**(116)**	**326**	**396**	**(5)**	**1,351**	**156**	**5**
Total pension liability - beginning of year	**3,214**	**3,330**	**3,004**	**2,608**	**2,613**	**1,262**	**1,106**	**1,101**
Total pension liability - end of year	**$ 2,030**	**$ 3,214**	**$ 3,330**	**$ 3,004**	**$ 2,608**	**$ 2,613**	**$ 1,262**	**$ 1,106**
Covered payroll	**$ 1,041**	**$ 937**	**$ 905**	**$ 905**	**$ 1,114**	**$ 1,458**	**$ 920**	**$ 804**
Total pension liability as a percentage of covered payroll	**195.0 %**	**343.1 %**	**367.9 %**	**331.9 %**	**234.1 %**	**179.2 %**	**137.2 %**	**137.6 %**

[1] **For the non-qualified plan, there were no assets accumulated in a trust that meet the criteria in GASB Statement No. 73, "*Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68,*" to pay related benefits. As such, assets were reported in OUC's financial statements and were not netted against the total pension liability.**

Long-term Employee Benefit Plans (continued)

OPEB plan (Dollars in thousands)	2023	2022	2021	2020	2019	2018	2017	2016
Total OPEB liability								
Service cost	$ 889	$ 1,039	$ 1,174	$ 1,186	$ 1,308	$ 1,331	$ 1,346	$ 1,480
Interest on the total OPEB liability	7,579	8,620	9,936	9,906	10,385	10,434	11,882	12,134
Benefit changes	—	—	(438)	—	—	—	—	—
Difference between expected and actual experience	(2,476)	(5,592)	2,899	(2,192)	(2,987)	(3,285)	(23,970)	3,536
Assumption changes	12,716	(8,028)	(24,688)	(1,029)	(7,658)	(2,093)	(2,670)	(452)
Benefit payments, including refunds	(6,731)	(6,291)	(7,511)	(7,371)	(7,702)	(6,374)	(8,063)	(9,067)
Net change in total OPEB liability	11,977	(10,252)	(18,628)	500	(6,654)	13	(21,475)	7,631
Total OPEB liability - beginning of year	110,754	121,006	139,634	139,134	145,788	145,775	167,250	159,619
Total OPEB liability - end of year	**$ 122,731**	**$ 110,754**	**$ 121,006**	**$ 139,634**	**$ 139,134**	**$ 145,788**	**$ 145,775**	**$ 167,250**
Plan fiduciary net position								
Contributions - employer	$ 1,133	$ 1,185	$ 3,682	$ 7,022	$ 9,068	$ 13,384	$ 12,628	$ 14,117
Net investment income/(loss)	(31,344)	31,313	14,953	5,399	10,956	13,420	9,621	(1,195)
Benefit payments, including refunds	(6,731)	(6,291)	(7,511)	(7,371)	(7,702)	(6,374)	(8,062)	(9,067)
Administrative expense	(3)	(17)	(17)	(17)	(18)	(18)	(18)	(32)
Net change in plan fiduciary net position	(36,945)	26,190	11,107	5,033	12,304	20,412	14,169	3,823
Plan fiduciary net position - beginning of year	175,276	149,086	137,979	132,946	120,642	100,230	86,061	82,238
Plan fiduciary net position - end of year	**$ 138,331**	**$ 175,276**	**$ 149,086**	**$ 137,979**	**$ 132,946**	**$ 120,642**	**$ 100,230**	**$ 86,061**
Net OPEB (asset)/liability - beginning of year	**$ (64,522)**	**$ (28,080)**	**$ 1,655**	**$ 6,188**	**$ 25,146**	**$ 45,545**	**$ 81,189**	**$ 77,381**
Net OPEB (asset)/liability - end of year	**$ (15,600)**	**$ (64,522)**	**$ (28,080)**	**$ 1,655**	**$ 6,188**	**$ 25,146**	**$ 45,545**	**$ 81,189**
Plan fiduciary net position as a percentage of total OPEB liability	**112.7%**	**158.3%**	**123.2%**	**98.8%**	**95.6%**	**82.8%**	**68.8%**	**51.5%**
Covered payroll	**$ 100,061**	**$ 100,721**	**$ 98,058**	**$ 91,035**	**$ 86,892**	**$ 78,447**	**$ 71,856**	**$ 72,990**
Net OPEB (asset)/liability as a percentage of covered payroll	**(15.6)%**	**(64.1)%**	**(28.6)%**	**1.8%**	**7.1%**	**32.1%**	**63.4%**	**111.2%**

Notes to schedule

Benefit changes: There were no benefit changes in 2023 or 2022. In 2021, benefit changes were made to remove the premium POS healthcare option and to revise utility discount maximums. In 2020, various administrative plan changes were implemented related to the calculation of cash balance notional accounts and cash balance benefit payments which were initially approved by the Board in 2017 to facilitate compliance with IRS Section 401(a)(17).

Assumption changes: For 2023 and 2022, changes in assumptions included claim costs and premium amounts for the self-insured health plan, premiums for the fully insured Medicare Advantage plan, long-term medical trend rates and the annual trend for dental costs. For 2021, assumption changes were made to salary increases and retirement, separation and mortality rates based on an actuarial assumption study and experience review for the seven-year period ending September 30, 2019, as adopted by the Pension and OPEB Plan Trustees. Additional assumption revisions to initial claim costs for the core plan assumed premiums for the fully-insured Medicare Advantage plan and healthcare cost trends were included in the September 30, 2020 OPEB valuation. In August 2015, a similar assumption study and experience review for the six-year period ended September 30, 2014 was completed and changes were implemented effective September 30, 2015 to the salary, retirement, termination and mortality assumptions.

The investment return rate was 6.75 percent and 7.0 percent as of the September 30, 2022 and 2021 valuation dates, respectively. As the plan fiduciary net positions were projected to be available to make all projected benefit payments, the single discount rate was also 6.75 percent and 7.0 percent as of September 30, 2022 and 2021, respectively.

Long-term Employee Benefit Plans (continued)

Schedule of employer contributions to the pension plan: The following schedule presents multi-year trend information regarding employer contributions to the plans for the years ended September 30:

Contribution year (Dollars in thousands)	Actuarially determined contribution	Actual contribution	Contribution deficiency/ (excess)	Covered payroll	Contributions as a percentage of CP	Annual money-weighted return on investments
Pension plan						
2023	$ 14,995	$ 14,995	$ —	$ 102,664	14.6%	12.3%
2022	$ 17,678	$ 17,678	$ —	$ 103,139	17.1%	-17.0%
2021	$ 19,173	$ 19,173	$ —	$ 100,621	19.1%	21.2%
2020	$ 22,405	$ 22,405	$ —	$ 97,896	22.9%	11.0%
2019	$ 22,491	$ 22,491	$ —	$ 90,907	24.7%	4.2%
2018	$ 22,614	$ 22,614	$ —	$ 86,573	26.1%	9.6%
2017	$ 21,876	$ 21,876	$ —	$ 78,314	27.9%	14.2%
2016	$ 18,322	$ 17,803	$ 519	$ 75,405	23.6%	9.2%
2015	$ 20,500	$ 18,573	$ 1,927	$ 72,479	25.6%	1.4%
2014	$ 21,184	$ 21,198	$ (14)	$ 70,147	30.2%	9.6%
OPEB plan						
2023	$ 969	$ 969	$ —	$ 102,954	0.9%	14.9%
2022	$ 1,133	$ 1,133	$ —	$ 100,061	1.1%	-18.1%
2021	$ 1,185	$ 1,185	$ —	$ 100,721	1.2%	21.4%
2020	$ 3,682	$ 3,682	$ —	$ 98,058	3.8%	10.9%
2019	$ 7,022	$ 7,022	$ —	$ 91,035	7.7%	4.0%
2018	$ 9,068	$ 9,068	$ —	$ 86,892	10.4%	9.0%
2017	$ 13,384	$ 13,384	$ —	$ 78,447	17.1%	13.2%
2016	$ 12,628	$ 12,628	$ —	$ 71,856	17.6%	11.0%
2015	$ 14,117	$ 14,117	$ —	$ 72,990	19.3%	-1.4%
2014	$ 13,558	$ 13,558	$ —	$ 72,990	18.6%	10.2%

Notes to schedule

The actuarially determined contribution rates were calculated as of October 1 of the year preceding the contribution year, using the following assumptions:

Actuarial cost method: Entry Age Normal

Amortization method and remaining amortization period: Level dollar, closed and 15 years (5 years for OPEB)

Asset valuation method: 20.0 percent of the difference between expected actuarial value (based on assumed return) and market value is recognized each year with 10.0 percent corridor around market value.

Inflation: 2.25 percent intermediate, 2.50 percent long term

Salary increases: 4.5 percent to 10.0 percent depending on age and benefit offering group, including inflation

Investment rate of return: 7.0 percent

Retirement age: Experience-based table of rates depending on age, service and group

Mortality: PUB-2010 Headcount Weighted General Below Median Employee Mortality Table (for pre-retirement mortality) and PUB-2010 Headcount Weighted General Below Median Healthy Retiree Mortality Table (for post-retirement mortality), with separate rates for males and females and ages set back one year for males, with mortality improvements projected to all future years after 2010 using Scale MP-2018.

COLA: 2.0 percent per year, based on actual COLA granted for the year, and 1.0 percent per year, compounded annually for each year thereafter, for the traditional defined benefit offering only.

Healthcare cost trend rate: Based on the Getzen Model, with trend starting at 6.0 percent and gradually decreasing to an ultimate trend rate of 3.75 percent.

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Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To Management and the Commissioners of Orlando Utilities Commission

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the business-type activities and the fiduciary activities of Orlando Utilities Commission (OUC) as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise OUC's basic financial statements (collectively referred to as the "financial statements"), and have issued our report thereon dated January 11, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered OUC's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of OUC's internal control. Accordingly, we do not express an opinion on the effectiveness of OUC's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether OUC's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Ernst + Young LLP

January 11, 2024

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