2021

AUDITED FINANCIAL STATEMENTS

OUC

The *Reliable* One®

LETTER FROM THE GENERAL MANAGER AND COMMISSION PRESIDENT

Delivering on our commitment to provide essential services while navigating through unplanned events is not unfamiliar to OUC ─ The *Reliable* One. As the pandemic stretched into 2021 and presented new challenges, OUC and its employees remained steadfast in keeping the lights on and water flowing as well as delivering on its portfolio of value added services – chilled water, lighting, back-up generation, electric vehicle charging and solar solutions – to its customers in Orlando, St. Cloud and parts of Orange and Osceola counties.

Milestone steps were taken this year to advance our Connected 2025 Strategic Plan and achieve our vision of being an *Innovative Solutions Provider and the Partner of Choice* with focused initiatives to serve the community as a committed partner and sustainability leader, provide customers with an outstanding experience and strengthen employee engagement.

Serving the community and supporting the City of Orlando's (the City) future-ready vision in 2021 included completing our dynamic and comprehensive 30-year Electric Integrated Resource Plan ─ OUC's Clean Energy Plan ─ in December 2020. The Clean Energy Plan outlined actions to eliminate the use of coal by 2027 and achieve Net Zero CO_2 emissions by 2050 through the execution of interim targets of 50% CO_2 emissions reduction by 2030 and 75% by 2040. To facilitate the accomplishment of the 2030 interim goal, financial targets for the expansion of solar energy and the advancement of integrated energy storage were made in the amounts of $420 million and $90 million, respectively. To date, the solar commitment has been surpassed at $520.0 million, and we are more than halfway to achieving the energy commitment. In alignment with our commitment to balance the four key attributes of the Clean Energy Plan ─ reliability, affordability, sustainability and resiliency ─ the Osceola Generating Station (OGS), a 510-megawatt (MW) simple-cycle natural gas-fired power plant, was acquired in September 2021. At a cost of nearly $100 million, including site and transmission upgrades, OGS provides for quick-start generation capabilities that insulate the flow of energy from power fluctuations at grid-connected, utility-scale solar farms. Beyond being a quick-start, backup resource for grid-connected solar energy, OGS allows for the retirement of the Stanton Energy Center's (SEC) Unit 1, the older of the two coal-fired units, leaving SEC's Unit 2 to be converted to natural gas.

Beyond the steps to transition the generation portfolio, actions were also taken to serve the community and our customers by championing the expansion of community solar solutions and vehicle electrification. The expansion of community solar was launched through the 2030 Solar Pledge program and partnerships with the City, Orange County, the City of St. Cloud and other large commercial customers to leverage recent pricing modifications that reflect the declining cost of solar energy. Vehicle electrification was advanced through several initiatives, including a partnership with the City and the LYNX public transit system to energize the first of 14 battery-powered electric buses and a City partnership to install 100 electric vehicle chargers in downtown Orlando bringing the total amount of vehicle chargers to over 300 in the OUC service territory. Also, progress was made on the expanded public-private partnership initiative, partially funded through the Volkswagen grant settlement, to develop the downtown Robinson Recharge Mobility Hub. When completed, the site will feature 20 universal plug-in stations capable of fast-charging all kinds of EVs, and it will be the largest EV-charging facility in Florida.

Sustainability is not limited to our electric services ─ water also is a priority with our strategic water conservation goal. Initiatives supporting this goal include strengthening customer education and conservation programs and advancing pricing designs that promote conservation. In tandem with these initiatives, OUC is funding a major capital project to determine the feasibility to withdraw water resources in the lower-lower Floridan aquifer to safely and cost-effectively provide alternative water resources.

In August 2021, water conservation became an even higher priority when liquid oxygen, a critical operating component used to purify water through our ozone generation system, became constrained as a result of the pandemic. In response to this unprecedented situation, OUC and the City called upon residents and customers to reduce their water consumption. The public's response was resoundingly supportive, reaffirming OUC's ranking in 2021 as the No. 1 water utility in the United States, according to J.D. Power's annual residential water customer satisfaction survey. Fortunately, the request to heighten conservation was short-lived, with liquid oxygen supplies returning to normal by mid-October.

Being customer-focused is at the core of OUC's role as a municipal utility. In 2021, OUC continued to provide customers with bill-payment assistance through extended payment arrangements and the OUC Power Pass prepaid energy program, just not at the levels seen during the height of the pandemic in the previous year. In alignment with the waning effects of the pandemic on our Customer Experience operations, efforts were escalated to advance the energy efficiency study outlined in the Clean Energy Plan and a launch of the time-of-use pricing pilot program, both offering customers alternative cost-saving and conservation opportunities.

Initiatives to support business continuity and our values of make safety first were carefully balanced throughout the year with efforts to transition many employees from remote work practices back to their collaborative work environments. These efforts culminated in a hybrid work plan, which was launched in July with a minimum of two-office-days schedule and advanced to a minimum of three office days in September. Throughout this transition and the duration of the pandemic, onsite safety protocols and guidance in alignment with the Centers for Disease Control and Prevention were administered to ensure the safety of our employees. Also, efforts were escalated in

2021 to expand our emergency preparedness activities to include a cold weather tabletop exercise in response to the severe winter weather that impacted the Midwest and Texas and resulted in extended customer outages.

OUC continues on its transformation journey with Digital Strategy initiatives, such as the implementation of the Meter Data Platform, a system that translates large sets of data into actionable customer information. These tools and other advances are part of the transformation journey to enhance digitization at OUC and support the Workforce of the Future.

Revenue Growth and Cost Optimization, two strategic initiatives designed to support financial operations, progressed at a measured pace to reflect the community's recovery from the pandemic. While these strategic initiatives were focused on foundational operating activities, traditional electric revenues rebounded in 2021, requiring employees to focus on meeting the stronger-than-anticipated residential electric customer demand for new services. Electric revenues for 2021 also were higher than anticipated as a result of the increased use of fuel reserves to offset the impacts of rising natural gas commodity prices, pandemic constraints and weather volatility. Overall, financial operations provided results consistent with the adopted budget and OUC's excellent credit ratings, the latter reaffirmed with the issuance of $326 million in bonds in March 2021 to support the Clean Energy Plan.

Being the Employer of Choice and building upon our commitment to the community are integral to our Connected 2025 Strategic Plan. In 2021, we advanced these initiatives as the pandemic waned, continuing the OUC-sponsored and employee-led "Youth Energy Academy" and launching two programs — Free Little Libraries and the Vocational Training Partnership — in our Empowerment 4 the Future Zone, a historically economically disadvantaged area. These programs and other initiatives were established through town hall conversations designed to support our employees in their communities and build upon a culture of diversity and transformation.

With the Connected 2025 Strategic Plan as a guide, we recognize that being flexible to the dynamics of a changing industry requires a consistent focus on transformation. With this focus and our goal of Net Zero CO_2 emissions, we know that significant advances cannot be accomplished without the commitment and dedication of OUC's most valuable resources — its employees. They help ensure that OUC *is* the Reliable One, delivering Reliability, Affordability, Sustainability and Resiliency every day for our customers.

OUC Commission 2021: *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 | Gregory D. Lee, Second Vice President

Clint Bullock

Clint Bullock
General manager & CEO

Britta K Gross

Britta Gross
Commission President

AUDITED FINANCIAL STATEMENTS

Selected Statistical and Financial Information (Unaudited)

	2021	2020	% Increase/ (Decrease)
Total Customers	268,060	259,722	3.2 %
Electric Business Operations			
Active services	262,794	254,532	3.2 %
Average retail revenue per MWh	$ 104.28	$ 102.32	1.9 %
Retail customer sales in MWh	6,828,878	6,736,765	1.4 %
Average annual residential usage (kWh)	11,534	11,727	(1.6)%
Customer billed revenues (in thousands)	$ 712,101	$ 689,324	3.3 %
Water Business Operations			
Active Services	164,451	162,692	1.1 %
Average revenue per 10 KGAL	$ 28.27	$ 26.64	6.1 %
Total sales in MGAL	30,279	30,618	(1.1)%
Average annual residential usage (KGAL)	78	80	(2.5)%
Customer billed revenues (in thousands)	$ 85,607	$ 81,560	5.0 %
Chilled Water Business Operations			
Active Services	2,693	2,688	0.2 %
Average revenue per 100 ton hours	$ 23.29	$ 22.65	2.8 %
Production in ton-hours	134,460	128,492	4.6 %
Operating revenues (in thousands)	$ 31,322	$ 29,107	7.6 %
Consolidated Financial Highlights			
Income before contributions (in thousands)	$ 101,251	$ 101,240	— %
City of Orlando revenue based payments and dividend (in thousands)	$ 91,100	$ 95,490	(4.6)%
Debt service coverage	2.65	2.56	3.5 %
Debt/net position	51%/49%	49%/51%	
Days cash on hand	360	329	9.4 %
Senior bond ratings [1]	AA,Aa2,AA	AA,Aa2,AA	

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

ORLANDO UTILITIES COMMISSION

September 30, 2021

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COMMISSION MEMBERS and OFFICERS

Britta Gross
President

Cesar Calvet
Immediate Past President

Larry Mills, Th.D.
First Vice President

Gregory D. Lee
Second Vice President

Buddy H. Dyer
Mayor – Commissioner

Clint Bullock
Secretary

Mindy Brenay
W. Christopher Browder
Paula Velasquez
Assistant Secretaries

Building a better
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Report of Independent Auditors

To Management and the Commissioners of Orlando Utilities Commission

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and fiduciary activities of Orlando Utilities Commission (OUC), as of and for the years ended September 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise OUC's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position the business-type activities and fiduciary activities of OUC as of September 30, 2021 and 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in conformity with U.S. generally accepted accounting principles.

Adoption of GASB 84, Fiduciary Activities, and GASB 87, Leases

Effective October 1, 2019, OUC adopted GASB Statement No. 84, Fiduciary Activities, and GASB 87, Leases. GASB 84 requires inclusion of OUC's fiduciary activities that meet certain criteria in its financial report. GASB 87 requires the recognition of certain assets and liabilities for leases previously classified as operating leases. Our opinion is not modified with respect to these matters.

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 5-14, the schedules of changes in net Pension and OPEB liability and related ratios, the schedules of funding progress for Pension and OPEB, the schedules of employer contributions to the Pension and OPEB plans, and the schedules of investment returns for Pension and OPEB on pages 57-59 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States, 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 basic financial statements, and other knowledge we obtained during our audit of the basic 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we also have issued our report dated January 26, 2022 on our consideration of OUC'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 OUC'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 OUC's internal control over financial reporting and compliance.

Ernst + Young LLP

January 26, 2022

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	Mindy Brenay	Wade Durham
General Manager & Chief Executive Officer	Chief Financial Officer	Director of Accounting

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 which follow this section.

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.

Beyond the monthly use of fuel reserves to stabilize customer pricing, the Board approved the following regulatory actions:

- Year-ended September 30, 2021: Deferral of anticipated eligible Federal Emergency Management Agency (FEMA) Coronavirus pandemic emergency response expenses, asset retirement expenses for the closure of the McIntosh 3 generation facility in April 2021 and the deferral of water revenues to mitigate the impacts from the four-year phased-in water price plan.
- Year-ended September 30, 2020: Deferral of anticipated eligible FEMA Coronavirus pandemic emergency response expenses, the extension of the recognition period of the previously approved benefit plan regulatory assets from 2024 through 2032, wholesale power supply termination settlement gains and actuarially determined postemployment past service credits. Recognition of water reserves to offset the impact from the four-year phased-in water price plan and the recognition of electric reserves to offset the now dismissed Stanton Energy Center (SEC) legal claim and expanded costs associated with the Electric Integrated Resource Plan (EIRP).

Coronavirus Pandemic

Beginning in March 2020, OUC took swift actions to safeguard its employees and customers in alignment with its strategic value of *"Safety First."* Beyond implementing safety protocols consistent with Center for Disease Control guidance, enhanced cleaning practices and expanded employee remote connectivity, a $12.1 million comprehensive Customer Relief Program was implemented with bill payment assistance, waiver of late and disconnection fees for non-payment and expanded bill payment plans and arrangements. While the Customer Relief Program financial assistance was exhausted and the waiver of late and disconnection fees for non-payment were sunsetted in July 2020, payment plans and arrangements continued providing customers with additional flexibility and allowing the reserve for uncollectible charges to decline.

Employee safety protocols have continued to evolve in 2021 with the access to vaccines and increased education, allowing OUC to begin a phased-in hybrid return to work program for employees who transitioned to remote connectivity in 2020. The hybrid return to work program continues to evolve as the Central Florida community moves toward a more steady state.

Eligible emergency response costs associated with employee safety and system security continue to be monitored and tracked for anticipated FEMA cost reimbursement.

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: Effective April 1, 2021, a price neutral change was implemented providing for a 7.8 percent fuel price decrease offset by a $2.50 monthly customer charge increase and a conservation volumetric charge increase for usage beyond 1,000 kWh of 0.5¢. These changes allowed for the monthly bill amount for the average residential electric customer using 1,000 kWh per month to remain consistent at $109.50. Effective October 1, 2019, a 3.3 percent electric price change was implemented that increased the bill for the average residential electric customer using 1,000 kWh per month from $106.00 to $109.50.
- Water pricing: In 2017, a four-year water price plan was approved and effective April 1, 2021, the fourth scheduled price change was implemented increasing the average residential and commercial customer water bill 6.2 percent. The prior three price changes were effective October 2019, January 2019 and April 2018 and increased the average residential and commercial customer water bill 6.2 percent, 3.4 percent and 4.0 percent, respectively.
- Ancillary service pricing: The pricing of chilled water, lighting, back-up generation, electric vehicle charging and solar services and solutions are 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: In conjunction with the 2021 implementation of GASB Statement No. 84, "Fiduciary Activities," two fiduciary fund financial statements were prepared 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 using the accrual method of accounting 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.

Condensed Statements of Net Position
As of September 30

(Dollars in thousands)	2021	2020	2019
Assets			
Utility plant, net	$ 2,626,461	$ 2,591,276	$ 2,516,249
Restricted and internally designated assets	830,350	543,603	611,948
Current assets	276,781	247,461	263,113
Other assets	201,800	187,693	190,640
Total assets	**3,935,392**	**3,570,033**	**3,581,950**
Deferred outflows of resources	**73,611**	**120,200**	**99,372**
Total assets and deferred outflows of resources	**$ 4,009,003**	**$ 3,690,233**	**$ 3,681,322**
Liabilities			
Long-term debt, net	$ 1,645,197	$ 1,439,320	$ 1,504,679
Current liabilities	329,615	265,190	252,544
Other liabilities and credits	161,096	203,969	179,613
Total liabilities	**2,135,908**	**1,908,479**	**1,936,836**
Deferred inflows of resources	**317,454**	**283,336**	**298,344**
Net position			
Net investment in capital assets	1,236,483	1,236,286	1,102,332
Unrestricted	319,158	262,132	343,810
Total net position	**1,555,641**	**1,498,418**	**1,446,142**
Total liabilities, deferred inflows of resources and net position	**$ 4,009,003**	**$ 3,690,233**	**$ 3,681,322**

2021 Compared to 2020

Total Assets and Deferred Outflows of Resources

Total assets increased $365.4 million primarily due to the receipt of bond proceeds from the Series 2021A and 2021B Bonds in amount of $326.4 million in April 2021, for which a portion has been utilized for utility plant additions. Utility plant additions in the amount of $249.7 million included major transmission upgrades, the installation of new services and enhanced reliability initiatives for electric and water services and the acquisition of the Osceola Generating Station in the amount of $60.5 million. These additions were offset by systematic depreciation charges and the retirement of the McIntosh 3 generation facility which was reclassified at its net book value of $29.3 million to a regulatory asset to be recognized consistent with its intended original useful life through 2024.

In addition to the changes stemming from utility plant and the bond proceeds, customer receivables increased $12.4 million as the Central Florida community continues to rebound from the pandemic. Fuel-related activities also impacted changes in total assets with fuel hedge derivative valuations rising $34.4 million in response to market-driven fuel commodity price increases partially offset by the use of fuel reserves in the amount of $32.7 million to stabilize the net financial impact of rising fuel costs. Offsetting these increases was the recognition of net benefit plan valuation changes and the receipt of FEMA hurricane restoration receivables deferred in accordance with Board action in the amount of $20.9 million.

Deferred outflows of resources decreased $46.6 million as a result of favorable valuation changes in both the fuel and investment markets resulting in a $20.8 million and a $10.3 million decline in these valuations, respectively. In addition, deferred outflows of resources were also reduced $9.6 million in conjunction with systematic recognition of the loss on refunded debt beyond the addition of $1.0 million associated with the refunded Series 2021C Bonds. Valuation adjustments were also recognized in the amount of $5.8 million in association with the December 2020 St. Lucie nuclear generation facility decommissioning study.

Total Liabilities, Deferred Inflows of Resources and Net Position

Total liabilities increased $227.4 million primarily due to the issuance of Series 2021A and 2021B Bonds in the amount of $326.4 million, offset by scheduled maturities and the amortization of debt-related expenses for a net change in long-term debt related liabilities of $209.8 million. In addition, fuel payables increased $10.7 million as a result of rising fuel commodity prices along with margin advances received from fuel hedge derivative counter-parties in the amount of $29.1 million as a result of unrealized market valuations. Offsetting these increased liabilities was a decrease in benefit plan liabilities of $40.0 million as a result of current year actuarial contributions and valuation changes.

Deferred inflows of resources increased $34.1 million as a result of a $34.4 million increase in unrealized fuel hedge derivative valuations resulting from rising fuel commodity prices and a $32.0 million increase in benefit investment valuations changes. These increases were offset by the board approved usage of regulatory credits in the amount of $31.9 million to offset generation facility expenses including clean power plan costs.

Total net position increased $57.2 million, or 3.8 percent, as a result of current year operations.

2020 Compared to 2019

Total Assets and Deferred Outflows of Resources

Total assets decreased $11.9 million due to several key changes including a reduction in customer receivables in the amount of $14.6 million as a result of the impacts of COVID-19 and increased amounts for the allowance for uncollectible accounts, the planned recognition of $19.0 million of benefit plan regulatory assets, a $17.7 million decrease in fair value of the of Series 2017A interest rate swap as a result of the refunding of the underlying Series 2017A Bonds and a decrease in margin deposits of $15.2 million as a result of fuel hedge valuation changes. Offsetting these decreases was an increase in other assets of $35.6 million from the establishment of right-of-use assets, net of amortization in the amount of $20.2 million and lease receivables of $15.4 million due to the implementation of GASB Statement No. 87, "Leases" (see Note B) along with an increase in restricted and internally designated assets, net of funds used for utility plant additions, in the amount of $17.4 million.

Deferred outflows of resources increased $20.8 million as a result of the valuation of the 2021 forward interest rate swap in the amount of $12.6 million and the recognition of the loss on refunded debt associated with the Series 2017A Bonds in the amount of $23.2 million. These amounts were offset by a $8.8 million decrease in unrealized benefit plan deferred outflows due to actuarial assumption changes and the timing of actuarial required contributions.

Total Liabilities, Deferred Inflows of Resources and Net Position

Total liabilities decreased $28.4 million from the scheduled maturity of long-term debt in the amount of $65.4 million, partially offset from the increase of $16.7 million in lease liability and $3.5 million in current payables resulting from the 2021 implementation of GASB Statement No. 87, "Leases."

Deferred inflows of resources decreased $15.0 million primarily due to a $25.4 million decrease in the valuation of benefit plans outflows and the use of regulatory credits in the amount of $10.2 million to offset generation facility expenses including clean power plan costs. Offsetting these changes, fuel derivative valuations increased $4.7 million and deferred lease revenues increased $16.0 million in conjunction with the implementation of GASB Statement No. 87, "Leases."

Total net position increased $52.3 million, or 3.6 percent, as a result of current year revenues and expenses.

Condensed Statements of Revenues, Expenses and Changes in Net Position
Years Ended September 30

(Dollars in thousands)	2021	2020	2019
Operating revenues	$ 946,389	$ 866,604	$ 897,280
Operating expenses	797,472	742,744	775,589
Operating income	**148,917**	**123,860**	**121,691**
Net non-operating expenses	(33,720)	(22,620)	(25,851)
Special item expenses	(13,946)	—	—
Income before contributions	**101,251**	**101,240**	**95,840**
Contributions in aid of construction	17,803	16,764	18,818
Annual dividend	(61,831)	(65,728)	(63,362)
Increase in net position	**57,223**	**52,276**	**51,296**
Net position - beginning of year	**1,498,418**	**1,446,142**	**1,394,846**
Net position - end of year	**$ 1,555,641**	**$ 1,498,418**	**$ 1,446,142**

2021 Compared to 2020

Changes in Net Position

Total operating revenues: Operating revenues increased $79.8 million, or 9.2 percent.

The largest portion of this change was driven by an increase in retail and resale electric fuel revenues which increased $41.0 million or 18.0 percent as a result of market driven rising fuel commodity prices in the last quarter of the fiscal year. As retail and resale electric fuel revenues are recognized at an equivalent amount of fuel and purchased power costs, fuel reserves of $32.0 million were utilized to deliver on our customer price stability commitment.

Retail energy revenues increased $27.1 million due to the waning effects of the pandemic on the commercial customers, lower than anticipated uncollectible accounts and the impacts of the April 1, 2021 price neutral change which reduced fuel revenues 7.8% with a corresponding energy conservation and customer service fee change.

Resale energy revenues increased $1.8 million excluding the impact of a regulatory action to defer resale energy revenues in the amount of $5.5 million in support of the Board approved Electric Integrated Resource Plan (EIRP) in December 2020. The additional resale energy revenues that provided for the combined annual increase of $7.3 million were due to the waning effects of the pandemic in the St. Cloud service territory and the execution of a new wholesale agreement.

Water revenues increased $3.6 million primarily driven by the 6.2% price increase on April 1, 2021 as part of the four-year water price plan.

Other revenues include utility service revenues from chilled water, lighting and other ancillary energy services along with service and user fee charges. In 2021, these revenues increased $6.3 million primarily due to the return to normal demand post the initial impacts from the pandemic and the reinstatement of disconnect and late fees for non-payment.

Total operating expenses: Operating expenses increased $54.7 million, or 7.4 percent.

Fuel and purchased power increased $41.0 million due to rising fuel commodity costs particularly in the last quarter of the fiscal year due to a wide range of pandemic related supply chain constraints coupled with increased natural gas demand.

Operating expenses, excluding fuel and purchased power, increased $13.7 million primarily due to depreciation and inventory reserve expenses in the amount of $12.0 million in alignment with the Clean Energy Plan. In addition, benefit costs increased $5.3 million due to an increase in health and wellness costs as a result of pandemic-related limitations on non-emergency medical services. Offsetting these increased costs were lower emergency response expenses of $7.3 million as a result of the expansion of the FEMA cost reimbursement coverage period.

Net non-operating expenses: Total net non-operating expenses increased $11.1 million due to the decrease in investment gains and interest income in comparison to the prior year as a result of prior year one-time investment opportunities.

Special item expenses: Special item expenses in the amount of $13.9 million were recognized as a result of the retirement of the McIntosh 3 generation facility and the Board approved regulatory action to systematically recognize these costs through 2024.

Contributions in aid of construction: Contributions in aid of construction increased $1.0 million as a result of stronger than anticipated customer growth.

2020 Compared to 2019

Changes in Net Position

Total operating revenues: Operating revenues decreased $30.7 million, or 3.4 percent.

The decrease in fuel revenues of $31.4 million was the largest driver in the change in total operating revenues primarily driven by price changes effective October 1, 2019 which reduced fuel prices and increased the energy and customer charge bill components. In addition to the fuel price changes, consumption was impacted by COVID-19 and the state and local stay-at-home orders implemented in March 2020.

Retail energy revenues decreased $4.4 million as a result of the impacts from COVID-19 and lower consumption from the shut-down of commercial operations coupled with increased expenses associated with estimated uncollectible accounts. These decreases were partially offset by the price changes implemented on October 1, 2019 and customer growth in the amounts of $11.5 million and $3.9 million, respectively.

Resale energy revenues increased $5.9 million due to a $13.4 million increase in St. Cloud inter-local revenues, net of estimated uncollectible accounts of $1.0 million, offset by a $6.3 million decrease in wholesale revenues due to planned contract expirations and changing generation market dynamics.

Other revenues include utility service revenues from chilled water, lighting and other ancillary energy services along with service and user fee charges. In 2020, these revenues decreased $2.8 million primarily due to the decrease in service fee revenues as a result of COVID-19 and the suspension of disconnects and late fees for non-payment from mid-March through mid-July.

Total operating expenses: Operating expenses decreased $32.8 million, or 4.2 percent

Fuel and purchased power decreased $31.4 million due to low natural gas commodity pricing coupled with the value provided from the long-term discounted gas supply agreements and savings from renegotiated power supply agreements.

Operating expenses, excluding fuel and purchased power, decreased $11.4 million primarily due to focused cost saving initiatives identified at the onset of the pandemic. The identification of these cost saving initiatives delivered lower energy delivery and production costs, reduced employee benefit costs and provided other short-term cost savings. A portion of these savings were offset by increased emergency response expenses related to COVID-19 and the recognition of Hurricane Dorian storm preparation costs.

Depreciation and amortization expenses increased $9.1 million as a result of completed construction projects.

As a result of the implementation of GASB Statement No. 87, "Leases", lease payments in the amount of $3.6 million previously recorded as a component of unit department were reclassified to depreciation and interest expense in the amounts of $3.4 million and $0.2 million, respectively, to reflect the capitalization of right of use assets.

Net non-operating expenses: Total net non-operating expenses decreased $3.2 million primarily due to interest expense savings on variable rate bonds.

Contributions in aid of construction: Contributions in aid of construction increased $2.1 million as a result of stronger than anticipated customer growth prior to the onset of the pandemic.

Condensed Statement of Cash Flows
Years Ended September 30

(Dollars in thousands)	2021	2020
Net cash provided by operating activities	$ 360,293	$ 301,035
Net cash used in non-capital related financing activities	(56,211)	(63,863)
Net cash used in capital related financing activities	(11,811)	(332,439)
Net cash (used in)/provided by investing activities	(94,436)	110,509
Net increase in cash and cash equivalents	**$ 197,835**	**$ 15,242**

Total cash and cash equivalents: Total cash and cash equivalents increased $197.8 million in 2021, an increase of $182.6 million from 2020. Operating activities provided an increase of $59.3 million in comparison to prior year primarily due to the collection of retail customer receivables in the amount of $28.6 million in conjunction with the extended payment terms provided through the Customer Relief Program and the receipt of $15.2 million of emergency response cost reimbursement grant receivables. In addition, unit department expenses were $10.9 million lower as a result of one-time prior year expanded generation outage costs as a result of the outage occurring at the onset of the pandemic. Net cash used for capital related financing was lower in the current year as a result of the issuance of the Series 2021A and 2021B Bonds in the amount of $326.8 million which offset cash used for capital projects and debt service payments including the purchase of the Osceola Generating Station in the amount of $60.5 million. Net cash used in investing activities had an increased amount of outflows as a direct result of the bond issuance and investment of these proceeds pending their utilization for capital projects.

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 Finance Committee.

Capital Plan

The 2022 Capital Plan incorporates funding of $1,221.3 million, which is $11.0 million, or less than 1.0 percent, lower than the 2021 Capital Plan. Funding for the Capital Plan is provided with bond proceeds, internally designated capital reserves and the results of operations. In 2021, OUC secured $326.8 million of bond proceeds which is anticipated to fund up to three years of the Capital Plan.

(Dollars in millions)	2022	2023	2024	2025	2026	Total
Transmission and distribution	$ 100.1	$ 122.1	$ 140.9	$ 207.6	$ 167.9	$ 738.6
Production	121.6	75.0	43.2	60.6	40.2	340.6
Support services	61.4	42.2	20.7	5.1	12.7	142.1
Total five-year capital plan	**$ 283.1**	**$ 239.3**	**$ 204.8**	**$ 273.3**	**$ 220.8**	**$ 1,221.3**

Fiduciary Fund Financial Statements

In accordance with GASB Statement No. 84, the Statement of Fiduciary Net Position and the Statement of Changes in Fiduciary Net Position for the Benefit Plan Trusts are included with OUC's basic financial statements. The plans, inclusive of the Defined Benefit Pension and Other Post-Employment Benefit Plans, also issue separate financial statements, which include additional investment and valuation disclosures.

Condensed Statements of Fiduciary Net Position

	As of September 30,		
(Dollars in thousands)	**2021**	**2020**	**2019**
Assets			
Investments	$ 716,399	$ 609,527	$ 564,986
Receivables	1,639	225	447
Total assets	718,038	609,752	565,433
Liabilities	3,204	757	1,688
Fiduciary net position	$ 714,834	$ 608,995	$ 563,745

Condensed Statements of Changes in Fiduciary Net Position

	Years ended September 30,		
(Dollars in thousands)	**2021**	**2020**	**2019**
Additions			
Net increase in fair value of investments	$ 115,389	$ 52,948	$ 13,474
Interest, dividends and other income, net of investment expense	11,165	8,233	9,524
Contributions	20,726	26,510	29,988
Total additions	147,280	87,691	52,986
Deductions			
Benefit payments, including refunds of plan member contributions	41,101	42,182	40,947
Administrative expenses, net of foreign tax withheld	340	259	257
Total deductions	41,441	42,441	41,204
Net increase in fiduciary net position	105,839	45,250	11,782
Fiduciary net position - beginning of year	608,995	563,745	551,963
Fiduciary net position - end of year	$ 714,834	$ 608,995	$ 563,745

2021 Compared to 2020

Fiduciary Net Position and Changes in Fiduciary Net Position

Net position increased $105.8 million or 17.4 percent as a result of a rise in the fair value of investments, investment earnings and a decrease in other postemployment benefit payments as a result of the actuarial over-funded status of this plan. This was offset by a decrease in contributions resulting from actuarial assumption changes.

2020 Compared to 2019

Fiduciary Net Position and Changes in Fiduciary Net Position

Net position increased $45.3 million or 8.0 percent as a result of an increase in the fair value of investments, offset by a decrease in contributions to the other postemployment benefit trust due to favorable retiree medical claims experience and medical benefit changes, and higher pension benefit payments due to a cost of living adjustment and an increase in the number of inactive members receiving benefits.

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 November 17, 2020, management presented the results of its comprehensive EIRP aligned with its C*onnected 2025 Strategic Plan* at a Board workshop which included an on-site and virtual platform for public comment. On December 8, 2020, the Board adopted the 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.

To meet the first interim goal of a 50 percent reduction in CO_2 emissions by 2030, the EIRP - also known as the Clean Energy Plan - outlined milestone targets including the conversion of the two coal-fired generation units at the Stanton Energy Center to natural gas no later than 2027, enhanced customer-focused energy efficiency programs and the investment in new solar generation and energy storage. While plans are in process to deliver on each of these initiatives, the gas conversion plans for both coal-fired generation facilities at the Stanton Energy Center were modified in conjunction with the acquisition of the Osceola Generating Station (OGS), an existing dual-fired (natural gas - primary fuel and diesel oil - back-up fuel) combined cycle generation facility, in September 2021 allowing for one of the coal-fired generation facilities to be retired. Beyond providing replacement generation to enable the retirement of one coal-fired generation facility, the generation start-up characteristics of the OGS compliment the expansion of solar generation and the dispatch variability of this energy source.

Prices: Pricing plans associated with the Clean Energy Plan are anticipated to be limited to less than 1 percent annually through 2030. Beyond the planned pricing impacts from the Clean Energy Plan, rising fuel commodity costs are the driver for the Board approved retail electric fuel price changes effective January 1, 2022 increasing the average residential customer monthly bill amount based on 1,000 kilowatt hours 2.3%. Additionally, retail electric fuel prices are also being considered for an effective date of June 1, 2022 should rising fuel commodity prices and supply chain constraints continue. Along with the price changes in 2021, time-of-use pricing, an alternative pricing methodology to the current one-size fits all residential pricing model, was piloted to advance customer awareness and allow customers to leverage advancing home energy technologies, support the electrification of transportation in a cost efficient manner and promote conservation and community sustainability efforts. Additional pricing designs are 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 commitment to customer equity.

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 roadmap, resulting in an implementation plan that balances reliability, affordability, sustainability and resiliency while adhering to legislative and regulatory mandates. See Note J for further information.

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, alternative water supply options are required with the 20-year permit period in advance of triggering the automatic CUP reduction provision to 100.1 mgd.

In October 2020, in advance of the CUP reduction trigger date of October 1, 2023, OUC submitted a request to renew the CUP at a withdrawal rate of 109.2 mgd for a second 20-year period. While alternative water supply options continue to be pursued including the evaluation of the water supply resources from the lower-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 in January 2022.

Financing

In 2019, regulatory and advisory bodies have identified flaws with LIBOR (London Inter Bank Offer Rate) and have determined it may not be supported beyond 2021. These regulatory and advisory bodies have established working groups to define alternative reference rates as well as a transition protocol from LIBOR to the presumed new US Secured Overnight Financing Rate (SOFR). Management has authorized the necessary steps for adherence to the fallback protocol.

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

(Dollars in thousands)	As of September 30 2021	2020
Assets		
Utility plant, net		
Utility plant in service	$ 4,510,530	$ 4,536,258
Allowances for depreciation and amortization	(2,278,083)	(2,294,973)
Utility plant in service, net	2,232,447	2,241,285
Land and other non-depreciable assets	141,714	84,313
Construction work in progress	252,300	265,678
Total utility plant, net	**2,626,461**	**2,591,276**
Restricted and internally designated assets		
Restricted assets	253,877	47,199
Internally designated assets	576,473	496,404
Total restricted and internally designated assets	**830,350**	**543,603**
Current assets		
Cash and investments	52,526	36,528
Customer receivables, net	81,018	66,121
Miscellaneous receivables, net	14,606	25,709
Accrued utility revenue	38,990	37,961
Fuel for generation	15,486	23,037
Materials and supplies inventory, net	47,670	43,711
Accrued interest receivable	716	1,307
Prepaid and other expenses	6,866	10,744
Hedging derivative instruments maturing within one year	18,903	2,343
Total current assets	**276,781**	**247,461**
Other assets		
Regulatory assets	91,642	119,884
Other long-term assets	55,761	29,857
Hedging derivative instruments	20,209	2,406
Right of use assets, net	19,398	20,181
Lease receivables	14,790	15,365
Total other assets	**201,800**	**187,693**
Total assets	**3,935,392**	**3,570,033**
Deferred outflows of resources		
Accumulated decrease in fair value of hedging derivatives	4,385	25,230
Fair value of asset retirement obligation	—	5,805
Unrealized pension and other postemployment benefits contributions and losses	27,668	37,970
Unamortized loss on refunded bonds	41,558	51,195
Total deferred outflows of resources	**73,611**	**120,200**
Total assets and deferred outflows of resources	**$ 4,009,003**	**$ 3,690,233**

See Notes to the Financial Statements for additional information.

STATEMENTS OF NET POSITION

(Dollars in thousands)	As of September 30 2021	2020
Liabilities		
Current liabilities		
Payable from restricted and designated assets		
Current portion of long-term debt	$ 82,050	$ 73,930
Accrued interest payable on notes and bonds	28,756	24,892
Customer meter deposits	60,019	57,925
Total payable from restricted and designated assets	**170,825**	**156,747**
Payable from current assets		
Accounts payable and accrued expenses	116,636	67,856
Billings on behalf of state and local governments	21,731	19,748
Compensated absences and accrued wages	17,477	17,758
Accrued governmental payments	2,946	2,985
Hedging derivative instruments maturing within one year	—	96
Total payable from current assets	**158,790**	**108,443**
Total current liabilities	**329,615**	**265,190**
Other liabilities and credits		
Pension and net other postemployment benefits liability	48,023	88,054
Asset retirement obligation and other liabilities	96,900	97,466
Lease liability	16,173	16,727
Hedging derivative instruments	—	1,722
Total other liabilities and credits	**161,096**	**203,969**
Long-term debt, net		
Bond and note principal	1,521,845	1,312,005
Unamortized premium	118,967	103,903
Fair value of derivative instruments	4,385	23,412
Total long-term debt, net	**1,645,197**	**1,439,320**
Total liabilities	**2,135,908**	**1,908,479**
Deferred inflows of resources		
Unrealized pension and other postemployment benefits gains	60,679	28,704
Accumulated increase in fair value of hedging derivatives	39,112	4,749
Regulatory credits	201,064	233,003
Unamortized gain on refunded bonds	1,125	855
Lease revenue	15,474	16,025
Total deferred inflows of resources	**317,454**	**283,336**
Net position		
Net investment in capital assets	1,236,483	1,236,286
Unrestricted	319,158	262,132
Total net position	**1,555,641**	**1,498,418**
Total liabilities, deferred inflows of resources and net position	**$ 4,009,003**	**$ 3,690,233**

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 2021	2020
Operating revenues		
Retail electric revenues	$ 628,229	$ 576,710
Resale electric revenues	158,615	140,193
Water revenues	83,390	79,820
Chilled water revenues	30,693	28,624
Lighting revenues	17,434	16,207
Other revenues	28,028	25,050
Total operating revenues	**946,389**	**866,604**
Operating expenses		
Fuel for generation and purchased power	294,988	257,111
Unit/department expenses	285,326	275,592
Depreciation and amortization	161,113	153,877
Payments to other governments and taxes	56,045	56,164
Total operating expenses	**797,472**	**742,744**
Operating income	**148,917**	**123,860**
Net non-operating expenses		
Interest income	6,588	12,653
Other income, net	7,142	10,576
Amortization of gain on sale of assets	—	5,749
Interest expense	(47,450)	(51,598)
Total net non-operating expenses	**(33,720)**	**(22,620)**
Special Items		
Generation decommissioning	(13,946)	—
Income before contributions	**101,251**	**101,240**
Contributions in aid of construction	17,803	16,764
Annual dividend	(61,831)	(65,728)
Increase in net position	**57,223**	**52,276**
Net position - beginning of year	**1,498,418**	**1,446,142**
Net position - end of year	**$ 1,555,641**	**$ 1,498,418**

See Notes to the Financial Statements for additional information.

STATEMENTS OF CASH FLOWS

(Dollars in thousands)	Years ended September 30 2021	2020
Cash flows from operating activities		
Cash received from customers	$ 898,750	$ 870,129
Cash paid for fuel and purchased power	(247,423)	(255,158)
Cash paid for unit/department expenses excluding salaries and benefits	(62,381)	(73,325)
Cash paid for salaries and benefits	(185,062)	(175,405)
Cash received/(paid) for emergency response expenses	12,492	(9,091)
Cash paid to other governments and taxes	(56,083)	(56,115)
Net cash provided by operating activities	**360,293**	**301,035**
Cash flows from non-capital related financing activities		
Dividend payment	(61,831)	(65,728)
Build America Bond interest subsidy received	5,620	1,865
Net cash used in non-capital related financing activities	**(56,211)**	**(63,863)**
Cash flows from capital related financing activities		
Utility plant, net of contributions in aid of construction	(223,910)	(201,750)
Debt interest payments	(52,765)	(62,501)
Collateral deposits	15,146	(7,000)
Principal payments and refunding costs on long-term debt	(96,251)	(182,562)
Debt issuances	349,101	122,222
Debt issuance expense	(3,132)	(848)
Net cash used in capital related financing activities	**(11,811)**	**(332,439)**
Cash flows from investing activities		
Proceeds from sales and maturities of investment securities	238,780	407,336
Gain on sale of investments	1,803	4,058
Purchases of investment securities	(349,887)	(317,757)
Investments and other income received	14,868	16,872
Net cash (used in)/provided by investing activities	**(94,436)**	**110,509**
Net increase in cash and cash equivalents	**197,835**	**15,242**
Cash and cash equivalents - beginning of year	**249,357**	**234,115**
Cash and cash equivalents - end of year	**$ 447,192**	**$ 249,357**
Reconciliation of operating income to net cash provided by operating activities		
Operating income	$ 148,917	$ 123,860
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation and amortization of plant charged to operations	161,113	153,877
Depreciation and amortization charged to fuel for generation and purchased power	2,602	3,490
Depreciation of vehicles and equipment charged to unit/department expenses	2,106	2,371
Changes in assets and liabilities		
(Increase)/Decrease in receivables and accrued revenue	(22,928)	7,609
Decrease in fuel and materials and supplies inventories	16,459	9,685
Increase/(Decrease) in accounts payable	38,733	(2,545)
Increase/(Decrease) in deposits payable and liabilities	19,772	(545)
(Decrease)/Increase in stabilization and deferred credits	(6,481)	3,233
Net cash provided by operating activities	**$ 360,293**	**$ 301,035**
Reconciliation of cash and cash equivalents		
Restricted and internally designated cash and cash equivalents	$ 418,031	$ 248,842
Cash and investments	29,161	515
Cash and cash equivalents - end of year	**$ 447,192**	**$ 249,357**
Non-cash investing, capital and financing activities		
Increase in donated utility plant assets	$ 2,341	$ 4,215
(Decrease)/Increase in fair value of investments	$ (6,316)	$ 6,762
Decrease in accounts payable related to utility plant purchases	$ 4,231	$ 3,127
Decrease in fair value of retirement obligation asset	$ (5,548)	$ —

See Notes to the Financial Statements for additional information.

STATEMENTS OF FIDUCIARY NET POSITION

(Dollars in thousands)	As of September 30 2021	2020
Assets		
Investments		
Cash and cash equivalents	$ 22,167	$ 21,227
U.S. equity funds	335,166	269,078
Fixed income funds	118,720	122,508
International equity funds	116,834	93,052
Real estate funds	54,118	49,962
Alternative investments	63,939	48,836
Balanced mutual fund investments	5,455	4,864
Total investments	**716,399**	**609,527**
Receivables		
Benefits receivable	376	—
Pending investment sales	1,062	—
Net interest and dividends receivable	201	225
Total receivables	**1,639**	**225**
Total assets	**718,038**	**609,752**
Liabilities		
Benefits payable	—	49
Pending investment purchases	3,172	675
Investment advisory fees payable	32	33
Total liabilities	**3,204**	**757**
Fiduciary net position	**$ 714,834**	**$ 608,995**

See Notes to Financial Statements for additional information.

STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION

(Dollars in thousands)	Years ended September 30 2021	2020
Additions		
Contributions		
Employer	$ 20,358	$ 26,087
Plan member	368	423
Total contributions	**20,726**	**26,510**
Investment Income, net of investment expense		
Net increase in fair value of investments	115,389	52,948
Interest, dividends and other income	14,494	11,047
Investment expense	(3,329)	(2,814)
Total investment income, net of investment expense	**126,554**	**61,181**
Total additions	**147,280**	**87,691**
Deductions		
Benefit payments, including refunds of plan member contributions	41,101	42,182
Administrative expenses, net of foreign tax withheld	340	259
Total deductions	**41,441**	**42,441**
Net increase in fiduciary net position	**105,839**	**45,250**
Fiduciary net position - beginning of year	**608,995**	**563,745**
Fiduciary net position - end of year	**$ 714,834**	**$ 608,995**

See Notes to Financial Statements for additional information.

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 governing Board (the 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 and special item 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: Effective April 1, 2021, a price neutral change was implemented providing for a 7.8 percent fuel price decrease offset by a $2.50 monthly customer charge increase and a conservation volumetric charge increase for usage beyond 1,000 kWh of 0.5¢. These changes allowed for the monthly bill amount for the average residential electric customer using 1,000 kWh per month to remain consistent at $109.50. Effective October 1, 2019, a 3.3 percent electric price change was implemented that increased the bill for the average residential electric customer using 1,000 kWh per month from $106.00 to $109.50.

Note B – Summary of Significant Accounting Policies (continued)

- Water pricing: In 2017, a four-year water price plan was approved and effective April 1, 2021, the fourth scheduled price change was implemented increasing the average residential and commercial customer water bill 6.2 percent. The prior three price changes were effective October 2019, January 2019 and April 2018 and increased the average residential and commercial customer water bill 6.2 percent, 3.4 percent and 4.0 percent, respectively.
- Ancillary service pricing: The pricing of chilled water, lighting, back-up generation, electric vehicle charging and solar services and solutions are 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 item 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 historical 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 Clean Energy Plan.

The cost of retired utility plant assets, together with removal costs less salvage value, are charged to accumulated depreciation except for costs associated with regulatory actions taken to support the Clean Energy Plan which are recorded as a component of special item expenses. 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, was 3.6 percent and 3.4 percent for 2021 and 2020, 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

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 (see Note E).

Note B – Summary of Significant Accounting Policies (continued)

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 $81.0 million and $66.1 million at September 30, 2021 and 2020 includes an allowance for uncollectible accounts of $16.9 million and $30.0 million, respectively and incorporates the projected impacts from the pandemic emergency response event, which began in March 2020. Included in net customer receivables were billings on behalf of the State and other local governments of $8.7 million and $6.8 million at September 30, 2021 and 2020, inclusive of an allowance for uncollectible accounts of $2.8 million and $3.9 million, respectively. Agency billings are not reflected in the Statements of Revenues, Expenses and Changes in Net Position. Bad debt expenses were $5.5 million and $11.5 million for the years ended September 30, 2021 and 2020, respectively and also reflect the steady return to business as usual in the Central Florida community.

As of September 30, 2021 and 2020, miscellaneous receivables were $14.6 million and $25.7 million, net of allowance for uncollectible accounts of $2.6 million and $2.1 million for the years ended September 30, 2021 and 2020, respectively. Miscellaneous receivables at September 30, 2020 included a collateral receivable of $13.2 million which settled on October 1, 2020 as a result of the termination of the Series 2017A interest rate swap (see Note H).

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

(Dollars in thousands)	2021	2020
Customer receivables, net		
Customer receivables	$ 63,064	$ 53,786
Agency receivables	8,747	6,797
Wholesale receivables	9,207	5,538
Total customer receivables, net	**81,018**	**66,121**
Miscellaneous receivables, net	**14,606**	**25,709**
Total accounts receivable, net	**$ 95,624**	**$ 91,830**

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 $39.0 million and $38.0 million at September 30, 2021 and 2020, respectively, including unbilled electric fuel revenues in the amount of $9.0 million and $9.7 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, 2021 and 2020 was $15.5 million and $23.0 million, respectively.

Materials and supplies inventory, net: Materials and supplies are reported at current cost based on contractual material and supply agreements. Materials and supplies inventory at September 30, 2021 and 2020 was $47.7 million and $43.7 million, including an allowance for obsolescence of $16.3 million and $11.4 million, respectively.

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 and fuel hedges resulting from unrealized market valuations. Prepaid expenses at September 30, 2021 and 2020 were $6.9 million and $10.7 million, respectively, of which collateral or margin deposits for interest rate and fuel hedges were $0.0 million and $2.7 million, respectively.

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 (see Note G and Note M).

Note B – Summary of Significant Accounting Policies (continued)

Other assets: Other assets are comprised of long-term assets inclusive of regulatory assets (see Note G), hedging derivatives acquired to reduce fuel commodity price volatility (see Note G and Note M), right of use assets and lease receivables associated with the implementation of GASB Statement No. 87, "Leases" and prepaid actuarially determined benefits in the amount of $28.1 million and $0.0 million at September 30, 2021 and 2020 respectively.

- **Right of use assets, net:** OUC has secured contractual lease rights for the use of land, vehicles and other assets in an exchange or exchange-like transaction without the transfer of ownership of the asset. 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 contract or the life of the asset. The present value of these lease rights 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)	2021	2020
Right of use assets		
Land	$ 12,292	$ 12,292
Vehicles	13,127	11,022
Other	899	345
Total right of use assets	**26,318**	**23,659**
Accumulated amortization	**(6,920)**	**(3,478)**
Right of use assets, net	**$ 19,398**	**$ 20,181**

- **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 $14.8 million and $15.4 million at September 30, 2021 and 2020, respectively. Revenues recognized in conjunction with these long-term lease receivables at September 30, 2021 and 2020 were $0.6 million and $0.5 million, respectively and interest revenues were $0.4 million at September 30, 2021 and 2020.

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.

Accounts payable and accrued expenses: Accounts payable and accrued expenses include liabilities for supplier-related goods and services received, fuel and purchased power expenses and self-insurance accrual requirements. In addition, included in this amount are margin advances received from fuel hedge derivative counter-parties in conjunction with unrealized market valuations from rising fuel and purchased power commodity costs.

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

(Dollars in thousands)	2021	2020
Supplier payables	$ 47,640	$ 40,078
Fuel and purchased power payables	30,680	16,024
Margin advances on fuel hedge derivatives	29,106	—
Other accounts payable and accrued expenses	5,658	8,566
Accrued self-insurance expenses	3,552	3,188
Total accounts payable and accrued expenses	**$ 116,636**	**$ 67,856**

Pension plan and other postemployment benefits (OPEB) plan (Benefit Plans): OUC records the financial results of these benefit plans based on the actuarially determined results and the fiduciary net position of these benefit plans consistent with their standalone reports. For this purpose, the plans recognize benefit payments (including refunds of employee contributions) when due and payable in accordance with the benefit terms. Administrative expenses of the plans are paid by the Trust and contributions to the Trust are recognized based on the actuarially determined required contributions.

Note B – Summary of Significant Accounting Policies (continued)

Based on the implementation of GASB Statement No. 84, “Fiduciary Activities,” (Statement No. 84), the trust assets of these employee benefit plans are presented in separate fiduciary fund financial statements, which require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and associated changes and disclosure of contingent assets and liabilities. Actual results could differ from these estimates. For plan years ended September 30, 2021 and 2020, management used estimates of the actuarial calculation of the required employer contribution and fair valuation of real estate and alternative assets in the preparation of the fiduciary fund financial statements.

Employer contributions are recognized based on the actuarially determined required amount. Changes in the current value of investments, including gains or losses on disposal of investments, are reported as the net increase in fair value of investments. 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. Purchases and sales of securities are reflected on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. 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. Benefit payments and administrative expenses are recorded on the accrual basis of accounting.

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 based on a ratio of sick leave taken to sick leave earned. This ratio is then used to determine an employee’s sick leave payout at either the retirement rate of 50.0 percent or termination rate of 25.0 percent. No sick leave payout is accrued for employees with less than two years of employment. Compensatory time and accrued wages are also recognized when earned. Compensated absences and accrued wages at September 30, 2021 and 2020 were $17.5 million and $17.8 million, respectively.

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

- **ARO:** 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, a decommissioning estimate is accrued annually for the St. Lucie Unit 2 nuclear generation facility (SL2). 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 $46.6 million and $58.5 million with restricted assets of $46.9 million and $47.2 million, at September 30, 2021 and 2020, respectively (see Note G).

  OUC also retains an ARO for its landfill at the Stanton Energy Center estimated to be $4.5 million. At September 30, 2021 and 2020 the accrued ARO for landfill closure costs were $3.8 million and $2.5 million, respectively with an accretion period consistent with the Clean Energy Plan and the sunsetting of coal-fired generation in 2027.

- **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, 2021 and 2020 accrued contributions in aid of construction were $24.3 million and $22.3 million, respectively.

- **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, 2021 and 2020 was $5.9 million and $0.0 million, respectively.

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

Note B – Summary of Significant Accounting Policies (continued)

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

In May 2020, the GASB issued Statement No. 95, "Postponement of the Effective Dates of Certain Authoritative Guidance", (Statement No. 95) with the primary objective to provide temporary relief regarding standard implementation in light of COVID-19. As such, certain implementation dates were extended in accordance with the new standards.

In January 2017, GASB Statement No. 84, "Fiduciary Activities," (Statement No. 84) was issued. Statement No. 84 establishes criteria for identifying, reporting and disclosing fiduciary activities associated with the retention and management of beneficiary assets. The updated effective date of this standard (as amended by Statement No. 95) is for periods beginning after December 15, 2019. OUC adopted this standard in fiscal year 2021 by including fiduciary fund financial statements and related footnotes for its Defined Benefit Pension and Other Post-Employment Benefit Trusts.

In June 2017, GASB Statement No. 87, "Leases," (Statement No. 87) was issued. Statement No. 87 requires the recognition of certain assets and liabilities for leases that were previously classified as operating leases and recognized as deferred outflows or inflows of resources based on the payment provisions of the contract. The updated effective date of this standard (as amended by Statement No. 95) is for periods beginning after June 15, 2021. OUC has early adopted GASB Statement No. 87 and was required to recognize a lease liability and an intangible right of use lease asset for certain of its leases that were previously reported as operating leases under the previous accounting standards. In addition, OUC recognized deferred lease revenue and a corresponding lease receivable for certain assets leased to third parties not previously reported. For comparative purposes, the Statement of Net Position has been restated for the year ended September 30, 2020 and reflects an increase of approximately $36.0 million in total assets for the recognition of right of use lease assets and lease receivables included under other assets and a corresponding increase in accounts payable, lease liability and deferred lease revenue. The Statement of Revenues, Expenses, and Changes in Net Position was also restated modifying operating income and non-operating expenses with no material impact to the change in net position.

OUC early adopted GASB Statement No. 90, "Majority Equity Interests," (Statement No. 90) during the year ended September 30, 2020. Statement No. 90 requires that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund or an endowment or permanent fund. This statement had no effect on the financial statements.

Future GASB Accounting Standard Implementations

Reporting Impacts

In January 2020, GASB Statement No. 92, "Omnibus 2020," (Statement No. 92) was issued, 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, reporting of intra-entity transfers of assets between a primary government and component unit pension or other postemployment benefit plans, 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," to reporting assets accumulated for postemployment benefits and postemployment benefit arrangements, measurement of liabilities related to asset retirement obligations in a government acquisition, reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers, nonrecurring fair value measurements of assets or liabilities, and terminology related to derivative instruments. The effective date of this standard is for periods beginning after June 15, 2021. This statement is under review and management has yet to determine the impact, if any, to the financial statements.

Note B – Summary of Significant Accounting Policies (continued)

In June 2020, the GASB issued 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 a supersession of GASB Statement No. 32." 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. The effective date of this standard is for periods beginning after June 15, 2021. This statement is under review and management has yet to determine the impact, if any, to the financial statements.

Transactional Impacts

In March 2020, the GASB issued 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 is effective for reporting periods ending after December 31, 2021. All other requirements of this statement are effective for reporting periods beginning after June 15, 2021. This statement is under review and management has yet to determine the impact, if any, to the financial statements.

In March 2020, GASB Statement No. 94, "Public-Private and Public-Public Partnerships and Availability Payment Arrangements," (Statement No. 94) was issued. 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," 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 is under review and management has yet to determine the impact, if any, to the financial statements.

In May 2020, the GASB issued Statement No. 96, "Subscription-Based Information Technology Arrangements." 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. The effective date of this standard is for periods beginning after June 15, 2022. Management has yet to determine the impact, if any, to the financial statements or supplemental reporting requirements.

Note C – Utility Plant

Net utility plant increased 1.4 percent and 3.0 percent in 2021 and 2020, respectively, primarily due to the closure of the McIntosh 3 generation facility in April 2021 and the continued expansion of renewable energy resources through the execution of the power purchase agreements in alignment with the Board approved Clean Energy Plan (see Note D and Note J). Utility plant, net at September 30, 2021 and 2020 represented 66.7 percent and 72.6 percent of total assets, respectively.

In September 2021, OUC completed the purchase of the Osceola Generating Station, three single-cycle natural gas-fired generation units with a combined nameplate capacity of 510-megawatt (MW) in the amount of $60.5 million. While plans are underway to energize the site, at September 30, 2021, the generation facility assets, excluding inventory, are included under the heading of Land and other non-depreciable assets pending the phased-in commercialization of these units. Commercialization of the complete site is anticipated to align with other key Clean Energy Plan initiatives including the expansion of transmission capacity to support new renewable solar energy generation adjacent to the Osceola Generating Station.

Activities for the years ended September 30, 2021 and 2020 were as follows:

Utility Plant (Net) (Dollars in thousands)	**2020**	**Additions**	**Transfers**	**Retirements/ reclassifications**	**2021**
Utility plant					
Electric	$ 3,448,837	$ 19,927	$ 151,925	$ (227,555)	$ 3,393,134
Water	654,079	2,548	12,363	218	669,208
Chilled Water	118,153	—	—	—	118,153
Lighting	107,709	—	5,211	18	112,938
Shared/Customer Service	207,480	637	10,597	(1,617)	217,097
Total utility plant	**4,536,258**	**23,112**	**180,096**	**(228,936)**	**4,510,530**
Accumulated depreciation					
Electric	(1,794,962)	(116,455)	(19)	174,730	(1,736,706)
Water	(281,985)	(18,331)	—	133	(300,183)
Chilled Water	(59,674)	(3,299)	—	(15)	(62,988)
Lighting	(52,148)	(5,519)	—	14	(57,653)
Shared/Customer Service	(106,204)	(15,845)	19	1,477	(120,553)
Total accumulated depreciation	**(2,294,973)**	**(159,449)**	**—**	**176,339**	**(2,278,083)**
Total depreciable utility plant, net	2,241,285	(136,337)	180,096	(52,597)	2,232,447
Land and other non-depreciable assets	84,313	57,565	—	(164)	141,714
Construction work in progress	265,678	169,031	(180,096)	(2,313)	252,300
Utility plant, net	**$ 2,591,276**	**$ 90,259**	**$ —**	**$ (55,074)**	**$ 2,626,461**

Utility Plant (Net) (Dollars in thousands)	**2019**	**Additions**	**Transfers**	**Retirements/ reclassifications**	**2020**
Utility plant					
Electric	$ 3,368,952	$ 26,459	$ 66,294	$ (12,868)	$ 3,448,837
Water	630,858	4,776	20,243	(1,798)	654,079
Chilled Water	116,994	—	1,159	—	118,153
Lighting	96,944	—	11,919	(1,154)	107,709
Shared/Customer Service	258,021	1,860	(3,950)	(48,451)	207,480
Total utility plant	**4,471,769**	**33,095**	**95,665**	**(64,271)**	**4,536,258**
Accumulated depreciation					
Electric	(1,676,999)	(103,179)	(10,164)	(4,620)	(1,794,962)
Water	(265,727)	(18,085)	—	1,827	(281,985)
Chilled Water	(56,310)	(3,344)	—	(20)	(59,674)
Lighting	(47,777)	(5,473)	—	1,102	(52,148)
Shared/Customer Service	(148,105)	(16,075)	10,164	47,812	(106,204)
Total accumulated depreciation	**(2,194,918)**	**(146,156)**	**—**	**46,101**	**(2,294,973)**
Total depreciable utility plant, net	2,276,851	(113,061)	95,665	(18,170)	2,241,285
Land and other non-depreciable assets	83,171	1,142	—	—	84,313
Construction work in progress	156,227	206,961	(95,665)	(1,845)	265,678
Utility plant, net	**$ 2,516,249**	**$ 95,042**	**$ —**	**$ (20,015)**	**$ 2,591,276**

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 with no undivided participant ownership interests. As of September 30, 2021, OUC retained a similar ownership structure for the Osceola Generating Station.

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, SL2 and McIntosh 3 (MC3) 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 and disclosed in Note E.

In April 2021, MC3 was retired in advance of its expected useful life. In conjunction with this action, a regulatory asset was established for certain costs associated with the retirement of this generation facility (see Note G).

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)	n/a [2]	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)	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)	2018	n/a [1]	n/a [1]	330	Natural gas
Solar	2010-2020	n/a [1]	n/a [1]	123	Solar
Landfill Gas	2011-2016	n/a [1]	n/a [1]	21	Landfill gas

[1] 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.

[2] Plans are underway to bring the facility to commercial operations in alignment with Clean Energy Plan initiatives.

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:

	2021			2020		
(Dollars in thousands)	Utility plant	Accumulated depreciation	Net book value	Utility plant	Accumulated depreciation	Net book value
SEC Unit 2	$ 547,963	$ 324,067	$ 223,896	$ 539,369	$ 306,102	$ 233,267
SEC Unit B	300,503	117,343	183,160	300,970	113,139	187,831
SEC Unit 1	452,247	325,580	126,667	447,219	302,393	144,826
SL2	214,001	102,676	111,325	206,790	97,824	108,966
MC3	—	—	—	209,316	162,847	46,469
SEC Unit A	95,695	63,760	31,935	95,482	58,875	36,607
IRP	60,973	54,468	6,505	60,427	52,297	8,130
OGS	57,565	—	57,565	—	—	—
Total	$ 1,728,947	$ 987,894	$ 741,053	$ 1,859,573	$ 1,093,477	$ 766,096

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 Finance Committee and in adherence with the 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. Refer to Note G for further detail.

The Finance Committee Charter, inclusive of the maximum portfolio weighting, 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:** To mitigate this 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 views this type of risk as minimal due to its use of 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 for this type of security with a stable net asset value but could be subject to daily mark to market and no later than next day liquidity. OUC had $388.0 million and $248.7 million of investments held in money market funds and QPD accounts that were exposed to this risk as of September 30, 2021 and 2020, respectively.
- **Credit risk:** To mitigate the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment, OUC limits investments 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:** This is the risk of loss associated with the extent of OUC's investment in a single issuer. OUC places limits on the amounts invested in any one issuer for certain types of securities. The following were the investment concentrations greater than 5.0 percent for a single issuer as of September 30:

Investment type (Dollars in thousands)		2021			2020	
Money market mutual funds						
MSIFT Ultra Short Fund	$	132,567	15.5 %	$	91,000	15.7 %
U.S. Agencies						
Federal Home Loan Mortgage Corporation	$	24,781	2.9 %	$	59,989	10.4 %
Federal Home Loan Banks	$	36,727	4.3 %	$	31,278	5.4 %
Local government surplus funds investment pool						
Florida FIT	$	88,421	10.4 %	$	36,260	6.3 %
Florida State Board of Administration	$	117,179	13.7 %	$	13,122	2.3 %

The following table summarizes the investment criteria underlying the 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, 2021	2020
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%	16%	25%
Municipal notes	Minimum "A" rating by a nationally recognized rating agency.	25%	3%	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%	15%	16%
Commercial paper	Minimum rating of "A-1", "P-1" and "F1" by at least two nationally recognized rating agencies.	20%	18%	5%
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%	19%
Local government surplus funds investment pool [1]	Qualified under the laws of the State of Florida with no limitations or restrictions on withdrawals.	25%	24%	9%
U.S. Treasury notes	Direct obligations that are unconditionally guaranteed by the United States Government.	100%	6%	1%
U.S. Agencies	Indebtedness issued by government-sponsored enterprises (GSE), which are non-full faith and credited by the United States Government.	100%	12%	22%
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	2021	2020
Corporate notes and multi-national sovereign debt	Aaa - A2 / AA+ - A- / AAA - A	3.42	2.90
Municipal notes	Aaa - A3 / AAA - BBB+ / AAA - AA+	3.52	3.78
U.S. Agencies	Aaa / AA+ / AAA	4.20	3.12
U.S. Treasury notes	Aaa / AA / AAA	0.34	1.60
Commercial paper	A-1 / P-1 / F1+ - F1	0.13	0.14

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

(Dollars in thousands)	2021	2020
Cash and cash equivalents		
Cash	$ 29,161	$ 515
Local government investment pool	205,601	49,382
Money market mutual funds	133,298	91,717
Depository accounts	49,139	107,743
Commercial paper	29,993	—
Total cash and cash equivalents	**447,192**	**249,357**
Investments		
U.S. Treasury notes	47,767	5,674
Corporate notes and multi-national sovereign debt	135,219	145,534
U.S. Agencies	106,013	129,700
Commercial paper	124,900	29,841
Municipal notes	21,436	19,796
Total investments	**435,335**	**330,545**
Total cash, cash equivalents and investments	**$ 882,527**	**$ 579,902**
Restricted and internally designated assets		
Restricted assets		
Construction funds	$ 206,928	$ —
Nuclear generation facility decommissioning funds	46,949	47,199
Total restricted assets	**253,877**	**47,199**
Internally designated assets		
Stabilization funds	150,267	175,114
Deposits and advances	132,652	124,928
Debt service sinking funds	110,799	98,793
Capital reserve	109,468	23,468
Renewal and replacement fund	56,195	55,717
Self-insurance fund and excess pension plan fund	17,092	17,216
Customer assistance fund	—	1,168
Total internally designated assets	**576,473**	**496,404**
Total restricted and internally designated assets	**830,350**	**543,603**
Cash and investments	**52,526**	**36,528**
Less accrued interest receivable from restricted and internally designated assets	**(349)**	**(229)**
Total cash, cash equivalents and investments	**$ 882,527**	**$ 579,902**
Days cash on hand	**360**	**329**

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 Trust's investment advisor. Investing activity is modeled to achieve the actuarial target return and in alignment with the Trustee approved Investment Policy. In September 2021, investment policy changes were approved by the Trustees to modify investment weighting target ranges in conjunction with the recently completed asset-liability study and the actuarial investment rate of return. No changes were made to the investment policies in 2020.

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 Trust based on investment type and credit strength and entrusts the Trustees and the Trust's 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 is the risk that in the event of the failure of a depository financial institution or counterparty to a transaction, the Trust's deposits may not be returned or the Trust will not be able to recover the value of its deposits, investments or collateral securities that are in the possession of another party. This risk is mitigated as all investment assets are maintained in the name of the Trust 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, 2021 and 2020 there were no individually-held investments that made up more than 5.0 percent of the Trust's portfolio.

- **Foreign and digital currency risk:** This is the risk of loss associated with changes in foreign exchange or digital rates which could adversely affect investment valuations. The Trust does 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 is the risk that securities within the plans cannot be sold quickly enough to meet future obligations. 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">2021 - 2020</th><th colspan="2">2021 - 2020</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 & 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 21.17 percent and 11.02 percent for the years ended September 30, 2021 and 2020, respectively. The annual money-weighted rate of return on OPEB plan investments, net of plan investment expense resulted in a gain of 21.43 percent and 10.91 percent for the years ended September 30, 2021 and 2020, respectively.The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually 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]	2021	2020
Pension trust			
Garcia Hamilton			
Corporate bonds	BBB+	8.0	8.4
U.S. government bonds and treasury bills	AA+	7.6	9.1
Mortgage-backed securities	AA+	3.6	2.9
Agency/Asset-backed securities		0.0	0.2
PIMCO Div Inc Bond Fund	BBB+	9.3	9.4
Met West Total Return Bond Fund	BBB	8.5	8.0
Pacific Funds Floating Rate Income	B	4.7	4.5
Templeton Global Total Return		0.0	2.3
OPEB trust			
Garcia Hamilton			
Corporate bonds	BBB+	8.0	8.2
U.S. government bonds and treasury bills	AA+	7.8	9.4
Mortgage-backed securities	AA+	3.5	2.9
Agency/Asset-backed securities		0.0	0.2
PIMCO Div Inc Bond Fund	BBB+	9.3	9.4
Met West Total Return Bond Fund	BBB	8.5	8.0
Pacific Funds Floating Rate Income	B	4.7	4.5
Templeton Global Total Return		0.0	2.3

[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 as described above. The following are 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 $2.3 million and $4.2 million for the years ended September 30, 2021 and 2020, respectively.

Note F – Fair Value Measurements (continued)

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

(Dollars in thousands)	2021	2020
Cash equivalents and investments		
Investments by fair value level:		
Debt securities		
Level 1		
U.S. Treasury notes	$ 2,664	$ 5,674
Level 2		
U.S. agencies	106,013	129,700
Corporate notes and multi-national sovereign debt	135,219	145,534
Municipal notes	21,436	16,796
Total Level 2	**262,668**	**292,030**
Total investments by fair value level	**265,332**	**297,704**
Investments measured at the amortized cost:		
Debt securities		
U.S. Treasury notes	45,103	—
Municipal notes	—	3,000
Commercial paper	124,900	29,841
Total investments measured at the amortized cost	**170,003**	**32,841**
Cash equivalents measured at the amortized cost:		
Local government investment pool	205,601	49,382
Money market mutual funds	133,298	91,717
Depository accounts	49,139	107,743
Debt securities		
Commercial paper	29,993	—
Total cash equivalents measured at the amortized cost	**418,031**	**248,842**
Total cash equivalents and investments	**$ 853,366**	**$ 579,387**
Derivatives:		
Level 1		
Fuel hedges	$ 39,113	$ 2,931
Level 2		
Interest rate swaps	(4,385)	(23,412)
Total derivatives	**$ 34,728**	**$ (20,481)**

Note F – Fair Value Measurements (continued)

Fiduciary Activities

The OUC long-term employee benefits plan investments are recorded at fair value as described above. The following are 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, 2021 and 2020 were $2.7 million and $9.5 million, respectively.

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

(Dollars in thousands)	2021	2020
Cash equivalents and investments by fair value level:		
Level 1		
Debt securities		
U.S. Treasury notes	$ 21,468	$ 4,090
Mutual funds		
Fixed income	77,113	75,134
U.S. equity	144,576	113,300
International equity	116,834	93,053
Balanced	5,454	4,864
U.S. equity	178,304	139,700
Total Level 1	**543,749**	**430,141**
Level 2		
U.S. agencies	13,911	16,496
Corporate notes and private placements	9,997	26,787
U.S. equity	12,286	16,078
Total Level 2	**36,194**	**59,361**
Total investments by fair value level	**579,943**	**489,502**
Other investments and cash equivalents measured at the net asset value:		
Alternative investments	63,940	45,526
Mutual funds - real estate	54,118	47,111
Money market	18,398	27,388
Total other investments and cash equivalents measured at the net asset value	**136,456**	**120,025**
Total cash equivalents and investments	**$ 716,399**	**$ 609,527**

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 approved 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:** With the implementation of accounting guidance, prior service costs for pension and OPEB were approved to be recognized in a manner that, at a minimum, matches the annual actuarial funding amount. These actions were aligned to allow for a recognition period through 2024. Beginning in 2020, the recognition period for the pension and OPEB regulatory amounts were extended an additional eight years, through 2032. In addition, in 2019, action was taken to defer the impact of previously approved OPEB plan changes allowing for actuarially determined credits to offset the regulatory asset with credit amounts of $12.4 million and $5.6 million recognized at September 30, 2021 and 2020, respectively. Regulatory amounts for pension and OPEB were $56.8 million and $90.3 million, at September 30, 2021 and 2020, respectively.
- **Emergency response expenses:** Emergency response costs are incurred in conjunction with unplanned major events including weather and other historic emergency response events such as the recent pandemic. At September 30, 2021 and 2020, regulatory amounts for emergency response expenses were $3.0 million and $18.4 million, respectively.
    - **Weather related emergency response expenses:** Costs in the amount of $40.2 million were incurred for storm preparation and restoration efforts for Hurricane Matthew, Hurricane Irma, Hurricane Dorian and Hurricane Isaias since 2016. In anticipation of cost reimbursement through the FEMA process, the Board approved regulatory assets for Hurricane Matthew, Hurricane Irma and Hurricane Dorian in the amount of $23.2 million. In 2021, OUC received $14.9 million from FEMA and reclassified $2.5 million in FEMA obligated funds to a receivable. In 2020, OUC received $3.9 million from FEMA and recognized $2.0 million of ineligible Hurricane Dorian costs. Regulatory amounts for weather related emergency response were $0.0 million and $17.3 million at September 30, 2021 and 2020, respectively.
    - **COVID-19 emergency response expenses:** Since 2020, OUC has incurred $7.7 million in response to COVID-19 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. The Board approved the deferral of costs incurred in response to the COVID-19 pandemic of $3.0 million and $1.1 million in 2021 and 2020, respectively, in anticipation of reimbursement from FEMA.
- **Asset retirement obligation (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. A recent study on the estimated commitment required by OUC as December 31, 2020 resulted in an adjustment decreasing the liability $13.2 million with a partial offset to the ARO regulatory asset in the amount of $7.5 million. To date, retirement accretion expenses exceed the investment earnings, resulting in an ARO regulatory asset at September 30, 2021 and 2020 of $0.8 million and $7.8 million, 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 new 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. The unrecognized issue cost at September 30, 2021 and 2020 was $1.7 million and $2.5 million, respectively.
- **Deferred Series 1993 and 1993B bond interest costs:** As a result of differing short-term and long-term rates at the date of debt issuance, costs associated with the short-term higher rate were deferred and systematically recognized over the remaining period of the original bond series. The amount of deferred charges at September 30, 2021 and 2020 was $0.0 million and $0.8 million, respectively.

Note G – Regulatory Deferrals (continued)

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

- **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 MC3 generation facility net book value, inventory and planned retirement costs allowing these amounts to be systematically recognized as a special item through 2024, the originally planned depreciable useful life. As of September 30, 2021, the balance of the regulatory asset was $29.3 million excluding estimated decommission cost which are still being determined.

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 utility revenue, and fuel costs incurred. The amount of fuel reserves at September 30, 2021 and 2020 was $45.8 million and $72.5 million, respectively. Fuel reserves also included funds internally designated to facilitate the transition to a clean energy generation portfolio in the amounts of $24.7 million and $30.7 million at September 30, 2021 and 2020, respectively. These funds have and will continue to be leveraged to support customer price stability as the Clean Energy Plan is implemented.
- **Base rate reserves:** Rate reserves are designed to maintain stable electric and water customer pricing with target ranges reviewed and approved annually by the Finance Committee. In 2021, base rate reserves increased $7.2 million as a result of higher than projected wholesale electric and planned efforts to replenish water reserves utilized to support the four-year price plan. In 2020, beyond the one-time fuel price decrease which leverage fuel reserves in the amount of $6.8 million, base rate reserves in the amount of $1.0 million were utilized to support the multi-faceted customer relief package initiated at the onset of the pandemic. Base rate reserves at September 30, 2021 and 2020 were $88.8 million and $81.6 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 at September 30, 2021 and 2020 were $41.3 million and $41.4 million, respectively. In 2021 and 2020, there were no gains on the sale of property.

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

- **Unrealized investment valuations:** Mark-to-market valuation changes for investments with a maturity of one year or greater are deferred. At September 30, 2021 and 2020, these unrealized investment valuations resulted in a deferred gain of $0.4 million and $6.8 million, respectively.

In conjunction with the recording of these regulatory credits, the Board internally designated funds in the amount of $150.3 million and $175.1 million at September 30, 2021 and 2020, respectively.

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

(Dollars in thousands)	2021	2020
Regulatory assets		
Deferred operating expenses	$ 60,606	$ 116,519
Deferred non-operating expenses	1,699	3,365
Deferred special item expenses	29,337	—
Total regulatory assets	**$ 91,642**	**$ 119,884**
Regulatory credits		
Deferred operating credits	$ 200,618	$ 226,241
Unrealized investment valuations	446	6,762
Total regulatory credits	**$ 201,064**	**$ 233,003**

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 (%)	2020	Additions during year	Decreases during year	2021	Current portion
2010A	2040	5.66%	$ 200,000	$ —	$ —	$ 200,000	$ —
2010C	2022	4.00 - 5.25%	29,360	—	9,320	20,040	9,765
2011B [6]	2023	5.00%	35,365	—	27,350	8,015	8,015
2011C [6]	2027	4.00 - 5.00%	73,630	—	22,655	50,975	24,925
2012A	2027	4.00 - 5.00%	47,280	—	—	47,280	395
2013A	2025	5.00%	212,955	—	21,290	191,665	24,560
2015A	2035	5.00%	94,905	—	—	94,905	—
2016A	2033	4.00 - 5.00%	77,280	—	15,220	62,060	14,390
2018A	2038	5.00%	150,220	—	—	150,220	—
2019A	2040	5.00%	54,735	—	—	54,735	—
2020A [5]	2027	5.00%	95,115	—	—	95,115	—
2021A	2046	2.13 - 5.00%	—	143,250	—	143,250	—
2021B	2046	1.30 - 2.50%	—	150,860	—	150,860	—
2021C [6]	2027	5.00%	—	19,685	—	19,685	—
Total fixed rate debt			1,070,845	313,795	95,835	1,288,805	82,050
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			1,385,935	313,795	95,835	1,603,895	**$ 82,050**
Less current portion			(73,930)	8,120	—	(82,050)	
Total long-term debt			**$ 1,312,005**	**$ 321,915**	**$ 95,835**	**$ 1,521,845**	

Bond Series (Dollars in thousands)	Final principal payment	Interest rates (%)	2019	Additions during year	Decreases during year	2020	Current portion
2010A	2040	5.66%	$ 200,000	$ —	$ —	$ 200,000	$ —
2010C	2022	4.00 - 5.25%	38,255	—	8,895	29,360	9,320
2011B [6]	2023	5.00%	49,350	—	13,985	35,365	14,670
2011C [6]	2027	4.00 - 5.00%	86,450	—	12,820	73,630	13,430
2012A	2027	4.00 - 5.00%	47,280	—	—	47,280	—
2013A	2025	5.00%	223,095	—	10,140	212,955	21,290
2015A	2035	5.00%	94,905	—	—	94,905	—
2016A	2033	4.00 - 5.00%	91,780	—	14,500	77,280	15,220
2017A [5]	2027	3.00 - 5.00%	98,360	—	98,360	—	—
2018A	2038	5.00%	150,220	—	—	150,220	—
2019A	2040	5.00%	54,735	—	—	54,735	—
2020A [5]	2027	5.00%	—	95,115	—	95,115	—
Total fixed rate debt			1,134,430	95,115	158,700	1,070,845	73,930
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			1,449,520	95,115	158,700	1,385,935	**$ 73,930**
Less current portion			(60,340)	13,590	—	(73,930)	
Total long-term debt			**$ 1,389,180**	**$ 108,705**	**$ 158,700**	**$ 1,312,005**	

[1] Variable rates ranged from 0.02% to 0.15% for the year ended September 30, 2021.
[2] Variable rates ranged from 0.08% to 6.95% for the year ended September 30, 2020.
[3] The Series 2008 Variable Rate Demand Obligation Bonds of $200.0 million are supported by a Standby Bond Purchase Agreement (SBPA), which is scheduled to expire on April 4, 2022 and currently under negotiations for a 5-year extension.
[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 2017A Bonds were refunded by the Series 2020A Bonds in 2020.
[6] 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 their 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
2022	$ 79,915	$ 58,131	$ (3,737)	$ 134,309
2023	74,875	54,364	(3,737)	125,502
2024	75,580	51,220	(3,737)	123,063
2025	75,805	47,441	(3,737)	119,509
2026	82,260	43,651	(3,737)	122,174
2027-2031	324,560	182,957	(18,687)	488,830
2032-2036	337,620	126,768	(17,380)	447,008
2037-2041	291,375	57,440	(6,644)	342,171
2042-2046	179,855	13,481	—	193,336
Long-term debt	**1,521,845**	**635,453**	**(61,396)**	**2,095,902**
Current portion	**82,050**	**56,550**	**(3,737)**	**134,863**
Total debt	**$ 1,603,895**	**$ 692,003**	**$ (65,133)**	**$ 2,230,765**

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)

On September 30, 2020, OUC issued the Series 2021C fixed rate bonds with a par amount of $19.7 million and a premium of $2.6 million. The proceeds were used for the refunding of the Series 2011B/C Bonds of $21.9 million. The Series 2021C Bonds have maturity dates through October 1, 2027 and were issued with fixed rate coupons of 5.0 percent.

Debt Issued (Dollars in thousands)	Par Amount Issued	Premium on Issuance	Par Amount Refunded	Savings	PV Savings	Accounting Loss	Savings % of Refunded Bonds	Debt Refunded
2021C	$ 19,685	$ 2,636	$ 21,905	$ 2,649	$ 2,613	$ 979	11.9%	2011B/C

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 receive a termination payment, as shown in the swap schedule below.

In 2020, OUC entered into a fixed rate swap agreement in the notional amount of $150.0 million. Under the swap agreement, OUC will pay a fixed rate of 1.3 percent and receive a floating rate equal to 80.0 percent of three-month LIBOR. The swap agreement was subject to a mandatory early termination provision by OUC with the issuance of the Series 2021A Bonds in 2021.

In 2019, OUC and the counterparty of the Series 2015B Bonds interest rate swap entered into an agreement to defer the option to settle the swap at par value in October 2020 to October 2027. In consideration of the extension, OUC received a net present value benefit of $5.0 million in the form of an interest rate reduction of 29.5 basis points.

The following schedule summarizes OUC’s fair value position, based on quoted market rates, for its outstanding swap agreements at September 30, 2021 and 2020. 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	2021 Fair value	2020 Fair value	Counterparty
2021A	$ 150,000	Fixed	1.31%	80% of LIBOR	2/20/2020	10/1/2046	$ —	$ 12,648	Wells Fargo
2015B	$ 115,090	Fixed	2.08%	67% of LIBOR	10/23/2015	10/1/2039	$ 4,385	$ 10,764	Goldman Sachs
Total liability/(asset)							**$ 4,385**	**$ 23,412**	

Wells Fargo Bank counterparty credit rating - Aa2 / A+ / AA-
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. In 2020, interest rate swap agreements required collateral deposits when valuations exceeded the established thresholds to mitigate the counterparty’s credit risk exposure. Collateral deposits, held by OUC counterparties, in excess of the contractual threshold at September 30, 2020 were $1.9 million.

Unused lines of credits: There were no unused lines of credit at September 30, 2021 and 2020.

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, 2021 and 2020, the following coverages were available:

Type of coverage	OUC limits	Third party limits
Health and wellness benefits	$0.25 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)	2020	Payments, net	Incurred claims	2021
Health and wellness benefits	$ 2,226	$ (23,754)	$ 23,968	$ 2,440
Workers' compensation	595	(359)	507	743
General and vehicle liability	367	(172)	174	369
Total	**$ 3,188**	**$ (24,285)**	**$ 24,649**	**$ 3,552**

(Dollars in thousands)	2019	Payments, net	Incurred claims	2020
Health and wellness benefits	$ 2,264	$ (21,196)	$ 21,158	$ 2,226
Workers' compensation	777	(201)	19	595
General and vehicle liability	365	(185)	187	367
Total	**$ 3,406**	**$ (21,582)**	**$ 21,364**	**$ 3,188**

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.

Note I – Insurance Programs and Claims (continued)

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.

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 2021, there were no increases to the fund for the health and wellness programs and contract performance requirements. As a result, the self-insurance reserve balance was $16.5 million at September 30, 2021 and 2020. 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 and 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 $1,100.0 million per unit, per incident at any nuclear utility reactor in the United States, payable at a rate not to exceed $164.0 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 SECA fuel agent responsibilities. 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 16,800 million and 11,800 million British thermal units (MMBtu) per day, for terms not exceeding 30 years, for years ended September 30, 2021 and 2020, 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 SECA, OUC also retains a capacity power purchase commitment at SECA along with power purchase commitments at seven solar and three landfill gas renewable energy sites. The solar and landfill gas PPAs have a total contract capacity of 144.7 megawatts of which OUC purchases a portion or all energy that is produced at the sites.

(Dollars in thousands)	Fuel [1]	Transportation	Power Purchase Commitments [2]	Total
2022	$ 93,046	$ 28,401	$ 35,461	$ 156,908
2023	65,711	26,718	36,082	128,511
2024	61,091	13,940	35,150	110,181
2025	61,123	10,708	35,150	106,981
2026	33,323	8,864	35,150	77,337
2027-2031	167,135	39,031	163,871	370,037
2032 - thereafter	600,528	29,592	97,554	727,674
Total	$ 1,081,957	$ 157,254	$ 438,418	$ 1,677,629

[1] Variable pricing is included based upon the market price at September 30, 2021 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 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.
- **Other leases:** OUC leases other equipment such as printers, office space, gas storage and monitor equipment throughout the Commission whereby terms 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.

The principal and interest requirements to maturity for the land, vehicle and other leases for the subsequent fiscal years ending September 30 were:

(Dollars in thousands)	Principal	Interest	Total
2022	$ 3,212	$ 303	$ 3,515
2023	2,958	261	3,219
2024	2,173	227	2,400
2025	1,499	203	1,702
2026	1,262	183	1,445
2027-2031	3,960	666	4,626
2032-2036	3,590	273	3,863
2037-2040	731	26	757
Total	$ 19,385	$ 2,142	$ 21,527

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. A replacement rule is currently being developed by the EPA.
- **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, since April 2015, all affected OUC generating units have operated under the requirements of the MATS Rule.

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

- **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. At this time, OUC's future costs to comply with these regulations are not anticipated to be material and are primarily related to the groundwater monitoring and reporting requirements contained within the CCR rules.
- **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). This OATT ensures that OUC will have access to all transmission-related services offered by public utilities through its offering of reciprocal services. 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 Southeastern Electric Reliability Council (SERC). Based on the 2021 audit performed under FERC oversight, OUC remains substantially compliant with these standards.

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 revenues for the years ended September 30, 2021 and 2020, subject to the inter-local agreements are included under the heading of resale electric revenues and were $93.8 million and $88.7 million, respectively. Revenue-based payments recorded under the heading of payments to other governments and taxes for the years ended September 30, 2021 and 2020 were $8.0 million and $7.6 million, respectively.

City of Bartow: In October 2010, OUC entered into an inter-local agreement with the City of Bartow (Bartow) to provide wholesale electric services sufficient to meet Bartow's load requirements. In August 2017, a second long-term power supply agreement for capacity and energy was executed for a term of three years with an effective date of January 1, 2018. The current agreement expired on January 1, 2021. Billed revenues, included under the heading of resale electric revenues, were $2.0 million and $7.4 million for the years ended September 30, 2021 and 2020, 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 for three years with an option for Lake Worth to extend the term for two additional one-year terms. In September 2016, Lake Worth exercised its option to extend the term of the agreement through 2018. As of December 2018, OUC and Lake Worth began a new agreement for a term of six years beginning January 1, 2019 with an option to extend an additional year. Billed revenues, included under the heading of resale electric revenues, were $9.4 million and $7.2 million for the years ended September 30, 2021 and 2020, 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 an initial term of six years. Effective January 1, 2020, OUC and Winter Park negotiated a new agreement for up to 20 megawatts of capacity and energy for a new seven-year term. Billed revenues, included under the heading of resale electric revenues, were $3.0 million and $2.7 million for the years ended September 30, 2021 and 2020, 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 $2.9 million for the year ended September 30, 2021.

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 $1.0 million for the year ended September 30, 2021.

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 $4.7 million for the year ended September 30, 2021.

Note K – Major Agreements (continued)

Other Major Agreements

City of Orlando: OUC pays to 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 2018, these payments were fixed for a three-year period based on a 3.0 percent annual escalation rate through 2020. In 2021 and again in 2022, the payment was fixed to reflect modified growth targets and the projected impacts of the pandemic. Beginning in 2023 the payment will continue to be based on the underlying bi-lateral agreement. Total revenue and income-based payments for the years ended September 30, 2021 and 2020 were $91.1 million and $95.5 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 of Orlando 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, 2021 and 2020 were $1.6 million and $1.5 million, respectively.

Greater Orlando Aviation Authority: In June 2019, OUC and the Greater Orlando Aviation Authority (GOAA) Board executed a Global Agreement whereby OUC and GOAA will execute a series of project specific agreements under which OUC will own and operate facilities on GOAA's site, including chilled water and back-up generation services and a floating solar energy system at the new South Terminal. Construction of these facilities is being performed by GOAA with collaboration from OUC and upon completion in 2022, OUC will purchase the chilled water and back-up generation facilities from GOAA, including the 12kV emergency distribution system at a total projected cost of $55.0 million.

Universal City Development Partners, LLC: In November 2019, OUC and Universal City Development Partners, LLC (UCDP) executed an agreement under which OUC will own and operate chilled water facilities on property owned by UCDP. Construction of such facilities is being performed by OUC with collaboration from UCDP and is targeted to be completed in late 2022 at a total contract value of $55.0 million.

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 stand-alone financial statements, with the most recent reports issued for the year ended September 30, 2020. 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/postemployment-benefit-reporting. The next available report will be issued in 2022 for the plan year ended September 30, 2021.

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 Trust (415 Trust) for pension benefit payments that exceed the Internal Revenue Service Section 415(b) limits. OUC maintains fiduciary responsibility over this non-qualified trust.

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 fully subsidized for the employee and partially subsidized for 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, 2021 and 2020, the number of active employees enrolled in this pension benefit program were 1,063 and 1,053, respectively. Total contributions for the years ended September 30, 2021 and 2020 were $11.1 million ($4.7 million employer and $6.4 million employee) and $10.4 million ($4.4 million employer and $6.0 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.

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	
	2021	**2020**	**2021**	**2020**
Active cash balance plan members	1,056	1,054	1,057	1,055
Active traditional plan members	106	122	106	122
Inactive plan members currently receiving benefits	930	928	888	902
Inactive plan members entitled to deferred benefits	154	144	—	—
Total	**2,246**	**2,248**	**2,051**	**2,079**

Membership in the non-qualified 415 Trust included three active and four inactive participants receiving benefits for the years ended September 30, 2021 and 2020.

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, 2019 and 2018 was 18.5 percent and 22.2 percent, respectively.

- **OPEB:** Participant contributions to the 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, 2021 and 2020 were $1.2 million and $3.7 million, respectively. Since benefits were paid through operations and not directly from the Trust, OUC was reimbursed by the Trust in 2021 and 2020, in the amounts of $6.7 million and $7.9 million, respectively for annual expenses of $6.3 million and $7.9 million, respectively. The rate of contribution to the OPEB Trust, based on annual covered payroll for the actuarial valuation years ended September 30, 2019 and 2018 was 1.2 percent and 3.8 percent, respectively. No contributions were made to the 415 Trust in 2021 or 2020.

Note L – Long-term Employee Benefits (continued)

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

	Qualified plan				Non-qualified plan	
	Pension		OPEB		415 Trust	
(Dollars in thousands)	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
Total liability						
Service cost	$ 5,814	$ 5,867	$ 1,174	$ 1,186	$ 57	$ 40
Interest on the total liability	36,079	35,407	9,936	9,906	82	99
Benefit changes	—	68	(438)	—	—	—
Difference between expected and actual experience	(2,073)	2,106	2,899	(2,192)	27	64
Assumption changes	(9,708)	—	(24,688)	(1,029)	320	350
Benefit payments, including refunds of plan member contributions	(34,671)	(33,576)	(7,511)	(7,371)	(160)	(157)
Net change in total liability	**(4,559)**	**9,872**	**(18,628)**	**500**	**326**	**396**
Total liability - beginning of year	**509,161**	**499,289**	**139,634**	**139,134**	**3,004**	**2,608**
Total liability - end of year	**$ 504,602**	**$ 509,161**	**$ 121,006**	**$ 139,634**	**$ 3,330**	**$ 3,004**
Plan fiduciary net position						
Contributions - employer	$ 22,405	$ 22,491	$ 3,682	$ 7,022		
Contributions - plan members	423	475	—	—		
Total investment income, net of investment expense	46,228	17,599	14,953	5,399		
Benefit payments, including refunds of plan member contributions	(34,671)	(33,576)	(7,511)	(7,371)		
Administrative expense	(242)	(240)	(17)	(17)		
Net change in plan fiduciary net position	**34,143**	**6,749**	**11,107**	**5,033**		
Plan fiduciary net position - beginning of year	**425,766**	**419,017**	**137,979**	**132,946**		
Plan fiduciary net position - end of year	**$ 459,909**	**$ 425,766**	**$ 149,086**	**$ 137,979**		
Net liability - beginning of year	**$ 83,395**	**$ 80,272**	**$ 1,655**	**$ 6,188**		
Net liability/(asset) - end of year	**$ 44,693**	**$ 83,395**	**$ (28,080)**	**$ 1,655**		

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)	**2021**	**2020**
Pension plan		
Total pension liability	$ 504,602	$ 509,161
Net position	459,909	425,766
Net pension liability	44,693	83,395
415 Trust		
Total pension liability	3,330	3,004
Pension liability	**$ 48,023**	**$ 86,399**
OPEB plan		
Total OPEB liability	$ 121,006	$ 139,634
Net position	149,086	137,979
Net OPEB liability/(asset)	**$ (28,080)**	**$ 1,655**

Actuarial methods and assumptions used to measure TPL, NPL and NOL/NOA: The TPL, NPL and NOL/NOA as of September 30, 2021 and 2020 were measured as of September 30, 2020 and 2019, 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:

	2020	2019
Plan benefit assumptions		
Annual COLA (pension only)	1.5%, based on actual COLA granted for the current year, and 1.0% per year, compounded annually, thereafter	1.0%, 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 4.0% per year for terminated vested members	5.0% for current year and 5.0% per year thereafter for active members and 4.0% per year thereafter for terminated vested members
Healthcare cost trend rate	Based on the Getzen Model, with trend starting at 6.25% (1.17% for premiums in the first year) and gradually decreasing to an ultimate trend rate of 3.99%	Based on the Getzen Model, with trend starting at 6.5% (4.72% for premiums in the first year) and gradually decreasing to an ultimate trend rate of 4.24%
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	7.25%	7.25%
Salary Increases	4.5% to 10.0% per year, depending on years of service	3.75% to 7.5% per year, depending on years of service
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.	RP-2000 Combined Healthy Participant Mortality Table for active members and RP-2000 Mortality Table for Annuitants for non-disabled inactive members, with mortality improvements projected to all future years using Scale BB

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 pension and OPEB plan investments, valued as of September 30, 2020 and 2019, 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, 2020 and 2019 are summarized in the following table:

	Pension		OPEB	
Asset class	**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%	48.0 %	7.5%
International equity	15.0 %	8.5%	15.0 %	8.5%
Domestic bonds	17.0 %	2.5%	17.0 %	2.5%
International bonds	5.0 %	3.5%	5.0 %	3.5%
Real estate	10.0 %	4.5%	5.0 %	4.5%
Alternative assets	10.0 %	6.2%	10.0 %	6.3%
Total	**100.0 %**		**100.0 %**	

Note L – Long-term Employee Benefits (continued)

Discount rate: The discount rate used to measure the TPL and TOL was 7.25 percent, valued as of September 30, 2020 and 2019. 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, 2020 and 2019 was calculated using a municipal bond rate of 2.41 percent and 2.75 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, NOL/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 TPL and TOL at September 30:

	Net Pension Liability		Net OPEB Liability/ (Asset)		Total Pension Liability 415 Trust	
(Dollars in thousands)	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Discount rate	$ 44,693	$ 83,395	$ (28,080)	$ 1,655	$ 3,330	$ 3,004
1.0 percent decrease	$ 89,856	$ 131,176	$ (15,246)	$ 17,964	$ 3,783	$ 3,406
1.0 percent increase	$ 5,510	$ 42,245	$ (38,968)	$ (12,003)	$ 2,962	$ 2,677
Medical cost assumption rate			$ (28,080)	$ 1,655		
1.0 percent decrease			$ (39,757)	$ (12,863)		
1.0 percent increase			$ (14,313)	$ 18,975		

Pension and OPEB expense, deferred outflows of resources and deferred inflows of resources: OUC recorded $6.7 million and $13.9 million in pension expense and $0.5 million and $0.3 million in non-qualified pension plan expense for the years ended September 30, 2021 and 2020. OUC also recognized credits of $12.4 million and $5.6 million in OPEB expense which were subsequently recorded as an offset to the Board approved regulatory asset (see Note G).

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

	Pension		OPEB	
(Dollars in thousands)	**2021**	**2020**	**2021**	**2020**
Deferred outflows of resources				
Pension and OPEB plans				
Employer's contributions to the plan after measurement of NPL	$ 19,173	$ 22,405	$ 1,185	$ 3,682
Changes in assumptions	—	4,477	—	—
Differences between expected and actual experience	4,309	6,338	2,432	467
Subtotal pension and OPEB plans	**23,482**	**33,220**	**3,617**	**4,149**
415 Trust				
Benefit payments	168	160	—	—
Changes in assumptions	341	258	—	—
Differences between expected and actual experience	60	183	—	—
Subtotal 415 Trust	**569**	**601**	**—**	**—**
Total deferred outflows of resources	**$ 24,051**	**$ 33,821**	**$ 3,617**	**$ 4,149**

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)	**2021**	**2020**	**2021**	**2020**
Deferred inflows of resources				
Pension and OPEB plans				
Net difference between projected and actual earnings on plan investments	$ 13,562	$ 6,291	$ 3,580	$ 919
Changes in assumptions	7,910	—	26,312	7,916
Differences between expected and actual experience	1,690	403	7,613	13,102
Subtotal pension and OPEB plans	**23,162**	**6,694**	**37,505**	**21,937**
415 Trust				
Changes in assumptions	12	73	—	—
Subtotal 415 Trust	**12**	**73**	**—**	**—**
Total deferred inflows of resources	**$ 23,174**	**$ 6,767**	**$ 37,505**	**$ 21,937**

The following schedule 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 Trust**	**OPEB**
2022	$ (7,387)	$ 260	$ (12,471)
2023	(3,211)	129	(7,283)
2024	(2,196)	—	(5,989)
2025	(5,185)	—	(5,060)
2026	(873)	—	(3,567)
Thereafter	—	—	(703)
Net deferred outflows/(inflows) of resources	**$ (18,852)**	**$ 389**	**$ (35,073)**

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 Finance Committee Charter, presented to the 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 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.

Note M – Hedging Activities (continued)

Fuel rate hedges: Fuel hedge risk is managed through the establishment of the Energy Risk Management Committee (ERMOC) with 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:** This is the risk that results when counterparties are unable or unwilling to fulfill their present and future obligations. 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:** This is the risk that changes in interest rates may adversely affect the fair values of OUC's financial instruments or cash flows. OUC is exposed to this risk through its pay-fixed receive variable rate swaps and, as such, has managed this risk through active management. There is no exposure to this risk for fuel hedges.
- **Basis risk:** This is the risk that arises when variable rates or prices of swaps and fuel hedges are based on different reference rates. 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.
- **Termination risk:** This is the risk that a derivative instrument's unplanned end will affect OUC's asset and liability strategy or potentially require termination payments. This risk is mitigated through OUC's creditworthiness criteria. To date, no instances of this nature have occurred.
- **Rollover risk:** This is the risk that a derivative instrument associated with a hedged item does not extend to the maturity of the hedged item. OUC is not exposed to this risk as all derivative instruments are hedged to maturity.
- **Market access risk:** This is the risk that OUC will not be able to enter credit markets for both swaps and fuel hedges or that credit markets will become more costly. 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, 2021 and 2020, 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. As of September 30, 2020, the 2017A forward interest rate swap was terminated in conjunction with the Series 2017A Bond refunding and the related regulatory asset was incorporated in the loss on refunding. As of September 30, 2020, the 2021A forward interest rate swap has been determined to be effective and changes in the fair value of the derivative were included on the Statements of Net Position. As of September 30, 2021, the 2021A forward interest rate swap was terminated in conjunction with the Series 2021A Bond issuance.

Note M – Hedging Activities (continued)

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

(Dollars in thousands)	2020 Fair Value	Change in fair value	Settlement/ (termination) amount	2021 Fair Value	Net settlement charges	Notional amount
Interest rate swap agreements						
2015B Bonds [1]	$ (10,765)	$ 6,380	$ —	$ (4,385)	$ —	$ 115,090
Forward interest rate contracts						
2021A Bonds [1]	(12,647)	4,361	8,286	—	—	$ 150,000
Total (liability)/asset	**$ (23,412)**	**$ 10,741**	**$ 8,286**	**$ (4,385)**	**$ —**	

(Dollars in thousands)	2019 Fair Value	Change in fair value	Settlement/ (termination) amount	2020 Fair Value	Net settlement charges	Notional amount
Interest rate swap agreements						
2015B Bonds [1]	$ (4,942)	$ (5,823)	$ —	$ (10,765)	$ —	$ 115,090
Forward interest rate contracts						
2017A Bonds [1, 2]	(17,691)	(5,468)	23,159	—	—	$ 100,000
2021A Bonds [1]	—	(12,647)	—	(12,647)	—	$ 150,000
Total (liability)/asset	**$ (22,633)**	**$ (23,938)**	**$ 23,159**	**$ (23,412)**	**$ —**	

[1] See Note H for additional information.
[2] Upon the refunding of the Series 2011A *Windows* Bonds by the Series 2017A Bonds, the Series 2017A Bonds became the series of bonds related to the 2017A Swap.

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, 2021 settlement gains were $8.6 million and for the year ended September 30, 2020 settlement losses were $9.6 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)	2020 Fair Value	Change in fair value	2021 Fair Value	Notional amount	Volume [1]
Current natural gas fuel hedge assets	**$ 2,343**	$ 16,560	$ 18,903	$ 9,140	MMBTU
Non-current natural gas fuel hedge assets	**$ 2,406**	$ 17,803	$ 20,209	$ 30,250	MMBTU
Accumulated increase in fair value hedging derivatives	**$ 4,749**	**$ 34,363**	**$ 39,112**		
Current natural gas fuel hedge liabilities	$ (96)	$ 96	$ —	$ —	MMBTU
Non-current natural gas fuel hedge liabilities	$ (1,722)	$ 1,722	$ —	$ —	MMBTU
Accumulated decrease in fair value hedging derivatives	**$ (1,818)**	**$ 1,818**	**$ —**		

(Dollars in thousands)	2019 Fair Value	Change in fair value	2020 Fair Value	Notional amount	Volume [1]
Current natural gas fuel hedge assets	$ —	$ 2,343	$ 2,343	$ 8,180	MMBTU
Non-current natural gas fuel hedge assets	$ —	$ 2,406	$ 2,406	$ 22,830	MMBTU
Accumulated increase in fair value hedging derivatives	**$ —**	**$ 4,749**	**$ 4,749**		
Current natural gas fuel hedge liabilities	$ (4,063)	$ 3,967	$ (96)	$ 690	MMBTU
Non-current natural gas fuel hedge liabilities	$ (3,503)	$ 1,781	$ (1,722)	$ 11,930	MMBTU
Accumulated decrease in fair value hedging derivatives	**$ (7,566)**	**$ 5,748**	**$ (1,818)**		

[1] Million British Thermal Units (MMBTU), Barrels (BBL)

Long-term Employee Benefit Plans

Schedule of changes in net pension liability (NPL), 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 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)	2021	2020	2019	2018	2017	2016	2015
Total pension liability							
Service cost	$ 5,814	$ 5,867	$ 5,754	$ 5,748	$ 5,539	$ 5,570	$ 5,935
Interest on the total pension liability	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	(2,073)	2,106	4,904	3,706	(106)	(2,501)	(2,546)
Assumption changes	(9,708)	—	—	—	171	29,125	(14,449)
Benefit payments, including refunds of plan member contributions	(34,671)	(33,576)	(31,726)	(28,663)	(27,324)	(25,773)	(23,095)
Net change in total pension liability	**(4,559)**	**9,872**	**13,424**	**14,734**	**11,047**	**38,525**	**10,923**
Total pension liability - beginning of year	**509,161**	**499,289**	**485,865**	**471,131**	**460,084**	**421,559**	**410,636**
Total pension liability - end of year	**$ 504,602**	**$ 509,161**	**$ 499,289**	**$ 485,865**	**$ 471,131**	**$ 460,084**	**$ 421,559**
Plan fiduciary net position							
Contributions - employer	$ 22,405	$ 22,491	$ 22,614	$ 21,876	$ 17,803	$ 18,573	$ 21,198
Contributions - plan members	423	475	555	660	748	821	882
Total investment income, net of investment expense	46,228	17,599	37,039	48,761	29,872	4,783	28,906
Benefit payments, including refunds of plan member contributions	(34,671)	(33,576)	(31,726)	(28,663)	(27,324)	(25,773)	(23,095)
Administrative expense	(242)	(240)	(320)	(115)	(36)	(122)	(85)
Net change in plan fiduciary net position	**34,143**	**6,749**	**28,162**	**42,519**	**21,063**	**(1,718)**	**27,806**
Plan fiduciary net position - beginning of year	**425,766**	**419,017**	**390,855**	**348,336**	**327,273**	**328,991**	**301,185**
Plan fiduciary net position - end of year	**$ 459,909**	**$ 425,766**	**$ 419,017**	**$ 390,855**	**$ 348,336**	**$ 327,273**	**$ 328,991**
Net pension liability - beginning of year	**$ 83,395**	**$ 80,272**	**$ 95,010**	**$ 122,795**	**$ 132,811**	**$ 92,568**	**$ 109,451**
Net pension liability - end of year	**$ 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	**91.1%**	**83.6%**	**83.9%**	**80.5%**	**73.9%**	**71.1%**	**78.0%**
Covered payroll	**$ 97,896**	**$ 90,907**	**$ 86,573**	**$ 78,314**	**$ 75,405**	**$ 72,479**	**$ 70,147**
Net pension liability as a percentage of covered payroll	**45.7%**	**91.7%**	**92.7%**	**121.3%**	**162.8%**	**183.2%**	**132.0%**

415 Trust[1]

(Dollars in thousands)	2021	2020	2019	2018	2017	2016
Total pension liability						
Service cost	$ 57	$ 40	$ 36	$ 28	$ 22	$ 21
Interest on the total pension liability	82	99	91	38	41	40
Benefit changes	—	—	—	1,124	—	—
Difference between expected and actual experience	27	64	82	373	47	—
Assumption changes	320	350	(96)	(132)	97	—
Benefit payments, including refunds of plan member contributions	(160)	(157)	(118)	(80)	(51)	(56)
Net change in total pension liability	**326**	**396**	**(5)**	**1,351**	**156**	**5**
Total pension liability - beginning of year	**3,004**	**2,608**	**2,613**	**1,262**	**1,106**	**1,101**
Total pension liability - end of year	**$ 3,330**	**$ 3,004**	**$ 2,608**	**$ 2,613**	**$ 1,262**	**$ 1,106**
Covered payroll	**$ 905**	**$ 905**	**$ 1,114**	**$ 1,458**	**$ 920**	**$ 804**
Total pension liability as a percentage of covered payroll	**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.

REQUIRED SUPPLEMENTARY INFORMATION

Long-term Employee Benefit Plans (continued)

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

Notes to schedule

Benefit changes: 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). In 2017, the pension plan was amended to include a limited increase in the benefit multiplier, which resulted in a $0.4 million impact to the TPL as of the September 30, 2017 measurement date.

Assumption changes: In 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 MA 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 7.25 percent as of the September 30, 2020 and 2019 valuation dates. As the plan fiduciary net positions were projected to be available to make all projected benefit payments, the single discount rate was also 7.25 percent as of September 30, 2020 and 2019, 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 [2] (Dollars in thousands)	Actuarially determined contribution	Actual contribution	Contribution deficiency/ (excess) [1]	Covered payroll	Contributions as a percentage of CP	Annual money-weighted return on investments
Pension plan						
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%
2013	$ 18,893	$ 17,729	$ 1,164	$ 73,230	24.2%	12.8%
2012	$ 17,120	$ 16,151	$ 969	$ 69,967	23.1%	20.9%
OPEB plan						
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%
2013	$ 14,358	$ 14,325	$ (33)	$ 70,692	20.3%	13.0%
2012	$ 14,167	$ 14,177	$ 10	$ 71,121	19.9%	21.8%

[1] Funding requirements were adjusted to include approved ad hoc cost of living adjustments (COLA) benefits provided for the periods of 2001 to 2013 and paid outside the pension plan on a pay-as-you-go basis through December 31, 2014. Effective January 1, 2015, the plan was amended to begin paying these benefits through the plan.

[2] 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 5 years

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: 3.75 percent to 7.5 percent depending on years of service, including inflation

Investment rate of return: 7.25 percent

Retirement age: Experience-based table of rates

Mortality: RP-2000 Combined Healthy Participant Mortality Table for active members and the RP-2000 Mortality Table for Annuitants for non-disabled inactive members, with mortality improvements projected to all future years using Scale BB.

COLA: 1.0 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 6.5 percent and gradually decreasing to an ultimate trend rate of 4.24 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 and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and fiduciary activities of Orlando Utilities Commission (OUC) as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise OUC's basic financial statements, and have issued our report thereon dated January 26, 2022.

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 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 may exist that have not been identified.

Building a better working world

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 26, 2022

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