2024 AUDITED FINANCIAL STATEMENTS

OUC
The Reliable One®

LETTER FROM THE GENERAL MANAGER AND COMMISSION PRESIDENT

OUC recently celebrated a remarkable milestone of 100 years and proudly reflected on a century of dedication, innovation, and growth. As a result of technological advancements, population growth, and the increasing complexity of infrastructure needs, the past century has brought forth an unprecedented transformation in the utility industry, far outpacing any previous era in human history. During this time, OUC has established itself as an industry leader by continuously adapting to meet the ever-changing needs of our community, employees and customers. Looking ahead, OUC is advancing its *Connected 2025* strategy, focusing on strengthening connections across all stakeholders while driving initiatives that expand clean energy solutions, enhance infrastructure resilience and support the path to achieving net-zero carbon emissions by 2050.

As OUC advances our adoption of solar power and other clean energy solutions, the utility continues to demonstrate an unwavering commitment to the community it serves while achieving net-zero CO_2 emissions by 2050 with interim goals of 50% by 2030 and 75% by 2040.

OUC strives to maintain a balanced work culture for employees through dedication to their physical safety, mental health and general wellness, which sets OUC apart from other local organizations. This has established OUC as a leader in safety metrics and has earned OUC recognition as Central Florida's top Healthiest Employer, according to Springbuk's 2024 report.

OUC has achieved significant progress in service and reliability to our customers by surpassing the utility's annual System Average Interruption Duration Index (SAIDI) target. This achievement was reinforced during the successful restoration efforts following Hurricane Helene and Hurricane Milton.

On the *Path to Clean Energy*, OUC's Storey Bend and Harmony II solar arrays will be energized by year's end, which adds 149 megawatts (MW) of solar power to our grid. Additionally, OUC along with the Florida Department of Transportation will soon launch a 2 MW floating solar array on a retention pond in south Orlando. The array will be the largest of its kind in the southeastern U.S. The Osceola Generating Station also plays a crucial role in supporting the expansion of OUC's solar portfolio by helping to mitigate solar intermittency. Significant progress has been made, with Unit 2 successfully energized in 2022, Unit 1 following in 2024, and Unit 3 scheduled to be energized in 2025. These advancements in solar energy contributed to OUC achieving the top ranking in the Southern Alliance for Clean Energy's 2024 Solar in the Southeast Report. For the fourth consecutive year, OUC earned a 'B' from the Sierra Club, improving its score by eight points to 69 out of 100 for balancing sustainability with reliability, affordability, and resiliency. Recognized alongside the nation's largest utilities, OUC continues to advance resilient, sustainable energy solutions through expanded solar farms, floating solar arrays, and investments in energy storage. Even with these significant strides, OUC has managed to sustain affordable electric and water rates for customers with such rates falling within 5% of the average rates charged among utility peers.

EV drivers in Orlando's busy tourist corridor have a new option for high-speed charging to keep them on the move. The OUC ReCharge Mobility Hub at the Orange County Convention Center, opened this fall and serves as a compliment to the utility's first charging hub in downtown Orlando. Drivers of Chevrolets, Fords, BMWs, Kias, Hyundais, Teslas and other EVs, can fully charge a typical EV battery to 80% in about 30 minutes. Depending on the EV, that can add up to 245 miles of range.

Also, this summer OUC announced Peak*SHIFT*, a multi-year program focused on making costs of the future electric grid as equitable as possible while maintaining our core focus on reliability, affordability, sustainability and resilience. Peak*SHIFT* includes four programs that will be rolled out gradually over the next several years. These include a relaunched, optional **SunChoice Solar** subscription program to expand community solar access, updated **TruNet Solar** compensation for new rooftop solar customers effective July 1, 2025, **DemandLevel Pricing** to better align grid costs with usage and the introduction of **Shift & Save**, an industry-proven time-of-day pricing plan that rewards customers for shifting electricity use to off-peak hours. Valuable feedback from our community, coupled with thorough research and analysis, enabled OUC to make appropriate adjustments to Peak*SHIFT* over the course of six months and resulted in the unanimous approval of Peak*SHIFT* in December 2024.

Launched this year, OUC's Load Interval Read project will be integral to supporting the Peak*SHIFT* program by addressing when and how power usage impacts infrastructure costs. As utilities shift to pricing models that better align with service costs, providing customers with clear pricing signals is crucial. The project will collect detailed usage data, which will permit advanced analytics, and the development of improved rate designs tailored to OUC customer consumption patterns. Extensive testing will ensure meter data accuracy and reliable system performance, thereby laying the foundation for a more efficient and cost-effective energy management approach.

On the *Path to Clean Water*, OUC's Board of Commissioners approved construction of a new reverse osmosis water treatment plant to be built in Lake Nona. The Southeast Reverse Osmosis Water Treatment Plant provides an alternative water supply to keep pace with increasing demand as Central Florida's population grows. The plant will draw water from as deep as 2,000 feet in the Lower Lower Floridan Aquifer to access an untapped source of brackish groundwater. Once retrieved, the water, which is more mineral-rich, will undergo a high-pressure, micro filtration process – and then pass OUC's rigorous treatment and testing standards – before being used as potable water. The footprint of this project will span 15 acres and include a 40,000-square-foot facility. This cutting-edge reverse osmosis water treatment plant represents a significant investment in the growing water needs of the community and is estimated to cost between $125 million and $155 million. Development of the site is scheduled to begin in November 2025, with completion targeted for 2033.

The Southeast Reverse Osmosis Water Treatment Plant is just one element of an integrated approach OUC is taking to meet increased water demand as the provider and steward of Florida's natural resources. Other initiatives include implementing leak detection technology to proactively identify leaks in the water distribution system and on customer properties, a block rate approach increasing the price per unit of water as consumption increases, upgrading water meters with next generation Advanced Metering Infrastructure, and encouraging participation among customers in the City of Orlando's reclaimed water program. OUC also is practicing conservation during the water treatment process by opting to use Granular Activated Carbon (GAC) vessels, a filtration system that removes organic compounds and provides an additional layer of treatment. In addition to improving OUC's already stellar water quality, GAC reduces the need for routine flushing. Because of this, we are now saving 750,000 gallons of water per day at our Conway Water Treatment Plant alone, or enough to supply an additional 2,500 homes without increasing our groundwater withdrawals. Additional OUC water treatment plants are slated for GAC upgrades.

In May 2024, OUC's newest 24-acre operations and maintenance facility, was officially unveiled in St. Cloud (Osceola County) to support one of the fastest growing communities in the OUC service territory. The new state-of-the-art facility houses essential operational teams along with the vehicles, equipment, and materials necessary to support their work. The facility features a 22,000-square-foot fleet maintenance shop and a 55,000-square-foot warehouse and operations building. A key goal in the design of the new facility was minimal environmental impact, and as a result, the facility was built to be net zero, with energy and water conservation being a top priority. The St. Cloud facility highlights OUC's continued efforts to reduce environmental impact, promote sustainable practices, and our commitment to environmentally responsible design while maintaining reliability in the fastest growing portion of the service territory.

Effective July 1, 2024, the OUC Board of Commissioners approved a 5% reduction in electric bills to OUC customers. This decision marks OUC's third fuel rate reduction since June 2023 as part of our ongoing promise to pass savings on to our customers as fuel prices decrease. In addition, effective October 1, 2024, OUC has absorbed the $1.30 transaction fee which third-party merchants charge on payments remitted by OUC customers at walk-in payment locations. This demonstrates OUC's ongoing dedication to our customers and the priority OUC places in implementing cost-saving measures to allow OUC services to be rendered in the most affordable manner possible.

With over a century of innovation, resilience, and service, OUC has not only adapted to changes in technology and infrastructure demands but has actively led the way in developing reliable, customer-focused services. Looking forward, we are excited to expand our clean energy and water initiatives, enhance customer engagement programs like Peak*SHIFT*, and invest in advanced infrastructure projects that serve both immediate and long-term needs. With each step, we prioritize sustainability, affordability, and a collaborative approach to addressing our community's evolving expectations. As we enter our next century, OUC will continue to be an innovative solutions leader and the partner of choice, dedicated to making a positive impact on the environment, fostering innovation, and ensuring a reliable, cost-effective future for all those we serve.

LETTER FROM THE GENERAL MANAGER AND COMMISSION PRESIDENT

LARRY MILLS, TH.D.
PRESIDENT

BRITTA GROSS
IMMEDIATE PAST PRESIDENT

ROGER CHAPIN
FIRST VICE PRESIDENT

LINDA LANDMAN GONZALEZ
SECOND VICE PRESIDENT

BUDDY H. DYER
MAYOR COMMISSIONER

CLINT BULLOCK
GENERAL MANAGER & CEO

Clint Bullock
General Manager & CEO

Larry Mills, Th.D.
Commission President

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Selected Statistical and Financial Information (Unaudited)

	2024	2023	% Increase/ (Decrease)
Total Customers	284,064	278,826	1.9 %
Electric Business Operations			
Active services [1]	283,755	276,751	2.5 %
Average retail revenue (per MWh) [2]	$ 123.28	$ 134.73	(8.5)%
Retail customer sales in MWh [1]	7,257,567	7,194,226	0.9 %
Average annual residential usage (kWh)	11,107	11,383	(2.4)%
Customer billed revenues (in thousands) [2]	$ 894,725	$ 969,300	(7.7)%
Water Business Operations			
Active Services	168,152	167,032	0.7 %
Average revenue per 10 KGAL [3]	$ 31.80	$ 29.42	8.1 %
Total sales in MGAL	32,012	31,977	0.1 %
Average annual residential usage (KGAL)	75	76	(1.3)%
Customer billed revenues (in thousands) [3]	$ 101,806	$ 94,062	8.2 %
Chilled Water Business Operations			
Active Services	2,703	2,705	(0.1)%
Average revenue per 100 TON hours	$ 25.62	$ 25.62	— %
Production in TON hours	166,186	167,525	(0.8)%
Operating revenues (in thousands)	$ 42,575	$ 42,918	(0.8)%
Consolidated Financial Highlights			
Income before contributions (in thousands)	$ 123,471	$ 117,690	4.9 %
City of Orlando revenue based payments and dividend (in thousands)	$ 110,949	$ 107,138	3.6 %
Debt service coverage	2.93	3.05	(3.9)%
Debt/net position	50%/50%	50%/50%	
Days cash on hand	275	246	11.8 %
Senior bond ratings [4]	AA,Aa2,AA	AA,Aa2,AA	

[1] Active services outpaced retail customer sales as a result of less variability in average summer and winter temperatures compared to the prior year.

[2] The average retail revenue and customer billed revenues decreased primarily due to electric retail fuel price decreases effective October 1, 2023 and July 1, 2024.

[3] The average revenue for water increased primarily due to water price increases focused on high consumption users effective October 1, 2023.

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

ORLANDO UTILITIES COMMISSION

September 30, 2024

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COMMISSION MEMBERS and OFFICERS

Ernst & Young LLP
Suite 2800
200 South Orange Avenue
Orlando, Florida 32801

Tel: + 1 407 872 6600
ey.com

Report of Independent Auditors

To Management and the Commissioners of Orlando Utilities Commission

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities and the fiduciary activities of Orlando Utilities Commission, as of and for the years ended September 30, 2024 and 2023, and the related notes to the financial statements, which collectively comprise Orlando Utilities Commission's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and fiduciary activities of Orlando Utilities Commission at September 30, 2024 and 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an

Ernst & Young LLP
Suite 2800
200 South Orange Avenue
Orlando, Florida 32801

Tel: + 1 407 872 6600
ey.com

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Orlando Utilities Commission's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Orlando Utilities Commission's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6-16, the Schedule of changes in Net Pension liability/(asset) (NPL/NPA), Total Pension Liability (TPL), Net OPEB liability/(asset) (NOL/NOA) and related ratios and the Schedule of Employer Contributions to the pension plan on pages 63 be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the

Ernst & Young LLP
Suite 2800
200 South Orange Avenue
Orlando, Florida 32801

Tel: + 1 407 872 6600
ey.com

financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2024, on our consideration of Orlando Utilities Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Orlando Utilities Commission's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Orlando Utilities Commission's internal control over financial reporting and compliance.

Ernst + Young LLP

December 20, 2024

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

Management's Report

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

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

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

Clint Bullock
General Manager &
Chief Executive Officer

Chris McCullion
Chief Financial Officer

Wade Durham
Director of Accounting
& Budget

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.

Background

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

Financial Reporting

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

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

- **Fiscal Year 2024:** The deferral of electric retail revenues in excess of 2024 Operating Budget to reduce the impacts of future retail electric price increases, bolster storm restoration reserves and advance grid hardening as well the deferral of one percent of electric retail revenues to fund the Path to Clean Energy. The deferral of water revenues to replenish water reserves as well as the deferral of costs associated with the decommissioning of the Navy Water Treatment Plant to optimize operations. In addition, the deferral of fair market value changes associated with the interest rate swap underlying the Series 2015B Variable Rate Demand Obligation bonds to provide long-term customer value.
- **Fiscal Year 2023:** The deferral of anticipated eligible Federal Emergency Management Agency (FEMA) Hurricane Idalia emergency response expenses, the deferral of landfill closure and post-closure costs at the Stanton Energy Center and the deferral of wholesale revenues in excess of budget to reduce the impacts of future retail electric price increases. In addition, the Board approved the establishment and funding of a reserve to support the Path to Clean Energy initiatives with the designation of $37.7 million from the Capital Reserve fund and the future deferral of up to one percent of electric retail revenues in alignment with the Board approved Electric Integrated Resource Plan (EIRP). In addition, the Board approved the establishment and funding of a Path to Alternative Water Sources with an initial designation of $61.4 million from developer assessed system development charges. Future funding for the Path to Alternative Water Sources is anticipated to be funded from these developer assessed system development charges.

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

Setting of Prices

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

- **Electric pricing:** Using the average residential customer electric bill based on 1,000 kWh per month as the proxy to measure the impact of retail electric customer price changes, the following changes were approved.
  - **Fiscal Year 2024:** Effective July 1, 2024, fuel prices were decreased $7.00 lowering the average monthly bill from $132.00 to $125.00. Effective October 1, 2024, fuel prices were decreased $1.00 offset by a customer charge increase of $1.00 providing for no change to the monthly bill.

  - **Fiscal Year 2023: E**ffective January 1, 2023, fuel prices were increased $10.00 providing for a monthly bill increase from $137.00 to $147.00 and allowing for the recovery of exhausted fuel reserves. On June 1, 2023, fuel prices were decreased $13.00, reflecting the recovery of fuel reserves and moderating fuel commodity costs providing for a monthly bill decrease from $147.00 to $134.00. Effective October 1, 2023, prices decreased $2.00 providing for a monthly bill decrease from $134.00 to $132.00. This change included a $10.85 decrease in fuel prices offset by a base energy and customer charge increase of $6.35 and $2.50, respectively.

- **Water pricing:**
  - **Fiscal Year 2024:** Effective October 1, 2024, retail water prices increased to further promote conservation, replenish reserves and execute the second and final step to phase-out jurisdictional pricing. While these price changes were primarily focused on high consumption users, the monthly bill for an inside-city residential customer using 10,000 gallons will increase by $1.39 to $24.64. Developer-assessed system development charges to support the Path to Alternative Water Sources were also increased 12.5 percent.
  - **Fiscal Year 2023:** Effective October 1, 2023, retail water prices increased to promote conservation, replenish reserves and phase-out jurisdictional pricing. The price change resulted in the average inside city residential monthly bill based on 10,000 gallons to increase $0.95 to $23.25. Initial meter connection charges and developer-assessed system development charges to support the Path to Alternative Water Sources were also increased 19.0 percent and 12.0 percent, respectively.
- **Ancillary service pricing:** The pricing of chilled water, lighting, back-up generation, electric vehicle charging and solar services and solutions were designed utilizing an equivalent cost recovery model to the Board approved electric and water pricing with terms defined within the customer contract.

Basic Financial Statements

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

- **Statements of Net Position:** The Statements of Net Position were 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:** These statements present current period revenues and expenses. In addition, included in these statements are 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:** These statements were presented using the direct method and outlines the sources and uses of cash resulting from operations, non-capital related financing, capital related financing and investing activities.

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

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

Condensed Statements of Net Position
As of September 30

(Dollars in thousands)	2024	2023	2022
Assets			
Utility plant, net	$ 2,987,607	$ 2,760,752	$ 2,649,319
Restricted and internally designated assets	812,595	861,538	701,152
Current assets	311,815	303,656	292,353
Other assets	257,797	279,200	380,750
Total assets	**4,369,814**	**4,205,146**	**4,023,574**
Deferred outflows of resources	**121,418**	**156,195**	**65,307**
Total assets and deferred outflows of resources	**$ 4,491,232**	**$ 4,361,341**	**$ 4,088,881**
Liabilities			
Long-term debt, net	$ 1,742,052	$ 1,725,900	$ 1,541,780
Current liabilities	342,166	310,345	415,184
Other liabilities	282,801	296,828	137,951
Total liabilities	**2,367,019**	**2,333,073**	**2,094,915**
Deferred inflows of resources	**356,624**	**333,236**	**366,249**
Net position			
Net investment in capital assets	1,376,951	1,247,173	1,239,258
Unrestricted	390,638	447,859	388,459
Total net position	**1,767,589**	**1,695,032**	**1,627,717**
Total liabilities, deferred inflows of resources and net position	**$ 4,491,232**	**$ 4,361,341**	**$ 4,088,881**

2024 Compared to 2023

Total Assets and Deferred Outflows of Resources

Total assets: Overall increased $164.7 million or 3.9 percent.

- **Utility plant, net:** These assets increased $226.9 million primarily due to system advancements designed to achieve our *Net Zero CO_2 Emissions* goal defined within the "Path to Clean Energy" strategic initiative including energizing the third and final generation unit at the Osceola Generating Station (OGS) and advancing the construction of adjacent transmission grid facilities. Water system advancements were also completed with the introduction of a granular activated carbon filtration system at the Conway Water Plant, enhancing water quality and increasing operational effectiveness. In addition, phase one of the new St. Cloud Operations Center and the second phase of advanced water meter infrastructure were operationalized. Utility plant also increased with new electric distribution and transmission assets to support customer growth and enhance system reliability. These increases were partially offset by systematic and accelerated depreciation expenses.
- **Restricted and internally designated assets:** These assets decreased $48.9 million primarily due to the spend-down of $201.6 million of the Series 2023A Bonds proceeds to support the Capital Plan offset by the issuance of Series 2024A Bonds in the amount of $100.0 million resulting in a net decrease of $101.6 million of restricted construction-related bond proceeds. Additionally, restricted funds for the Path to Clean Energy decreased by $23.8 million as initiatives were advanced and the year-end reserve balance was aligned with the five year 2025 Capital Plan. These decreases were offset by an increase in fuel reserves of $28.9 million as a result of lower fuel commodity prices, a $27.0 million increase in the capital reserves as a result of replenishing funds used to temporarily support the 2024 Capital Plan and an increase in the electric rate reserves of $12.3 million as a result of the Board approved regulatory action to defer electric retail revenues in excess of 2024 Operating Budget to reduce the impact of future electric price increases, enhance storm restoration reserves and advance grid hardening initiatives.
- **Other assets:** These assets decreased $21.4 million primarily due to investment and fuel hedge derivative valuation changes of $34.0 million as a result of declining interest rates and market-driven natural gas prices offset by an increase in right-of-use assets in the amount of $5.6 million and market-driven benefit trust investment valuation changes in the amount of $3.7 million.

Deferred outflows of resources: These resources decreased $34.8 million or 22.3 percent as a result of a $39.8 million reduction in unrealized benefit expenses driven by market-driven investment returns offset by an increase in fuel hedge derivative valuation changes of $3.6 million and the systematic recognition of the loss on refunded debt in the amount of $1.5 million.

Total Liabilities, Deferred Inflows of Resources and Net Position

Total liabilities: Overall increased $33.9 million or 1.5 percent.

- **Long-term debt, net:** Debt increased $16.2 million primarily due to the issuance of Series 2024A Bonds in the amount of $100.0 million offset by the scheduled maturities in the amount of $75.6 million and the amortization of debt-related expenses.
- **Current liabilities:** Current liabilities increased $31.8 million primarily due to the timing of $37.2 million in payables related to in progress 2024 Capital Plan projects offset by a $9.5 million decrease in counter-party fuel hedge margin advances and the timing of other current liabilities.
- **Other liabilities:** Other liabilities decreased $14.0 million due to reduced benefit plan liabilities in the amount of $21.6 million as a result of current year investment valuation changes offset by an increase in fuel derivative liabilities in the amount of $4.2 million due to declining fuel commodity prices.

Deferred inflows of resources: These resources increased $23.4 million or 7.0 percent as a result of a $50.1 million increase in base rate, fuel and Path to Clean Energy reserves offset by a decrease of $26.0 million in fuel-hedge valuation changes.

Total net position: Net position increased $72.6 million, or 4.3 percent, as a result of current year operations and consistent with annual revenue requirements.

2023 Compared to 2022

Total Assets and Deferred Outflows of Resources

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

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

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

Total Liabilities, Deferred Inflows of Resources and Net Position

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

- **Long-term debt, net:** Debt increased $184.1 million primarily due to the issuance of Series 2023A Bonds in the amount of $276.7 offset by the scheduled maturities and the amortization of debt-related expenses.

- **Other liabilities:** Other liabilities increased $158.9 million due to the rise of benefit plan liabilities in the amount of $109.0 million as a result of current year investment valuation changes, a $38.5 million increase in asset retirement costs primarily due to updated SEC landfill closure and post-closure costs and increased developer advanced contributions in aid of construction in the amount of $10.1 million.
- **Current liabilities:** Current liabilities decreased $104.8 million as a result of lower fuel commodity prices including a $44.7 million decrease in fuel payables and a $39.8 million decrease in counter-party fuel hedge derivative margin advances and the timing of other current liabilities.

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

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

Condensed Statements of Revenues, Expenses and Changes in Net Position

Years Ended September 30

(Dollars in thousands)	2024	2023	2022
Operating revenues	$ 1,064,355	$ 1,072,468	$ 1,134,512
Operating expenses	923,454	921,180	974,686
Operating income	**140,901**	**151,288**	**159,826**
Net non-operating expenses	(17,430)	(33,598)	(51,219)
Income before contributions	**123,471**	**117,690**	**108,607**
Contributions in aid of construction	23,575	19,832	26,967
Annual dividend	(74,489)	(70,207)	(63,498)
Increase in net position	**72,557**	**67,315**	**72,076**
Net position - beginning of year	**1,695,032**	**1,627,717**	**1,555,641**
Net position - end of year	**$ 1,767,589**	**$ 1,695,032**	**$ 1,627,717**

2024 Compared to 2023

Changes in Net Position

Total operating revenues: Operating revenues decreased $8.1 million, or 0.8 percent.

- Retail and resale electric fuel revenues, reflecting pass-through fuel expenses, decreased $32.8 million or 9.7 percent as a result of a continued decline in natural gas commodity costs.
- Retail and resale non-fuel revenues increased $16.3 million or 3.0 percent, due to electric retail base energy price increases effective October 1, 2023 offset by a decrease in wholesale energy revenues due to prior year one-time wholesale revenue opportunities. The overall increase is inclusive of a $12.3 million Board-approved deferral of retail electric energy revenues to reduce the impacts of future electric price increases, enhance storm restoration reserves and advance grid hardening initiatives as well as the deferral of $8.2 million or 1.0 percent of electric retail revenues to support the Path to Clean Energy initiative.
- Water revenues increased $5.5 million or 5.9 percent, as a result of increased customer usage due to less than normal rainfall during the year coupled with pricing adjustments. This increase is inclusive of a $2.2 million Board-approved revenue deferral to bolster water reserves.
- Other revenues increased $2.9 million or 3.2 percent and include ancillary revenues from chilled water, lighting and other energy services along with service and user fee charges. These revenues increased due to higher electric service fees and other miscellaneous revenues.

Total operating expenses: Operating expenses increased $2.3 million, or 0.2 percent.

- Fuel and purchased power decreased $33.1 million, or 9.1 percent as a result of continued easing of natural gas commodity costs.
- Operating expenses, excluding fuel and purchased power, increased $35.4 million or 6.4 percent. This change was driven by rising labor and benefit expenses in the amount of $21.1 million, a $7.0 million increase in contracted services to support strategic initiatives and $2.5 million in accelerated depreciation expenses to optimize operations and deliver long-term customer value.

Net non-operating expenses: Total net non-operating expenses decreased $16.2 million or 48.1 percent. This increase is driven by a $9.9 million reduction in generation decommissioning expenses as MC3 was fully expensed in spring 2024 and a $8.3 million rise in interest income from higher interest rates on investments. These increases were partially offset by elevated interest expenses of $3.7 million from the annualized impact of the Series 2023A Bonds issued in June of 2023.

Contributions in aid of construction: Contributions in aid of construction increased $3.7 million or 18.9 percent as a result of stronger than anticipated customer growth.

2023 Compared to 2022

Changes in Net Position

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

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

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

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

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

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

Condensed Statement of Cash Flows
Years Ended September 30

(Dollars in thousands)	2024	2023
Net cash provided by operating activities	$ 366,475	$ 408,276
Net cash used in non-capital related financing activities	(70,709)	(68,325)
Net cash used in capital related financing activities	(397,881)	(139,867)
Net cash provided by/(used in) investing activities	73,722	(163,349)
Net (decrease)/increase in cash and cash equivalents	**$ (28,393)**	**$ 36,735**

2024 Compared to 2023

Changes in Cash Flow

Total cash and cash equivalents decreased $28.4 million in 2024 due to lower fuel revenues driven by lower pass-through fuel expenses coupled with an increase in unit department inclusive of higher salaries and benefits expenses. Net cash used in non-capital related financing activities was consistent with the prior year while net cash used in capital related financing activities was higher due to increased investment in utility plant in alignment with the Path to Clean Energy and Alternative Water Sources strategic initiatives coupled with a decrease in the amount bond proceeds secured in 2024. Cash provided by investing activities increased as investments were used in the funding of the 2024 Capital Plan.

Future Capital Funding Needs

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

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

Capital Plan

The 2025 Capital Plan incorporates initiatives of $1,800.7 million, which is $156.7 million, or 9.5 percent, higher than the 2024 Capital Plan. Funding for the Capital Plan is provided with bond proceeds, internally designated capital reserves, the Board approved deferral of up to 1.0 percent of retail electric revenue, and the results of operation. OUC secured $275.0 million and $100.0 million of bond proceeds, net of issuance costs, in conjunction with the issuance of the Series 2023A Bonds and Series 2024A Bonds, respectively, which are anticipated to fund a portion of the 2025 Capital Plan.

(Dollars in millions)	2025	2026	2027	2028	2029	Total
Transmission and electric and water distribution	$ 212.0	$ 177.3	$ 265.3	$ 254.2	$ 214.6	$ 1,123.4
Electric and water production	85.0	128.0	97.0	80.6	101.4	492.0
Support services	45.6	48.3	44.4	24.4	22.6	185.3
Total five-year capital plan	**$ 342.6**	**$ 353.6**	**$ 406.7**	**$ 359.2**	**$ 338.6**	**$ 1,800.7**

Fiduciary Fund Financial Statements

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

Condensed Statements of Fiduciary Net Position

As of September 30

(Dollars in thousands)	2024	2023	2022
Assets			
Investments	$ 717,227	$ 612,022	$ 567,814
Receivables	549	814	3,664
Total assets	**717,776**	**612,836**	**571,478**
Liabilities	**210**	**785**	**2,130**
Fiduciary net position	**$ 717,566**	**$ 612,051**	**$ 569,348**

Condensed Statements of Changes in Fiduciary Net Position

Years ended September 30

(Dollars in thousands)	2024	2023	2022
Additions			
Net increase/(decrease) in fair value of investments	$ 116,392	$ 59,984	$ (130,667)
Interest, dividends and other income, net of investment expense	14,470	12,715	10,222
Contributions	20,194	16,208	19,121
Total additions	**151,056**	**88,907**	**(101,324)**
Deductions			
Benefit payments, including refunds of plan member contributions	45,307	45,976	43,905
Administrative expenses, net of foreign tax withheld	234	228	257
Total deductions	**45,541**	**46,204**	**44,162**
Net increase/(decrease) in fiduciary net position	**105,515**	**42,703**	**(145,486)**
Fiduciary net position - beginning of year	**612,051**	**569,348**	**714,834**
Fiduciary net position - end of year	**$ 717,566**	**$ 612,051**	**$ 569,348**

2024 Compared to 2023

Fiduciary Net Position and Changes in Fiduciary Net Position

Net position increased $105.5 million or 17.2 percent as a result of an increase in the fair value of investments.

2023 Compared to 2022

Fiduciary Net Position and Changes in Fiduciary Net Position

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

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

Electric Operations

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

With the first interim goal of reducing CO_2 emissions by 50 percent by 2030 clearly in focus, the Path to Clean Energy was developed and continues to make significant strides. This includes energizing three dual-fired, simple cycle generation units at the Osceola Generating Station (OGS), two new utility-scale solar facilities and the expansion of transmission infrastructure necessary to connect these resources. The implementation of these resources are being strategically synchronized with the planned retirement of SEC Unit 1, a coal-fired generation facility, in fiscal year 2026, including employee re-training efforts and the execution of operational planning initiatives to coordinate the transition of this generation resource.

In tandem with these generation and transmission initiatives, up to one percent of retail electric revenues are being designed to fund Path to Clean Energy initiatives and electric retail revenues are being deferred to mitigate the impact of future price increases.

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

Prices: In alignment with our commitment to fair and equitable pricing based on the completion of comprehensive cost recovery evaluations, a public workshop was held in June 2024, to present a multi-year electric retail pricing plan. Peak*SHIFT,* the OUC-branded comprehensive multi-year pricing program, was designed to incorporate four pricing programs, SunChoice, Tru-Net Solar, DemandLevel and Shift & Save, to better align customer pricing with how electricity is used while also empowering customers with more choices to support affordability. The Peak*SHIFT* program was also designed to deliver on our commitment to a reliable, resilient, and sustainable grid while encouraging conservation and peak demand reduction to help OUC on its Path to Clean Energy and achieving Net Zero CO_2 emissions by 2050.

In October 2024, the first component of Peak*SHIFT* was operationalized with SunChoice. The SunChoice program relaunched our optional community solar program helping to build new utility-scale solar generation while giving everyone access to solar energy.

In November 2024, the Board was presented with an update to the Tru-Net Solar, DemandLevel and Shift & Save pricing designs included in the Peak*SHIFT* program. These updates included tiering the TruNet Solar program to allow for a grandfather provision for existing rooftop solar customers and providing new rooftop solar customers with with an energy export rate consistent with the SunChoice community solar rate. Other changes included modifying the DemandLevel, a new fixed tiered distribution charge pricing design, to allow for the monthly reset of the distribution demand charge to increase the transparency of their grid utilization. No changes were presented for the Shift & Save, a time of day pricing program.

The Peak*SHIFT* programs of Tru-Net Solar, DemandLevel and Shift & Save were presented and approved by the Board on December 10, 2024. Program implementations begin in 2025, with TruNet Solar followed by DemandLevel in 2026 which will incorporate a reduction in the variable non-fuel energy cost per kilowatt-hour to deliver a revenue-neutral change for the residential and small commercial customer segment. In 2027, OUC will implement Shift & Save, with a small on-peak pricing differential to allow for ample time for customers to shift their energy usage, if desired, to off-peak and save money while conserving beyond the kilowatt hour.

Economic Considerations: While proactive measures are continually evaluated to offset the impact of higher costs, dynamic external forces could have a significant effect on the results of operations. Accordingly, electric and water reserves are evaluated annually to ensure resources are available to assist OUC in the event of challenging operational or economic environments while continuing to deliver customer value.

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

Water Operations

Legislative and Regulatory: OUC supplies potable water under its groundwater Consumptive Use Permit (CUP), issued in May 2004 for 20 years, allowing an annual average withdrawal of 109.2 million gallons per day (mgd) through October 1, 2023. The permit required a mitigation project to avoid an automatic reduction to 100.1 mgd. In October 2020, OUC requested a renewal at 109.2 mgd for another 20 years, but complexities in completing the mitigation project led to a reduction to 100.1 mgd on October 1, 2021.

While OUC continues to actively engage with the District during the application renewal process, we continue to pursue large-scale Capital Plan initiatives to secure alternative water supply options, including evaluating resources from the brackish lower aquifer. In addition, we continue to pursue various conservation measures outlined in the CUP renewal renewal application including annual water price increases focused on high-usage customers to demonstrate our commitment to water conservation.

To ensure the funding needed to evaluate alternative water supply options, the Board approved annual system development charge increases of up to 12.5%. These funds are included in the Path to Alternative Water Sources, a designated reserve, to support critical water infrastructure investments to deliver sustainable and reliable water supplies for the future.

Similar to OUC's electric operations, water operations are subject to legislative and regulatory mandates. Rulings regarding environmental matters can have a significant impact on operational and financial results. In April 2024, the EPA issued the first-ever national, legally enforceable drinking water standard with defined measurement levels to protect communities from exposure to harmful man-made chemicals, such as polyfluoroalkyl substances (PFAS). OUC is actively monitoring its water quality to ensure compliance with these new measurement levels and to deliver the highest quality water to its customers.

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

STATEMENTS OF NET POSITION

(Dollars in thousands)	As of September 30 2024	2023
Assets		
Utility plant, net		
Utility plant in service	$ 4,972,746	$ 4,775,253
Allowances for depreciation and amortization	(2,747,367)	(2,591,218)
Utility plant in service, net	2,225,379	2,184,035
Land and other non-depreciable assets	139,240	146,407
Construction work in progress	622,988	430,310
Total utility plant, net	**2,987,607**	**2,760,752**
Internally designated and restricted assets		
Internally designated assets	689,884	636,500
Restricted assets	122,711	225,038
Total internally designated and restricted assets	**812,595**	**861,538**
Current assets		
Cash and investments	28,766	31,501
Customer receivables, net	89,712	94,166
Miscellaneous receivables, net	17,890	15,574
Accrued utility revenues	47,312	45,287
Fuel for generation	33,055	26,660
Materials and supplies inventory, net	74,517	62,527
Accrued interest receivable	3,052	2,330
Prepaid and other expenses	12,056	21,903
Hedging derivative instruments maturing within one year	5,455	3,708
Total current assets	**311,815**	**303,656**
Other assets		
Other long-term assets	132,239	125,757
Regulatory assets	70,113	83,836
Hedging derivative instruments	19,731	38,810
Lease receivables	15,255	15,970
Right of use assets, net	20,459	14,827
Total other assets	**257,797**	**279,200**
Total assets	**4,369,814**	**4,205,146**
Deferred outflows of resources		
Unamortized loss on refunded bonds	25,823	24,352
Unrealized pension and other postemployment benefits contributions and losses	85,869	125,695
Accumulated decrease in fair value of hedging derivatives	9,726	6,148
Total deferred outflows of resources	**121,418**	**156,195**
Total assets and deferred outflows of resources	**$ 4,491,232**	**$ 4,361,341**

See Notes to the Financial Statements for additional information.

(Dollars in thousands)	As of September 30 2024	2023
Liabilities		
Current liabilities		
Payable from restricted and designated assets		
Current portion of long-term debt	$ 75,580	$ 74,875
Customer meter deposits	66,159	63,445
Accrued interest payable on notes and bonds	24,557	29,378
Total payable from restricted and designated assets	**166,296**	**167,698**
Payable from current assets		
Accounts payable and accrued expenses	123,334	91,496
Billings on behalf of state and local governments	26,040	25,260
Compensated absences and accrued wages	25,243	20,231
Accrued governmental payments	—	3,766
Hedging derivative instruments maturing within one year	1,253	1,894
Total payable from current assets	**175,870**	**142,647**
Total current liabilities	**342,166**	**310,345**
Other liabilities and credits		
Asset retirement obligation and other liabilities	172,044	171,281
Lease liability	14,893	12,329
Pension liabilities	87,391	108,964
Hedging derivative instruments	8,473	4,254
Total other liabilities	**282,801**	**296,828**
Long-term debt, net		
Bond and note principal	1,605,285	1,612,185
Unamortized premium	136,767	113,715
Total long-term debt, net	**1,742,052**	**1,725,900**
Total liabilities	**2,367,019**	**2,333,073**
Deferred inflows of resources		
Regulatory credits	300,945	239,252
Unrealized pension and other postemployment benefits gains	22,659	34,103
Accumulated increase in fair value of hedging derivatives	16,549	42,519
Lease revenue	16,107	16,781
Unamortized gain on refunded bonds	364	581
Total deferred inflows of resources	**356,624**	**333,236**
Net position		
Net investment in capital assets	1,376,951	1,247,173
Unrestricted	390,638	447,859
Total net position	**1,767,589**	**1,695,032**
Total liabilities, deferred inflows of resources and net position	**$ 4,491,232**	**$ 4,361,341**

See Notes to the Financial Statements for additional information.

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	Years ended September 30	
(Dollars in thousands)	**2024**	**2023**
Operating revenues		
Retail electric revenues	$ 689,584	$ 673,342
Resale electric revenues	182,157	214,879
Water revenues	98,448	92,985
Chilled water revenues	41,564	41,942
Lighting revenues	19,901	18,214
Other revenues	32,701	31,106
Total operating revenues	**1,064,355**	**1,072,468**
Operating expenses		
Fuel for generation and purchased power	331,298	364,429
Unit/department expenses	340,229	305,794
Depreciation and amortization	182,198	179,404
Payments to other governments and taxes	69,729	71,553
Total operating expenses	**923,454**	**921,180**
Operating income	**140,901**	**151,288**
Net non-operating expenses		
Interest income	33,259	24,962
Other income, net	9,079	7,393
Gain on sale of assets	75	76
Interest expense	(55,122)	(51,413)
Generation decommissioning	(4,721)	(14,616)
Total net non-operating expenses	**(17,430)**	**(33,598)**
Income before contributions	**123,471**	**117,690**
Contributions in aid of construction	23,575	19,832
Annual dividend	(74,489)	(70,207)
Increase in net position	**72,557**	**67,315**
Net position - beginning of year	**1,695,032**	**1,627,717**
Net position - end of year	**$ 1,767,589**	**$ 1,695,032**

See Notes to the Financial Statements for additional information.

STATEMENTS OF CASH FLOWS

(Dollars in thousands)	Years ended September 30 2024	2023
Cash flows from operating activities		
Cash received from customers	$ 1,114,875	$ 1,235,406
Cash paid for fuel and purchased power	(349,247)	(445,118)
Cash paid for unit/department expenses excluding salaries and benefits	(111,840)	(107,273)
Cash paid for salaries and benefits	(213,391)	(197,113)
Cash received/(paid) for emergency response expenses	2,603	(6,749)
Cash paid to other governments and taxes	(76,525)	(70,877)
Net cash provided by operating activities	**366,475**	**408,276**
Cash flows from non-capital related financing activities		
Dividend payment	(74,489)	(70,207)
Build America Bond interest subsidy received	3,780	1,882
Net cash used in non-capital related financing activities	**(70,709)**	**(68,325)**
Cash flows from capital related financing activities		
Utility plant, net of contributions in aid of construction	(348,358)	(272,879)
Debt interest payments	(74,326)	(61,180)
Principal payments and refunding costs on long-term debt	(74,875)	(79,915)
Debt issuances	101,089	276,670
Debt issuance expense	(1,411)	(2,563)
Net cash used in capital related financing activities	**(397,881)**	**(139,867)**
Cash flows from investing activities		
Proceeds from sales and maturities of investment securities	443,072	270,223
Loss on sale of investments	(98)	(1,963)
Purchases of investment securities	(404,980)	(414,156)
Investments and other income received/(paid)	35,728	(17,453)
Net cash provided by/(used in) investing activities	**73,722**	**(163,349)**
Net (decrease)/increase in cash and cash equivalents	**(28,393)**	**36,735**
Cash and cash equivalents - beginning of year	**266,574**	**229,839**
Cash and cash equivalents - end of year	**$ 238,181**	**$ 266,574**
Reconciliation of operating income to net cash provided by operating activities		
Operating income	$ 140,901	$ 151,288
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation and amortization of plant charged to operations	182,198	179,404
Depreciation and amortization charged to fuel for generation and purchased power	2,173	2,501
Depreciation of vehicles and equipment charged to unit/department expenses	2,531	2,097
Changes in assets and liabilities		
(Increase)/Decrease in receivables and accrued revenue	(133)	22,108
Increase in fuel and materials and supplies inventories	(12,490)	(431)
Decrease in accounts payable	(8,589)	(93,391)
Increase in deposits payable and liabilities	868	2,633
Increase in stabilization and deferred credits	59,016	142,067
Net cash provided by operating activities	**$ 366,475**	**$ 408,276**
Reconciliation of cash and cash equivalents		
Restricted and internally designated cash and cash equivalents	$ 193,786	$ 221,089
Unrestricted cash and cash equivalents	44,395	45,485
Cash and cash equivalents - end of year	**$ 238,181**	**$ 266,574**
Non-cash investing, capital and financing activities		
Increase in donated utility plant assets	$ 4,011	$ 2,748
Increase in fair value of investments	$ 14,903	$ 6,491
Increase/(Decrease) in accounts payable related to utility plant purchases	$ 28,224	$ (10,221)

See Notes to the Financial Statements for additional information.

STATEMENTS OF FIDUCIARY NET POSITION

(Dollars in thousands)	As of September 30 2024	2023
Assets		
Investments		
Cash and cash equivalents	$ 19,714	$ 18,268
U.S. equity funds	337,220	280,349
Fixed income funds	102,088	78,294
International equity funds	118,060	94,985
Real estate funds	41,620	48,878
Alternative investments	92,545	86,185
Balanced mutual fund investments	5,980	5,063
Total investments	**717,227**	**612,022**
Receivables		
Pending investment sales	49	288
Benefits receivable	121	82
Net interest and dividends receivable	379	444
Total receivables	**549**	**814**
Total assets	**717,776**	**612,836**
Liabilities		
Pending investment purchases	190	762
Investment advisory fees payable	20	23
Total liabilities	**210**	**785**
Fiduciary net position	**$ 717,566**	**$ 612,051**

See Notes to Financial Statements for additional information.

STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION

(Dollars in thousands)	Years ended September 30 2024	2023
Additions		
Contributions		
Employer	$ 20,012	$ 15,964
Plan member	182	244
Total contributions	**20,194**	**16,208**
Investment income, net of investment expense		
Net increase in fair value of investments	116,392	59,984
Interest, dividends and other income	18,128	16,387
Investment expense	(3,658)	(3,672)
Total investment income, net of investment expense	**130,862**	**72,699**
Total additions	**151,056**	**88,907**
Deductions		
Benefit payments, including refunds of plan member contributions	45,307	45,976
Administrative expenses, net of foreign tax withheld	234	228
Total deductions	**45,541**	**46,204**
Net increase in fiduciary net position	**105,515**	**42,703**
Fiduciary net position - beginning of year	**612,051**	**569,348**
Fiduciary net position - end of year	**$ 717,566**	**$ 612,051**

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

Note B – Summary of Significant Accounting Policies

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

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

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

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

Measurement focus, basis of accounting, and financial statement presentation: OUC utility operations report operating revenues and expenses separately from net non-operating and special item expenses and contributions in aid of construction. Operating revenues and expenses generally result from producing and delivering utility services and solutions. The principal operating revenues are charges to retail and wholesale customers, net of the allowance for uncollectible accounts. Operating expenses include fuel and purchased power, unit/department expenses, emergency response expenses, taxes and depreciation on capital assets. Net non-operating expenses include costs related to financing and investment and generation facility decommissioning (see Notes 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 conducted and customers are notified to ensure changes are implemented in a measured and responsible manner.

- **Electric pricing:** Using the average residential customer electric bill based on 1,000 kWh per month as the proxy to measure the impact of retail electric customer price changes, the following changes were approved.
    - **Fiscal Year 2024:** Effective July 1, 2024, fuel prices were decreased $7.00 lowering the average monthly bill from $132.00 to $125.00. Effective October 1, 2024, fuel prices were decreased $1.00 offset by a customer charge increase of $1.00 providing for no change to the monthly bill.
    - **Fiscal Year 2023:** Effective January 1, 2023, fuel prices were increased $10.00 providing for a monthly bill increase from $137.00 to $147.00 and allowing for the recovery of exhausted fuel reserves. On June 1, 2023, fuel prices were decreased $13.00, reflecting the recovery of fuel reserves and moderating fuel commodity costs providing for a monthly bill decrease from $147.00 to $134.00. Effective October 1, 2023, prices decreased $2.00 providing for a monthly bill decrease

Note B – Summary of Significant Accounting Policies (continued)

from $134.00 to $132.00. This change included a $10.85 decrease in fuel prices offset by a base energy and customer charge increase of $6.35 and $2.50, respectively.

- **Water pricing:**
  - **Fiscal Year 2024:** Effective October 1, 2024, retail water prices increased to further promote conservation, replenish reserves and execute the second and final step to phase-out jurisdictional pricing. While these price changes were primarily focused on high consumption users, the monthly bill for an inside-city residential customer using 10,000 gallons will increase by $1.39 to $24.64. Developer-assessed system development charges to support the Path to Alternative Water Sources were also increased 12.5 percent.
  - **Fiscal Year 2023:** Effective October 1, 2023, retail water prices increased to promote conservation, replenish reserves and phase-out jurisdictional pricing. The price change resulted in the average inside city residential monthly bill based on 10,000 gallons to increase $0.95 to $23.25. Initial meter connection charges and developer-assessed system development charges to support the Path to Alternative Water Sources were also increased 19.0 percent and 12.0 percent, respectively.
- **Ancillary service pricing:** The pricing of chilled water, lighting, back-up generation, electric vehicle charging and solar services and solutions were designed utilizing an equivalent cost recovery model to the Board approved electric and water pricing with terms defined within the customer contract.

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

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

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

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

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

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

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

The consolidated average annual depreciation rate, inclusive of impairment expense, retirement obligations and regulatory actions, was 3.7 percent and 3.8 percent for 2024 and 2023, respectively. Depreciation is calculated using the following range of estimated lives:

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

Note B – Summary of Significant Accounting Policies (continued)

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

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

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

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

The net customer receivable balance of $89.7 million and $94.2 million at September 30, 2024 and 2023, respectively, includes an allowance for uncollectible accounts of $22.1 million and $19.5 million, respectively. Included in net customer receivables were billings on behalf of the State and other local governments of $11.1 million and $11.4 million at September 30, 2024 and 2023, inclusive of an allowance for uncollectible accounts of $2.9 million and $2.5 million, respectively. Agency billings are not reflected in the Statements of Revenues, Expenses and Changes in Net Position. Bad debt expenses were $2.4 million for the years ended September 30, 2024 and 2023.

As of September 30, 2024 and 2023, miscellaneous receivables were $17.9 million and $15.6 million, net of allowance for uncollectible accounts of $3.0 million and $3.7 million for the years ended September 30, 2024 and 2023, respectively.

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

(Dollars in thousands)	2024	2023
Customer receivables, net		
Customer receivables	$ 73,607	$ 76,135
Wholesale receivables	$ 4,957	$ 6,611
Agency receivables	11,148	11,420
Total customer receivables, net	**89,712**	**94,166**
Miscellaneous receivables, net	**17,890**	**15,574**
Total accounts receivable, net	**$ 107,602**	**$ 109,740**

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 $47.3 million and $45.3 million at September 30, 2024 and 2023, respectively, including unbilled electric fuel revenues in the amount of $12.3 million and $13.8 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, 2024 and 2023 was $33.1 million and $26.7 million, respectively.

Materials and supplies inventory, net: Materials and supplies are reported at current cost based on contractual material and supply agreements inclusive of the current supply chain constraints. Materials and supplies inventory at September 30, 2024 and 2023 was $74.5 million and $62.5 million, including an allowance for obsolescence of $22.9 million and $22.0 million, respectively.

Note B – Summary of Significant Accounting Policies (continued)

Prepaid and other expenses: Prepaid expenses represent costs that are anticipated to be recognized in the Statements of Revenues, Expenses and Changes in Net Position in the near future, including service agreement costs and collateral or margin deposits for interest rate hedges resulting from unrealized market valuations. Prepaid expenses at September 30, 2024 and 2023 were $12.1 million and $21.9 million, respectively, with the decrease driven by the utilization of prepaid planned generation outage services in fiscal year 2024.

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

(Dollars in thousands)	2024	2023
Other long-term assets		
Contractual custodial asset rights	$ 99,537	$ 100,576
Employee benefit plan other assets	17,783	15,600
Long-term prepaid expenses	14,919	9,581
Total other long-term assets	**$ 132,239**	**$ 125,757**

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 derivative instruments are expensed in the period in which they are deemed ineffective or evaluated for deferral as a Board approved regulatory asset. The settlement of fuel and financial related hedging derivative instruments were included in fuel for generation and purchased power and interest expenses, respectively, in the Statements of Revenues, Expenses and Changes in Net Position. The asset value of hedging derivatives were $19.7 million and $38.8 million and the liability value for the hedging derivatives were $1.3 million and $1.9 million at September 30, 2024 and 2023, respectively (see Note M).

Lease receivables: OUC provides lease rights for land, building and equipment to third parties without the transfer of ownership for periods greater than one year. The rights associated with these leases are required to be recognized at their net present value using OUC's incremental borrowing rate or in accordance with the lease terms. The value of these lease receivables were $15.3 million and $16.0 million at September 30, 2024 and 2023, respectively. Revenues recognized in conjunction with these long-term lease receivables at September 30, 2024 and 2023 were $0.7 million and interest revenues were $0.4 million at September 30, 2024 and 2023.

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

(Dollars in thousands)	2024	2023
Right of use assets		
Land	$ 12,292	$ 12,292
Vehicles	10,848	10,389
SBITA	15,256	4,585
Other	554	554
Total right of use assets	**38,950**	**27,820**
Accumulated amortization	**(18,491)**	**(12,993)**
Right of use assets, net	**$ 20,459**	**$ 14,827**

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

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

Note B – Summary of Significant Accounting Policies (continued)

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

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

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

(Dollars in thousands)	2024	2023
Supplier payables	$ 85,727	$ 44,223
Fuel and purchased power payables	22,143	23,775
Margin advances on fuel hedge derivatives	1,475	10,990
Emergency response supplier payables	150	1,685
Other accounts payable and accrued expenses	8,862	6,486
Accrued self-insurance expenses	4,977	4,337
Total accounts payable and accrued expenses	**$ 123,334**	**$ 91,496**

Compensated absences and accrued wages: OUC accrues vacation and sick leave for all employees annually with vacation accrued in January and sick leave accrued on the employee's anniversary date. Each of these earned benefits are accrued based on administrative policy guidance and an estimate of leave earned but not yet used. Compensatory time and accrued wages are also recognized when earned. Compensated absences and accrued wages at September 30, 2024 and 2023 were $25.2 million and $20.2 million, respectively.

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

- **ARO:** Asset retirement obligations have been accrued for St. Lucie Unit 2 (SL2) nuclear generation facility and the closure and post-closure requirements for the SEC and MC3 landfills.
    - In accordance with the results of the approved Florida Public Service Commission (FPSC) report provided by the owner-operator, OUC's 6.09 percent minority ownership interest and the license maturity period of 2043 for SL2, an ARO estimate for the decommission of this facility is accrued. The most recent study completed for the period ending December 31, 2020, presented in 2020 dollars, estimated OUC's ARO commitment to be $45.6 million or $13.2 million lower than projected based on the previous report. Based on these updated results, the ARO was $51.2 million and $49.7 million with restricted assets of $47.7 million and $44.5 million, at September 30, 2024 and 2023, respectively (see Note E).
    - In conjunction with new State of Florida requirements under the Coal Combustion Residual rules and OUC's 70.07 percent majority ownership interest, asset retirement obligations for the closure and post-closure landfill costs at SEC were modified. At September 30, 2024 and 2023, OUC's accrued ARO for the landfill closure and post-closure costs were $39.8 million and $44.6 million, respectively. In accordance with Board action, the recognition of these costs were deferred and are included as a component of the regulatory assets (see Note G).
    - The ARO for the landfill closure and post-closure costs at MC3, decommissioned in April 2021, were accrued in the amount of $1.7 million and $6.4 million at September 30, 2024 and 2023, respectively, and included in the regulatory asset (see Note G).
- **Accrued contributions in aid of construction:** These amounts represent funds received from developers and customers beyond OUC's duty to serve. As projects are completed, contributions are recognized as revenue and at September 30, 2024 and 2023 accrued contributions in aid of construction were $47.8 million and $41.1 million, respectively.

Note B – Summary of Significant Accounting Policies (continued)

- **Accrued environmental liabilities:** In February 2021, OUC accrued an environmental liability in the amount of $6.0 million in concert with its commitment to maintain managerial, operational and financial oversight of the remediation the decommissioned City of St. Cloud owned diesel generation facility to ready this site for future use in exchange for an extension of the inter-local agreement. Since this time, costs associated with the remediation of the site have increased and OUC is currently evaluating its commitment in collaboration with the City of St. Cloud. The outstanding remediation liability at September 30, 2024 and 2023 was $5.4 million and $5.7 million, respectively.

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

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

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

Implementation of New GASB Accounting Standards

Fiscal year 2024:

OUC adopted GASB Statement No. 99, "Omnibus 2022," (Statement No. 99) addressing practice issues identified during prior implementation and application of certain GASB statements. This statement includes provisions related to the classification and reporting of derivative instruments within the scope of GASB Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments," clarification of provisions in GASB Statement No. 63 "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position", Statement No. 87, GASB Statement No. 94, Statement No. 96, GASB Statement No. 34 "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments", and the extended use of the LIBOR associated with Statement No. 93. This statement had no effect on the financial statements.

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

Fiscal year 2023:

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

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

Note B – Summary of Significant Accounting Policies (continued)

Changes in Net Position was also restated modifying operating income and non-operating expenses with no impact to the change in net position.

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

Future GASB Accounting Standard Implementations

In December 2023, the GASB issued Statement No. 102, "Certain Risk Disclosures," (Statement No. 102) addressing a variety of risks that could negatively affect the level of service they provide or their ability to meet obligations as they come due. Although governments are required to disclose information about their exposure to some of those risks, essential information about other risks that are prevalent among state and local governments is not routinely disclosed because it is not explicitly required. The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. The effective date of this standard is for period beginning after June 15, 2024 and management has yet to determine the impact, if any, to the financial statements.

In April 2024, the GASB issued Statement No. 103, "Financial Reporting Model Improvements," (Statement No. 103) to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement requires that the information presented in the Management Decision and Analysis section be limited to the related topics discussed in five sections: Overview of the Financial Statements, Financial Summary, Detailed Analyses, Significant Capital Asset and Long-Term Financing Activity, and Currently Known Facts, Decisions, or Conditions. This Statement also requires governments to present budgetary comparison information using a single method of communication—RSI. Governments also are required to present variances between original and final budget amounts and variances between final budget and actual amounts. An explanation of significant variances is required to be presented in notes to Required Supplemental Information. The effective date of this standard is for period beginning after June 15, 2025 and management has yet to determine the impact, if any, to the financial statements.

Note C – Utility Plant

Net utility plant increased 8.2 percent and 4.2 percent in 2024 and 2023, respectively, and represented 68.4 percent and 65.7 percent of total assets, respectively.

- **Additions:** Utility plant, net additions were $235.3 million and $124.1 million in 2024 and 2023, respectively. These additions represented a 8.5 percent and 4.7 percent in utility plant, net in comparison to 2023 and 2022, respectively, with the primary driver of the increase in 2024 driven by construction work in progress for system upgrades to generation, transmission, energy delivery and water to support customer growth and system reliability and resiliency as well as the build out of the St. Cloud Operations Center which was operationalized in May 2024.
- **Transfers:** Utility plant, net transfers represents completed construction work in progress with $178.4 million and $81.7 million of projects completed and placed into operations in 2024 and 2023, respectively.
- **Retirements/reclassifications:** Utility plant, net retirements/reclassifications were $8.4 million and $12.7 million in 2024 and 2023, respectively. In 2024, included under this heading was the reclassification of $12.8 million for the commencement of commercial operations for OGS Unit 1. The remaining unit at OGS continues to be classified as land and other non-depreciable assets in the amount of $12.8 million as it is in the process of being readied for commercial operations.

Activities for the years ended September 30, 2024 and 2023 were as follows:

Utility Plant (Net) (Dollars in thousands)	**2023**	**Additions**	**Transfers**	**Retirements/ Reclassifications**	**2024**
Utility plant					
Electric	$ 3,581,452	$ 19,214	$ 119,171	$ 15,069	$ 3,734,906
Water	708,346	3,863	28,046	(20,419)	719,836
Chilled Water	118,798	—	1,008	—	119,806
Lighting	128,306	—	10,333	(16)	138,623
Shared/Customer Service	238,351	1,862	19,838	(476)	259,575
Total utility plant	**4,775,253**	**24,939**	**178,396**	**(5,842)**	**4,972,746**
Accumulated depreciation					
Electric	(1,963,508)	(122,114)	(98)	1,565	(2,084,155)
Water	(335,358)	(23,011)	4	16,185	(342,180)
Chilled Water	(69,234)	(2,770)	—	—	(72,004)
Lighting	(68,724)	(5,754)	—	—	(74,478)
Shared/Customer Service	(154,394)	(20,650)	94	400	(174,550)
Total accumulated depreciation	**(2,591,218)**	**(174,299)**	**—**	**18,150**	**(2,747,367)**
Total depreciable utility plant, net	2,184,035	(149,360)	178,396	12,308	2,225,379
Land and other non-depreciable assets	146,407	5,615	—	(12,782)	139,240
Construction work in progress	430,310	379,048	(178,396)	(7,974)	622,988
Utility plant, net	**$ 2,760,752**	**$ 235,303**	**$ —**	**$ (8,448)**	**$ 2,987,607**

Note C – Utility Plant (Continued)

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

Note D – Generation Resources

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

Wholly owned and OUC operated: OUC maintains fiscal, budgetary and operating control of SEC Unit B and OGS Units 1, 2 & 3 with no undivided participant ownership interests.

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

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

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

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

	Operational year	Nameplate capacity	OUC undivided ownership interest	Net OUC megawatt capacity	Fuel source
Wholly owned and operated					
Stanton Unit B (SEC Unit B)	2010	300	100.00%	300	Natural gas
Osceola Generating Station (OGS) [1]	2022	510	100.00%	510	Natural gas/Oil
Jointly owned and operated					
Indian River (IRP - A&B)	1989	76	48.80%	37	Natural gas
Indian River (IRP - C&D)	1992	224	79.00%	177	Natural gas
Stanton Unit 1 (SEC Unit 1) [2]	1987	425	68.55%	291	Coal
Stanton Unit 2 (SEC Unit 2)	1996	425	71.59%	304	Coal
Jointly owned and non-OUC operated					
Stanton Unit A (SEC Unit A)	2003	633	28.00%	177	Natural gas
St. Lucie Unit 2 (SL2)	1983	850	6.09%	52	Nuclear
Power purchase agreements					
Stanton Unit A (SEC Unit A) [3]	2018	n/a [4]	n/a [4]	417	Natural gas
Solar	2010-2020	n/a [4]	n/a [4]	123	Solar
Landfill Gas	2011-2016	n/a [4]	n/a [4]	21	Landfill gas

[1] Efforts to energize Unit 3, the last remaining unit, is underway in alignment with the Path to Clean Energy initiative which is reflected in the Net OUC megawatt capacity.

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

[3] Effective May 2024, OUC secured an additional 87 megawatt capacity increasing Net OUC megawatt capacity to 417 MW.

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

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

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

Note D – Generation Resources (continued)

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

	2024			2023		
(Dollars in thousands)	Utility plant	Accumulated depreciation	Net book value	Utility plant	Accumulated depreciation	Net book value
SEC Unit B	$ 312,019	$ 157,868	$ 154,151	$ 310,590	$ 144,368	$ 166,222
SEC Unit 2	437,651	284,477	153,174	416,566	273,220	143,346
SL2	229,025	118,977	110,048	226,378	113,329	113,049
OGS	93,501	5,272	88,229	81,006	2,268	78,738
SEC Common	267,446	193,904	73,542	264,979	173,073	91,906
SEC Unit A	112,052	78,056	33,996	96,297	73,593	22,704
SEC Unit 1	318,921	304,572	14,349	320,297	285,470	34,827
IRP	72,440	58,247	14,193	64,209	58,228	5,981
Total	**$ 1,843,055**	**$ 1,201,373**	**$ 641,682**	**$ 1,780,322**	**$ 1,123,549**	**$ 656,773**

Note E – Cash, Cash Equivalents and Investments

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

OUC Utility Operations

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

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

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

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

- **Interest rate risk:** OUC limits maturities based on investment type and credit strength and executes transactions in accordance with the "prudent person" rule requiring the evaluation of current market conditions to ensure overall interest rate risks that might adversely affect the portfolio value are mitigated.
- **Custodial credit risk:** OUC invests in Qualified Public Depositories (QPD) of the State of Florida, local government investment pools, which are backed by securities allowed by law by the State of Florida, or money market mutual funds rated at the highest available credit rating to mitigate this risk. OUC had $213.9 million and $247.4 million of investments held in money market funds and QPD accounts that were exposed to this risk as of September 30, 2024 and 2023, respectively.
- **Credit risk:** OUC limits investments at the time of purchase to those rated, at a minimum, "A-1 / P-1 / F1" or equivalent for commercial paper and "A3 / A-" for medium-term corporate notes by nationally recognized rating agencies.
- **Foreign and digital currency risk:** OUC is not authorized to invest in foreign or digital currency and, as such, is not exposed to this risk.

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

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

Investment type (Dollars in thousands)		2024			2023	
U.S. Agencies						
Federal Home Loan Mortgage Corporation	$	44,116	5.4 %	$	42,433	4.7 %
Federal Home Loan Banks	$	165,040	20.2 %	$	226,027	25.3 %
Federal Farm Credit Banks	$	106,219	13.0 %	$	42,305	4.7 %
Local government surplus funds investment pool						
Florida FIT	$	54,059	6.6 %	$	61,801	6.9 %
Florida State Board of Administration	$	104,266	12.8 %	$	98,499	11.0 %
U.S. Treasury Notes	$	133,556	16.4 %	$	156,563	17.5 %

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

Investment type	Credit guidelines	Maximum portfolio weighting	Portfolio weighting at September 30, 2024	2023
U.S. Agencies	Indebtedness issued by government-sponsored enterprises (GSE), which are non-full faith and credited by the United States Government.	100%	42%	41%
U.S. Treasury notes	Direct obligations that are unconditionally guaranteed by the United States Government.	100%	16%	17%
Corporate notes and multi-national sovereign debt	Minimum rating of "A3" / "A-" by at least two nationally recognized rating agencies.	35%	9%	8%
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%	4%	3%
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%	3%	6%
Local government surplus funds investment pool 1	Qualified under the laws of the State of Florida with no limitations or restrictions on withdrawals.	25%	19%	18%
Municipal notes	Minimum "A" rating by a nationally recognized rating agency.	25%	2%	2%
Commercial paper	Minimum rating of "A-1", "P-1" and "F1" by at least two nationally recognized rating agencies.	20%	4%	5%
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%	—%	—%
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%	—%	—%
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	2024	2023
U.S. Treasury notes	AA+ / Aaa / AA+	1.01	0.43
Corporate notes and multi-national sovereign debt	AA+ - A / Aaa - A1 / AA - A	1.00	1.95
U.S. Agencies	AA+ / Aaa / AA+	0.86	1.34
Municipal notes	AA+ - A / Aaa - A3 / AAA	0.58	1.58
Commercial paper	A-1 / P-1 / F1+ - F1	—	0.06

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

(Dollars in thousands)	2024	2023
Cash and cash equivalents		
Local government investment pool	$ 182,590	$ 160,300
Money market mutual funds	35,011	36,419
Depository accounts	20,580	48,035
U.S. Agencies	—	21,820
Total cash and cash equivalents	**238,181**	**266,574**
Investments		
U.S. Agencies	343,076	350,734
U.S. Treasury notes	133,556	156,563
Corporate notes and multi-national sovereign debt	75,311	70,573
Commercial paper	35,000	32,910
Municipal notes	15,650	15,004
Total investments	**602,593**	**625,784**
Total cash, cash equivalents and investments	**$ 840,774**	**$ 892,358**
Restricted and internally designated assets		
Restricted assets		
Construction funds	$ 75,014	$ 180,553
Nuclear generation facility decommissioning funds	47,697	44,485
Total restricted assets	**122,711**	**225,038**
Internally designated assets		
Capital reserve, storm restoration, system development and renewal and replacement fund	163,261	132,991
Debt service reserve	99,333	103,255
Fuel reserves	93,655	64,748
Electric base and water rate reserves	87,034	72,534
Path to Alternative Water Sources reserves	86,295	61,400
Deposits and advances	75,874	94,763
Path to Clean Energy reserves	60,827	84,673
Self-insurance fund and excess benefit plan funds	23,605	22,136
Total internally designated assets	**689,884**	**636,500**
Total restricted and internally designated assets	**812,595**	**861,538**
Cash and investments	**28,766**	**31,501**
Less accrued interest receivable from restricted and internally designated assets	**(590)**	**(681)**
Total cash, cash equivalents and investments	**$ 840,771**	**$ 892,358**
Days cash on hand	**275**	**246**

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

Fiduciary Activities

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

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

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

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

- **Credit and concentration risk:** These risks are mitigated by providing specific guidance as to the weighting and integrity of the deposit and investment instruments other than those investments in mutual funds, collective trusts, limited partnerships or other alternative investment vehicle, U.S. Treasury obligations, U.S. Agency obligations and accounts insured by the Federal Deposit Insurance Corporation, as well as the execution of these transactions by the Trustees in accordance with the "prudent person" rule. At September 30, 2024 and 2023 there were no individually-held investments that made up more than 5.0 percent of the Trusts' portfolio.

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

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

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

Asset class	Benchmark	Pension allocation 2024 - 2023	OPEB allocation 2024 - 2023
Domestic Equity Securities	Russell 3000	38%-48%	38%-58%
Foreign Equity Securities	MSCI-ACWxUS	10%-20%	10%-20%
Bank Loans	S&P / LSTA Leveraged Loan	0%-5%	0%-5%
Cash & Cash Equivalents		0%-10%	0%-10%
Global Fixed Income	Barclays Global Aggregate ex US	0%-5%	0%-5%
Real Estate	NCREIF ODCE Eq-Wt	5%-15%	0%-10%
Domestic Fixed Income	Barclays US Aggregate Bond	2%-22%	2%-22%
Alternative Assets	Strategy Index	0%-25%	0%-25%

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 21.10 percent and a loss of 12.30 percent for the years ended September 30, 2024 and 2023, respectively. The annual money-weighted rate of return on OPEB plan investments, net of plan investment expense resulted in a gain of 24.40 percent and a loss of 14.90 percent for the years ended September 30, 2024 and 2023, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts invested. A 10-year historic schedule is provided in the Required Supplementary Information.

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

Domestic and global fixed income investments	Average credit rating [1]	2024	2023
Pension trust			
Garcia Hamilton			
U.S. government bonds and treasury bills	AA+	11.4	12.4
Corporate bonds	A	6.2	5.9
Mortgage-backed securities	AA+	9.7	9.7
PIMCO Div Inc Bond Fund	BB	8.5	8.4
Met West Total Return Bond Fund	BBB	7.6	8.3
Pacific Funds Floating Rate Income	B	4.4	3.9
OPEB trust			
Garcia Hamilton			
U.S. government bonds and treasury bills	AA+	11.1	12.0
Corporate bonds	A	6.2	5.9
Mortgage-backed securities	AA+	8.4	3.6
PIMCO Div Inc Bond Fund	BB	8.5	8.4
Met West Total Return Bond Fund	BBB	7.6	8.3
Pacific Funds Floating Rate Income	B	4.4	3.9

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

Note F – Fair Value Measurements

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

OUC Utility Operations

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

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

The fair value of OUC's interest rate swap agreement (swap) is based on a discounted cash flow model with Level 2 inputs including the value of the relevant market index upon which the swap is based. The fair value of OUC's debt and interest rate swap is 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 hedge derivatives 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 $4.1 million and $2.7 million for the years ended September 30, 2024 and 2023, respectively.

Note F – Fair Value Measurements (continued)

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

(Dollars in thousands)	2024	2023
Cash equivalents and investments		
Investments by fair value level:		
Debt securities		
Level 1		
U.S. Treasury notes	$ 65,094	$ 36,061
Level 2		
U.S. agencies	225,735	196,159
Corporate notes and multi-national sovereign debt	75,311	70,573
Municipal notes	15,650	15,004
Total Level 2	**316,696**	**281,736**
Total investments by fair value level	**381,790**	**317,797**
Investments measured at the amortized cost:		
Debt securities		
U.S. Agencies	117,338	154,574
U.S. Treasury notes	68,462	120,502
Commercial paper	35,000	32,910
Total investments measured at the amortized cost	**220,800**	**307,986**
Cash equivalents measured at the amortized cost:		
Local government investment pool	158,324	160,300
Money market mutual funds	35,011	36,390
Depository accounts	44,846	48,064
Debt securities		
U.S. Agencies	—	11,880
Commercial paper	—	9,940
Total cash equivalents measured at the amortized cost	**238,181**	**266,574**
Total cash equivalents and investments	**$ 840,771**	**$ 892,357**
Derivatives:		
Level 1		
Fuel hedge derivatives	$ 6,824	$ 21,807
Level 2		
Interest rate swaps	8,636	14,563
Total derivatives	**$ 15,460**	**$ 36,370**

Note F – Fair Value Measurements (continued)

Fiduciary Activities

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

- **Real estate investments** were stated at the net asset value, with annual valuations performed by independent third-party appraisers for each property in the portfolio, considering monthly events that impact property value.
- **Alternative investments** were stated at the net asset value or quoted market price based on the composition of the fund as calculated by the fund advisor. The unfunded commitments related to alternative investments as of September 30, 2024 and 2023 were $38.9 million and $23.5 million, respectively.

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

(Dollars in thousands)	**2024**	**2023**
Cash equivalents and investments by fair value level:		
Level 1		
Debt securities		
U.S. Treasury notes	$ 12,282	$ 9,846
Mutual funds		
Fixed income	49,789	52,086
U.S. equity	178,243	153,756
International equity	118,060	94,985
Balanced	5,980	5,063
U.S. equity	138,096	106,692
Total Level 1	**502,450**	**422,428**
Level 2		
U.S. Agencies	14,845	12,542
Corporate notes and private placements	2,891	3,820
U.S. equity	20,881	19,901
Mutual funds - fixed income	22,281	—
Total Level 2	**60,898**	**36,263**
Total investments by fair value level	**563,348**	**458,691**
Other investments and cash equivalents measured at the net asset value:		
Alternative investments	92,545	86,185
Mutual funds - real estate	41,620	48,878
Money market	19,714	18,268
Total other investments and cash equivalents measured at the net asset value	**153,879**	**153,331**
Total cash equivalents and investments	**$ 717,227**	**$ 612,022**

Note G – Regulatory Deferrals

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

Regulatory Assets

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

- **Long-term employee benefit expenses:** The recognition of these regulatory assets have evolved over the past several years as investment valuations have risen, plan changes have been incorporated and OUC has continued to meet or exceed its annual actuarial funding requirements. These changes have allowed for the recognition period associated with long-term employee benefits to be extended from 2024 to 2032. Beyond the extension of the recognition period, in 2019 Board action was taken to defer other postemployment benefits (OPEB) actuarially determined credits to offset the regulatory asset with no impact to current operating expenses. In 2022, a similar action was taken to defer pension actuarially determined credits with a modification to allow for the continued recognition of pension expenses at an amount equivalent to the annual member service costs. Combined regulatory amounts for long-term employee benefits were $23.9 million and $14.8 million, at September 30, 2024 and 2023, respectively.
- **Emergency response expenses:** Emergency response expenses were incurred in conjunction with unplanned major events including weather and other historic emergency response events such as the COVID-19 pandemic. Regulatory action is taken to defer expenses which are expected to be reimbursed by Federal Emergency Management Agency (FEMA) funding. Once funding is approved by federal and state agencies, the regulatory asset is reclassified to accounts receivable pending the receipt of approved funds. At September 30, 2024 and 2023, regulatory assets for emergency response expenses were $7.5 million and $12.3 million, respectively.
  - **Weather related emergency response expenses:** Expenses in the amount of $2.0 million were incurred in 2023 for storm preparation and restoration efforts for Hurricanes Nicole and Idalia. Regulatory amounts for weather related emergency response were $5.5 million and $9.2 million at September 30, 2024 and 2023, respectively.
  - **COVID-19 emergency response expenses:** Expenses in the amount of $7.9 million were incurred in response to the COVID-19 pandemic for the purchase of cleaning supplies, social distancing measures, medical screening measures, personal protective equipment and technology for work-at-home and office re-entry support. Regulatory amounts for COVID-19, including adjustments, were $2.0 million and $3.1 million at September 30, 2024 and 2023, respectively.
- **ARO expenses:** ARO expenses for the SL2 nuclear generation facility are based on the difference between the decommissioning accretion expense and the earnings on the associated restricted decommissioning funds as these amounts are anticipated to be offset over the long-term. To date, ARO expenses exceed the investment earnings, resulting in a regulatory asset at September 30, 2024 and 2023 of $2.6 million and $2.0 million, respectively.

  ARO expenses were deferred and approved by the Board to be recognized over a ten year period beginning in 2023 for closure and post-closure costs for the SEC landfill. The regulatory amounts for these closure and post-closure costs were $27.3 million and $30.7 million at September 30, 2024 and 2023, 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.

- **Decommissioning costs:** In April 2021, the City of Lakeland retired its MC3 facility from operations and decommissioning activities commenced resulting in an accelerated retirement of OUC's 40.0 percent ownership. In July 2021, the Board approved the deferral of the net book value of MC3 allowing for these amounts to be systematically recognized through 2024, the originally planned depreciable useful life. As of September 30, 2024 and 2023, the balance of the regulatory asset was $0.0 million and $4.5 million, respectively, excluding the estimated facility decommission costs which are projected to be offset by the scrap value of the decommissioned assets.
- **Unrealized investment valuations:** Mark-to-market valuation changes for investments with a maturity of one year or greater are deferred. At September, 2024 and 2023, these unrealized investment valuations resulted in a deferred loss of $4.5 million and $19.4 million, respectively.

Note G – Regulatory Deferrals (continued)

Regulatory Credits

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

- **Fuel reserves:** Fuel reserves were established in accordance with guidelines from the Public Utilities Regulatory Policies Act of 1978 and represent the difference between the fuel costs charged to customers, inclusive of accrued electric utility revenues, and fuel costs incurred. The amount of fuel reserves at September 30, 2024 and 2023 were $105.9 million and $78.6 million, including unbilled fuel revenues in the amount of $12.3 million and $13.8 million, respectively.
- **Path to Clean Energy reserves:** In 2023, Board action was taken to reclassify a portion of base rate and capital reserves to align with the Capital Plan requirements of the Path to Clean Energy strategic initiative. Additionally effective October 1, 2023, Board approved electric retail prices changes of up to a 1.0 percent of retail electric revenues in alignment with the adopted 2020 Electric Integrated Resource Plan to meet the CO_2 reduction goal of 50 percent fewer emissions by 2030. These amounts will be deferred to offset future revenue requirements associated with with the Path to Clean Energy strategic roadmap. The amount of Path to Clean Energy reserves at September 30, 2024 and 2023 were $92.9 million and $84.7 million, respectively.
- **Base rate reserves:** Rate reserves are designed to maintain stable electric and water customer pricing with target ranges reviewed and approved annually by the Audit-Finance Committee. In 2024, electric and water base rate reserves increased $14.5 million as a result of higher than projected retail electric revenues and the planned deferral of water revenues. In 2023, electric base rate reserves increased $5.7 million as a result of higher than projected wholesale electric and the recognition of adjusted storm recovery costs from Hurricane Ian. Base rate reserves at September 30, 2024 and 2023 were $87.0 million and $72.5 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 and any forfeited land escrow deposits were $6.5 million and $3.5 million at September 30, 2024 and 2023, respectively.

Deferred non-operating income: 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:** In 2024, interest rate increases led to the interest rate swap for the Series 2015B Variable Rate Demand Obligation Bonds being classified as ineffective under accounting guidelines. Because OUC intends to retain the swap for the duration of the bonds, Board-action was taken to continue deferring the swap's fair market value. At September 30, 2024 and 2023, unrealized investment valuations resulted in a deferred gain of $8.6 million and $0.0 million, respectively.

In conjunction with the recording of these regulatory operating credits, the Board internally designated funds in the amount of $241.5 million and $218.5 million at September 30, 2024 and 2023, respectively.

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

(Dollars in thousands)	2024	2023
Regulatory assets		
Deferred operating expenses	$ 65,585	$ 79,356
Deferred non-operating expenses	4,528	4,480
Total regulatory assets	**$ 70,113**	**$ 83,836**
Regulatory credits		
Deferred operating income	$ (292,309)	$ (239,252)
Deferred non-operating income	(8,636)	—
Total regulatory credits	**$ (300,945)**	**$ (239,252)**

NOTES TO THE FINANCIAL STATEMENTS

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 (%)	2023	Additions during year	Decreases during year	2024	Current portion
2010A [6]	2040	5.66%	$ 200,000	$ —	$ 200,000	$ —	$ —
2012A	2027	4.00 - 5.00%	46,475	—	15,135	31,340	15,155
2013A	2025	5.00%	131,495	—	27,750	103,745	51,980
2015A	2035	5.00%	94,905	—	—	94,905	—
2016A	2033	4.00 - 5.00%	46,215	—	9,605	36,610	—
2018A	2038	5.00%	150,220	—	6,350	143,870	6,665
2019A	2040	5.00%	54,735	—	10,140	44,595	—
2020A	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 [5]	2027	5.00%	13,570	—	5,895	7,675	1,780
2023A	2048	5.00%	245,130	—	—	245,130	—
2024A	2050	5.00%	—	89,290	—	89,290	—
2024B [6]	2050	5.00%	—	179,390	—	179,390	—
Total fixed rate debt			**1,371,970**	**268,680**	**274,875**	**1,365,775**	**75,580**
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			**1,687,060**	**268,680**	**274,875**	**1,680,865**	**75,580**
Less current portion			(74,875)	705	—	(75,580)	
Total long-term debt			**$ 1,612,185**	**$ 269,385**	**$ 274,875**	**$ 1,605,285**	

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

[1] Variable rates ranged from 1.75% to 4.83% for the year ended September 30, 2024.
[2] Variable rates ranged from 1.64% to 4.75% for the year ended September 30, 2023.
[3] The Series 2008 Variable Rate Demand Obligation Bonds of $200.0 million are supported by a Standby Bond Purchase Agreement (SBPA), which will expire on expire on January 4, 2027.
[4] The Series 2015B Variable Rate Demand Obligation Bonds of $115.1 million are supported by a SBPA, which will expire on August 3, 2025.
[5] The Series 2011C Bonds was partially refunded by the Series 2021C Bonds in 2021.
[6] The Series 2010A Bonds was refunded by the Series 2024B Bonds in 2024.

Note H – Long-Term Debt (continued)

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

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

(Dollars in thousands)	Principal	Interest	Federal interest subsidy [1]	Total
2025	$ 75,805	$ 66,160	$ —	$ 141,965
2026	82,260	62,117	—	144,377
2027	82,965	58,573	—	141,538
2028	66,245	54,695	—	120,940
2029	68,740	53,631	—	122,371
2030-2034	385,540	219,710	—	605,250
2035-2039	407,770	133,057	—	540,827
2040-2044	260,000	62,275	—	322,275
2045-2049	169,655	17,251	—	186,906
2050	6,305	315	—	6,620
Long-term debt	**1,605,285**	**727,784**	**—**	**2,333,069**
Current portion	**75,580**	**70,588**	**(3,696)**	**142,472**
Total debt	**$ 1,680,865**	**$ 798,372**	**$ (3,696)**	**$ 2,475,541**

[1] While the Series 2010A Bonds were refunded, the final quarterly federal interest subsidy remains an outstanding receivable.

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)

In September 2024, OUC issued the Series 2024B fixed rate bonds with a par amount of $179.4 million and a premium of $29.0 million. The proceeds were used for the refunding of the Series 2010A Bonds with a par amount of $200.0 million. The Series 2024B Bonds have maturity dates through October 1, 2040 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 Loss	Accounting Loss	Savings % of Refunded Bonds	Debt Refunded
2024B	$ 179,390	$ 28,999	$ 200,000	$ 6,662	$ 267	$ 7,246	0.13%	2010A

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

The following schedule summarizes OUC's fair value position, based on quoted market rates, for its outstanding swap agreement at September 30, 2024 and 2023. Costs associated with these agreements are deferred and amortized over the life of the underlying bond agreement (see Notes G and M). 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	2024 Fair value asset	2023 Fair value asset	Counterparty
2015B	$ 115,090	Fixed	1.78%	67% of SOFR	10/23/2015	10/1/2039	$ 8,636	$ 14,563	Goldman Sachs

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

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

Unused lines of credits: There were no unused lines of credit at September 30, 2024 and 2023.

Note I – Insurance Programs

Background

OUC was exposed to various risks of loss related to torts, theft and destruction of assets, errors and omissions, natural disasters and 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, 2024 and 2023, the following coverages were available:

Type of coverage	OUC limits	Third party limits
Health and wellness benefits	$0.8 million per insured/year (2024) $0.3 million per insured/year (2023)	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)	2023	Payments, net	Incurred claims	2024
Health and wellness benefits	$ 2,651	$ (25,649)	$ 26,379	$ 3,381
Workers' compensation	1,140	(578)	464	1,026
General and vehicle liability	546	(425)	449	570
Total	**$ 4,337**	**$ (26,652)**	**$ 27,292**	**$ 4,977**

(Dollars in thousands)	2022	Payments, net	Incurred claims	2023
Health and wellness benefits	$ 2,100	$ (24,431)	$ 24,982	$ 2,651
Workers' compensation	1,134	(491)	497	1,140
General and vehicle liability	377	(387)	556	546
Total	**$ 3,611**	**$ (25,309)**	**$ 26,035**	**$ 4,337**

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 2024, the fund was increased $1.6 million to cover increases in the health and wellness requirements. As a result, the self-insurance reserve balance was $23.4 million and $21.8 million at September 30, 2024 and 2023. Refer to Note E for details related to cash reserves.

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

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

Note J – Commitments, Contingent Liabilities and Regulation

Fuel for Generation and Power Purchase Commitments

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

Included as a component of the fuel supply contracts are long-term natural gas discounted supply agreements which were executed in the amounts of 25,300 million and 22,800 million British thermal units (MMBtu) per day, for terms not exceeding 30 years, for years ended September 30, 2024 and 2023, respectively. Contract terms for these agreements price the physical supply of gas, at the time of purchase, based on market indices adjusted for the contractually agreed upon discounted price. As the market price fluctuates, the actual market rate and discount will vary in relation to these changes.

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

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

(Dollars in thousands)	Fuel [1]	Transportation	Power purchase commitments [2]	Total
2025	$ 70,478	$ 29,507	$ 48,847	$ 148,832
2026	55,529	28,471	51,093	135,093
2027	50,953	27,407	48,780	127,140
2028	32,500	25,650	48,880	107,030
2029	25,970	12,128	46,163	84,261
2030-2034	119,206	49,181	172,955	341,342
2035 - thereafter	430,570	10,470	189,392	630,432
Total	**$ 785,206**	**$ 182,814**	**$ 606,110**	**$ 1,574,130**

[1] Variable pricing is included based upon the market price at September 30, 2024 and is assumed to remain static through contract expiration.
[2] Renewable energy purchase commitments are based on variables including capacity and projected power production.

Leases

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

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

Lease requirements at September 30:

(Dollars in thousands)	Principal	Interest	Total
2025	$ 5,364	$ 392	$ 5,756
2026	3,500	275	3,775
2027	2,202	221	2,423
2028	1,656	178	1,834
2029	1,400	142	1,542
2030-2034	3,690	429	4,119
2035-2039	2,116	89	2,205
2040-2044	6	0	6
Total	**$ 19,934**	**$ 1,726**	**$ 21,660**

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

Regulation

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

Environmental Protection Agency (EPA)

- **Greenhouse Gas (GHG) Regulation:** In 2015 the EPA began issuing guidance regulating GHG emissions. The form and substance of this guidance has evolved over the past several years and on August 21, 2018, the EPA proposed a new rule, entitled the Affordable Clean Energy (ACE) Rule, to replace the Clean Power Plan (CPP). On June 19, 2019 the final ACE Rule was issued and the former GHG proposed guidance, the CPP, was repealed. On January 19, 2021, the D.C. Circuit vacated the ACE Rule but left the CPP repeal in place. On April 25, 2024, the EPA finalized new standards for carbon dioxide (CO_2) emissions from new and existing fossil-fueled electric generating units (EGUs). Litigation on this rule is on-going in the DC Circuit Court of Appeals, and a decision is expected from the Court in the spring of 2025.
- **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. In May 2024, the EPA published a final rule revising MATS for coal- and oil-fired EGUs to include a new limit for filterable particulate matter, with a three-year deadline to achieve compliance with the new limit. Litigation on this rule is on-going, and the DC Circuit Court of Appeals has established an expedited schedule for briefing the case on the merits.
- **EPA Coal Combustion Residual (CCR) Regulations:** In late 2016, Congress passed the Water Infrastructure Improvements for the Nation Act (WIIN Act) fundamentally changing 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 to ensure they are at least as protective as the federal CCR rules. Since this time, provisions of the CCR regulations were remanded back to the EPA and in July 2019, the EPA issued proposed amendments to the CCR rule. These rules, CCR: Closure Part A and Part B, were finalized in 2020. In January 2022, EPA proposed determinations associated with the CCR Rule that reflected its positions on various CCR rule compliance requirements including closure standards, groundwater monitoring and corrective action. In May 2024, EPA finalized revisions to the existing CCR regulations. These revisions established groundwater monitoring, corrective action, closure, and post closure care requirements for all CCR management units, regardless of how or when the CCR was placed at regulated CCR facilities. These rule changes now incorporate oversight of the original Stanton landfill, previously exempt from this rule. A petition for review of the CCR rule is pending at the D.C. Circuit Court, and a petition for a stay has also been filed to halt the implementation of these new CCR requirements.
- **Interstate Transport Rule:** Based on current modeling, Florida is not significantly contributing to any other state's ozone compliance and as such is meeting its transport-related obligations. Therefore, OUC's electric generating units are not currently impacted by this ruling, although subsequent modeling could impact this status and require subsequent compliance measures.

Federal Regulation Enforcement

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

FERC also has the authority to impose standards which enforce an acceptable level of reliability to the Bulk Electric System. OUC is subject to these standards including Critical Infrastructure Protection standards through FERC's delegated authority to the SERC Reliability Corporation (SERC). Compliance related audits, performed under FERC oversight, are performed on a periodic basis with the most recent audit performed in 2021 and an audit currently in process and scheduled to be completed in 2025.

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

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 general jurisdiction over energy conservation and related issues and further requires the FPSC to establish goals for six specific utilities, including OUC, 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. These goals are commonly referred to as the “FEECA Goals.” OUC's FEECA goals for 2025-2029 were submitted and are pending approval by the FPSC by December 2024.

Note K – Major Agreements

All Requirements and Wholesale Power Supply Agreements

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

Billed fuel and non-fuel revenues for the years ended September 30, 2024 and 2023, subject to the inter-local agreements are included under the heading of resale electric revenues and were $127.3 million and $133.1 million, respectively, reflecting the reduction in pass-through electric retail fuel revenues. Revenue-based payments recorded under the heading of payments to other governments and taxes for the years ended September 30, 2024 and 2023 were $9.7 million and $8.9 million, respectively.

City of Lake Worth: In February 2013, OUC and the City of Lake Worth (Lake Worth) initiated an agreement whereby OUC would act as the administrator to provide wholesale electric and asset management services. The term of the agreement began January 1, 2014 with the most recent one-year extension exercised through December 31, 2025. Billed revenues, included under the heading of resale electric revenues, were $11.4 million and $10.4 million for the years ended September 30, 2024 and 2023, respectively.

City of Winter Park: In August 2013, OUC and the City of Winter Park (Winter Park) initiated an agreement whereby OUC supplements Winter Park’s electric capacity and energy requirements. The term of the agreement began January 1, 2014 with the most recent extension exercised beginning January 1, 2020 for a new seven-year term. Billed revenues, included under the heading of resale electric revenues, were $2.7 million and $2.9 million for the years ended September 30, 2024 and 2023, respectively. In addition, OUC and Winter Park have executed an inter-local agreement whereby OUC and Winter Park may pursue additional joint projects for energy efficiency and utility services.

City of Mount Dora: In April 2020, OUC and the City of Mount Dora (Mount Dora) initiated an agreement whereby OUC provides and delivers wholesale electric service and Mount Dora purchases electric energy and capacity requirements necessary for Mount Dora to serve its load obligation. The term of this agreement began January 1, 2021 with a duration of seven years and the option of a three-year extension. Billed revenues, included under the heading of resale electric revenues, were $3.0 million and $3.7 million for the years ended September 30, 2024 and 2023, respectively.

City of Chattahoochee: In April 2020, OUC and the City of Chattahoochee (Chattahoochee) initiated an agreement whereby OUC provides and delivers wholesale electric service and Chattahoochee purchases electric energy and capacity requirements necessary for Chattahoochee to serve its load obligation. The term of this agreement began January 1, 2021 with a duration of seven years and the option of a three-year extension. Billed revenues, included under the heading of resale electric revenues, were $0.9 million and $1.1 million for the years ended September 30, 2024 and 2023, respectively.

City of Lakeland: In January 2021, OUC and the City of Lakeland (Lakeland) initiated an agreement whereby OUC provides and delivers wholesale electric service and Lakeland purchases electric energy and capacity requirements as a “bridge” energy source in conjunction with Lakeland's decision to shutter MC3. The agreement was amended in June 2024, modifying the electric capacity for seasonality and extending the term through December 2026. Billed revenues, included under the heading of resale electric revenues, were $11.9 million and $12.8 million for the year ended September 30, 2024 and 2023, respectively.

Note K – Major Agreements (continued)

Other Major Agreements

City of Orlando: OUC pays the City of Orlando (City) a revenue-based payment and an income-based dividend payment. The underlying bi-lateral agreement defines the percentage of revenue based payments at 6.0 percent of retail revenues and the income based payment at 60.0 percent of income before contributions. Total revenue and income-based payments for the years ended September 30, 2024 and 2023 were $110.9 million and $107.1 million, respectively.

Orange County: OUC pays a revenue-based payment to Orange County (County) calculated at 1.0 percent of gross retail electric and chilled water billings to customers within the County but outside the city limits of the City and other municipalities. This payment is recorded under the heading of payments to other governments and taxes. Revenue-based payments for the years ended September 30, 2024 and 2023, including pass-through retail electric fuel revenues, were $1.9 million and $2.1 million, respectively.

Greater Orlando Aviation Authority: In June 2019, OUC and the Greater Orlando Aviation Authority (GOAA) Board executed a Global Agreement whereby OUC would assume contractual custodial responsibility for the maintenance and operation of the chilled water and back-up generation energy resources at GOAA's new South Terminal. Full custodial rights were transferred to OUC in November 2022. The total contract value of the assets for which OUC retains custodial rights is $55.0 million including capital reserve funds designated for the continued maintenance of these facilities over the 20 year term. Revenues for the years ended September 30, 2024 and 2023 were $7.3 million.

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

The defined benefit pension and OPEB plan assets are included in the fiduciary financial statements. Detailed information about the defined benefit pension plan and OPEB plan fiduciary net positions are available in annual standalone financial statements, with the most recent reports issued for the year ended September 30, 2023. These reports may be obtained by writing to OUC Benefit Plans, Reliable Plaza at 100 West Anderson Street, Orlando, Florida 32801 or from the OUC website at www.ouc.com/about-ouc/careers-at-ouc/benefits. The next available report will be issued in 2025 for the plan year ended September 30, 2024.

Pension and Other Postemployment Benefits

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

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

Note L – Long-term Employee Benefits (continued)

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

Traditional Plan

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

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

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

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

Hybrid Plan

- **Cash balance defined benefit:** This benefit offering began on May 1, 2011 and provides benefits to all employees hired on or after January 1, 1998 and those who elected to transition their pension plan interests. Under the provisions of this plan, benefits vest after five years of service and are determined based on a sliding pay credit scale using a combination of an employee's age and years of service at September 30. Pay credits 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, 2024 and 2023, the number of active employees enrolled in this pension benefit program were 1,216 and 1,154, respectively. Total contributions for the years ended September 30, 2024 and 2023 were $14.2 million ($6.0 million employer and $8.2 million employee) and $12.9 million ($5.4 million employer and $7.5 million employee), respectively.

Note L – Long-term Employee Benefits (continued)

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

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

	Pension plan		OPEB plan	
	2024	**2023**	**2024**	**2023**
Active cash balance plan members	1,161	1,107	1,166	1,109
Active traditional plan members	55	69	55	69
Inactive plan members currently receiving benefits	933	930	922	896
Inactive plan members entitled to deferred benefits	226	204	—	—
Total	**2,375**	**2,310**	**2,143**	**2,074**

Membership in the non-qualified 415(m) plan included two active and three inactive participants receiving benefits for the year ended September 30, 2024 and three active and three inactive participants for the year ended September 30, 2023.

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, 2022 and 2021 was 16.2 percent and 14.2 percent, respectively. No contributions were made to the 415(m) plan in 2024 or 2023.
- **OPEB:** Participant contributions to the OPEB Trust are not required, however, participants are required to remit directly to OUC costs for their coverage beyond the employee's annual subsidy. OUC contributes, at a minimum, amounts actuarially determined directly to the OPEB Trust and the amounts for the years ended September 30, 2024 and 2023 were $1.6 million and $1.2 million, respectively. Since benefits were paid through operations and not directly from the OPEB Trust, OUC was reimbursed $6.2 million and $7.6 million by the OPEB Trust in 2024 and 2023, respectively, for annual expenses of $6.4 million and $7.6 million, respectively. The rate of contribution to the OPEB Trust, based on annual covered payroll for the actuarial valuation years ended September 30, 2022 and 2021 was 1.4 percent and 1.0 percent, respectively.

Note L – Long-term Employee Benefits (continued)

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

	Qualified plan				Non-qualified	
	Pension		OPEB		415(m) plan	
(Dollars in thousands)	2024	2023	2024	2023	2024	2023
Total liability						
Service cost	$ 7,779	$ 7,158	$ 1,097	$ 889	$ 44	$ 85
Interest on the total liability	35,531	35,753	8,113	7,579	89	71
Benefit changes	—	—	3,826	—	—	—
Difference between expected and actual experience	2,399	(600)	(87)	(2,476)	(36)	(585)
Assumption changes	—	10,628	6,317	12,716	(43)	(603)
Benefit payments, including refunds of plan member contributions	(38,696)	(37,174)	(7,280)	(6,731)	(120)	(152)
Net change in total liability	**7,013**	**15,765**	**11,986**	**11,977**	**(66)**	**(1,184)**
Total liability - beginning of year	**537,951**	**522,186**	**122,731**	**110,754**	**2,030**	**3,214**
Total liability - end of year	**$ 544,964**	**$ 537,951**	**$ 134,717**	**$ 122,731**	**$ 1,964**	**$ 2,030**
Plan fiduciary net position						
Contributions - employer	$ 14,995	$ 17,678	$ 969	$ 1,133		
Contributions - plan members	242	310	—	—		
Total investment income/(loss), net of investment expense	52,206	(89,101)	20,480	(31,344)		
Benefit payments, including refunds of plan member contributions	(38,696)	(37,174)	(7,280)	(6,731)		
Administrative expense	(228)	(254)	—	(3)		
Net change in plan fiduciary net position	**28,519**	**(108,541)**	**14,169**	**(36,945)**		
Plan fiduciary net position - beginning of year	**431,017**	**539,558**	**138,331**	**175,276**		
Plan fiduciary net position - end of year	**$ 459,536**	**$ 431,017**	**$ 152,500**	**$ 138,331**		
Net liability/(asset) - beginning of year	**$ 106,934**	**$ (17,372)**	**$ (15,600)**	**$ (64,522)**		
Net liability/(asset) - end of year	**$ 85,428**	**$ 106,934**	**$ (17,783)**	**$ (15,600)**		

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)	2024	2023
Pension plan		
Total pension liability	$ 544,964	$ 537,951
Net position	459,536	431,017
Net pension liability	85,428	106,934
415(m) plan		
Total pension liability	1,963	2,030
Pension liability	**$ 87,391**	**$ 108,964**
OPEB plan		
Total OPEB liability	$ 134,717	$ 122,731
Net position	152,500	138,331
Net OPEB asset	**$ (17,783)**	**$ (15,600)**

Actuarial methods and assumptions used to measure TPL, TOL, NPL/NPA and NOL/NOA: The TPL, TOL, NPL/NPA and NOL/NOA as of September 30, 2024 and 2023 were measured as of September 30, 2023 and 2022, 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:

	2023	2022
Plan benefit assumptions		
Annual COLA (pension only)	2.0%, based on actual COLA granted for the current year, and 1.0% per year, compounded annually, thereafter	0.0%, based on actual COLA granted for the current year, and 1.0% per year, compounded annually, thereafter
Hybrid Plan interest credit rate	6.0% based on actual interest rate granted for 2024 and 5.0% per year for active members and 3.5% per year for terminated vested members, thereafter	4.0% based on actual interest rate granted for 2023 and 5.0% per year for active members and 3.5% per year for terminated vested members, thereafter
Healthcare cost trend rate	Based on the Getzen Model, with trend starting at 7.0% and gradually decreasing to an ultimate trend rate of 4.04%	Based on the Getzen Model, with trend starting at 7.5% and gradually decreasing to an ultimate trend rate of 4.0%
Actuarial assumptions		
Asset valuation method	20.0% of the difference between expected actuarial value, based on assumed return, and market value is recognized each year with 10.0% corridor around market value	20.0% of the difference between expected actuarial value, based on assumed return, and market value is recognized each year with 10.0% corridor around market value
Inflation	2.25% per year	2.25% per year
Investment rate of return	6.75%	6.75%
Salary Increases	4.5% to 10.0% per year, depending on age and plan group	4.5% to 10.0% per year, depending on age and plan group
Mortality	PUB-2010 Headcount Weighted General Below Median Employee Mortality Table (for pre-retirement mortality) and PUB-2010 Headcount Weighted General Below Median Healthy Retiree Mortality Table (for post-retirement mortality), with separate rates for males and females and ages set back one year for males, with mortality improvements projected to all future years after 2010 using Scale MP-2018.	PUB-2010 Headcount Weighted General Below Median Employee Mortality Table (for pre-retirement mortality) and PUB-2010 Headcount Weighted General Below Median Healthy Retiree Mortality Table (for post-retirement mortality), with separate rates for males and females and ages set back one year for males, with mortality improvements projected to all future years after 2010 using Scale MP-2018.

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

The projected long-term real rate of return on benefit plan investments, valued as of September 30, 2023 and 2022, 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, 2023 and 2022 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	7.0 %	2.5%	7.0 %	2.5%
International bonds	5.0 %	3.5%	5.0 %	3.5%
Real estate	10.0 %	4.5%	5.0 %	4.5%
Alternative assets	20.0 %	6.2%	20.0 %	6.2%
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 6.75 percent, valued as of September 30, 2023 and 2022. 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, 2023 and 2022 was calculated using a municipal bond rate of 4.63 percent and 4.40 percent, respectively, as reported in Fidelity's "20-Year Municipal GO AA Index" as reported on the last business day of the month of the measurement date.

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

	Net pension liability/ (asset)		Net OPEB asset		Total pension liability 415(m) plan	
(Dollars in thousands)	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
1.0 percent decrease	$ 132,498	$ 154,444	$ (3,965)	$ (2,513)	$ 2,164	$ 2,268
Current discount rate	$ 85,428	$ 106,934	$ (17,783)	$ (15,600)	$ 1,964	$ 2,030
1.0 percent increase	$ 44,441	$ 65,662	$ (29,565)	$ (26,697)	$ 1,796	$ 1,833
Medical cost assumption rate						
1.0 percent decrease			$ (29,984)	$ (27,397)		
Current discount rate			$ (17,783)	$ (15,600)		
1.0 percent increase			$ (3,468)	$ (1,700)		

Pension and OPEB expense, deferred outflows of resources and deferred inflows of resources: OUC recorded $24.6 million and $18.7 million in pension expense and a credit of $0.4 million in non-qualified pension plan expense for the years ended September 30, 2024 and 2023. OUC also recorded an OPEB expense of $0.6 million and a credit of $6.8 million for the years ended September 30, 2024 and 2023, respectively. In accordance with Board approved regulatory actions (see Note G), pension expenses are recognized at an amount equivalent to the annual member service costs and OPEB credit expenses are fully offset.

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

	Pension		OPEB	
(Dollars in thousands)	**2024**	**2023**	**2024**	**2023**
Deferred outflows of resources				
Pension and OPEB plans				
Employer's contributions to the plan after measurement of NPL	$ 18,831	$ 14,995	$ 1,180	$ 969
Changes in assumptions	12,074	15,668	14,366	10,846
Net difference between projected and actual earnings on investments	28,441	59,633	7,672	21,128
Differences between expected and actual experience	2,134	824	1,029	1,496
Subtotal pension and OPEB plans	**61,480**	**91,120**	**24,247**	**34,439**
415(m) plan				
Benefit payments	142	132	—	—
Changes in assumptions	—	4	—	—
Subtotal 415(m) plan	**142**	**136**	**—**	**—**
Total deferred outflows of resources	**$ 61,622**	**$ 91,256**	**$ 24,247**	**$ 34,439**

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)	**2024**	**2023**	**2024**	**2023**
Deferred inflows of resources				
Pension and OPEB plans				
Net difference between projected and actual earnings on plan investments	$ —	$ —	$ —	$ —
Changes in assumptions	2,517	4,314	13,484	20,075
Differences between expected and actual experience	1,245	1,841	5,379	7,336
Subtotal pension and OPEB plans	**3,762**	**6,155**	**18,863**	**27,411**
415(m) plan				
Changes in assumptions	19	268	—	—
Differences between expected and actual experience	16	269	—	—
Subtotal 415(m) plan	**35**	**537**	**—**	**—**
Total deferred inflows of resources	**$ 3,797**	**$ 6,692**	**$ 18,863**	**$ 27,411**

The following schedule is based on a measurement date of September 30, 2023, excluding market valuation impacts for the year ending September 30, 2024, and presents the future amortization of pension and OPEB-related deferred outflows of resources and deferred inflows of resources, excluding the balance attributable to the employer's contribution to the plan in the current fiscal year and subsequent to the measurement date, at September 30:

(Dollars in thousands)	**Pension**	**415(m) plan**	**OPEB**
2025	$ 6,582	$ (35)	$ (2,338)
2026	10,895	—	(845)
2027	24,094	—	6,158
2028	(2,978)	—	(1,625)
2029	295	—	2,121
Thereafter	—	—	733
Net deferred outflows/(inflows) of resources	**$ 38,888**	**$ (35)**	**$ 4,204**

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 (swap). Swaps are executed in accordance with the Audit-Finance Committee Charter, reviewed on a quarterly basis by the Audit-Finance Committee and approved by the Board. Swaps are initiated in conjunction with bond transactions and as such, have inception and termination dates that align with the underlying debt series. Early termination of a swap can be executed in accordance with the terms of the agreement.

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

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

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

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

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

Interest rate derivatives: As of September 30, 2024, OUC's interest rate swap related to the Series 2015B Bonds was deemed to be ineffective as a result of rising interest rates. As OUC intends to hold the interest rate swap over the life of the underlying bonds, a Board action was taken to continue defer changes in the fair value of this derivative on the Statements of Net Position as a regulatory credit (see Note G). In 2023, the interest rate swap was determined to be effective and changes in the fair value of this derivative was included on the Statements of Net Position as an accumulated increase in fair value of hedging derivatives.

Note M – Hedging Activities (continued)

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

(Dollars in thousands)	2023 Fair value asset	Change in fair value	Settlement/ (Termination) amount	2024 Fair value asset	Net settlement charges	Notional amount
Interest rate swap agreements						
2015B Bonds [1]	$ 14,563	$ (5,927)	$ —	$ 8,636	$ —	$ 115,090

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

[1] See Note H for additional information.

Fuel derivatives: Fuel derivatives are settled in the period in which the option expires and are recognized as fuel expenses on the Statements of Revenues, Expenses and Changes in Net Position. For the years ended September 30, 2024 and 2023, settlement losses for fuel-related derivatives were $12.4 million and $6.2 million, respectively. 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)	2023 Fair value	Change in fair value	2024 Fair value	2024 Notional amount	Volume [1]
Current natural gas fuel hedge assets	$ 3,708	$ 1,746	$ 5,455	$ 7,320	MMBTU
Non-current natural gas fuel hedge assets	24,247	(13,153)	11,095	$ 10,610	MMBTU
Accumulated increase in fair value hedging derivatives	**$ 27,955**	**$ (11,407)**	**$ 16,550**		
Current natural gas fuel hedge liabilities	$ (1,894)	$ 641	$ (1,253)	$ 7,670	MMBTU
Non-current natural gas fuel hedge liabilities	(4,254)	(4,219)	(8,473)	$ 14,870	MMBTU
Accumulated decrease in fair value hedging derivatives	**$ (6,148)**	**$ (3,578)**	**$ (9,726)**		

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

[1] Million British Thermal Units (MMBTU)

Long-term Employee Benefit Plans

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

Pension Plan

(Dollars in thousands)	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Total pension liability										
Service cost	$ 7,779	$ 7,158	$ 6,820	$ 5,814	$ 5,867	$ 5,754	$ 5,748	$ 5,539	$ 5,570	$ 5,935
Interest on the total pension liability	35,531	35,753	35,816	36,079	35,407	34,492	33,535	32,767	32,104	29,891
Benefit changes	—	—	—	—	68	—	408	—	—	15,187
Difference between expected and actual experience	2,399	(600)	(640)	(2,073)	2,106	4,904	3,706	(106)	(2,501)	(2,546)
Assumption changes	—	10,628	10,398	(9,708)	—	—	—	171	29,125	(14,449)
Benefit payments, including refunds of plan member contributions	(38,696)	(37,174)	(34,810)	(34,671)	(33,576)	(31,726)	(28,663)	(27,324)	(25,773)	(23,095)
Net change in total pension liability	**7,013**	**15,765**	**17,584**	**(4,559)**	**9,872**	**13,424**	**14,734**	**11,047**	**38,525**	**10,923**
Total pension liability - beginning of year	**537,951**	**522,186**	**504,602**	**509,161**	**499,289**	**485,865**	**471,131**	**460,084**	**421,559**	**410,636**
Total pension liability - end of year	**$ 544,964**	**$ 537,951**	**$ 522,186**	**$ 504,602**	**$ 509,161**	**$ 499,289**	**$ 485,865**	**$ 471,131**	**$ 460,084**	**$ 421,559**
Plan fiduciary net position										
Contributions - employer	$ 14,995	$ 17,678	$ 19,173	$ 22,405	$ 22,491	$ 22,614	$ 21,876	$ 17,803	$ 18,573	$ 21,198
Contributions - plan members	242	310	369	423	475	555	660	748	821	882
Net investment income/(loss)	52,206	(89,101)	95,240	46,228	17,599	37,039	48,761	29,872	4,783	28,906
Benefit payments, including refunds of plan member contributions	(38,696)	(37,174)	(34,810)	(34,671)	(33,576)	(31,726)	(28,663)	(27,324)	(25,773)	(23,095)
Administrative expense	(228)	(254)	(323)	(242)	(240)	(320)	(115)	(36)	(122)	(85)
Net change in plan fiduciary net position	**28,519**	**(108,541)**	**79,649**	**34,143**	**6,749**	**28,162**	**42,519**	**21,063**	**(1,718)**	**27,806**
Plan fiduciary net position - beginning of year	**431,017**	**539,558**	**459,909**	**425,766**	**419,017**	**390,855**	**348,336**	**327,273**	**328,991**	**301,185**
Plan fiduciary net position - end of year	**$ 459,536**	**$ 431,017**	**$ 539,558**	**$ 459,909**	**$ 425,766**	**$ 419,017**	**$ 390,855**	**$ 348,336**	**$ 327,273**	**$ 328,991**
Net pension liability/(asset) - beginning of year	**$ 106,934**	**$ (17,372)**	**$ 44,693**	**$ 83,395**	**$ 80,272**	**$ 95,010**	**$ 122,795**	**$ 132,811**	**$ 92,568**	**$ 109,451**
Net pension liability/(asset) - end of year	**$ 85,428**	**$ 106,934**	**$ (17,372)**	**$ 44,693**	**$ 83,395**	**$ 80,272**	**$ 95,010**	**$ 122,795**	**$ 132,811**	**$ 92,568**
Plan fiduciary net position as a percentage of total pension liability	**84.3%**	**80.1%**	**103.3%**	**91.1%**	**83.6%**	**83.9%**	**80.5%**	**73.9%**	**71.1%**	**78.0%**
Covered payroll	**$ 102,664**	**$ 100,135**	**$ 100,621**	**$ 97,896**	**$ 90,907**	**$ 86,573**	**$ 78,314**	**$ 75,405**	**$ 72,479**	**$ 70,147**
Net pension liability/(asset) as a percentage of covered payroll	**83.2%**	**106.8%**	**(17.3)%**	**45.7%**	**91.7%**	**92.7%**	**121.3%**	**162.8%**	**183.2%**	**132.0%**

Long-term Employee Benefit Plans (continued)

415(m) plan[1]

(Dollars in thousands)	2024	2023	2022	2021	2020	2019	2018	2017	2016
Total pension liability									
Service cost	$ 44	$ 85	$ 75	$ 57	$ 40	$ 36	$ 28	$ 22	$ 21
Interest on the total pension liability	89	71	80	82	99	91	38	41	40
Benefit changes	—	—	—	—	—	—	1,124	—	—
Difference between expected and actual experience	(36)	(585)	(190)	27	64	82	373	47	—
Assumption changes	(43)	(603)	87	320	350	(96)	(132)	97	—
Benefit payments, including refunds of plan member contributions	(120)	(152)	(168)	(160)	(157)	(118)	(80)	(51)	(56)
Net change in total pension liability	**(66)**	**(1,184)**	**(116)**	**326**	**396**	**(5)**	**1,351**	**156**	**5**
Total pension liability - beginning of year	**2,030**	**3,214**	**3,330**	**3,004**	**2,608**	**2,613**	**1,262**	**1,106**	**1,101**
Total pension liability - end of year	**$ 1,964**	**$ 2,030**	**$ 3,214**	**$ 3,330**	**$ 3,004**	**$ 2,608**	**$ 2,613**	**$ 1,262**	**$ 1,106**
Covered payroll	**$ 610**	**$ 1,041**	**$ 937**	**$ 905**	**$ 905**	**$ 1,114**	**$ 1,458**	**$ 920**	**$ 804**
Total pension liability as a percentage of covered payroll	**322.0 %**	**195.0 %**	**343.1 %**	**367.9 %**	**331.9 %**	**234.1 %**	**179.2 %**	**137.2 %**	**137.6 %**

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

Long-term Employee Benefit Plans (continued)

OPEB plan

(Dollars in thousands)	2024	2023	2022	2021	2020	2019	2018	2017	2016
Total OPEB liability									
Service cost	$ 1,097	$ 889	$ 1,039	$ 1,174	$ 1,186	$ 1,308	$ 1,331	$ 1,346	$ 1,480
Interest on the total OPEB liability	8,113	7,579	8,620	9,936	9,906	10,385	10,434	11,882	12,134
Benefit changes	3,826	—	—	(438)	—	—	—	—	—
Difference between expected and actual experience	(87)	(2,476)	(5,592)	2,899	(2,192)	(2,987)	(3,285)	(23,970)	3,536
Assumption changes	6,317	12,716	(8,028)	(24,688)	(1,029)	(7,658)	(2,093)	(2,670)	(452)
Benefit payments, including refunds	(7,280)	(6,731)	(6,291)	(7,511)	(7,371)	(7,702)	(6,374)	(8,063)	(9,067)
Net change in total OPEB liability	11,986	11,977	(10,252)	(18,628)	500	(6,654)	13	(21,475)	7,631
Total OPEB liability - beginning of year	122,731	110,754	121,006	139,634	139,134	145,788	145,775	167,250	159,619
Total OPEB liability - end of year	**$ 134,717**	**$ 122,731**	**$ 110,754**	**$ 121,006**	**$ 139,634**	**$ 139,134**	**$ 145,788**	**$ 145,775**	**$ 167,250**
Plan fiduciary net position									
Contributions - employer	$ 969	$ 1,133	$ 1,185	$ 3,682	$ 7,022	$ 9,068	$ 13,384	$ 12,628	$ 14,117
Net investment income/(loss)	20,480	(31,344)	31,313	14,953	5,399	10,956	13,420	9,621	(1,195)
Benefit payments, including refunds	(7,280)	(6,731)	(6,291)	(7,511)	(7,371)	(7,702)	(6,374)	(8,062)	(9,067)
Administrative expense	—	(3)	(17)	(17)	(17)	(18)	(18)	(18)	(32)
Net change in plan fiduciary net position	14,169	(36,945)	26,190	11,107	5,033	12,304	20,412	14,169	3,823
Plan fiduciary net position - beginning of year	138,331	175,276	149,086	137,979	132,946	120,642	100,230	86,061	82,238
Plan fiduciary net position - end of year	**$ 152,500**	**$ 138,331**	**$ 175,276**	**$ 149,086**	**$ 137,979**	**$ 132,946**	**$ 120,642**	**$ 100,230**	**$ 86,061**
Net OPEB (asset)/liability - beginning of year	**$ (15,600)**	**$ (64,522)**	**$ (28,080)**	**$ 1,655**	**$ 6,188**	**$ 25,146**	**$ 45,545**	**$ 81,189**	**$ 77,381**
Net OPEB (asset)/liability - end of year	**$ (17,765)**	**$ (15,600)**	**$ (64,522)**	**$ (28,080)**	**$ 1,655**	**$ 6,188**	**$ 25,146**	**$ 45,545**	**$ 81,189**
Plan fiduciary net position as a percentage of total OPEB liability	**113.2%**	**112.7%**	**158.3%**	**123.2%**	**98.8%**	**95.6%**	**82.8%**	**68.8%**	**51.5%**
Covered payroll	**$ 102,954**	**$ 100,061**	**$ 100,721**	**$ 98,058**	**$ 91,035**	**$ 86,892**	**$ 78,447**	**$ 71,856**	**$ 72,990**
Net OPEB (asset)/liability as a percentage of covered payroll	**(17.3)%**	**(15.6)%**	**(64.1)%**	**(28.6)%**	**1.8%**	**7.1%**	**32.1%**	**63.4%**	**111.2%**

Notes to schedules

Benefit changes: In 2024, a benefit change was implemented modifying the methodology to determine the HRA contribution to incorporate the use of the published CPI-W inflation measure with a catch-up adjustment applied at the time of implementation. There were no benefit changes in 2023 or 2022. In 2021, benefit changes were made to remove the premium POS healthcare option and to revise utility discount maximums. In 2020, various administrative plan changes were implemented related to the calculation of cash balance notional accounts and cash balance benefit payments which were initially approved by the Board in 2017 to facilitate compliance with IRS Section 401(a)(17).

Assumption changes: For 2024, 2023 and 2022, changes in assumptions included claim costs and premium amounts for the self-insured health plan, premiums for the fully insured Medicare Advantage plan, long-term medical trend rates and the annual trend for dental costs. For 2021, assumption changes were made to salary increases and retirement, separation and mortality rates based on an actuarial assumption study and experience review for the seven-year period ending September 30, 2019, as adopted by the Pension and OPEB Plan Trustees. Additional assumption revisions to initial claim costs for the core plan assumed premiums for the fully-insured Medicare Advantage plan and healthcare cost trends were included in the September 30, 2020 OPEB valuation. In August 2015, a similar assumption study and experience review for the six-year period ended September 30, 2014 was completed and changes were implemented effective September 30, 2015 to the salary, retirement, termination and mortality assumptions.

The investment return rate was 6.75 percent as of the September 30, 2023 and 2022 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 6.75 percent as of September 30, 2023 and 2022.

Long-term Employee Benefit Plans (continued)

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

Contribution year (Dollars in thousands)	Actuarially determined contribution	Actual contribution	Contribution deficiency/ (excess)	Covered payroll	Contributions as a percentage of CP	Annual money-weighted return on investments
Pension plan						
2024	$ 18,832	$ 18,832	$ —	$ 112,720	16.7%	21.1%
2023	$ 14,995	$ 14,995	$ —	$ 102,664	14.6%	12.3%
2022	$ 17,678	$ 17,678	$ —	$ 100,135	17.7%	-17.0%
2021	$ 19,173	$ 19,173	$ —	$ 100,621	19.1%	21.2%
2020	$ 22,405	$ 22,405	$ —	$ 97,896	22.9%	11.0%
2019	$ 22,491	$ 22,491	$ —	$ 90,907	24.7%	4.2%
2018	$ 22,614	$ 22,614	$ —	$ 86,573	26.1%	9.6%
2017	$ 21,876	$ 21,876	$ —	$ 78,314	27.9%	14.2%
2016	$ 18,322	$ 17,803	$ 519	$ 75,405	23.6%	9.2%
2015	$ 20,500	$ 18,573	$ 1,927	$ 72,479	25.6%	1.4%
OPEB plan						
2024	$ 1,180	$ 1,180	$ —	$ 112,567	1.0%	24.4%
2023	$ 969	$ 969	$ —	$ 102,954	0.9%	14.9%
2022	$ 1,133	$ 1,133	$ —	$ 100,061	1.1%	-18.1%
2021	$ 1,185	$ 1,185	$ —	$ 100,721	1.2%	21.4%
2020	$ 3,682	$ 3,682	$ —	$ 98,058	3.8%	10.9%
2019	$ 7,022	$ 7,022	$ —	$ 91,035	7.7%	4.0%
2018	$ 9,068	$ 9,068	$ —	$ 86,892	10.4%	9.0%
2017	$ 13,384	$ 13,384	$ —	$ 78,447	17.1%	13.2%
2016	$ 12,628	$ 12,628	$ —	$ 71,856	17.6%	11.0%
2015	$ 14,117	$ 14,117	$ —	$ 72,990	19.3%	-1.4%

Notes to schedule

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

Actuarial cost method: Entry Age Normal

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

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

Inflation: 2.25 percent

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

Investment rate of return: 6.75 percent

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

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

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

Healthcare cost trend rate: Based on the Getzen Model, with trend starting at 7.5 percent and gradually decreasing to an ultimate trend rate of 4.0 percent.

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Ernst & Young LLP
Suite 2800
200 South Orange Avenue
Orlando, Florida 32801

Tel: + 1 407 872 6600
ey.com

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

To Management and the Commissioners of Orlando Utilities Commission

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the business-type activities and the fiduciary activities of Orlando Utilities Commission (OUC) as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise OUC's basic financial statements (collectively referred to as the "financial statements"), and have issued our report thereon dated December 20, 2024.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Ernst & Young LLP
Suite 2800
200 South Orange Avenue
Orlando, Florida 32801

Tel: + 1 407 872 6600
ey.com

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

December 20, 2024

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ORLANDO UTILITIES COMMISSION
100 West Anderson Street | Orlando, Florida 32801
www.ouc.com