OUC The Reliable One®

2022

AUDITED FINANCIAL STATEMENTS

LETTER FROM THE GENERAL MANAGER AND COMMISSION PRESIDENT

2022 proved to be an exceptionally challenging year for OUC. While the economy staged a robust recovery, manufacturing and supply chain constraints stemming from the pandemic continued throughout the year. At the same time, fuel costs soared, driving inflation to a 40-year high; interest rates rose; and two hurricanes – Ian and Nicole – impacted OUC's service territory within six weeks of each other. Still, OUC's commitment to being "The *Reliable* One" remained unyielding as our employees worked diligently to keep the lights on and water flowing while delivering value added services – chilled water, lighting, back-up generation, electric vehicle charging and solar solutions – to customers.

Despite these unanticipated challenges, this commitment is recognized by our customers. In two national customer surveys conducted by Escalent, OUC came out on top as an Environmental Champion and a Most Trusted Brand. In both surveys, customers scored OUC the highest among electric utilities. To earn such high praise from the customers we serve is a testament to the exemplary work ethic of OUC's employees.

Our "Connected 2025 Strategic Plan" continued to provide the path forward as OUC fulfills its vision of being "an innovative solutions leader and the partner of choice." The plan includes roadmaps designed to deliver value to the "Community" as a committed partner and sustainability leader, provide "Customers" an outstanding experience, and strengthen "Employee" engagement through continuous improvement of our workplaces, processes and organization.

OUC advanced its Decarbonization and Conservation electric and water roadmaps in 2022. The electric roadmap focused on enhancing grid reliability and resiliency, including utility-scale solar generation, with the recommissioning of one of the three quick-starting single-cycled natural gas-fired generation units at the Osceola Generating Station (OGS), the launch of pilot energy storage solutions, and the use of data from regionally dispersed weather stations linked to cloud-mapping technologies.

Each of these initiatives, along with plans for construction of a new 230 kV transmission line and substation costing more than $121.9 million, are integral to support OUC's growing solar generation portfolio. In 2024, OUC will open two 74.5-megawatt, utility-scale solar farms, marking another major step toward meeting our CO_2-reduction goals – 50% fewer emissions by 2030, 75% less by 2040 and net zero carbon emissions by 2050. Partnering with customers is another essential part of OUC's decarbonization plans, with our energy efficiency programs helping them conserve electricity and water. In 2022, OUC completed a review of its energy efficiency programs, with the intended outcome of increasing customer participation with the launch of new and improved programs starting in 2023, some with a keen focus on assisting our most financially challenged customers.

Our water Decarbonization and Conservation roadmap includes initiatives to promote water conservation through customer education and conservation programs, among them a redesigned student-focused program carried out in partnership with the Orlando Science Center. Progress also was made on our multi-year alternative water resource project to determine the feasibility of withdrawing water from the Lower-Lower Floridan Aquifer in a safe and cost-effective manner.

Delivering for the "Community" in 2022 included completing a nine-year project to convert public roadway streetlights from high-pressure sodium cobra head lights to LED fixtures. This upgrade resulted in substantial energy savings and $C0_2$ reductions and supported OUC's No. 1 value, "Make Safety First," by improving nighttime visibility on roads in the cities of Orlando and St. Cloud and parts of Orange and Osceola counties.

In our Innovation and Growth roadmap are initiatives that focus on increasing vehicle electrification for the "Community" and "Customers." With that in mind, OUC has partnered with Central Florida's public transit system, LYNX, on a program to grow the agency's fleet of battery-powered electric buses. Also included in this roadmap are initiatives to open high-speed electric vehicle (EV) charging stations, with OUC's downtown Robinson Recharge Mobility Hub scheduled to begin operations in 2023. When built out, the Robinson site will be one of the largest EV-charging facilities in the nation, featuring 20 universal plug-in stations. Looking ahead, OUC plans to build more EV charging hubs by partnering with federal, state and local governments to leverage available grant resources. The second location is the Orange County Convention Center.

Included in the Innovation and Growth roadmap is the expansion of our chilled water and back-up generation operations. In 2022, OUC finalized 20-year partnership agreements with the Greater Orlando Aviation Authority to operate and maintain – 24/7/365 – a 10,395-ton chilled water unit and a 28-megawatt emergency power generation facility at Orlando International Airport's recently opened South Terminal C and with Universal Studios to operate and maintain a 20,000-ton chilled water unit designed and built for Universal Orlando's new theme park, Epic Universe.

Also in our Innovation and Growth plans is the construction of the St. Cloud Operations & Maintenance Center to meet the growing customer base in that area. The first phase of the 24-acre project is expected to open in late 2023, and when it's completed, the site will be the first net-zero energy campus in Florida to be built for a utility.

Our Business Transformation roadmap includes a wide range of initiatives, beginning with efforts to strengthen cybersecurity awareness through continuous employee education, online training sessions, and participation in tabletop exercises. This roadmap also covers Digital Strategy initiatives that advance our Meter Data Platform (MDP) and upgrade our Customer Care and Billing (CCB) system. MDP translates large sets of data into actionable customer information while the upgrade to CCB will enable the implementation of dynamic customer pricing options, including energy efficiency and conservation-focused time-of-use pricing beyond the pilot phase.

Business Transformation incorporates initiatives to build upon our grant capabilities by securing funding from federal grant programs that support renewable energy generation and storage solutions, energy efficiency programs and electrification resources along with grid hardening initiatives to bolster system resiliency. In addition to the grant opportunities available through the Infrastructure Investment and Jobs Act and the Inflation Reduction Act, OUC is participating in public and private partnerships that advance renewable energy generation and storage solutions, such as the viability of long-duration hydrogen energy storage with traditional and renewable energy sources.

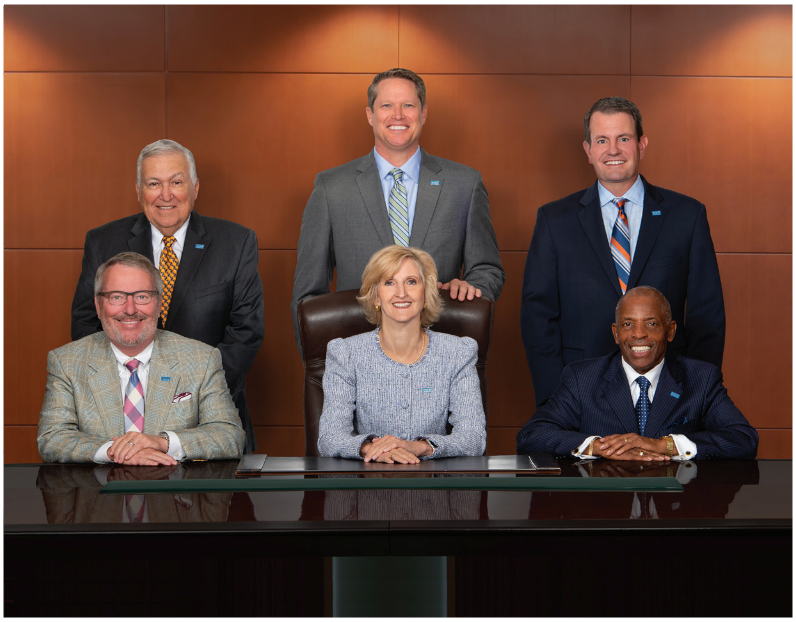
Focusing on our "Employees" remained a priority in 2022 as OUC shifted from the health and safety protocols of the pandemic to new norms that reflected changing dynamics in a tight labor market. To address these unprecedented challenges and reaffirm our commitment to being the "Employer of Choice," OUC implemented a remote hybrid work agreement with eligible employees; added a one-time, mid-year merit pay increase; and introduced a temporary quarterly fuel stipend program to help defray the spike in fuel costs for personal vehicles. These, and several other initiatives to support our employees, earned OUC local and national recognitions: "One of the top 5 Healthiest Employers in Central Florida," according to the Orlando Business Journal; the 2022 Best Wellness Employer Gold Certification for the fifth consecutive year by Wellness Workdays, a provider of corporate wellness programs in partnership with Harvard Medical School; and in 2022 for the first time OUC was recognized as the "Healthiest 100 Workplaces in America," according to a 2022 national assessment by Healthiest Employers®.

OUC also earned recognition for its "Pre-Apprenticeship Training Program" in 2022, winning a Golden Brick award from the Downtown Orlando Partnership. The accolade cited the program's "tremendous contributions to our shared community and . . . a substantial impact on Downtown Orlando." OUC created the workforce development program for the unemployed and under-employed residing in one of the most disadvantaged ZIP codes in OUC's service territory, OUC's Empowerment Zone. All 11 graduates of the program's inaugural class received full-time jobs with benefits.

Delivering value to our customers is at the core of OUC's role as a municipal utility. But fuel commodity costs, billed as a pass-through to our customers, challenged our ability to keep prices stable in 2022. Still, OUC was able to leverage stronger than forecasted revenues resulting from the post-pandemic recovery and warmer weather to help offset a portion of the price increases that were implemented. Additionally, OUC exhausted $100 million in fuel reserves and advanced customers $70.7 million to help offset the impact from rising electric retail prices. Recognizing the impact of the three retail electric price changes within Fiscal Year 2022 and a fourth proposed for January 2023, OUC took steps to increase support for Project CARE, a customer-assistance program administered through the United Way Heart of Florida organization. In addition, a "Ways to Save" campaign was launched to bolster customer awareness of OUC's Power Pass prepaid billing option, and energy efficiency and bill-payment assistance programs.

Overall, financial operations for 2022 provided results consistent with the adopted budget while key performance metrics remained strong in support of OUC's excellent credit ratings.

In closing, with the "Connected 2025 Strategic Plan" as our guide, OUC recognizes that it must be flexible to meet the ever-changing challenges facing the energy industry. With nearly 100 years of experience as the hometown utility, OUC is aware that significant advances cannot be accomplished without the commitment and dedication of its most valuable resource — employees. They help ensure that OUC is The *Reliable* One, delivering Reliability, Affordability, Sustainability and Resiliency every day for our customers.



OUC Commission 2022: *front row; left to right:* Mayor Buddy Dyer | Britta Gross, Commission President | Larry Mills, Th.D., First Vice President *back row; left to right:* Cesar Calvet, Immediate Past President | Clint Bullock, General Manager & CEO | Gregory D. Lee, Second Vice President

Clint Bullock
General Manager & CEO

Britta Gross
Commission President

AUDITED FINANCIAL STATEMENTS

Selected Statistical and Financial Information (Unaudited)

	2022	2021	% Increase/ (Decrease)
Total Customers	274,082	268,060	2.2 %
Electric Business Operations			
Active services	270,702	262,794	3.0 %
Average retail revenue (per MWh) [2]	$ 112.96	$ 104.28	8.3 %
Retail customer sales in MWh	7,005,075	6,828,878	2.6 %
Average annual residential usage (kWh)	11,312	11,534	(1.9)%
Customer billed revenues (in thousands) [2]	$ 791,288	$ 712,101	11.1 %
Water Business Operations			
Active Services	165,812	164,451	0.8 %
Average revenue per 10 KGAL	$ 29.70	$ 28.27	5.1 %
Total sales in MGAL	31,046	30,279	2.5 %
Average annual residential usage (KGAL)	75	78	(3.8)%
Customer billed revenues (in thousands) [3]	$ 92,196	$ 85,607	7.7 %
Chilled Water Business Operations			
Active Services	2,701	2,693	0.3 %
Average revenue per 100 TON hours	$ 24.55	$ 23.29	5.4 %
Production in TON hours	143,815	134,460	7.0 %
Operating revenues (in thousands) [3]	$ 35,305	$ 31,322	12.7 %
Consolidated Financial Highlights			
Income before contributions (in thousands)	$ 108,607	$ 101,251	7.3 %
City of Orlando revenue based payments and dividend (in thousands)	$ 93,605	$ 91,100	2.7 %
Debt service coverage	2.81	2.65	6.0 %
Debt/net position	48%/52%	51%/49%	
Days cash on hand	180	264	(31.8)%
Senior bond ratings [1]	AA,Aa2,AA	AA,Aa2,AA	

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

[2] Beyond the increase in electric active services, the average retail revenue and customer billed revenues increased as a result of rising pass-through retail electric fuel prices.

[3] Water and chilled water customer billed revenues increased as a result of a return to business as usual practices post-pandemic.

ORLANDO UTILITIES COMMISSION

September 30, 2022

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COMMISSION MEMBERS and OFFICERS

Ernst & Young LLP
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Report of Independent Auditors

To Management and the Commissioners of Orlando Utilities Commission

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities and the fiduciary activities of Orlando Utilities Commission, as of and for the years ended September 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Orlando Utilities Commission's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and fiduciary activities of Orlando Utilities Commission at September 30, 2022 and 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5-15, 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 59-61 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 17, 2023 on our consideration of Orlando Utilities Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Orlando Utilities Commission's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Orlando Utilities Commission's internal control over financial reporting and compliance.

Ernst & Young LLP

January 17, 2023

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

Management's Report

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

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

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

Clint Bullock
General Manager &
Chief Executive Officer

Mindy Brenay
Chief Financial Officer

Wade Durham
Director of Accounting

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 2022:** Deferral of anticipated eligible Federal Emergency Management Agency (FEMA) Hurricane Ian emergency response expenses and the deferral of retail and wholesale revenues in excess of budget to reduce the impacts of retail electric fuel price increases.
- **Fiscal Year 2021:** Deferral of anticipated eligible FEMA Coronavirus pandemic emergency response expenses, asset retirement expenses for the accelerated closure of the McIntosh 3 generation facility (MC3) in April 2021 and the deferral of water revenues to mitigate the impacts from the four-year phased-in water price plan.

Beyond the regulatory adjustments noted above, fuel reserves and unrealized investment valuations were deferred or recognized to stabilize customer pricing. In addition, beginning in 2022, pension benefit expenses other than amounts equivalent to the annual active service member were deferred in alignment with the rate-setting process.

Setting of Prices

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

- **Electric pricing:**
    - **Fiscal Year 2022:** Effective January 1, 2022 and June 1, 2022, retail electric fuel price increases of $2.50 and $12.00 for the average residential customer using 1,000 kWh per month were implemented, respectively, increasing the average monthly residential electric bill from $109.50 to $124.00. Effective October 1, 2022 a net increase of $13.00 for the average residential customer using 1,000 kWh per month was implemented increasing the average monthly residential electric bill from $124.00 to $137.00. This net change was comprised of a retail electric fuel price increase of $16.50 offset by a retail electric non-fuel price decrease of $3.50.
    - **Fiscal Year 2021:** Effective April 1, 2021, a price neutral change, allowing the average residential electric customer using 1,000 kWh per month to remain consistent at $109.50, was implemented. This change provided for an electric fuel price decrease offset by a $2.50 monthly customer charge increase and a conservation volumetric charge increase for usage beyond 1,000 kWh of 0.5¢.

- **Water pricing:**
  - **Fiscal Year 2022:** No price changes were approved.
  - **Fiscal Year 2021:** Effective April 1, 2021, the final of four annual price increases was approved increasing the average residential and commercial customer water bill 6.2 percent.
- Ancillary service pricing: The pricing of chilled water, lighting, back-up generation, electric vehicle charging and solar services and solutions were designed utilizing an equivalent cost recovery model to the Board approved electric and water pricing with terms defined within the customer contract.

Basic Financial Statements

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

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

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

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

Condensed Statements of Net Position
As of September 30

(Dollars in thousands)	2022	2021	2020
Assets			
Utility plant, net	$ 2,649,319	$ 2,626,461	$ 2,591,276
Restricted and internally designated assets	701,152	830,350	543,603
Current assets	292,353	276,781	247,461
Other assets	377,084	201,800	187,693
Total assets	**4,019,908**	**3,935,392**	**3,570,033**
Deferred outflows of resources	**65,307**	**73,611**	**120,200**
Total assets and deferred outflows of resources	**$ 4,085,215**	**$ 4,009,003**	**$ 3,690,233**
Liabilities			
Long-term debt, net	$ 1,541,780	$ 1,645,197	$ 1,439,320
Current liabilities	415,184	329,615	265,190
Other liabilities	134,285	161,096	203,969
Total liabilities	**2,091,249**	**2,135,908**	**1,908,479**
Deferred inflows of resources	**366,249**	**317,454**	**283,336**
Net position			
Net investment in capital assets	1,239,258	1,244,769	1,236,286
Unrestricted	388,459	310,872	262,132
Total net position	**1,627,717**	**1,555,641**	**1,498,418**
Total liabilities, deferred inflows of resources and net position	**$ 4,085,215**	**$ 4,009,003**	**$ 3,690,233**

2022 Compared to 2021

Total Assets and Deferred Outflows of Resources

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

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

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

Total Liabilities, Deferred Inflows of Resources and Net Position

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

- **Long-term debt, net:** Debt decreased $103.4 million as a result of scheduled maturities and the amortization of debt-related expenses.

- **Other liabilities:** Other liabilities decreased $26.8 million due to the reduction of benefit plan liabilities in the amount of $48.0 million as a result of current year actuarial contributions and valuation changes offset by a $11.7 million increase in asset retirement costs for updated landfill closure costs at the MC3 and the Stanton Energy Center (SEC) generation facilities and increased contributions in aid of construction.
- **Current liabilities:** Current liabilities increased $85.6 million as a result of rising fuel commodity prices and increased fuel payables in the amount of $38.2 million along with the recognition of estimated Hurricane Ian storm restoration expenses of $18.5 million. Counter-party margin advances received from fuel hedge derivatives also increased $21.6 million as a result of unrealized market valuations.

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

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

2021 Compared to 2020

Total Assets and Deferred Outflows of Resources

Total assets increased $365.4 million primarily due to the receipt of bond proceeds from the Series 2021A and 2021B Bonds in the amount of $326.4 million in April 2021, for which a portion has been utilized for utility plant additions. Utility plant additions in the amount of $249.7 million included major transmission upgrades, the installation of new services and enhanced reliability initiatives for electric and water services and the acquisition of the OGS in the amount of $60.5 million. These additions were offset by systematic depreciation charges and the retirement of the MC3 generation facility which was reclassified at its net book value of $29.3 million to a regulatory asset to be recognized consistent with its intended original useful life through 2024.

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

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

Total Liabilities, Deferred Inflows of Resources and Net Position

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

Deferred inflows of resources increased $34.1 million as a result of a $34.4 million and a $32.0 million increase in the valuation of unrealized fuel hedge derivatives and benefit plan investments. These increases were offset by the Board approved usage of regulatory credits in the amount of $31.9 million to offset generation facility expenses including clean power plan costs.

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

Condensed Statements of Revenues, Expenses and Changes in Net Position

Years Ended September 30

(Dollars in thousands)	**2022**	**2021**	**2020**
Operating revenues	$ 1,134,512	$ 946,389	$ 866,604
Operating expenses	974,770	797,472	742,744
Operating income	**159,742**	**148,917**	**123,860**
Net non-operating expenses	(32,760)	(33,720)	(22,620)
Special item expenses	(18,375)	(13,946)	—
Income before contributions	**108,607**	**101,251**	**101,240**
Contributions in aid of construction	26,967	17,803	16,764
Annual dividend	(63,498)	(61,831)	(65,728)
Increase in net position	**72,076**	**57,223**	**52,276**
Net position - beginning of year	**1,555,641**	**1,498,418**	**1,446,142**
Net position - end of year	**$ 1,627,717**	**$ 1,555,641**	**$ 1,498,418**

2022 Compared to 2021

Changes in Net Position

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

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

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

- Fuel and purchased power increased $173.0 million, or 58.6 percent due to rising fuel commodity costs, pandemic and industry related supply chain constraints coupled with the impacts of geopolitical challenges.
- Operating expenses, excluding fuel and purchased power, increased $4.3 million. This net change was driven by several factors including the accelerated depreciation and amortization expenses associated with the Clean Energy Plan in the amount of $4.3 million, increased payments and taxes to other governments in the amount of $3.1 million and Hurricane Ian emergency response expenses in the amount of $4.5 million. These increases were offset by lower pension benefit unit department expenses in the amount of $3.0 million as a result of investment valuations exceeding actuarial targets and the Board approved regulatory action limiting these expenses to the annual active service member costs as well as reduced operating costs for the McIntosh Unit 3 generation facility which was shuttered in April 2021.

Net non-operating expenses: Total net non-operating expenses decreased $1.0 million due to lower debt service costs including the impact of recognizing the one-time bond issuance costs in 2021 for the issuance of Series 2021A and 2021B Bonds and reduced bond amortization costs for maturing bond series.

Special item expenses: Special item expenses increased $4.4 million as a result of annualizing the recognition of decommissioning expenses related to MC3.

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

2021 Compared to 2020

Changes in Net Position

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

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

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

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

Water revenues increased $3.6 million primarily driven by the 6.2% conservation focused price increase on April 1, 2021.

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

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

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

Operating expenses, excluding fuel and purchased power, increased $13.7 million primarily due to depreciation and inventory reserve expenses in the amount of $12.0 million in alignment with the Clean Energy Plan. In addition, benefit costs increased $5.3 million due to an increase in health and wellness costs as a result of pandemic-related limitations on non-emergency medical services. Offsetting these increased costs were lower emergency response expenses of $7.3 million as a result of the expansion of the FEMA cost reimbursement coverage period related to the COVID-19 pandemic.

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

Special item expenses: Special item expenses in the amount of $13.9 million were recognized as a result of the retirement of the MC3 and the Board approved regulatory action to systematically recognize these costs through 2024.

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

Condensed Statement of Cash Flows

Years Ended September 30

(Dollars in thousands)	2022	2021
Net cash provided by operating activities	$ 243,879	$ 360,293
Net cash used in non-capital related financing activities	(59,761)	(56,211)
Net cash used in capital related financing activities	(350,526)	(11,811)
Net cash used in investing activities	(50,945)	(94,436)
Net (decrease)/increase in cash and cash equivalents	**$ (217,353)**	**$ 197,835**

2022 Compared to 2021

Changes in Cash Flow

Total cash and cash equivalents decreased $217.4 in 2022 primarily due to the prior year issuance of the Series 2021A and 2021B Bonds in the amount of $326.8 million which offset cash used in capital related financing activities.

Excluding the impact of the bond issuance, total cash and cash equivalents decreased $88.3 million in comparison to 2021 driven primarily by cash provided by operating activities including the impact of the steep rise in fuel and purchased power costs and the utilization of cash and cash equivalents to advance fund customers $70.7 million, excluding unbilled revenue, beyond the designated fuel reserve funds of $61.5 million which were exhausted in May 2022. In addition, cash provided from operating activities decreased $38.5 million in 2022 as a result of increased generation and transmission expenses and an increase in the outflow of emergency response expenses. These decreases were offset by lower salary and benefit expenses and an increase in the collection of retail customer receivables in the amount of $94.3 million in conjunction with continued residential and commercial sales growth as the Central Florida economy recovered from the pandemic.

Net cash used for capital related financing, excluding the impact of the bond issuance in 2021, was consistent year over year. Net cash used in investing activities decreased in the amount of $43.5 million as proceeds from investment securities matured and were used to support operating and capital activities.

Future Capital Funding Needs

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

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

Capital Plan

The 2023 Capital Plan incorporates funding of $1,252.7 million, which is $31.3 million, or 2.6 percent, higher than the 2022 Capital Plan. Funding for the Capital Plan is provided with bond proceeds, internally designated capital reserves and the results of operation. In 2021, OUC secured $326.8 million of bond proceeds which were originally anticipated to fund the Capital Plan through fiscal year 2024. Impacts of advancing of the Clean Energy Plan and the purchase of OGS in September 2021 are currently being evaluated related to this original timeline.

(Dollars in millions)	2023	2024	2025	2026	2027	Total
Transmission and distribution	$ 152.6	$ 162.7	$ 153.3	$ 151.1	$ 114.3	$ 734.0
Production	73.1	105.3	57.2	59.8	75.3	370.7
Support services	52.5	38.1	25.7	17.3	14.4	148.0
Total five-year capital plan	**$ 278.2**	**$ 306.1**	**$ 236.2**	**$ 228.2**	**$ 204.0**	**$ 1,252.7**

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)	2022	2021	2020
Assets			
Investments	$ 567,814	$ 716,399	$ 609,527
Receivables	3,664	1,639	225
Total assets	**571,478**	**718,038**	**609,752**
Liabilities	**2,130**	**3,204**	**757**
Fiduciary net position	**$ 569,348**	**$ 714,834**	**$ 608,995**

Condensed Statements of Changes in Fiduciary Net Position

Years ended September 30

(Dollars in thousands)	2022	2021	2020
Additions			
Net (decrease)/increase in fair value of investments	$ (130,667)	$ 115,389	$ 52,948
Interest, dividends and other income, net of investment expense	10,222	11,165	8,233
Contributions	19,121	20,726	26,510
Total additions	**(101,324)**	**147,280**	**87,691**
Deductions			
Benefit payments, including refunds of plan member contributions	43,905	41,101	42,182
Administrative expenses, net of foreign tax withheld	257	340	259
Total deductions	**44,162**	**41,441**	**42,441**
Net (decrease)/increase in fiduciary net position	**(145,486)**	**105,839**	**45,250**
Fiduciary net position - beginning of year	**714,834**	**608,995**	**563,745**
Fiduciary net position - end of year	**$ 569,348**	**$ 714,834**	**$ 608,995**

2022 Compared to 2021

Fiduciary Net Position and Changes in Fiduciary Net Position

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

2021 Compared to 2020

Fiduciary Net Position and Changes in Fiduciary Net Position

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

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

Electric Operations

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

To meet the first interim goal of a 50 percent reduction in CO_2 emissions by 2030, the EIRP - also known as the Clean Energy Plan - outlined milestone targets including the conversion of the two coal-fired generation units at the Stanton Energy Center to natural gas no later than 2027, enhanced customer-focused energy efficiency programs and the investment in new solar generation and energy storage. While plans are in process to deliver on each of these initiatives, the gas conversion plans for both coal-fired generation facilities at the Stanton Energy Center were modified in conjunction with the acquisition of OGS, an existing dual-fired (natural gas - primary fuel and diesel oil - back-up fuel) combined cycle generation facility in September 2021 allowing for one of the coal-fired generation facilities, SEC1, to be retired. Beyond providing replacement generation to enable the retirement of one coal-fired generation facility, the generation start-up characteristics of the OGS compliment the expansion of solar generation and the dispatch variability of this energy source.

Prices: Recent retail electric fuel price increases, driven by elevated fuel and purchased power costs, have resulted in two unplanned price increases in June and October 2022. While these price increases have helped to mitigate the impact of a wide range of supply chain and labor constraints, price changes planned for in the approved 2023 Operating Budget continue to be required to stabilize customer pricing and recover advanced customer funds in the amount of $53.3 million as well as return the fuel reserve fund to the Audit-Finance Charter target range over the upcoming 12-month period. As of October 1, 2022, retail electric prices for the average residential customer using 1,000 kWh per month have increased 25.1 percent. Pending changes in 2023 are anticipated to increase the average residential customer using 1,000 kWh per month to 34.2 percent over a 12 month period.

Pricing plans associated with the Clean Energy Plan remain consistent with amounts projected in 2020 at an amount less than 1 percent annually through 2030. However, given the recent changes in generation resources with the planned retirement of SEC1 and the acquisition of OGS coupled with new and expanded grant opportunities available through the Bipartisan Infrastructure Bill and the Inflation Reduction Act Plan updates are anticipated when the study is refreshed on the planned five year cycle.

Price changes associated with time-of-use pricing, an alternative pricing methodology to the current one-size fits all residential pricing model, was piloted to advance customer awareness and allow customers to leverage advancing home energy technologies, support the electrification of transportation in a cost efficient manner and promote conservation and community sustainability efforts. Implementation of this alternative pricing option is pending the completion of necessary system technology upgrades. Additional pricing designs are also being evaluated in alignment with providing solar services and solutions to support the Clean Energy Plan, promote supply-side renewable energy initiatives and deliver on our commitment to customer equity.

Economic Recessionary Considerations: While proactive measures are continually evaluated to offset the impact of rising interest rates, higher than projected levels of inflation, continued labor and supply chain constraints and dynamic external forces could have a significant effect on the results of operations. Rate stabilization funds are evaluated annually to ensure resources are available to assist OUC with navigating through potentially challenging times while continuing to deliver customer value.

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

Water Operations

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

In October 2020, in advance of the CUP reduction trigger date of October 1, 2023, OUC submitted a request to renew the CUP at a withdrawal rate of 109.2 mgd for a second 20-year period. While alternative water supply options continue to be pursued including the evaluation of the water supply resources from the lower-lower aquifer, the completion of these options are still in process. OUC's renewal application includes a variety of additional conservation measures to demonstrate OUC's commitment to water conservation including water price increases focused on elevated tier pricing for high usage customers implemented in January 2022.

Financing

In 2019, regulatory and advisory bodies have identified flaws with the London Inter Bank Offer Rate (LIBOR) and as of January 1, 2022 its use for new business was restricted. LIBOR settings will continue to be calculated using panel bank submissions until mid-2023, after which they will permanently cease. OUC management has consented to the fallback protocol to transition from LIBOR to the Secured Overnight Financing Rate (SOFR).

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 2022	2021
Assets		
Utility plant, net		
Utility plant in service	$ 4,691,091	$ 4,510,530
Allowances for depreciation and amortization	(2,436,483)	(2,278,083)
Utility plant in service, net	2,254,608	2,232,447
Land and other non-depreciable assets	115,456	141,714
Construction work in progress	279,255	252,300
Total utility plant, net	**2,649,319**	**2,626,461**
Internally designated and restricted assets		
Internally designated assets	566,631	576,473
Restricted assets	134,521	253,877
Total internally designated and restricted assets	**701,152**	**830,350**
Current assets		
Cash and investments	4,506	52,526
Customer receivables, net	104,606	81,018
Miscellaneous receivables, net	23,137	14,606
Accrued utility revenues	46,605	38,990
Fuel for generation	30,121	15,486
Materials and supplies inventory, net	54,037	47,670
Accrued interest receivable	1,840	716
Prepaid and other expenses	7,365	6,866
Hedging derivative instruments maturing within one year	20,136	18,903
Total current assets	**292,353**	**276,781**
Other assets		
Other long-term assets	152,752	55,761
Regulatory assets	135,583	91,642
Hedging derivative instruments	58,205	20,209
Right of use assets, net	16,100	19,398
Lease receivables	14,444	14,790
Total other assets	**377,084**	**201,800**
Total assets	**4,019,908**	**3,935,392**
Deferred outflows of resources		
Unamortized loss on refunded bonds	32,084	41,558
Unrealized pension and other postemployment benefits contributions and losses	32,018	27,668
Accumulated decrease in fair value of hedging derivatives	1,205	4,385
Total deferred outflows of resources	**65,307**	**73,611**
Total assets and deferred outflows of resources	**$ 4,085,215**	**$ 4,009,003**

See Notes to the Financial Statements for additional information.

STATEMENTS OF NET POSITION

(Dollars in thousands)	As of September 30 2022	2021
Liabilities		
Current liabilities		
Payable from restricted and designated assets		
Current portion of long-term debt	$ 79,915	$ 82,050
Customer meter deposits	62,054	60,019
Accrued interest payable on notes and bonds	27,462	28,756
Total payable from restricted and designated assets	**169,431**	**170,825**
Payable from current assets		
Accounts payable and accrued expenses	197,628	116,636
Billings on behalf of state and local governments	23,858	21,731
Compensated absences and accrued wages	19,972	17,477
Accrued governmental payments	3,090	2,946
Hedging derivative instruments maturing within one year	1,205	—
Total payable from current assets	**245,753**	**158,790**
Total current liabilities	**415,184**	**329,615**
Other liabilities and credits		
Asset retirement obligation and other liabilities	120,980	96,900
Lease liability	13,305	16,173
Pension and net other postemployment benefits liability	—	48,023
Total other liabilities	**134,285**	**161,096**
Long-term debt, net		
Bond and note principal	1,441,930	1,521,845
Unamortized premium	99,850	118,967
Fair value of derivative instruments	—	4,385
Total long-term debt, net	**1,541,780**	**1,645,197**
Total liabilities	**2,091,249**	**2,135,908**
Deferred inflows of resources		
Regulatory credits	155,042	201,064
Unrealized pension and other postemployment benefits gains	117,113	60,679
Accumulated increase in fair value of hedging derivatives	78,341	39,112
Lease revenue	14,900	15,474
Unamortized gain on refunded bonds	853	1,125
Total deferred inflows of resources	**366,249**	**317,454**
Net position		
Net investment in capital assets	1,239,258	1,244,769
Unrestricted	388,459	310,872
Total net position	**1,627,717**	**1,555,641**
Total liabilities, deferred inflows of resources and net position	**$ 4,085,215**	**$ 4,009,003**

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)	**2022**	**2021**
Operating revenues		
Retail electric revenues	$ 760,359	$ 628,229
Resale electric revenues	199,395	158,615
Water revenues	91,002	83,390
Chilled water revenues	34,477	30,693
Lighting revenues	17,740	17,434
Other revenues	31,539	28,028
Total operating revenues	**1,134,512**	**946,389**
Operating expenses		
Fuel for generation and purchased power	467,974	294,988
Unit/department expenses	282,292	285,326
Depreciation and amortization	165,405	161,113
Payments to other governments and taxes	59,099	56,045
Total operating expenses	**974,770**	**797,472**
Operating income	**159,742**	**148,917**
Net non-operating expenses		
Interest income	6,268	6,588
Other income, net	6,805	7,142
Interest expense	(45,833)	(47,450)
Total net non-operating expenses	**(32,760)**	**(33,720)**
Special Items		
Generation decommissioning	(18,375)	(13,946)
Income before contributions	**108,607**	**101,251**
Contributions in aid of construction	26,967	17,803
Annual dividend	(63,498)	(61,831)
Increase in net position	**72,076**	**57,223**
Net position - beginning of year	**1,555,641**	**1,498,418**
Net position - end of year	**$ 1,627,717**	**$ 1,555,641**

See Notes to the Financial Statements for additional information.

STATEMENTS OF CASH FLOWS

(Dollars in thousands)	Years ended September 30 2022	2021
Cash flows from operating activities		
Cash received from customers	$ 993,021	$ 898,750
Cash paid for fuel and purchased power	(419,867)	(247,423)
Cash paid for unit/department expenses excluding salaries and benefits	(94,469)	(62,381)
Cash paid for salaries and benefits	(173,117)	(185,062)
Cash (paid)/received for emergency response expenses	(2,733)	12,492
Cash paid to other governments and taxes	(58,956)	(56,083)
Net cash provided by operating activities	**243,879**	**360,293**
Cash flows from non-capital related financing activities		
Dividend payment	(63,498)	(61,831)
Build America Bond interest subsidy received	3,737	5,620
Net cash used in non-capital related financing activities	**(59,761)**	**(56,211)**
Cash flows from capital related financing activities		
Utility plant, net of contributions in aid of construction	(208,717)	(223,910)
Debt interest payments	(58,736)	(52,765)
Collateral deposits	—	15,146
Principal payments and refunding costs on long-term debt	(82,050)	(96,251)
Debt issuances	—	349,101
Debt issuance expense	(1,023)	(3,132)
Net cash used in capital related financing activities	**(350,526)**	**(11,811)**
Cash flows from investing activities		
Proceeds from sales and maturities of investment securities	325,208	238,780
(Loss)/Gain on sale of investments	(1,847)	1,803
Purchases of investment securities	(391,699)	(349,887)
Investments and other income received	17,393	14,868
Net cash used in by investing activities	**(50,945)**	**(94,436)**
Net (decrease)/increase in cash and cash equivalents	**(217,353)**	**197,835**
Cash and cash equivalents - beginning of year	**447,192**	**249,357**
Cash and cash equivalents - end of year	**$ 229,839**	**$ 447,192**
Reconciliation of operating income to net cash provided by operating activities		
Operating income	$ 159,742	$ 148,917
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation and amortization of plant charged to operations	165,405	161,113
Depreciation and amortization charged to fuel for generation and purchased power	3,690	2,602
Depreciation of vehicles and equipment charged to unit/department expenses	2,153	2,106
Changes in assets and liabilities		
Increase in receivables and accrued revenue	(39,035)	(22,928)
(Increase)/Decrease in fuel and materials and supplies inventories	(13,513)	16,459
Increase in accounts payable	85,240	38,733
(Decrease)/Increase in deposits payable and liabilities	(7,791)	19,772
Decrease in stabilization and deferred credits	(112,012)	(6,481)
Net cash provided by operating activities	**$ 243,879**	**$ 360,293**
Reconciliation of cash and cash equivalents		
Restricted and internally designated cash and cash equivalents	$ 199,280	$ 418,031
Unrestricted cash and cash equivalents	30,559	29,161
Cash and cash equivalents - end of year	**$ 229,839**	**$ 447,192**
Non-cash investing, capital and financing activities		
Increase in donated utility plant assets	$ 9,097	$ 2,341
Decrease in fair value of investments	$ (26,367)	$ (6,316)
Decrease in accounts payable related to utility plant purchases	$ 2,888	$ 4,231
Decrease in fair value of retirement obligation asset	$ —	$ (5,548)

See Notes to the Financial Statements for additional information.

STATEMENTS OF FIDUCIARY NET POSITION

	As of September 30	
(Dollars in thousands)	**2022**	**2021**
Assets		
Investments		
Cash and cash equivalents	$ 10,646	$ 22,167
U.S. equity funds	252,562	335,166
Fixed income funds	84,749	118,720
International equity funds	78,027	116,834
Real estate funds	59,785	54,118
Alternative investments	77,374	63,939
Balanced mutual fund investments	4,671	5,455
Total investments	**567,814**	**716,399**
Receivables		
Pending investment sales	3,387	1,062
Benefits receivable	—	376
Net interest and dividends receivable	277	201
Total receivables	**3,664**	**1,639**
Total assets	**571,478**	**718,038**
Liabilities		
Pending investment purchases	1,875	3,172
Benefits payable	226	—
Investment advisory fees payable	29	32
Total liabilities	**2,130**	**3,204**
Fiduciary net position	**$ 569,348**	**$ 714,834**

See Notes to Financial Statements for additional information.

STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION

(Dollars in thousands)	Years ended September 30 2022	2021
Additions		
Contributions		
Employer	$ 18,811	$ 20,358
Plan member	310	368
Total contributions	**19,121**	**20,726**
Investment income, net of investment expense		
Net (decrease)/increase in fair value of investments	(130,667)	115,389
Interest, dividends and other income	14,565	14,494
Investment expense	(4,343)	(3,329)
Total investment income, net of investment expense	**(120,445)**	**126,554**
Total additions	**(101,324)**	**147,280**
Deductions		
Benefit payments, including refunds of plan member contributions	43,905	41,101
Administrative expenses, net of foreign tax withheld	257	340
Total deductions	**44,162**	**41,441**
Net (decrease)/increase in fiduciary net position	**(145,486)**	**105,839**
Fiduciary net position - beginning of year	**714,834**	**608,995**
Fiduciary net position - end of year	**$ 569,348**	**$ 714,834**

See Notes to Financial Statements for additional information.

NOTES TO THE FINANCIAL STATEMENTS

Note A – The Organization

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

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

Note B – Summary of Significant Accounting Policies

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

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

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

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

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

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

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

- **Electric pricing:**
    - **Fiscal Year 2022:** Effective January 1, 2022 and June 1, 2022, retail electric fuel price increases of $2.50 and $12.00 for the average residential customer using 1,000 kWh per month were implemented, respectively, increasing the average monthly residential electric bill from $109.50 to $124.00. Effective October 1, 2022 a net increase of $13.00 for the average residential customer using 1,000 kWh per month was implemented increasing the average monthly residential electric bill from $124.00 to $137.00. This net change was comprised of a retail electric fuel price increase of $16.50 offset by a retail electric non-fuel price decrease of $3.50.
    - **Fiscal Year 2021:** Effective April 1, 2021, a price neutral change, allowing the average residential electric customer using 1,000 kWh per month to remain consistent at $109.50, was implemented. This change provided for a retail electric fuel price decrease offset by a $2.50 monthly customer charge increase and a conservation volumetric charge increase for usage beyond 1,000 kWh of 0.5¢.

Note B – Summary of Significant Accounting Policies (continued)

- **Water pricing:**
  - **Fiscal Year 2022:** No price changes were approved.
  - **Fiscal Year 2021:** Effective April 1, 2021, the final of four annual price increases was approved increasing the average residential and commercial customer water bill 6.2 percent.
- **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 with terms defined within the customer contract compared to the Board approved electric and water pricing.

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

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

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

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

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

The cost of retired utility plant assets, together with removal costs less salvage value, are charged to accumulated depreciation except for costs associated with regulatory actions taken to support the Clean Energy Plan which are recorded as a component of special item expenses. In addition, when a utility plant asset constituting an operating unit or system is sold or disposed of and the net proceeds of the sale are at least $0.5 million, the gain on the sale or disposal is deferred and proceeds are placed in the renewal and replacement fund in accordance with the Board-approved Policy for Accounting Treatment of Disposal of Capital Assets.

The consolidated average annual depreciation rate, inclusive of impairment expense, was 3.6 percent for 2022 and 2021. Depreciation is calculated using the following range of estimated lives:

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

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

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

Restricted and internally designated assets: Restricted and internally designated assets represent cash, cash equivalents and investments that are designated in accordance with legal, financial or regulatory statutes or in alignment with customer obligations or Board actions (see Note E).

Note B – Summary of Significant Accounting Policies (continued)

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

The net customer receivable balance of $104.6 million and $81.0 million at September 30, 2022 and 2021 includes an allowance for uncollectible accounts of $16.8 million and $16.9 million, respectively. Included in net customer receivables were billings on behalf of the State and other local governments of $11.7 million and $8.7 million at September 30, 2022 and 2021, inclusive of an allowance for uncollectible accounts of $1.9 million and $2.8 million, respectively. Agency billings are not reflected in the Statements of Revenues, Expenses and Changes in Net Position. Bad debt expenses were $7.0 million and $5.5 million for the years ended September 30, 2022 and 2021, respectively.

As of September 30, 2022 and 2021, miscellaneous receivables were $23.1 million and $14.6 million, net of allowance for uncollectible accounts of $4.2 million and $2.6 million for the years ended September 30, 2022 and 2021, 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)	2022	2021
Customer receivables, net		
Customer receivables	$ 74,725	$ 63,064
Wholesale receivables	18,140	9,207
Agency receivables	11,741	8,747
Total customer receivables, net	**104,606**	**81,018**
Miscellaneous receivables, net	**23,137**	**14,606**
Total accounts receivable, net	**$ 127,743**	**$ 95,624**

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 $46.6 million and $39.0 million at September 30, 2022 and 2021, respectively, including unbilled electric fuel revenues in the amount of $17.4 million and $9.0 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, 2022 and 2021 was $30.1 million and $15.5 million, respectively, with the increase driven by rising coal prices coupled with increased on-hand oil inventory in conjunction with the newly acquired storage capacity at OGS.

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, 2022 and 2021 was $54.0 million and $47.7 million, including an allowance for obsolescence of $18.6 million and $16.3 million, respectively.

Prepaid and other expenses: Prepaid expenses represent costs that are anticipated to be recognized in the Statements of Revenues, Expenses and Changes in Net Position in the near future, including service agreement costs and collateral or margin deposits for interest rate hedges resulting from unrealized market valuations. Prepaid expenses at September 30, 2022 and 2021 were $7.4 million and $6.9 million, respectively.

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

Note B – Summary of Significant Accounting Policies (continued)

Other assets: This amount includes long-term assets inclusive of regulatory assets, employee benefit plan assets, hedging derivatives acquired to reduce fuel commodity price volatility, contractual custodial rights for the operations and maintenance of customer-sited chilled water facilities and prepaid expenses (see Notes G, L, K and M).

(Dollars in thousands)	2022	2021
Regulatory assets	$ 135,583	$ 91,642
Employee benefit plan other assets	78,680	28,080
Hedging derivatives	58,205	20,209
Contractual custodial asset rights	46,844	—
Lease Receivable	14,444	14,790
Right of use assets, net	16,100	19,398
Other prepaid assets	27,228	27,681
Total other assets	**$ 377,084**	**$ 201,800**

Right of use assets and lease receivables are also included under the heading of Other assets as follows:

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

(Dollars in thousands)	2022	2021
Right of use assets		
Land	$ 12,292	$ 12,292
Vehicles	13,272	13,127
Other	899	899
Total right of use assets	**26,463**	**26,318**
Accumulated amortization	**(10,363)**	**(6,920)**
Right of use assets, net	**$ 16,100**	**$ 19,398**

- **Lease receivables:** OUC provides lease rights for land, building and equipment to third parties without the transfer of ownership for periods greater than one year. The rights associated with these leases are required to be recognized at their net present value using OUC's incremental borrowing rate or in accordance with the lease terms. The value of these lease receivables were $14.4 million and $14.8 million at September 30, 2022 and 2021, respectively. Revenues recognized in conjunction with these long-term lease receivables at September 30, 2022 and 2021 were $0.6 million and interest revenues were $0.4 million at September 30, 2022 and 2021.

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

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

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

Accounts payable and accrued expenses: Accounts payable and accrued expenses include liabilities for the receipt of supplier and hurricane 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.

Note B – Summary of Significant Accounting Policies (continued)

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

(Dollars in thousands)		2022		2021
Supplier payables	$	49,696	$	47,640
Fuel and purchased power payables		69,376		30,680
Margin advances on fuel hedge derivatives		50,749		29,106
Hurricane related supplier payables		18,476		—
Other accounts payable and accrued expenses		5,720		5,658
Accrued self-insurance expenses		3,611		3,552
Total accounts payable and accrued expenses	**$**	**197,628**	**$**	**116,636**

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, 2022 and 2021 were $20.0 million and $17.5 million, respectively.

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

- **ARO:** In accordance with the results of the approved Florida Public Service Commission (FPSC) report provided by the owner-operator, OUC's 6.09 percent minority ownership interest and the license maturity period of 2043, a decommissioning estimate is accrued annually for the St. Lucie Unit 2 nuclear generation facility (SL2). The most recent study completed for the period ending December 31, 2020, presented in 2020 dollars, estimated OUC's ARO commitment to be $45.6 million or $13.2 million lower than projected based on the previous report. Based on these updated results, the ARO was $48.1 million and $46.6 million with restricted assets of $43.3 million and $46.9 million, at September 30, 2022 and 2021, respectively (see Note G).

  OUC also retains an ARO for its landfill at the Stanton Energy Center estimated to be $8.7 million. At September 30, 2022 and 2021 the accrued ARO for landfill closure costs were $7.6 million and $3.8 million, respectively, with an accretion period consistent with the Clean Energy Plan and the sunsetting of coal-fired generation.

  In conjunction with the closure of the MC3 in April 2021, updated landfill closure costs have been accrued and included in the regulatory asset (see Note G). At September 30, 2022 and 2021, the accrued ARO for landfill closure costs were $6.4 million and $0.0 million, respectively.

- **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, 2022 and 2021 accrued contributions in aid of construction were $31.0 million and $24.3 million, respectively.

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

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

Note B – Summary of Significant Accounting Policies (continued)

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

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

Implementation of New GASB Accounting Standards

Fiscal year 2022:

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

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

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

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

Fiscal year 2021:

OUC adopted GASB Statement No. 84, "Fiduciary Activities" (Statement No. 84) which established criteria for identifying, reporting and disclosing fiduciary activities associated with the retention and management of beneficiary assets. The adoption included fiduciary fund financial statements and related footnotes for its Defined Benefit Pension and Other Post-Employment Benefit Trusts.

OUC early adopted GASB Statement No. 87, "Leases," (Statement No. 87) requiring the recognition of certain right of use assets and liabilities for leases that were previously classified as operating leases under previous accounting standards as deferred outflows or inflows of resources based on the payment provisions of the contract. In addition, deferred lease revenue and a corresponding lease receivable were recognized for certain assets leased to third parties not previously reported.

Note B – Summary of Significant Accounting Policies (continued)

Future GASB Accounting Standard Implementations

Reporting Impacts

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

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

Transactional Impacts

In March 2020, GASB issued 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," based on amended criteria. This statement also provides accounting and financial reporting guidance for availability payment arrangements. The effective date of this standard is for periods beginning after June 15, 2022. This statement is under review and management has yet to determine the impact, if any, to the financial statements.

In May 2020, GASB issued 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. The effective date of this standard is for periods beginning after June 15, 2022. Management has yet to determine the impact, if any, to the financial statements.

In June 2022, GASB issued 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 and 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. Management has yet to determine the impact, if any, to the financial statements.

Note C – Utility Plant

Net utility plant increased 0.9 percent and 1.4 percent in 2022 and 2021, respectively, and represented 65.9 percent and 66.7 percent of total assets, respectively.

- **Additions:** Utility plant, net additions were $74.3 million and $90.3 million in 2022 and 2021, respectively. These additions represented a 2.8 percent and 3.5 percent in utility plant, net in comparison to 2021 and 2020, respectively, with the primary driver of the increase in 2021 stemming from energizing OGS Unit 2, one of the three single-cycle natural gas-fired generation units at OGS in the amount of $60.5 million, inclusive of reclassified OGS acquisition costs. Beyond this addition, utility plant additions included construction work in progress costs for the St. Cloud Operations Center, transmission, energy delivery and water system upgrades to support customer growth.
- **Transfers:** Utility plant, net transfers represents completed construction work in progress with $140.7 million and $180.1 million of projects completed and placed into operations in 2022 and 2021, respectively.
- **Retirements/reclassifications:** Utility plant, net retirements/reclassifications were $51.5 million in 2022 including $38.9 million reclassified to other assets for customer-sited chilled water facilities in which OUC retains contractual custodial and managerial oversight. In addition, included under this heading is the reclassification of $26.6 million for the commencement of commercial operations for OGS Unit 2. The remaining two units at OGS remain classified as land and other non-depreciable assets as they are still in the process of being readied for commercial operations. In 2021, utility plant, net retirements/reclassifications were $55.1 million primarily driven by the closure of the MC3 generation facility in April 2021.

Activities for the years ended September 30, 2022 and 2021 were as follows:

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

Note C – Utility Plant (Continued)

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

Note D – Generation Resources

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

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

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

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

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

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

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

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

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

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:

	2022			2021		
(Dollars in thousands)	Utility plant	Accumulated depreciation	Net book value	Utility plant	Accumulated depreciation	Net book value
SEC Unit 2	$ 556,568	$ 343,119	$ 213,449	$ 547,963	$ 324,067	$ 223,896
SEC Unit B	309,485	130,798	178,687	300,503	117,343	183,160
SEC Unit 1	455,234	350,701	104,533	452,247	325,580	126,667
SL2	217,299	107,812	109,487	214,001	102,676	111,325
SEC Unit A	95,978	68,653	27,325	95,695	63,760	31,935
IRP	60,401	54,397	6,004	60,973	54,468	6,505
OGS	68,499	318	68,181	57,565	—	57,565
Total	**$ 1,763,464**	**$ 1,055,798**	**$ 707,666**	**$ 1,728,947**	**$ 987,894**	**$ 741,053**

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 $235.8 million and $388.0 million of investments held in money market funds and QPD accounts that were exposed to this risk as of September 30, 2022 and 2021, 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 this 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)		2022			2021	
Money market mutual funds						
MSIFT Ultra Short Fund	$	33,000	4.6 %	$	132,567	15.5 %
U.S. Agencies						
Federal Home Loan Banks	$	108,273	15.2 %	$	36,727	4.3 %
Local government surplus funds investment pool						
Florida FIT	$	60,914	8.6 %	$	88,421	10.4 %
Florida State Board of Administration	$	74,105	10.4 %	$	117,179	13.7 %
U.S. Treasury Notes	$	70,493	9.9 %	$	32,772	3.8 %

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, 2022	Portfolio weighting at September 30, 2021
Certificates of deposit	Investments held by or purchased from institutions certified with the Florida Security of Public Deposits Act, Chapter 280 of the Florida Statutes.	5%	—%	—%
Corporate notes and multi-national sovereign debt	Minimum rating of "A3" / "A-" by at least two nationally recognized rating agencies.	35%	16%	16%
Municipal notes	Minimum "A" rating by a nationally recognized rating agency.	25%	3%	3%
Bankers acceptances	Inventory based with an unsecured, uninsured and unguaranteed obligation rating of at least "P-1" and "A", and "A-1" and "A" by Moody's and S&P, respectively. Bank must be ranked in the top 100 banks.	10%	—%	—%
Money market mutual funds	Limited to funds that meet a stable net asset value and have the highest available credit rating for this type of security.	30%	7%	15%
Commercial paper	Minimum rating of "A-1", "P-1" and "F1" by at least two nationally recognized rating agencies.	20%	14%	18%
Depository accounts	Investments held by or purchased from institutions certified with the Florida Security of Public Deposits Act, Chapter 280 of the Florida Statutes.	30%	6%	6%
Local government surplus funds investment pool [1]	Qualified under the laws of the State of Florida with no limitations or restrictions on withdrawals.	25%	19%	24%
U.S. Treasury notes	Direct obligations that are unconditionally guaranteed by the United States Government.	100%	10%	6%
U.S. Agencies	Indebtedness issued by government-sponsored enterprises (GSE), which are non-full faith and credited by the United States Government.	100%	25%	12%
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	2022	2021
Corporate notes and multi-national sovereign debt	Aaa - A3 / AA+ - A- / AAA - BBB+	2.28	3.42
Municipal notes	Aaa - A3 / AAA - A / AAA - AA+	2.52	3.52
U.S. Agencies	Aaa / AA+ / AAA	2.27	4.20
U.S. Treasury notes	Aaa / AA / AAA	1.13	0.34
Commercial paper	P-1 / A1+ - A1 / F1+ - F1	0.04	0.13

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

(Dollars in thousands)	2022	2021
Cash and cash equivalents		
Local government investment pool	$ 135,019	$ 205,601
Money market mutual funds	59,576	133,298
Depository accounts	35,244	78,300
Commercial paper	—	29,993
Total cash and cash equivalents	**229,839**	**447,192**
Investments		
U.S. Treasury notes	70,493	47,767
Corporate notes and multi-national sovereign debt	114,091	135,219
U.S. Agencies	174,868	106,013
Commercial paper	96,510	124,900
Municipal notes	19,497	21,436
Total investments	**475,459**	**435,335**
Total cash, cash equivalents and investments	**$ 705,298**	**$ 882,527**
Restricted and internally designated assets		
Restricted assets		
Construction funds	$ 91,186	$ 206,928
Nuclear generation facility decommissioning funds	43,335	46,949
Total restricted assets	**134,521**	**253,877**
Internally designated assets		
Stabilization funds	113,802	150,267
Deposits and advances	148,021	132,652
Debt service sinking funds	106,908	110,799
Capital reserve	119,468	109,468
Renewal and replacement fund	56,195	56,195
Self-insurance fund and excess pension plan fund	22,237	17,092
Customer assistance fund	—	—
Total internally designated assets	**566,631**	**576,473**
Total restricted and internally designated assets	**701,152**	**830,350**
Cash and investments	**4,506**	**52,526**
Less accrued interest receivable from restricted and internally designated assets	**(360)**	**(349)**
Total cash, cash equivalents and investments	**$ 705,298**	**$ 882,527**
Days cash on hand	**180**	**264**

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. In September 2021, investment policy changes were approved by the Trustees to modify investment weighting target ranges in conjunction with the recently completed asset-liability study and the actuarial investment rate of return. There were no investment policy changes in 2022.

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, 2022 and 2021 there were no individually-held investments that made up more than 5.0 percent of the Trusts' portfolio.

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

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

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

<table>
<tr><th rowspan="2">Asset class</th><th rowspan="2">Benchmark</th><th colspan="2">Pension allocation %</th><th colspan="2">OPEB allocation %</th></tr>
<tr><th colspan="2">2022 - 2021</th><th colspan="2">2022 - 2021</th></tr>
<tr><td>Domestic equity securities</td><td>Russell 3000</td><td colspan="2">38-48</td><td colspan="2">38-58</td></tr>
<tr><td>Foreign equity securities</td><td>MSCI-ACWxUS</td><td colspan="2">10-20</td><td colspan="2">10-20</td></tr>
<tr><td>Bank loans</td><td>S&P / LSTA Leveraged Loan</td><td colspan="2">0-5</td><td colspan="2">0-5</td></tr>
<tr><td>Cash and cash equivalents</td><td></td><td colspan="2">0-10</td><td colspan="2">0-10</td></tr>
<tr><td>Global fixed income</td><td>Barclays Global Aggregate ex US</td><td colspan="2">0-5</td><td colspan="2">0-5</td></tr>
<tr><td>Real estate</td><td>NCREIF ODCE Eq-Wt</td><td colspan="2">5-15</td><td>5-10</td><td>0-10</td></tr>
<tr><td>Domestic fixed income</td><td>Barclays US Aggregate Bond</td><td>2-22</td><td>12-22</td><td>2-22</td><td>7-27</td></tr>
<tr><td>Alternative assets</td><td>Strategy Index</td><td>0-25</td><td>0-15</td><td>0-25</td><td>0-15</td></tr>
</table>

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

Rate of return: The annual money-weighted rate of return on pension plan investments, net of plan investment expense resulted in a loss of 17.02 percent and a gain of 21.17 percent for the years ended September 30, 2022 and 2021, respectively. The annual money-weighted rate of return on OPEB plan investments, net of plan investment expense resulted in a loss of 18.13 percent and a gain of 21.43 percent for the years ended September 30, 2022 and 2021, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts invested. A 10-year historic schedule is provided in the Required Supplementary Information.

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

Domestic and global fixed income investments	Average credit rating [1]	2022	2021
Pension trust			
Garcia Hamilton			
U.S. government bonds and treasury bills	AA+	10.7	7.6
Corporate bonds	A-	7.1	8.0
Mortgage-backed securities	AA+	5.9	3.6
PIMCO Div Inc Bond Fund	BBB+	8.6	9.3
Met West Total Return Bond Fund	AA	8.2	8.5
Pacific Funds Floating Rate Income	B	4.1	4.7
OPEB trust			
Garcia Hamilton			
U.S. government bonds and treasury bills	AA+	10.7	7.8
Corporate bonds	A-	7.1	8.0
Mortgage-backed securities	AA+	6.0	3.5
PIMCO Div Inc Bond Fund	BBB+	8.6	9.3
Met West Total Return Bond Fund	AA	8.2	8.5
Pacific Funds Floating Rate Income	B	4.1	4.7

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

Note F – Fair Value Measurements

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

OUC Utility Operations

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

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

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

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

Donated capital assets are measured at acquisition value and excluded from the following fair value table. Acquisition value is the price that would be paid to acquire an asset with equivalent service potential in an orderly market transaction at the acquisition date or the amount at which a liability could be liquidated with the counterparty at the acquisition date. The donated capital assets acquisition value for water infrastructure received from developers and customers were included as contributions in aid of construction in the Statements of Revenues, Expenses and Changes in Net Position and were $9.1 million and $2.3 million for the years ended September 30, 2022 and 2021, respectively.

Note F – Fair Value Measurements (continued)

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

(Dollars in thousands)	2022	2021
Cash equivalents and investments		
Investments by fair value level:		
Debt securities		
Level 1		
U.S. Treasury notes	$ 50,518	$ 2,664
Level 2		
U.S. agencies	125,074	106,013
Corporate notes and multi-national sovereign debt	114,091	135,219
Municipal notes	19,497	21,436
Total Level 2	**258,662**	**262,668**
Total investments by fair value level	**309,180**	**265,332**
Investments measured at the amortized cost:		
Debt securities		
U.S. Agencies	49,794	—
U.S. Treasury notes	19,975	45,103
Commercial paper	96,510	124,900
Total investments measured at the amortized cost	**166,279**	**170,003**
Cash equivalents measured at the amortized cost:		
Local government investment pool	135,019	205,601
Money market mutual funds	59,576	133,298
Depository accounts	35,244	78,300
Debt securities		
Commercial paper	—	29,993
Total cash equivalents measured at the amortized cost	**229,839**	**447,192**
Total cash equivalents and investments	**$ 705,298**	**$ 882,527**
Derivatives:		
Level 1		
Fuel hedges	$ 66,419	$ 39,112
Level 2		
Interest rate swaps	10,717	(4,385)
Total derivatives	**$ 77,136**	**$ 34,727**

Note F – Fair Value Measurements (continued)

Fiduciary Activities

The OUC long-term employee benefits 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, 2022 and 2021 were $15.8 million and $2.7 million, respectively.

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

(Dollars in thousands)	2022	2021
Cash equivalents and investments by fair value level:		
Level 1		
Debt securities		
U.S. Treasury notes	$ 22,137	$ 21,468
Mutual funds		
Fixed income	50,806	77,113
U.S. equity	124,147	144,576
International equity	78,027	116,834
Balanced	4,671	5,454
U.S. equity	114,132	178,304
Total Level 1	**393,920**	**543,749**
Level 2		
U.S. Agencies	3,800	13,911
Corporate notes and private placements	8,006	9,997
U.S. equity	14,283	12,286
Total Level 2	**26,089**	**36,194**
Total investments by fair value level	**420,009**	**579,943**
Other investments and cash equivalents measured at the net asset value:		
Alternative investments	77,374	63,940
Mutual funds - real estate	59,785	54,118
Money market	10,646	18,398
Total other investments and cash equivalents measured at the net asset value	**147,805**	**136,456**
Total cash equivalents and investments	**$ 567,814**	**$ 716,399**

NOTES TO THE FINANCIAL STATEMENTS

Note G – Regulatory Deferrals

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

Regulatory Assets

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

- **Fuel and clean power reserve:** Fuel and clean power 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. In 2022, fuel and clean power reserves were exhausted to stabilize the net financial impact of rising fuel costs and OUC's financial resources were extended to customers resulting in advance funded customer receivables for the pass-through electric fuel cost in the amount of $70.7 million excluding recognition of accrued electric utility revenues of $17.4 million, reducing this to a net regulatory receivable of $53.3 million as of September 30, 2022. The balance in the fuel and clean power reserves as of September 30, 2021 was a regulatory credit of $70.5 million.
- **Long-term employee benefit expenses:** The recognition of these regulatory assets have evolved over the past several years as investment valuations have risen, plan changes have been incorporated and OUC has continued to meet or exceed its annual actuarial funding requirements. These changes have allowed for the recognition period associated with long-term employee benefits to be extended from 2024 to 2032. Beyond the extension of the recognition period, in 2019 Board action was taken to defer OPEB actuarially determined credits to offset the regulatory asset with no impact to current operating expenses. In 2022, a similar action was taken to defer pension actuarially determined credits with a modification to allow for the continued recognition of pension expenses at an amount equivalent to the annual member service costs. Combined regulatory amounts for long-term employee benefits were $18.6 million and $56.8 million, at September 30, 2022 and 2021, respectively.
- **Emergency response expenses:** Emergency response costs were incurred in conjunction with unplanned major events including weather and other historic emergency response events such as the recent pandemic. At September 30, 2022 and 2021, regulatory amounts for emergency response expenses were $17.3 million and $3.0 million, respectively.
    - **Weather related emergency response expenses:** Costs in the amount of $18.6 million were incurred in 2022 for storm preparation and restoration efforts for Hurricane Ian. In anticipation of cost reimbursement through the FEMA process, the Board approved a regulatory asset in the amount of $14.2 million. Regulatory amounts for weather related emergency response were $14.2 million and $0.0 million at September 30, 2022 and 2021, respectively.
    - **COVID-19 emergency response expenses:** Costs in the amount of $7.9 million were incurred in response to the COVID-19 pandemic for the purchase of cleaning supplies, social distancing measures, medical screening measures, personal protective equipment and technology for work-at-home and office re-entry support. In anticipation of cost reimbursements through the FEMA process, the Board approved the deferral of $5.8 million in regulatory assets through 2021 due to a FEMA expanded eligibility period. Regulatory amounts for COVID-19 emergency response were $3.1 million and $3.0 million, respectively, in 2022 and 2021.
- **Asset retirement obligation (ARO) expenses:** ARO expenses for the SL2 nuclear generation facility are based on the difference between the decommissioning accretion expense and the earnings on the associated restricted decommissioning funds. To date, retirement accretion expenses exceed the investment earnings, resulting in an ARO regulatory asset at September 30, 2022 and 2021 of $1.5 million and $0.8 million, respectively.

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

- **Deferred bond issue costs:** In conjunction with the implementation of new accounting guidance for bond issue costs, a regulatory asset was established for a ten-year period to allow for the recovery of previously deferred bond issue costs. Debt issue costs incurred after 2015 are expensed as incurred. The unrecognized issue cost at September 30, 2022 and 2021 was $0.8 million and $1.7 million, respectively.

Note G – Regulatory Deferrals (continued)

- **Unrealized investment valuations:** Mark-to-market valuation changes for investments with a maturity of one year or greater are deferred. In 2022, these unrealized investment valuations resulted in a deferred loss of $25.9 million and in 2021, these unrealized investment valuations resulted in a deferred gain of $0.4 million and were recognized as a regulatory credit.

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

- **Decommissioning costs:** In April 2021, the City of Lakeland retired its MC3 facility from operations and decommissioning activities commenced resulting in an accelerated retirement of OUC's 40.0 percent ownership. In July 2021, the Board approved the deferral of the MC3 net book value, inventory and planned retirement costs allowing these amounts to be systematically recognized through 2024, the originally planned depreciable useful life. As of September 30, 2022 and 2021, the balance of the regulatory asset was $18.1 million and $29.3 million, respectively, excluding estimated decommission costs which are projected to be offset by the scrap value of the decommissioned assets.

Regulatory Credits

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

- **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 2022, the Board approved the deferral of $25.0 million in retail and wholesale non-fuel energy revenues to be utilized to offset a portion of the proposed retail electric fuel price increase. In 2021, base rate reserves increased $7.2 million as a result of higher than projected wholesale electric and planned efforts to replenish water reserves utilized to support the four-year price plan. Base rate reserves at September 30, 2022 and 2021 were $113.8 million and $88.8 million, respectively.
- **Capital reserves:** In accordance with the Board's Capital Asset Disposal policy, the sale of capital assets in excess of $0.5 million resulting in a gain are required to be deferred and recognized systematically over a period consistent with the lives of the assets with which they are associated. Capital reserves from the sale of assets at September 30, 2022 and 2021 were $41.2 million and $41.3 million, respectively.

In conjunction with the recording of these regulatory operating credits, the Board internally designated funds in the amount of $113.8 million and $150.3 million at September 30, 2022 and 2021, respectively.

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

(Dollars in thousands)	2022	2021
Regulatory assets		
Deferred operating expenses	$ 90,759	$ 60,606
Deferred non-operating expenses	26,771	1,699
Deferred special item expenses	18,053	29,337
Total regulatory assets	**$ 135,583**	**$ 91,642**
Regulatory credits		
Deferred operating credits	$ (155,042)	$ (200,618)
Unrealized investment valuations	—	(446)
Total regulatory credits	**$ (155,042)**	**$ (201,064)**

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

Bond series (Dollars in thousands)	Final principal payment	Interest rates (%)	2020	Additions during year	Decreases during year	2021	Current portion
2010A	2040	5.66%	$ 200,000	$ —	$ —	$ 200,000	$ —
2010C	2022	4.00 - 5.25%	29,360	—	9,320	20,040	9,765
2011B [5]	2023	5.000%	35,365	—	27,350	8,015	8,015
2011C [5]	2027	4.00 - 5.00%	73,630	—	22,655	50,975	24,925
2012A	2027	4.00 - 5.00%	47,280	—	—	47,280	395
2013A	2025	5.00%	212,955	—	21,290	191,665	24,560
2015A	2035	5.00%	94,905	—	—	94,905	—
2016A	2033	4.00 - 5.00%	77,280	—	15,220	62,060	14,390
2018A	2038	5.00%	150,220	—	—	150,220	—
2019A	2040	5.00%	54,735	—	—	54,735	—
2020A	2027	5.00%	95,115	—	—	95,115	—
2021A	2046	2.125 - 5.00%	—	143,250	—	143,250	—
2021B	2046	1.25 - 2.50%	—	150,860	—	150,860	—
2021C [5]	2027	5.00%	—	19,685	—	19,685	—
Total fixed rate debt			**1,070,845**	**313,795**	**95,835**	**1,288,805**	**82,050**
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			**1,385,935**	**313,795**	**95,835**	**1,603,895**	**82,050**
Less current portion			(73,930)	8,120	—	(82,050)	
Total long-term debt			**$ 1,312,005**	**$ 321,915**	**$ 95,835**	**$ 1,521,845**	

[1] Variable rates ranged from 0.03% to 2.62% for the year ended September 30, 2022.
[2] Variable rates ranged from 0.02% to 0.15% for the year ended September 30, 2021.
[3] The Series 2008 Variable Rate Demand Obligation Bonds of $200.0 million are supported by a Standby Bond Purchase Agreement (SBPA), which will expire on expire on January 4, 2027.
[4] The Series 2015B Variable Rate Demand Obligation Bonds of $115.1 million are supported by a SBPA, which will expire on August 3, 2025.
[5] The Series 2011B and 2011C Bonds were partially refunded by the Series 2021C Bonds in 2021.

Note H – Long-Term Debt (continued)

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

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

(Dollars in thousands)	Principal	Interest	Federal interest subsidy	Total
2023	$ 74,875	$ 54,364	$ (3,737)	$ 125,502
2024	75,580	51,220	(3,737)	123,063
2025	75,805	47,441	(3,737)	119,509
2026	82,260	43,651	(3,737)	122,174
2027	82,965	40,619	(3,737)	119,847
2028-2032	307,585	172,959	(18,687)	461,857
2033-2037	332,450	113,090	(16,041)	429,499
2038-2042	264,815	44,901	(4,246)	305,470
2043-2047	145,595	9,076	—	154,671
Long-term debt	**1,441,930**	**577,321**	**(57,659)**	**1,961,592**
Current portion	**79,915**	**52,870**	**(3,737)**	**129,047**
Total debt	**$ 1,521,845**	**$ 630,191**	**$ (61,396)**	**$ 2,090,639**

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

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

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

Note H – Long-Term Debt (continued)

On July 8, 2021, OUC issued the Series 2021C fixed rate bonds with a par amount of $19.7 million and a premium of $2.6 million. The proceeds were used for the refunding of the Series 2011B/C Bonds of $21.9 million. The Series 2021C Bonds have maturity dates through October 1, 2027 and were issued with fixed rate coupons of 5.0 percent.

Debt issued (Dollars in thousands)	Par amount issued	Premium on issuance	Par amount refunded	Savings	PV savings	Accounting loss	Savings % of refunded bonds	Debt refunded
2021C	$ 19,685	$ 2,636	$ 21,905	$ 2,649	$ 2,613	$ 979	11.9%	2011B/C

Interest rate swaps: OUC limits its execution of interest rate swap agreements to major financial institutions with a minimum credit rating of “A3” or “A-” by any two nationally recognized credit rating agencies. The ratings of all current swap counterparties met the minimum rating requirements as of the execution dates. All counterparty ratings continue to meet this credit criteria and OUC does not anticipate nonperformance by a counterparty nor have any instances of this nature occurred. In the event of the termination of a swap agreement, OUC may be required to make or be subject to 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, 2022 and 2021. Costs associated with these agreements are deferred and amortized over the life of the underlying bond agreement. The notional amounts below are the basis for which interest is calculated; however, the notional amounts are not exchanged.

Bond series	Notional amount (000)'s	OUC pays	Rate paid	Rate received	Initiation date	Termination date	2022 Fair value (asset)	2021 Fair value liability	Counterparty
2015B	$ 115,090	Fixed	1.78%	67% of LIBOR	10/23/2015	10/1/2039	$ (10,717)	$ 4,385	Goldman Sachs

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

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

Unused lines of credits: There were no unused lines of credit at September 30, 2022 and 2021.

Note I – Insurance Programs

Background

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

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

Under the self-insurance program, OUC was liable for all claims up to certain maximum amounts per occurrence. At September 30, 2022 and 2021, the following coverages were available:

Type of coverage	OUC limits	Third party limits
Health and wellness benefits	$0.25 million per insured/year	125.0% of expected annual claims up to $2.0 million
Workers' compensation	$0.5 million per occurrence	$0.5 million to statutory limit
General and vehicle liability	$2.0 million per occurrence	$2.0 million to $50.0 million and up to $10.0 million for directors and officers, fiduciary responsibilities, and criminal activities

Liabilities

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

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

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

(Dollars in thousands)	2020	Payments, net	Incurred claims	2021
Health and wellness benefits	$ 2,226	$ (23,754)	$ 23,968	$ 2,440
Workers' compensation	595	(359)	507	743
General and vehicle liability	367	(172)	174	369
Total	**$ 3,188**	**$ (24,285)**	**$ 24,649**	**$ 3,552**

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 2022, the fund was increased $5.3 million to cover increases in the health and wellness programs and contract performance requirements. As a result, the self-insurance reserve balance was $21.8 million and $16.5 million at September 30, 2022 and 2021, respectively. Refer to Note E for details related to cash reserves.

Nuclear liability and property insurance: Liability for accidents at the SL2 nuclear power plant, for which OUC has a minority interest, is governed by the Price-Anderson Act which limits the public liability of nuclear reactor owners to the amount of insurance available from private sources and an industry retrospective payment plan. Florida Power and Light (FPL), the owner-operator, maintains private liability insurance for all participants owning an undivided interest in the nuclear generation facility of $450.0 million per site and participates in a secondary financial protection system. In addition, FPL participates in nuclear mutual companies that provide limited insurance coverage for property damage, decontamination and premature decommissioning risks. Irrespective of the insurance coverage, should a catastrophic loss occur, the amount of insurance available may not be adequate to cover property damage and other expenses incurred. The majority owner of a nuclear power plant is subject to retrospective assessments of up to $1,100.0 million per unit, per incident at any nuclear utility reactor in the United States, payable at a rate not to exceed $164.0 million per incident, per year. In the case of SL2, FPL is contractually entitled to recover a proportionate share of any such assessment from the owners of minority interests in SL2 which, at the maximum level, approximates $20.0 million plus applicable taxes per incident. Any such assessment to minority owners would be borne by each minority owner at their proportionate ownership share. See Note D for OUC's ownership interest in SL2.

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

Note J – Commitments, Contingent Liabilities and Regulation

Fuel for Generation and Power Purchase Commitments

Fuel supply and transportation: OUC periodically enters into natural gas and fossil fuel supply and transportation contracts which align with its owner-operator responsibilities as well as its fuel agent requirements at SECA, 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 21,800 million and 16,800 million British thermal units (MMBtu) per day, for terms not exceeding 30 years, for years ended September 30, 2022 and 2021, respectively. Contract terms for these agreements price the physical supply of gas, at the time of purchase, based on market indices adjusted for the contractually agreed upon discounted price. As the market price fluctuates, the actual market rate and discount will vary in relation to these changes.

Power purchase agreements (PPA): Beyond OUC's ownership interest in SECA, OUC also retains a capacity power purchase commitment at this generation facility. OUC also retains power purchase agreements at nine solar and three landfill gas renewable energy sites with a total contract capacity of 144.7 megawatts. Two additional solar renewable energy capacity commitments have been secured and are included below with commercial operations planned for 2024 and increasing total renewable energy capacity to 294.7 megawatts.

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

(Dollars in thousands)	Fuel [1]	Transportation	Power purchase commitments [2]	Total
2023	$ 136,388	$ 29,344	$ 36,402	$ 202,134
2024	97,622	29,525	45,939	173,086
2025	78,520	27,952	48,033	154,505
2026	41,807	25,617	46,986	114,410
2027	31,238	24,598	45,939	101,775
2028-2032	178,306	52,834	211,029	442,169
2033 - thereafter	866,783	23,004	221,023	1,110,810
Total	**$ 1,430,664**	**$ 212,874**	**$ 655,351**	**$ 2,298,889**

[1] Variable pricing is included based upon the market price at September 30, 2022 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.
- **Other leases:** OUC leases other equipment such as printers, office space, gas storage and monitor equipment to support operations with terms that vary by lease. None of the leases contain provisions for variable payments or residual guarantees. Additionally, there are no other payments such as residual value guarantees or termination penalties not previously included in the measurement of the lease liability reflected as outflows of resources.

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

(Dollars in thousands)	Principal	Interest	Total
2023	$ 2,987	$ 261	$ 3,248
2024	2,202	227	2,429
2025	1,528	203	1,731
2026	1,291	183	1,474
2027	1,019	164	1,183
2028-2032	3,715	587	4,302
2033-2037	3,055	202	3,257
2038-2040	495	12	507
Total	**$ 16,292**	**$ 1,839**	**$ 18,131**

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. A replacement rule is currently being developed by the EPA.
- **Mercury and Air Toxics Standards (MATS) Rule:** The EPA proposed the MATS Rule to enhance regulation for mercury and other hazardous air pollutant emissions from electric generating units in April 2015. In April 2016, the EPA finalized its supplemental finding in order to fulfill the directives of the Supreme Court of the United States. Although litigation of the MATS Rule continues, all affected OUC generating units have operated under the requirements of the MATS Rule.
- **EPA Coal Combustion Residual (CCR) Regulations:** On April 17, 2015, the EPA issued new rules regulating the disposal and beneficial use of CCRs. In late 2016, Congress passed the Water Infrastructure Improvements for the Nation Act (WIIN Act) which fundamentally changed the manner in which the CCR rules are to be implemented. Under the WIIN Act, the EPA is authorized to review and approve state CCR permit programs that are at least as protective as the federal CCR rules. Provisions of the CCR regulations were remanded back to the EPA in August 2018 and the EPA issued proposed amendments to the CCR rule in July 2019. The CCR: Closure Part A and Part B rules were finalized in 2020. In January 2022 EPA proposed determinations associated with the CCR Rule that reflected its positions on various CCR Rule compliance requirements including closure standards, groundwater monitoring and corrective action. OUC is in the process of reviewing these determinations to understand how EPA's current positions may impact our efforts related to CCR Rule compliance requirements. The ultimate impact of EPA's announced positions cannot be determined at this time.
- **Interstate Transport Rule:** Based on current modeling, Florida is not significantly contributing to any other state's ozone compliance and as such is meeting its transport-related obligations. Therefore, OUC's electric generating units are not currently impacted by this ruling, although subsequent modeling could impact this status and require subsequent compliance measures.

Federal Regulation Enforcement

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

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

Florida State Regulation

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

Note K – Major Agreements

All Requirements and Wholesale Power Supply Agreements

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

Billed fuel and non-fuel revenues for the years ended September 30, 2022 and 2021, subject to the inter-local agreements are included under the heading of resale electric revenues and were $105.1 million and $93.8 million, respectively. Revenue-based payments recorded under the heading of payments to other governments and taxes for the years ended September 30, 2022 and 2021 were $8.5 million and $8.0 million, respectively.

City of Bartow: In October 2010, OUC entered into an inter-local agreement with the City of Bartow (Bartow) to provide wholesale electric services sufficient to meet Bartow’s load requirements. The wholesale electric services agreements, inclusive of extensions, expired on January 1, 2021. Billed revenues, included under the heading of resale electric revenues, were $0.0 million and $2.0 million for the years ended September 30, 2022 and 2021, respectively.

City of Lake Worth: In February 2013, OUC and the City of Lake Worth (Lake Worth) initiated an agreement whereby OUC would act as the administrator to provide wholesale electric and asset management services. The term of the agreement began January 1, 2014 with the most recent extension exercised beginning January 1, 2019 for a six year period with an option to extend an additional year. Billed revenues, included under the heading of resale electric revenues, were $18.8 million and $9.4 million for the years ended September 30, 2022 and 2021, 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 $4.9 million and $3.0 million for the years ended September 30, 2022 and 2021, 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 $6.3 million and $2.9 million for the years ended September 30, 2022 and 2021, 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 $2.3 million and $1.0 million for the years ended September 30, 2022 and 2021, respectively.

City of Lakeland: In January 2021, OUC and the City of Lakeland (Lakeland) initiated an agreement whereby OUC provides and delivers wholesale electric service and Lakeland purchases electric energy and capacity requirements as a “bridge” energy source in conjunction with Lakeland's decision to shutter MC3. The term of this agreement began April 1, 2021 with a duration of 33 months and an option to extend one year through December 31, 2024. Billed revenues, included under the heading of resale electric revenues, were $16.1 million and $4.7 million for the year ended September 30, 2022 and 2021, respectively.

Note K – Major Agreements (continued)

Other Major Agreements

City of Orlando: OUC pays to the City of Orlando (City) a revenue-based payment and an income-based dividend payment. The underlying bi-lateral agreement defines the percentage of revenue based payments at 6.0 percent of retail revenues and the income based payment at 60.0 percent of income before contributions. In 2021 and 2022, the payment was fixed to reflect modified growth targets and the projected impacts of the pandemic. Beginning in 2023 the payment will resume being calculated in accordance with the bi-lateral agreement. Total revenue and income-based payments for the years ended September 30, 2022 and 2021 were $93.6 million and $91.1 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 on the Statements of Revenues, Expenses and Changes in Net Position. Revenue-based payments for the years ended September 30, 2022 and 2021 were $1.7 million and $1.6 million, respectively.

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

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 is being performed by OUC in collaboration with UCDP and is targeted to be completed in January 2023 at a total contract value of $55.0 million. Revenues in the amount of $0.8 million were recognized beginning in 2022.

Note L – Long-term Employee Benefits

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

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

The defined benefit pension and OPEB plan assets are included in the fiduciary financial statements. Detailed information about the defined benefit pension plan and OPEB plan fiduciary net positions are available in annual standalone financial statements, with the most recent reports issued for the year ended September 30, 2021. 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 2023 for the plan year ended September 30, 2022.

Pension and Other Postemployment Benefits

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

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

Note L – Long-term Employee Benefits (continued)

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

Traditional Plan

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

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

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

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

Hybrid Plan

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

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

- **Defined contribution benefit:** This benefit offering began on January 1, 1998 and provides benefits to all employees hired on or after January 1, 1998 and those who elected to transition their pension plan interests. Under the provisions of this 401(a) plan, employees who regularly work 20 or more hours per week are required to participate with a contribution of 4.0 percent of their salary. This required contribution is matched equally by OUC. Eligible employees may also voluntarily contribute up to an additional 2.0 percent of their salary to their account, which is also matched by OUC for employees completing seven years of service. Employees are fully vested after one year of employment. On September 30, 2022 and 2021, the number of active employees enrolled in this pension benefit program were 1,089 and 1,063, respectively. Total contributions for the years ended September 30, 2022 and 2021 were $11.6 million ($4.9 million employer and $6.7 million employee) and $11.1 million ($4.7 million employer and $6.4 million employee), respectively.

Note L – Long-term Employee Benefits (continued)

- **Non-pension postemployment benefits:** Employees and their dependents are provided access to health and wellness and life insurance coverage upon retirement on or after age 62 with at least five years of service or at any age after completing 30 years of service. Health and wellness benefits, inclusive of secondary health coverage for Medicare-eligible employees, are not directly subsidized. Participants are eligible for implicit subsidy benefits and, at retirement, access to an employer-funded health reimbursement account (HRA), indexed annually, which can be used to pay all eligible medical costs including medical premiums at retirement.

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

	Pension plan		OPEB plan	
	2022	2021	2022	2021
Active cash balance plan members	1,065	1,056	1,066	1,057
Active traditional plan members	89	106	89	106
Inactive plan members currently receiving benefits	929	930	894	888
Inactive plan members entitled to deferred benefits	178	154	—	—
Total	**2,261**	**2,246**	**2,049**	**2,051**

Membership in the non-qualified 415 Trust included three active and four inactive participants receiving benefits for the years ended September 30, 2022 and 2021.

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, 2020 and 2019 was 17.1 percent and 18.5 percent, respectively. No contributions were made to the 415 Trust in 2022 or 2021.
- **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, 2022 and 2021 were $1.1 million and $1.2 million, respectively. Since benefits were paid through operations and not directly from the OPEB Trust, OUC was reimbursed by the OPEB Trust in 2022 and 2021 $6.1 million and $6.7 million, respectively for annual expenses of $6.4 million and $6.3 million, respectively. The rate of contribution to the OPEB Trust, based on annual covered payroll for the actuarial valuation years ended September 30, 2020 and 2019 was 1.1 percent and 1.2 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 plan	
	Pension		OPEB		415 Trust	
(Dollars in thousands)	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**
Total liability						
Service cost	$ 6,820	$ 5,814	$ 1,039	$ 1,174	$ 75	$ 57
Interest on the total liability	35,816	36,079	8,620	9,936	80	82
Benefit changes	—	—	—	(438)	—	—
Difference between expected and actual experience	(640)	(2,073)	(5,592)	2,899	(190)	27
Assumption changes	10,398	(9,708)	(8,028)	(24,688)	87	320
Benefit payments, including refunds of plan member contributions	(34,810)	(34,671)	(6,291)	(7,511)	(168)	(160)
Net change in total liability	**17,584**	**(4,559)**	**(10,252)**	**(18,628)**	**(116)**	**326**
Total liability - beginning of year	**504,602**	**509,161**	**121,006**	**139,634**	**3,330**	**3,004**
Total liability - end of year	**$ 522,186**	**$ 504,602**	**$ 110,754**	**$ 121,006**	**$ 3,214**	**$ 3,330**
Plan fiduciary net position						
Contributions - employer	$ 19,173	$ 22,405	$ 1,185	$ 3,682		
Contributions - plan members	369	423	—	—		
Total investment income, net of investment expense	95,240	46,228	31,313	14,953		
Benefit payments, including refunds of plan member contributions	(34,810)	(34,671)	(6,291)	(7,511)		
Administrative expense	(323)	(242)	(17)	(17)		
Net change in plan fiduciary net position	**79,649**	**34,143**	**26,190**	**11,107**		
Plan fiduciary net position - beginning of year	**459,909**	**425,766**	**149,086**	**137,979**		
Plan fiduciary net position - end of year	**$ 539,558**	**$ 459,909**	**$ 175,276**	**$ 149,086**		
Net liability/(asset) - beginning of year	**$ 44,693**	**$ 83,395**	**$ (28,080)**	**$ 1,655**		
Net (asset)/liability - end of year	**$ (17,372)**	**$ 44,693**	**$ (64,522)**	**$ (28,080)**		

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)	**2022**	**2021**
Pension plan		
Total pension liability	$ 522,186	$ 504,602
Net position	539,558	459,909
Net pension (asset)/liability	(17,372)	44,693
415 Trust		
Total pension liability	3,214	3,330
Pension (asset)/iability	**$ (14,158)**	**$ 48,023**
OPEB plan		
Total OPEB liability	$ 110,754	$ 121,006
Net position	175,276	149,086
Net OPEB asset	**$ (64,522)**	**$ (28,080)**

Actuarial methods and assumptions used to measure TPL, NPL/NPA and NOL/NOA: The TPL, NPL/NPA and NOL/NOA as of September 30, 2022 and 2021 were measured as of September 30, 2021 and 2020, 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:

	2021	2020
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	1.5%, based on actual COLA granted for the current year, and 1.0% per year, compounded annually, thereafter
Hybrid Plan interest credit rate	5.0% per year for active members and 3.75% per year for terminated vested members	5.0% per year for active members and 4.0% per year for terminated vested members
Healthcare cost trend rate	Based on the Getzen Model, with trend starting at 6.0% and gradually decreasing to an ultimate trend rate of 3.75%	Based on the Getzen Model, with trend starting at 6.25% and gradually decreasing to an ultimate trend rate of 3.99%
Actuarial assumptions		
Asset valuation method	20.0% of the difference between expected actuarial value, based on assumed return, and market value is recognized each year with 10.0% corridor around market value	20.0% of the difference between expected actuarial value, based on assumed return, and market value is recognized each year with 10.0% corridor around market value
Inflation	2.25% per year	2.25% per year
Investment rate of return	7.00%	7.25%
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 pension and OPEB plan investments, valued as of September 30, 2021 and 2020, 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, 2021 and 2020 are summarized in the following table:

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

Note L – Long-term Employee Benefits (continued)

Discount rate: The discount rate used to measure the TPL and TOL was 7.00 percent and 7.25 percent, valued as of September 30, 2021 and 2020, respectively. The projection of cash flows used to determine the discount rate assumed that employee contributions would be made at the current contribution rate and that future employer contributions would be made at rates equal to the difference between actuarially determined contribution rates and the employee rate. Based on these assumptions, the fiduciary net position for both plans was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the TPL and TOL.

The TPL for the non-qualified plan as of September 30, 2021 and 2020 was calculated using a municipal bond rate of 2.19 percent and 2.41 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, NOL/NOA and TPL calculations to a 1.0 percent increase and a 1.0 percent decrease in the discount rates and medical cost assumption rates used to measure the TPL and TOL at September 30:

	Net pension liability/ (asset)		Net OPEB liability/ (asset)		Total pension liability 415 trust	
(Dollars in thousands)	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
Discount rate	$ (17,372)	$ 44,693	$ (64,522)	$ (28,080)	$ 3,214	$ 3,330
1.0 percent decrease	$ 28,905	$ 89,856	$ (53,014)	$ (15,246)	$ 3,667	$ 3,783
1.0 percent increase	$ (57,563)	$ 5,510	$ (74,311)	$ (38,968)	$ 2,850	$ 2,962
Medical cost assumption rate			$ (64,522)	$ (28,080)		
1.0 percent decrease			$ (74,954)	$ (39,757)		
1.0 percent increase			$ (52,262)	$ (14,313)		

Pension and OPEB expense, deferred outflows of resources and deferred inflows of resources: OUC recorded a credit of $8.4 million and a debit of $6.7 million in pension expense and $0.4 million and $0.5 million in non-qualified pension plan expense for the years ended September 30, 2022 and 2021, respectively. OUC also recognized credits of $19.5 million and $12.4 million in OPEB expense. Credit expenses for pension and OPEB were subsequently offset in accordance with Board approved regulatory actions (see Note G) with pension expenses recognized at an amount equivalent to the annual member service costs and OPEB expenses fully offset.

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

	Pension		OPEB	
(Dollars in thousands)	**2022**	**2021**	**2022**	**2021**
Deferred outflows of resources				
Pension and OPEB plans				
Employer's contributions to the plan after measurement of NPL	$ 17,678	$ 19,173	$ 1,133	$ 1,185
Changes in assumptions	8,635	—	—	—
Differences between expected and actual experience	2,282	4,309	1,964	2,432
Subtotal pension and OPEB plans	**28,595**	**23,482**	**3,097**	**3,617**
415 Trust				
Benefit payments	152	168	—	—
Changes in assumptions	160	341	—	—
Differences between expected and actual experience	14	60	—	—
Subtotal 415 Trust	**326**	**569**	**—**	**—**
Total deferred outflows of resources	**$ 28,921**	**$ 24,051**	**$ 3,097**	**$ 3,617**

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)	**2022**	**2021**	**2022**	**2021**
Deferred inflows of resources				
Pension and OPEB plans				
Net difference between projected and actual earnings on plan investments	$ 56,298	$ 13,562	$ 18,349	$ 3,580
Changes in assumptions	6,112	7,910	27,000	26,312
Differences between expected and actual experience	1,837	1,690	7,418	7,613
Subtotal pension and OPEB plans	**64,247**	**23,162**	**52,767**	**37,505**
415 Trust				
Changes in assumptions	—	12	—	—
Differences between expected and actual experience	99	—	—	—
Subtotal 415 Trust	**99**	**12**	**—**	**—**
Total deferred inflows of resources	**$ 64,346**	**$ 23,174**	**$ 52,767**	**$ 37,505**

The following schedule is based on a measurement date of September 30, 2021, excluding market valuation impacts for the year ending September 30, 2022, 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 trust**	**OPEB**
2023	$ (14,049)	$ 80	$ (13,395)
2024	(13,034)	(5)	(12,102)
2025	(16,024)	—	(11,173)
2026	(11,711)	—	(9,679)
2027	1,488	—	(2,677)
Thereafter	—	—	(1,777)
Net deferred outflows/(inflows) of resources	**$ (53,330)**	**$ 75**	**$ (50,803)**

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

Note M – Hedging Activities

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

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

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

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

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

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

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

Interest rate derivatives: As of September 30, 2022 and 2021, OUC’s interest rate swap related to the Series 2015B Bonds have been determined to be effective and changes in the fair value of these derivatives were included on the Statements of Net Position. As of September 30, 2021, the 2021A forward interest rate swap was terminated in conjunction with the Series 2021A Bond issuance.

Note M – Hedging Activities (continued)

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

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

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

[1] See Note H for additional information.

Fuel derivatives: Fuel derivatives are settled in the period in which the option expires and are recognized as fuel expenses on the Statements of Revenues, Expenses and Changes in Net Position. For the year ended September 30, 2022 and 2021, settlement gains for fuel-related derivatives were $36.0 million and $8.6 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)	2021 Fair value	Change in fair value	2022 Fair value	2022 Notional amount	Volume [1]
Current natural gas fuel hedge assets	$ 18,903	$ 1,233	$ 20,136	$ 7,060	MMBTU
Non-current natural gas fuel hedge assets	20,209	27,279	47,488	$ 23,280	MMBTU
Accumulated increase in fair value hedging derivatives	**$ 39,112**	**$ 28,512**	**$ 67,624**		
Current natural gas fuel hedge liabilities	$ —	$ (1,205)	$ (1,205)	$ 2,640	MMBTU
Non-current natural gas fuel hedge liabilities	—	—	—	$ —	MMBTU
Accumulated decrease in fair value hedging derivatives	**$ —**	**$ (1,205)**	**$ (1,205)**		

(Dollars in thousands)	2020 Fair value	Change in fair value	2021 Fair value	2021 Notional amount	Volume [1]
Current natural gas fuel hedge assets	$ 2,343	$ 16,560	$ 18,903	$ 9,140	MMBTU
Non-current natural gas fuel hedge assets	2,406	17,803	20,209	$ 30,250	MMBTU
Accumulated increase in fair value hedging derivatives	**$ 4,749**	**$ 34,363**	**$ 39,112**		
Current natural gas fuel hedge liabilities	$ (96)	$ 96	$ —	$ —	MMBTU
Non-current natural gas fuel hedge liabilities	(1,722)	1,722	—	$ —	MMBTU
Accumulated decrease in fair value hedging derivatives	**$ (1,818)**	**$ 1,818**	**$ —**		

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

415 Trust[1]

(Dollars in thousands)	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**
Total pension liability							
Service cost	$ 75	$ 57	$ 40	$ 36	$ 28	$ 22	$ 21
Interest on the total pension liability	80	82	99	91	38	41	40
Benefit changes	—	—	—	—	1,124	—	—
Difference between expected and actual experience	(190)	27	64	82	373	47	—
Assumption changes	87	320	350	(96)	(132)	97	—
Benefit payments, including refunds of plan member contributions	(168)	(160)	(157)	(118)	(80)	(51)	(56)
Net change in total pension liability	**(116)**	**326**	**396**	**(5)**	**1,351**	**156**	**5**
Total pension liability - beginning of year	**3,330**	**3,004**	**2,608**	**2,613**	**1,262**	**1,106**	**1,101**
Total pension liability - end of year	**$ 3,214**	**$ 3,330**	**$ 3,004**	**$ 2,608**	**$ 2,613**	**$ 1,262**	**$ 1,106**
Covered payroll	**$ 937**	**$ 905**	**$ 905**	**$ 1,114**	**$ 1,458**	**$ 920**	**$ 804**
Total pension liability as a percentage of covered payroll	**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)	2022	2021	2020	2019	2018	2017	2016
Total OPEB liability							
Service cost	$ 1,039	$ 1,174	$ 1,186	$ 1,308	$ 1,331	$ 1,346	$ 1,480
Interest on the total OPEB liability	8,620	9,936	9,906	10,385	10,434	11,882	12,134
Benefit changes	—	(438)	—	—	—	—	—
Difference between expected and actual experience	(5,592)	2,899	(2,192)	(2,987)	(3,285)	(23,970)	3,536
Assumption changes	(8,028)	(24,688)	(1,029)	(7,658)	(2,093)	(2,670)	(452)
Benefit payments, including refunds	(6,291)	(7,511)	(7,371)	(7,702)	(6,374)	(8,063)	(9,067)
Net change in total OPEB liability	(10,252)	(18,628)	500	(6,654)	13	(21,475)	7,631
Total OPEB liability - beginning of year	121,006	139,634	139,134	145,788	145,775	167,250	159,619
Total OPEB liability - end of year	**$ 110,754**	**$ 121,006**	**$ 139,634**	**$ 139,134**	**$ 145,788**	**$ 145,775**	**$ 167,250**
Plan fiduciary net position							
Contributions - employer	$ 1,185	$ 3,682	$ 7,022	$ 9,068	$ 13,384	$ 12,628	$ 14,117
Net investment income/(loss)	31,313	14,953	5,399	10,956	13,420	9,621	(1,195)
Benefit payments, including refunds	(6,291)	(7,511)	(7,371)	(7,702)	(6,374)	(8,062)	(9,067)
Administrative expense	(17)	(17)	(17)	(18)	(18)	(18)	(32)
Net increase in plan fiduciary net position	26,190	11,107	5,033	12,304	20,412	14,169	3,823
Plan fiduciary net position - beginning of year	149,086	137,979	132,946	120,642	100,230	86,061	82,238
Plan fiduciary net position - end of year	**$ 175,276**	**$ 149,086**	**$ 137,979**	**$ 132,946**	**$ 120,642**	**$ 100,230**	**$ 86,061**
Net OPEB (asset)/liability - beginning of year	**$ (28,080)**	**$ 1,655**	**$ 6,188**	**$ 25,146**	**$ 45,545**	**$ 81,189**	**$ 77,381**
Net OPEB (asset)/liability - end of year	**$ (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	**158.3%**	**123.2%**	**98.8%**	**95.6%**	**82.8%**	**68.8%**	**51.5%**
Covered payroll	**$ 100,721**	**$ 98,058**	**$ 91,035**	**$ 86,892**	**$ 78,447**	**$ 71,856**	**$ 72,990**
Net OPEB (asset)/liability as a percentage of covered payroll	**(64.1)%**	**(28.6)%**	**1.8%**	**7.1%**	**32.1%**	**63.4%**	**111.2%**

Notes to schedule

Benefit changes: There were no benefit changes in 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 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 7.0 percent and 7.25 percent as of the September 30, 2021 and 2020 valuation dates, respectively. As the plan fiduciary net positions were projected to be available to make all projected benefit payments, the single discount rate was also 7.0 percent and 7.25 percent as of September 30, 2021 and 2020, respectively.

Long-term Employee Benefit Plans (continued)

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

Contribution year (Dollars in thousands)	Actuarially determined contribution	Actual contribution	Contribution deficiency/ (excess)	Covered payroll	Contributions as a percentage of CP	Annual money-weighted return on investments
Pension plan						
2022	$ 17,678	$ 17,678	$ —	$ 103,139	17.1%	-17.0%
2021	$ 19,173	$ 19,173	$ —	$ 100,621	19.1%	21.2%
2020	$ 22,405	$ 22,405	$ —	$ 97,896	22.9%	11.0%
2019	$ 22,491	$ 22,491	$ —	$ 90,907	24.7%	4.2%
2018	$ 22,614	$ 22,614	$ —	$ 86,573	26.1%	9.6%
2017	$ 21,876	$ 21,876	$ —	$ 78,314	27.9%	14.2%
2016	$ 18,322	$ 17,803	$ 519	$ 75,405	23.6%	9.2%
2015	$ 20,500	$ 18,573	$ 1,927	$ 72,479	25.6%	1.4%
2014	$ 21,184	$ 21,198	$ (14)	$ 70,147	30.2%	9.6%
2013	$ 18,893	$ 17,729	$ 1,164	$ 73,230	24.2%	12.8%
OPEB plan						
2022	$ 1,133	$ 1,133	$ —	$ 100,061	1.1%	-18.1%
2021	$ 1,185	$ 1,185	$ —	$ 100,721	1.2%	21.4%
2020	$ 3,682	$ 3,682	$ —	$ 98,058	3.8%	10.9%
2019	$ 7,022	$ 7,022	$ —	$ 91,035	7.7%	4.0%
2018	$ 9,068	$ 9,068	$ —	$ 86,892	10.4%	9.0%
2017	$ 13,384	$ 13,384	$ —	$ 78,447	17.1%	13.2%
2016	$ 12,628	$ 12,628	$ —	$ 71,856	17.6%	11.0%
2015	$ 14,117	$ 14,117	$ —	$ 72,990	19.3%	-1.4%
2014	$ 13,558	$ 13,558	$ —	$ 72,990	18.6%	10.2%
2013	$ 14,358	$ 14,325	$ (33)	$ 70,692	20.3%	13.0%

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

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

Inflation: 2.25 percent intermediate, 2.50 percent long term

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

Investment rate of return: 7.25 percent

Retirement age: Experience-based table of rates

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

Healthcare cost trend rate: Based on the Getzen Model, with trend starting at 6.25 percent and gradually decreasing to an ultimate trend rate of 3.99 percent.

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

To Management and the Commissioners of Orlando Utilities
Commission

We have audited, in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and fiduciary activities of Orlando Utilities Commission (OUC) as of and for the years ended September 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise OUC's basic financial statements, and have issued our report thereon dated January 17, 2023.

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 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 have not been identified.

Report on Compliance and Other Matters

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

Purpose of this Report

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

Ernst & Young LLP

January 17, 2023

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