

# 2025

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## AUDITED FINANCIAL STATEMENTS

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# LETTER FROM THE GENERAL MANAGER AND COMMISSION PRESIDENT

As the fiscal year draws to a close, I'm pleased to report another year of continued financial strength, operational excellence, and strategic investment in the future of energy and water services for Central Florida.

For more than 100 years, OUC has maintained a stable and trusted position in the utility sector, while advancing meaningful progress in sustainability, reliability and infrastructure. This year reinforced those strengths while accelerating our progress in clean energy, grid modernization and customer-focused innovation.

## Operational Resilience in a Demanding Climate

Record-setting heat across Florida placed unprecedented pressure on the state's energy grid this summer. Through years of planning, grid hardening and investments in resilient infrastructure, we were prepared to meet this challenge. The result: OUC customers experienced the shortest average outage durations as compared to 2024 data submitted to the Florida Public Service Commission. An independent survey by Escalent, a leading advisory firm specializing in human behavior and data analytics, named OUC as one of the nation's most trusted utility brands in 2025 — a recognition that reflects not just our performance, but our deep sense of responsibility to the community we serve.

## Clean Energy Investments Supporting Long-Term Affordability

In support of our Path to Clean Energy, we expanded our portfolio by opening the Harmony II and Storey Bend Solar Energy Centers, launching a 2-megawatt (MW) floating solar array — the largest in the Southeast — and advancing utility-scale solar and battery projects. Today, more than 10% of OUC's energy comes from solar, enough to power 50,000 typical OUC homes. These projects mark significant progress toward OUC's interim carbon-reduction goals of 50% by 2030 and 75% by 2040, with a clear trajectory to net-zero CO2 emissions by 2050.

At the same time, these initiatives diversify energy resources, bolster system resiliency, and ensure that our clean energy transition remains not only environmentally responsible but also reliable and affordable for customers. Just as importantly, they were built in collaboration with strong community partners — including AdventHealth and Comcast NBCUniversal, who signed on as anchor tenants of the new solar farms — helping all of us make meaningful progress toward our clean energy goals.

## Evolving Customer Pricing for a Smarter Energy Future

The continued rollout of our Peak*SHIFT* initiative will modernize how customers are billed for electric service. In 2025 we continued progress in preparation for:

- **DemandLevel**, a monthly distribution charge tied to individual customer monthly demand peaks, slated for 2026.
- **Shift & Save**, a time-of-day pricing program built on a successful pilot with high customer satisfaction and measurable energy reductions, expected to rollout in 2027.

We also refreshed **SunChoice**, our flexible community solar subscription program that now features improved participation access. Collectively, these changes will help support grid efficiency and rate stability.

## Strategic Technology Department: Water & Energy

This year also marked the completion of the Next Generation Water AMI Project, which involved updating or replacing aging water meters with advanced automated metering infrastructure (AMI) meters that use cellular communications technology. Launched in July 2023, nearly 160,000 new or updated water meters have been installed across our service area. The efficiencies achieved — from a 40% reduction in maintenance activity to improved leak response — are driving operational savings and increased transparency for customers.

The Southeast Reverse Osmosis Alternate Water Supply project is proceeding according to plan and will be available in 2033 to meet our growing demand for potable water. A consumptive use permit has been issued by the South Florida Water Management District for 12 million gallons per day (MGD) of source water, and Florida Department of Environmental Protection (FDEP) has issued a permit for the underground injection control wells.

We recently put the finishing touches on a new 230-kilovolt (kV) transmission line to strengthen reliability and meet the growing energy needs of customers in St. Cloud and southeast Orlando, one of the region's fastest developing areas. The Orlando St. Cloud Resiliency Connection delivers a new 21-mile transmission line. Construction began in January 2023, and the line was energized in November 2025.

### Putting Innovation to Work in the Field

We continued to expand the use of drone technology this year to support both reliability and crew safety. Equipped with high-resolution and thermal cameras, drones allow crews to quickly assess damage in hard-to-reach or hazardous areas without sending employees into dangerous conditions, helping restore power more efficiently after severe weather. During Hurricane Milton, drones played a critical role in identifying priority areas for repair — speeding up restoration and improving safety in the field.

While we've used drones in the past, we're now incorporating them into more of our operational playbook. Beyond storm recovery, drones are increasingly used for tasks like facility inspections and vegetation management, demonstrating how technology can play a key role in reliability, resilience and customer service.

In addition, our years-long investment in smart grid technology is delivering tangible reliability benefits for customers, preventing more than 54,000 potential outages in 2024 through automation and remote fault isolation. By enabling faster restoration and more targeted response, particularly in areas historically prone to outages, a smarter grid strengthens resiliency against severe weather while reinforcing OUC's position as Florida's most reliable utility.

### Preparing for What's Next: Strategy 2035

While these accomplishments reflect a strong year of execution, they also reinforce the importance of long-term planning. In 2025, OUC began laying the groundwork for Strategy 2035 — our next long-range strategic framework that builds on the progress of Connected 2025 and guides the utility through a period of significant change in the energy and water industries. This enterprise-wide strategy balances reliability, affordability, sustainability and workforce readiness, positioning OUC to respond to evolving customer expectations, regulatory dynamics and technological advancements. Strategy 2035 ensures that today's investments are aligned with tomorrow's needs, strengthening our ability to serve Central Florida with resilience, innovation and fiscal responsibility.

As I look back on the year, there is both pride in the accomplishments achieved and gratitude for the trust and support of our community. As we enter 2026, our focus remains clear: enhancing reliability and resilience in the face of a changing climate, expanding access to clean and equitable energy solutions, leveraging advanced metering infrastructure for smarter water stewardship, and deepening customer engagement through innovative programs and leadership.

OUC's long-term strategy is designed to balance operational excellence, environmental leadership and fiscal responsibility. We appreciate the continued trust and partnership of our financial stakeholders and look forward to another year of dependable performance and forward momentum.



**LARRY MILLS, TH.D.**  
PRESIDENT



**ROGER CHAPIN**  
FIRST VICE  
PRESIDENT



**LINDA LANDMAN  
GONZALEZ**  
SECOND VICE  
PRESIDENT



**BRITTA GROSS**  
COMMISSIONER



**BUDDY H. DYER**  
MAYOR  
COMMISSIONER



**CLINT BULLOCK**  
GENERAL MANAGER  
& CEO

**Clint Bullock**

General Manager & CEO

**Larry Mills, Th.D.**

Commission President



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## 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.

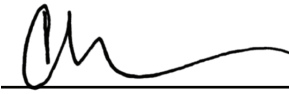
To ensure the integrity of our financial statements, OUC maintains a system of internal accounting controls that is supported by written policies and procedures and an organizational structure that appropriately assigns responsibilities to mitigate risks. These controls have been put in place to ensure 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.



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Clint Bullock  
General Manager &  
Chief Executive Officer



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Christopher McCullion  
Chief Financial Officer



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Wade Durham  
Director of Accounting  
& Budget

## Selected Statistical and Financial Information (Unaudited)

|  | 2025       | 2024       | % Increase/<br>(Decrease) |
|--|------------|------------|---------------------------|
| <b>Total Customers</b>   | 288,035    | 284,064    | 1.4 %                     |
| <b><u>Electric Business Operations</u></b>                         |            |            |                           |
| Active services  | 289,922    | 283,755    | 2.2 %                     |
| Average retail revenue (per MWh) <sup>1</sup>                      | \$ 119.99  | \$ 123.28  | (2.7)%                    |
| Retail customer sales in MWh                                       | 7,437,214  | 7,257,567  | 2.5 %                     |
| Average annual residential usage (kWh)                             | 11,214     | 11,107     | 1.0 %                     |
| Customer billed revenues (in thousands)                            | \$ 892,364 | \$ 894,725 | (0.3)%                    |
| <b><u>Water Business Operations</u></b>                            |            |            |                           |
| Active Services  | 168,824    | 168,152    | 0.4 %                     |
| Average revenue per 10 KGAL <sup>2</sup>                           | \$ 33.85   | \$ 31.80   | 6.4 %                     |
| Total sales in MGAL  | 31,257     | 32,012     | (2.4)%                    |
| Average annual residential usage (KGAL)                            | 74         | 75         | (1.3)%                    |
| Customer billed revenues (in thousands)                            | \$ 105,793 | \$ 101,806 | 3.9 %                     |
| <b><u>Chilled Water Business Operations</u><sup>3</sup></b>        |            |            |                           |
| Active Services  | 2,693      | 2,703      | (0.4)%                    |
| Average revenue per 100 TON hours                                  | \$ 26.32   | \$ 25.62   | 2.7 %                     |
| Production in TON hours  | 201,615    | 166,186    | 21.3 %                    |
| Customer billed revenues (in thousands)                            | \$ 53,057  | \$ 42,575  | 24.6 %                    |
| <b><u>Consolidated Financial Highlights</u></b>                    |            |            |                           |
| Income before contributions (in thousands)                         | \$ 128,132 | \$ 123,471 | 3.8 %                     |
| City of Orlando revenue based payments and dividend (in thousands) | \$ 112,743 | \$ 110,949 | 1.6 %                     |
| Debt service coverage  | 2.86       | 2.93       | (2.4)%                    |
| Debt/net position  | 50%/50%    | 50%/50%    |                           |
| Days cash on hand  | 284        | 275        | 3.3 %                     |
| Senior bond ratings <sup>4</sup>                                   | AA,Aa2,AA  | AA,Aa2,AA  |                           |

<sup>1</sup> The average retail revenue decreased primarily due to electric retail fuel price decrease effective July 1, 2024.

<sup>2</sup> The average revenue for water increased primarily due to water price increases focused on high consumption users effective October 1, 2024.

<sup>3</sup> Production in TON-hours and customer billed revenues increased due to the addition of a new chilled water plant that came online during the year

<sup>4</sup> Bond Rating Agencies: Fitch Ratings, Moody's Investors Service and Standard & Poor's, respectively.

ORLANDO UTILITIES COMMISSION

September 30, 2025

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COMMISSION MEMBERS and OFFICERS

**Larry Mills, Th.D.**  
President

**Roger Chapin**  
First Vice President

**Linda Landman Gonzalez**  
Second Vice President

**Britta Gross**  
Commissioner

**Buddy H. Dyer**  
Mayor – Commissioner

**Clint Bullock**  
Secretary

**Christopher McCullion**  
**Carlos Woody**  
**Paula Velasquez**  
Assistant Secretaries



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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, 2025 and 2024, and the related notes to the financial statements, which collectively comprise Orlando Utilities Commission's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and fiduciary activities of Orlando Utilities Commission at September 30, 2025 and 2024, 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 audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Orlando Utilities Commission, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### **Responsibilities of Management for the Financial Statements**

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





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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.



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

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6-13, the Schedule of changes in net pension liability/(asset) and related ratios, the Schedule of employer contributions to the Pension Plan and investment returns, the Schedule of changes in net OPEB liability/(asset) and related ratios, the Schedule of employer contributions to the OPEB Plan and investment returns, and the Schedule of changes in total pension liability and related ratios on pages 55-59 be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Other Information**

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

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



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**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2025, on our consideration of Orlando Utilities Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Orlando Utilities Commission's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Orlando Utilities Commission's internal control over financial reporting and compliance.

*Ernst & Young LLP*

December 19, 2025

# 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 2025:** Includes the deferral of water, electric retail, and wholesale revenues exceeding the 2025 Operating Budget to mitigate the impact of future price increases; the deferral of the gain from the Jetport land sale, with proceeds allocated to the Restoration and Renewal and Replacement Funds; and the deferral of estimated FEMA reimbursable emergency response costs related to Hurricane Milton.
- **Fiscal Year 2024:** The deferral of electric retail revenues in excess of 2024 Operating Budget to reduce the impacts of future retail electric price increases, bolster storm restoration reserves and advance grid hardening as well the deferral of one percent of electric retail revenues to fund the Path to Clean Energy strategic initiative. The deferral of water revenues to replenish water reserves as well as the deferral of costs associated with the decommissioning of the Navy Water Treatment Plant to optimize operations. In addition, the deferral of fair market value changes associated with the interest rate swap underlying the Series 2015B Variable Rate Demand Obligation bonds to provide long-term customer value.

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

## Setting of Prices

**Board approved pricing:** The Board is responsible for setting the prices of regulated electric and water services. To ensure that price changes are implemented in a measured and responsible manner, OUC conducts comprehensive cost-recovery evaluations, holds public workshops, and provides customer notifications prior to implementation.

- **Electric pricing:** Using the average residential customer electric bill based on 1,000 kWh per month as the proxy to measure the impact of retail electric customer price changes, the following changes were approved.
  - **Fiscal Year 2025:** Effective October 1, 2025, fuel prices were increased \$9.00 raising the average residential monthly bill from \$125.00 to \$134.00.
  - **Fiscal Year 2024:** Effective July 1, 2024, fuel prices were decreased \$7.00 lowering the average monthly bill from \$132.00 to \$125.00. Effective October 1, 2024, fuel prices were decreased \$1.00 offset by a customer charge increase of \$1.00 providing for no change to the monthly bill.
- **Water pricing:**
  - **Fiscal Year 2025:** Effective October 1, 2025, retail water rates increased to further encourage conservation. The adjustments primarily target high-consumption users; however, the average



## MANAGEMENT'S DISCUSSION AND ANALYSIS

monthly bill for a residential customer using 10,000 gallons will rise from \$24.64 to \$25.70. In addition, developer-assessed system development charges were increased by 12.5% to support the Path to Alternative Water Sources initiative.

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

### Basic Financial Statements

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

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

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

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

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Condensed Statements of Net Position

As of September 30

| (Dollars in thousands)   | 2025                | 2024                | 2023                |
|--|---------------------|---------------------|---------------------|
| <b>Assets</b>  |                     |                     |                     |
| Utility plant, net   | \$ 3,104,350        | \$ 2,987,607        | \$ 2,760,752        |
| Restricted and internally designated assets                              | 894,617             | 812,595             | 861,538             |
| Current assets   | 347,370             | 311,815             | 303,656             |
| Other assets   | 274,331             | 257,797             | 279,200             |
| <b>Total assets</b>  | <b>4,620,668</b>    | <b>4,369,814</b>    | <b>4,205,146</b>    |
| <b>Deferred outflows of resources</b>                                    | <b>75,396</b>       | <b>121,418</b>      | <b>156,195</b>      |
| <b>Total assets and deferred outflows of resources</b>                   | <b>\$ 4,696,064</b> | <b>\$ 4,491,232</b> | <b>\$ 4,361,341</b> |
| <b>Liabilities</b>   |                     |                     |                     |
| Long-term debt, net  | \$ 1,840,675        | \$ 1,742,052        | \$ 1,725,900        |
| Current liabilities  | 330,686             | 342,166             | 310,345             |
| Other liabilities  | 201,329             | 282,801             | 296,828             |
| <b>Total liabilities</b>   | <b>2,372,690</b>    | <b>2,367,019</b>    | <b>2,333,073</b>    |
| <b>Deferred inflows of resources</b>                                     | <b>465,251</b>      | <b>356,624</b>      | <b>333,236</b>      |
| <b>Net position</b>  |                     |                     |                     |
| Net investment in capital assets   | 1,205,391           | 1,201,000           | 995,167             |
| Unrestricted   | 390,716             | 364,762             | 396,667             |
| Restricted   | 262,016             | 201,827             | 303,198             |
| <b>Total net position</b>  | <b>1,858,123</b>    | <b>1,767,589</b>    | <b>1,695,032</b>    |
| <b>Total liabilities, deferred inflows of resources and net position</b> | <b>\$ 4,696,064</b> | <b>\$ 4,491,232</b> | <b>\$ 4,361,341</b> |

### 2025 Compared to 2024

#### Total Assets and Deferred Outflows of Resources

**Total assets:** Overall increased \$250.9 million or 5.7 percent.

- **Utility plant, net:** These assets increased \$116.7 million primarily due to continued investment in key infrastructure projects, including the near completion of the Next Generation Water AMI Project to modernize the water metering system; expansion of the electric distribution grid driven by strong customer growth in the City of St. Cloud; wastewater processing improvements at the Stanton Energy Center; and ongoing construction of the Magnolia 230 kV Transmission Line, a 21-mile connection between the St. Cloud East and Magnolia Ranch substations in Orange County, designed to support the region's rapid growth. These increases were partially offset by systematic and depreciation expenses.
- **Restricted and internally designated assets:** These assets increased \$82.0 million primarily due to the designation of the \$44.7 million in proceeds from the Jetport land sale to the renewal and replacement fund and an increase in the electric and water rate reserves of \$39.0 million and \$4.4 million, respectively, as a result of the Board approved regulatory action to defer electric and water revenues in excess of 2025 Operating Budget to reduce the impact of future price increases.
- **Other assets:** These assets increased \$16.5 million primarily due to market-driven benefit trust investment valuation changes in the amount of \$20.0 million partially offset by investment and fuel hedge derivative valuation changes of \$7.1 million as a result of declining interest rates and market-driven fuel commodity prices.

**Deferred outflows of resources:** These resources decreased \$46.0 million or 37.9 percent as a result of a \$38.8 million reduction in unrealized benefit expenses driven by market-driven investment returns and the systematic recognition of the loss on refunded debt in the amount of \$6.3 million.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Total Liabilities, Deferred Inflows of Resources and Net Position

**Total liabilities:** Overall increased \$5.7 million or 0.2 percent.

- **Long-term debt, net:** Debt increased \$98.6 million primarily due to the issuance of Series 2025A Bonds in the amount of \$200.0 million offset by the scheduled maturities in the amount of \$75.8 million and the amortization of debt-related expenses.
- **Current liabilities:** Current liabilities decreased \$11.5 million primarily due to the timing of \$36.2 million in payables from the prior year related to 2024 Capital Plan projects, offset by an increase in bonds payable of \$10.9 million and timing of other current liabilities.
- **Other liabilities:** Other liabilities decreased \$81.5 million, primarily due to a \$65.8 million reduction in benefit plan liabilities resulting from favorable current-year investment valuation changes. The decrease also reflects a \$16.2 million reduction in deferred revenue contributions related to the recognition of developer-funded costs for the installation of an underground transmission line, as well as a \$4.1 million decrease in fuel derivative liabilities driven by higher fuel commodity prices.

**Deferred inflows of resources:** These resources increased \$108.6 million, or 30.5 percent, primarily due to a \$43.5 million increase in base rate reserves and a \$39.4 million increase in deferred gains on benefit plans resulting from favorable market valuation adjustments. The increase also reflects the deferral of a \$17.8 million gain from the sale of the Jetport land and a \$6.8 million deferred gain on refunded debt associated with the issuance of the Series 2025B Bonds.

**Total net position:** Net position increased \$90.5 million, or 5.1 percent, as a result of current year operations and consistent with annual revenue requirements.

### 2024 Compared to 2023

#### Total Assets and Deferred Outflows of Resources

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

- **Utility plant, net:** These assets increased \$226.9 million primarily due to system advancements designed to achieve our *Net Zero CO<sub>2</sub> Emissions* goal defined within the "Path to Clean Energy" strategic initiative including energizing the third and final generation unit at the Osceola Generating Station (OGS) and advancing the construction of adjacent transmission grid facilities. Water system advancements were also completed with the introduction of a granular activated carbon filtration system at the Conway Water Plant, enhancing water quality and increasing operational effectiveness. In addition, phase one of the new St. Cloud Operations Center and the second phase of advanced water meter infrastructure were operationalized. Utility plant also increased with new electric distribution and transmission assets to support customer growth and enhance system reliability. These increases were partially offset by systematic and accelerated depreciation expenses.
- **Restricted and internally designated assets:** These assets decreased \$48.9 million primarily due to the spend-down of \$201.6 million of the Series 2023A Bonds proceeds to support the Capital Plan offset by the issuance of Series 2024A Bonds in the amount of \$100.0 million resulting in a net decrease of \$101.6 million of restricted construction-related bond proceeds. Additionally, restricted funds for the Path to Clean Energy decreased by \$23.8 million as initiatives were advanced and the year-end reserve balance was aligned with the five year 2025 Capital Plan. These decreases were offset by an increase in fuel reserves of \$28.9 million as a result of lower fuel commodity prices, a \$27.0 million increase in the capital reserves as a result of replenishing funds used to temporarily support the 2024 Capital Plan and an increase in the electric rate reserves of \$12.3 million as a result of the Board approved regulatory action to defer electric retail revenues in excess of 2024 Operating Budget to reduce the impact of future electric price increases, enhance storm restoration reserves and advance grid hardening initiatives.
- **Other assets:** These assets decreased \$21.4 million primarily due to investment and fuel hedge derivative valuation changes of \$34.0 million as a result of declining interest rates and market-driven natural gas prices offset by an increase in right-of-use assets in the amount of \$5.6 million and market-driven benefit trust investment valuation changes in the amount of \$3.7 million.

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

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Total Liabilities, Deferred Inflows of Resources and Net Position

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

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

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

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

### Condensed Statements of Revenues, Expenses and Changes in Net Position

#### Years Ended September 30

| (Dollars in thousands)                  | 2025                | 2024                | 2023                |
|---|---------------------|---------------------|---------------------|
| Operating revenues                      | \$ 1,116,923        | \$ 1,064,355        | \$ 1,072,468        |
| Operating expenses                      | 971,387             | 923,454             | 921,180             |
| <b>Operating income</b>                 | <b>145,536</b>      | <b>140,901</b>      | <b>151,288</b>      |
| Net non-operating expenses              | (17,404)            | (17,430)            | (33,598)            |
| <b>Income before contributions</b>      | <b>128,132</b>      | <b>123,471</b>      | <b>117,690</b>      |
| Contributions in aid of construction    | 39,281              | 23,575              | 19,832              |
| Annual dividend                         | (76,879)            | (74,489)            | (70,207)            |
| <b>Increase in net position</b>         | <b>90,534</b>       | <b>72,557</b>       | <b>67,315</b>       |
| <b>Net position - beginning of year</b> | <b>1,767,589</b>    | <b>1,695,032</b>    | <b>1,627,717</b>    |
| <b>Net position - end of year</b>       | <b>\$ 1,858,123</b> | <b>\$ 1,767,589</b> | <b>\$ 1,695,032</b> |

### 2025 Compared to 2024

#### Changes in Net Position

**Total operating revenues:** Operating revenues increased \$52.6 million, or 4.9 percent.

- Retail and resale electric fuel revenues, reflecting pass-through fuel expenses, increased \$31.3 million or 10.2 percent as a result of higher fuel commodity prices and increased energy production driven by weather-related demand.
- Retail and resale non-fuel revenues increased \$12.0 million or 2.1 percent, inclusive of a \$39.0 million Board-approved deferral of retail and resale electric energy revenues to reduce the impacts of future electric price increases. The overall increase is driven by growth in the customer base and increased consumption per customer in retail electric driven by greater weather variability, a customer charge increase of \$1.00 effective October 1, 2024, and resale energy opportunities due to a winter cold snap and summer heat wave.
- Water revenues increased \$1.6 million or 1.6 percent, inclusive of a \$4.4 million Board-approved revenue deferral to bolster water reserves. The overall increase is a result of pricing adjustments targeted toward high-volume users.
- Other revenues increased \$7.6 million or 8.1 percent and include ancillary revenues from chilled water, lighting and other energy services along with service and user fee charges. These revenues increased due to higher chilled water revenues from a new plant placed into service, as well as higher electric service fees and other miscellaneous revenues.



## MANAGEMENT'S DISCUSSION AND ANALYSIS

**Total operating expenses:** Operating expenses increased \$47.9 million, or 5.2 percent.

- Fuel and purchased power increased \$32.5 million, or 9.8 percent as a result of higher than expected fuel commodity prices and increased energy production driven by weather-related demand.
- Operating expenses, excluding fuel and purchased power, increased \$15.4 million or 2.6 percent. This change was driven by rising labor and benefit expenses in the amount of \$8.7 million, systematic depreciation in the amount of \$4.9 million, and OUC's further commitment to the City of St. Cloud's environmental clean-up associated with the previously decommissioned power plant in the amount of \$2.3 million.

**Net non-operating expenses:** Total net non-operating expenses were in line with prior year expenses. However, loss on disposal of fixed assets and interest expenses were higher due to the accelerated write-down of the Navy Water Treatment Plant, previously deferred in the prior year, and debt issuance cost from newly issued debt, respectively. These were offset by a decrease in generation decommissioning expenses as these costs were fully recognized in the prior year for McIntosh Unit 3 and the current year settlement from a class action lawsuit associated with PFAS remediation activities affecting U.S. public water suppliers in other income.

**Contributions in aid of construction:** Contributions in aid of construction increased \$15.7 million or 66.6 percent as a result of the recognition of developer-funded costs for the installation of an underground transmission line.

### 2024 Compared to 2023

#### Changes in Net Position

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

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

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

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

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

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

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Condensed Statement of Cash Flows Years Ended September 30

| (Dollars in thousands)                                      | 2025             | 2024               |
|---|------------------|--------------------|
| Net cash provided by operating activities                   | \$ 340,980       | \$ 366,475         |
| Net cash used in non-capital related financing activities   | (74,992)         | (70,709)           |
| Net cash used in capital related financing activities       | (277,131)        | (397,881)          |
| Net cash provided by investing activities                   | 75,603           | 73,722             |
| <b>Net increase/(decrease) in cash and cash equivalents</b> | <b>\$ 64,460</b> | <b>\$ (28,393)</b> |

## 2025 Compared to 2024

### Changes in Cash Flow

Total cash and cash equivalents increased \$64.5 million in 2025 primarily due to reduced cash used in capital-related financing activities resulting from the issuance of the 2025A Bonds, which generated \$200.0 million in proceeds. The increase in cash was partially offset by higher cash paid for unit department expenses and salaries and wages.

### Future Capital Funding Needs

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

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

### Capital Plan

The 2026 Capital Plan incorporates initiatives of \$1,942.0 million, which is \$141.3 million, or 7.8 percent, higher than the 2025 Capital Plan. Funding for the Capital Plan is provided with bond proceeds, internally designated capital reserves, the Board approved deferral of up to 1.0 percent of retail electric revenue, and the results of operation. OUC secured \$200.0 million of bond proceeds, net of issuance costs, in conjunction with the issuance of the Series 2025A Bonds which are anticipated to fund a portion of the 2026 Capital Plan.

| (Dollars in millions)                            | 2026            | 2027            | 2028            | 2029            | 2030            | Total             |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|-------------------|
| Transmission and electric and water distribution | \$ 230.9        | \$ 310.9        | \$ 281.0        | \$ 186.6        | \$ 225.4        | \$ 1,234.8        |
| Electric and water production                    | 106.0           | 111.9           | 102.1           | 83.6            | 74.2            | 477.8             |
| Support services                                 | 45.1            | 53.2            | 75.0            | 30.4            | 25.7            | 229.4             |
| <b>Total five-year capital plan</b>              | <b>\$ 382.0</b> | <b>\$ 476.0</b> | <b>\$ 458.1</b> | <b>\$ 300.6</b> | <b>\$ 325.3</b> | <b>\$ 1,942.0</b> |

## Currently Known Facts, Decisions, or Conditions That May Have a Significant Effect on OUC's Financial Position or Results of Operations

At this time, management is not aware of any currently known facts, decisions, or conditions that are expected to have a significant impact on the Utility's financial position, results of operations, or cash flows. The Utility continues to monitor economic conditions, legislative developments, and operational factors that could affect future financial performance.

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

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### 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)        | 2025              | 2024              | 2023              |
|-------------------------------|-------------------|-------------------|-------------------|
| <b>Assets</b>                 |                   |                   |                   |
| Investments                   | \$ 775,036        | \$ 717,227        | \$ 612,022        |
| Receivables                   | 543               | 549               | 814               |
| <b>Total assets</b>           | <b>775,579</b>    | <b>717,776</b>    | <b>612,836</b>    |
| <b>Liabilities</b>            | <b>263</b>        | <b>210</b>        | <b>785</b>        |
| <b>Fiduciary net position</b> | <b>\$ 775,316</b> | <b>\$ 717,566</b> | <b>\$ 612,051</b> |

#### Condensed Statements of Changes in Fiduciary Net Position Years ended September 30

| (Dollars in thousands)   | 2025              | 2024              | 2023              |
|--|-------------------|-------------------|-------------------|
| <b>Additions</b>   |                   |                   |                   |
| Net increase/(decrease) in fair value of investments             | \$ 71,620         | \$ 116,392        | \$ 59,984         |
| Interest, dividends and other income, net of investment expense  | 14,817            | 14,470            | 12,715            |
| Contributions  | 16,858            | 20,194            | 16,208            |
| <b>Total additions</b>   | <b>103,295</b>    | <b>151,056</b>    | <b>88,907</b>     |
| <b>Deductions</b>  |                   |                   |                   |
| Benefit payments, including refunds of plan member contributions | 45,407            | 45,307            | 45,976            |
| Administrative expenses, net of foreign tax withheld             | 138               | 234               | 228               |
| <b>Total deductions</b>  | <b>45,545</b>     | <b>45,541</b>     | <b>46,204</b>     |
| <b>Net increase in fiduciary net position</b>                    | <b>57,750</b>     | <b>105,515</b>    | <b>42,703</b>     |
| <b>Fiduciary net position - beginning of year</b>                | <b>717,566</b>    | <b>612,051</b>    | <b>569,348</b>    |
| <b>Fiduciary net position - end of year</b>                      | <b>\$ 775,316</b> | <b>\$ 717,566</b> | <b>\$ 612,051</b> |

### 2025 Compared to 2024

#### Fiduciary Net Position and Changes in Fiduciary Net Position

Net position increased \$57.8 million or 8.0 percent as a result of an increase in the fair value of investments.

### 2024 Compared to 2023

#### Fiduciary Net Position and Changes in Fiduciary Net Position

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

## STATEMENTS OF NET POSITION

| (Dollars in thousands)  | As of September 30  |                     |
|---|---------------------|---------------------|
|   | 2025                | 2024                |
| <b>Assets</b>   |                     |                     |
| Utility plant, net  |                     |                     |
| Utility plant in service  | \$ 5,240,715        | \$ 4,972,746        |
| Allowances for depreciation and amortization                                  | (2,919,784)         | (2,747,367)         |
| Utility plant in service, net   | 2,320,931           | 2,225,379           |
| Land and other non-depreciable assets   | 100,067             | 139,240             |
| Construction work in progress   | 683,352             | 622,988             |
| <b>Total utility plant, net</b>   | <b>3,104,350</b>    | <b>2,987,607</b>    |
| Internally designated and restricted assets                                   |                     |                     |
| Internally designated assets  | 454,509             | 455,211             |
| Restricted assets   | 440,108             | 357,384             |
| <b>Total internally designated and restricted assets</b>                      | <b>894,617</b>      | <b>812,595</b>      |
| Current assets  |                     |                     |
| Cash and investments  | 31,705              | 28,766              |
| Customer receivables, net   | 89,185              | 89,712              |
| Miscellaneous receivables, net  | 32,483              | 17,890              |
| Accrued utility revenues  | 50,871              | 47,312              |
| Fuel for generation   | 40,709              | 33,055              |
| Materials and supplies inventory, net   | 85,251              | 74,517              |
| Accrued interest receivable   | 4,411               | 3,052               |
| Prepaid and other expenses  | 7,655               | 12,056              |
| Hedging derivative instruments maturing within one year                       | 5,100               | 5,455               |
| <b>Total current assets</b>   | <b>347,370</b>      | <b>311,815</b>      |
| Other assets  |                     |                     |
| Other long-term assets  | 167,700             | 132,239             |
| Regulatory assets   | 55,342              | 70,113              |
| Hedging derivative instruments  | 17,192              | 19,731              |
| Lease receivables   | 14,537              | 15,255              |
| Right of use assets, net  | 19,560              | 20,459              |
| <b>Total other assets</b>   | <b>274,331</b>      | <b>257,797</b>      |
| <b>Total assets</b>   | <b>4,620,668</b>    | <b>4,369,814</b>    |
| <b>Deferred outflows of resources</b>   |                     |                     |
| Unamortized loss on refunded bonds  | 19,525              | 25,823              |
| Unrealized pension and other postemployment benefits contributions and losses | 47,063              | 85,869              |
| Accumulated decrease in fair value of hedging derivatives                     | 8,808               | 9,726               |
| <b>Total deferred outflows of resources</b>                                   | <b>75,396</b>       | <b>121,418</b>      |
| <b>Total assets and deferred outflows of resources</b>                        | <b>\$ 4,696,064</b> | <b>\$ 4,491,232</b> |

See Notes to the Financial Statements for additional information.



## STATEMENTS OF NET POSITION

| (Dollars in thousands)   | As of September 30  |                     |
|--|---------------------|---------------------|
|  | 2025                | 2024                |
| <b>Liabilities</b>   |                     |                     |
| Current liabilities  |                     |                     |
| Payable from restricted and designated assets                            |                     |                     |
| Current portion of long-term debt  | \$ 75,805           | \$ 75,580           |
| Customer meter deposits  | 72,569              | 66,159              |
| Accrued interest payable on notes and bonds                              | 35,209              | 24,557              |
| <b>Total payable from restricted and designated assets</b>               | <b>183,583</b>      | <b>166,296</b>      |
| Payable from current assets  |                     |                     |
| Accounts payable and accrued expenses                                    | 88,097              | 123,334             |
| Billings on behalf of state and local governments                        | 26,897              | 26,040              |
| Compensated absences and accrued wages                                   | 27,048              | 25,243              |
| Accrued governmental payments  | 664                 | —                   |
| Hedging derivative instruments maturing within one year                  | 4,397               | 1,253               |
| <b>Total payable from current assets</b>                                 | <b>147,103</b>      | <b>175,870</b>      |
| <b>Total current liabilities</b>   | <b>330,686</b>      | <b>342,166</b>      |
| Other liabilities and credits  |                     |                     |
| Asset retirement obligation and other liabilities                        | 160,907             | 172,044             |
| Lease liability  | 14,397              | 14,893              |
| Pension liabilities  | 21,614              | 87,391              |
| Hedging derivative instruments   | 4,411               | 8,473               |
| <b>Total other liabilities</b>   | <b>201,329</b>      | <b>282,801</b>      |
| Long-term debt, net  |                     |                     |
| Bond and note principal  | 1,702,020           | 1,605,285           |
| Unamortized premium  | 138,655             | 136,767             |
| <b>Total long-term debt, net</b>   | <b>1,840,675</b>    | <b>1,742,052</b>    |
| <b>Total liabilities</b>   | <b>2,372,690</b>    | <b>2,367,019</b>    |
| <b>Deferred inflows of resources</b>                                     |                     |                     |
| Regulatory credits   | 367,441             | 300,945             |
| Unrealized pension and other postemployment benefits gains               | 62,058              | 22,659              |
| Accumulated increase in fair value of hedging derivatives                | 13,194              | 16,549              |
| Lease revenue  | 15,394              | 16,107              |
| Unamortized gain on refunded bonds                                       | 7,164               | 364                 |
| <b>Total deferred inflows of resources</b>                               | <b>465,251</b>      | <b>356,624</b>      |
| <b>Net position</b>  |                     |                     |
| Net investment in capital assets   | 1,205,391           | 1,201,000           |
| Unrestricted   | 390,716             | 364,762             |
| Restricted for:  |                     |                     |
| Capital projects   | 197,854             | 134,115             |
| Debt service   | 64,162              | 67,712              |
| <b>Total net position</b>  | <b>1,858,123</b>    | <b>1,767,589</b>    |
| <b>Total liabilities, deferred inflows of resources and net position</b> | <b>\$ 4,696,064</b> | <b>\$ 4,491,232</b> |

See Notes to the Financial Statements for additional information.

## STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

| (Dollars in thousands)                  | Years ended September 30 |                     |
|---|--------------------------|---------------------|
|   | 2025                     | 2024                |
| Operating revenues                      |                          |                     |
| Retail electric revenues                | \$ 715,137               | \$ 689,584          |
| Resale electric revenues                | 199,930                  | 182,157             |
| Water revenues                          | 100,057                  | 98,448              |
| Chilled water revenues                  | 45,686                   | 41,564              |
| Lighting revenues                       | 21,531                   | 19,901              |
| Other revenues                          | 34,582                   | 32,701              |
| <b>Total operating revenues</b>         | <b>1,116,923</b>         | <b>1,064,355</b>    |
| Operating expenses                      |                          |                     |
| Fuel for generation and purchased power | 363,818                  | 331,298             |
| Unit/department expenses                | 348,875                  | 340,229             |
| Depreciation and amortization           | 187,093                  | 182,198             |
| Payments to other governments and taxes | 71,601                   | 69,729              |
| <b>Total operating expenses</b>         | <b>971,387</b>           | <b>923,454</b>      |
| <b>Operating income</b>                 | <b>145,536</b>           | <b>140,901</b>      |
| Net non-operating expenses              |                          |                     |
| Interest income                         | 32,762                   | 33,259              |
| Other income, net                       | 13,257                   | 9,079               |
| (Loss)/Gain on disposition of assets    | (4,209)                  | 75                  |
| Interest expense                        | (59,214)                 | (55,122)            |
| Generation decommissioning              | —                        | (4,721)             |
| <b>Total net non-operating expenses</b> | <b>(17,404)</b>          | <b>(17,430)</b>     |
| <b>Income before contributions</b>      | <b>128,132</b>           | <b>123,471</b>      |
| Contributions in aid of construction    | 39,281                   | 23,575              |
| Annual dividend                         | (76,879)                 | (74,489)            |
| <b>Increase in net position</b>         | <b>90,534</b>            | <b>72,557</b>       |
| <b>Net position - beginning of year</b> | <b>1,767,589</b>         | <b>1,695,032</b>    |
| <b>Net position - end of year</b>       | <b>\$ 1,858,123</b>      | <b>\$ 1,767,589</b> |

See Notes to the Financial Statements for additional information.

## STATEMENTS OF CASH FLOWS

| (Dollars in thousands)   | Years ended September 30 |                   |
|--|--------------------------|-------------------|
|  | 2025                     | 2024              |
| <b>Cash flows from operating activities</b>  |                          |                   |
| Cash received from customers   | \$ 1,146,378             | \$ 1,114,875      |
| Cash paid for fuel and purchased power   | (372,181)                | (349,247)         |
| Cash paid for unit/department expenses excluding salaries and benefits                 | (131,265)                | (111,840)         |
| Cash paid for salaries and benefits  | (224,806)                | (213,391)         |
| Cash (paid)/received for emergency response expenses                                   | (8,965)                  | 2,603             |
| Cash paid to other governments and taxes   | (68,181)                 | (76,525)          |
| <b>Net cash provided by operating activities</b>                                       | <b>340,980</b>           | <b>366,475</b>    |
| <b>Cash flows from non-capital related financing activities</b>                        |                          |                   |
| Dividend payment   | (76,879)                 | (74,489)          |
| Build America Bond interest subsidy received   | 1,887                    | 3,780             |
| <b>Net cash used in non-capital related financing activities</b>                       | <b>(74,992)</b>          | <b>(70,709)</b>   |
| <b>Cash flows from capital related financing activities</b>                            |                          |                   |
| Utility plant, net of contributions in aid of construction                             | (339,113)                | (348,358)         |
| Debt interest payments   | (60,698)                 | (74,326)          |
| Principal payments and refunding costs on long-term debt                               | (75,580)                 | (74,875)          |
| Debt issuances   | 200,759                  | 101,089           |
| Debt issuance expense  | (2,499)                  | (1,411)           |
| <b>Net cash used in capital related financing activities</b>                           | <b>(277,131)</b>         | <b>(397,881)</b>  |
| <b>Cash flows from investing activities</b>  |                          |                   |
| Proceeds from sales and maturities of investment securities                            | 488,178                  | 443,072           |
| Gain/(Loss) on sale of investments   | 142                      | (98)              |
| Purchases of investment securities   | (503,593)                | (404,980)         |
| Investments and other income received  | 90,876                   | 35,728            |
| <b>Net cash provided by investing activities</b>                                       | <b>75,603</b>            | <b>73,722</b>     |
| <b>Net increase/(decrease) in cash and cash equivalents</b>                            | <b>64,460</b>            | <b>(28,393)</b>   |
| <b>Cash and cash equivalents - beginning of year</b>                                   | <b>238,181</b>           | <b>266,574</b>    |
| <b>Cash and cash equivalents - end of year</b>   | <b>\$ 302,641</b>        | <b>\$ 238,181</b> |
| <b>Reconciliation of operating income to net cash provided by operating activities</b> |                          |                   |
| Operating income   | \$ 145,536               | \$ 140,901        |
| Adjustments to reconcile operating income to net cash provided by operating activities |                          |                   |
| Depreciation and amortization of plant charged to operations                           | 187,093                  | 182,198           |
| Depreciation and amortization charged to fuel for generation and purchased power       | 3,353                    | 2,173             |
| Depreciation of vehicles and equipment charged to unit/department expenses             | 2,587                    | 2,531             |
| Changes in assets and liabilities  |                          |                   |
| Increase in receivables and accrued revenue  | (6,414)                  | (133)             |
| Increase in fuel and materials and supplies inventories                                | (8,649)                  | (12,490)          |
| Increase/(Decrease) in accounts payable  | 2,517                    | (8,589)           |
| (Decrease)/Increase in deposits payable and liabilities                                | (7,514)                  | 868               |
| Increase in stabilization and deferred credits   | 22,471                   | 59,016            |
| <b>Net cash provided by operating activities</b>                                       | <b>\$ 340,980</b>        | <b>\$ 366,475</b> |
| <b>Reconciliation of cash and cash equivalents</b>                                     |                          |                   |
| Restricted and internally designated cash and cash equivalents                         | \$ 275,481               | \$ 193,786        |
| Unrestricted cash and cash equivalents   | 27,160                   | 44,395            |
| <b>Cash and cash equivalents - end of year</b>   | <b>\$ 302,641</b>        | <b>\$ 238,181</b> |
| <b>Non-cash investing, capital and financing activities</b>                            |                          |                   |
| Increase in donated utility plant assets   | \$ 4,919                 | \$ 4,011          |
| Increase in fair value of investments  | \$ 4,883                 | \$ 14,903         |
| (Decrease)/Increase in accounts payable related to utility plant purchases             | \$ (25,271)              | \$ 28,224         |

See Notes to the Financial Statements for additional information.

## STATEMENTS OF FIDUCIARY NET POSITION

| (Dollars in thousands)                | As of September 30 |                   |
|---------------------------------------|--------------------|-------------------|
|                                       | 2025               | 2024              |
| <b>Assets</b>                         |                    |                   |
| Investments                           |                    |                   |
| Cash and cash equivalents             | \$ 9,369           | \$ 19,714         |
| U.S. equity funds                     | 359,064            | 337,220           |
| Fixed income funds                    | 145,702            | 102,088           |
| International equity funds            | 114,073            | 118,060           |
| Real estate funds                     | 39,543             | 41,620            |
| Alternative investments               | 100,825            | 92,545            |
| Balanced mutual fund investments      | 6,460              | 5,980             |
| <b>Total investments</b>              | <b>775,036</b>     | <b>717,227</b>    |
| Receivables                           |                    |                   |
| Pending investment sales              | —                  | 49                |
| Benefits receivable                   | 49                 | 121               |
| Net interest and dividends receivable | 494                | 379               |
| <b>Total receivables</b>              | <b>543</b>         | <b>549</b>        |
| <b>Total assets</b>                   | <b>775,579</b>     | <b>717,776</b>    |
| <b>Liabilities</b>                    |                    |                   |
| Pending investment purchases          | 244                | 190               |
| Investment advisory fees payable      | 19                 | 20                |
| <b>Total liabilities</b>              | <b>263</b>         | <b>210</b>        |
| <b>Fiduciary net position</b>         | <b>\$ 775,316</b>  | <b>\$ 717,566</b> |

See Notes to Financial Statements for additional information.



## STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION

| (Dollars in thousands)   | Years ended September 30 |                   |
|--|--------------------------|-------------------|
|  | 2025                     | 2024              |
| <b>Additions</b>   |                          |                   |
| Contributions  |                          |                   |
| Employer   | \$ 16,693                | \$ 20,012         |
| Plan member  | 165                      | 182               |
| <b>Total contributions</b>                                       | <b>16,858</b>            | <b>20,194</b>     |
| Investment income, net of investment expense                     |                          |                   |
| Net increase in fair value of investments                        | 71,620                   | 116,392           |
| Interest, dividends and other income                             | 18,509                   | 18,128            |
| Investment expense   | (3,692)                  | (3,658)           |
| <b>Total investment income, net of investment expense</b>        | <b>86,437</b>            | <b>130,862</b>    |
| <b>Total additions</b>   | <b>103,295</b>           | <b>151,056</b>    |
| <b>Deductions</b>  |                          |                   |
| Benefit payments, including refunds of plan member contributions | 45,407                   | 45,307            |
| Administrative expenses, net of foreign tax withheld             | 138                      | 234               |
| <b>Total deductions</b>  | <b>45,545</b>            | <b>45,541</b>     |
| <b>Net increase in fiduciary net position</b>                    | <b>57,750</b>            | <b>105,515</b>    |
| <b>Fiduciary net position - beginning of year</b>                | <b>717,566</b>           | <b>612,051</b>    |
| <b>Fiduciary net position - end of year</b>                      | <b>\$ 775,316</b>        | <b>\$ 717,566</b> |

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 on the accrual basis of accounting 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/departments expenses, emergency response expenses, taxes and depreciation on capital assets. Net non-operating expenses include costs related to financing and investment and generation facility decommissioning (see Notes D and G), respectively. Contributions in aid of construction are primarily comprised of water system impact fees and electric customer contributions to provide services beyond the required obligation to serve.

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

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

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

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

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

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

**Note B – Summary of Significant Accounting Policies (continued)**

useful life, the consideration of FERC guidelines, the license period of the asset and the Board approved Path to Clean Energy Plan.

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

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

The consolidated average annual depreciation rate, inclusive of impairment expense, retirement obligations and regulatory actions, was 3.7 percent and 3.7 percent for 2025 and 2024, respectively. Depreciation is calculated using the following range of estimated lives:

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

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

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

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

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

The net customer receivable balance of \$89.2 million and \$89.7 million at September 30, 2025 and 2024, respectively, includes an allowance for uncollectible accounts of \$14.4 million and \$22.1 million, respectively. Included in net customer receivables were billings on behalf of the State and other local governments of \$11.9 million and \$11.1 million at September 30, 2025 and 2024, inclusive of an allowance for uncollectible accounts of \$2.3 million and \$2.9 million, respectively. Agency billings are not reflected in the Statements of Revenues, Expenses and Changes in Net Position. Bad debt expenses were \$1.7 million and \$2.4 million for the years ended September 30, 2025 and 2024, respectively.

As of September 30, 2025 and 2024, miscellaneous receivables were \$32.5 million and \$17.9 million, net of allowance for uncollectible accounts of \$2.5 million and \$3.0 million for the years ended September 30, 2025 and 2024, respectively.

## NOTES TO THE FINANCIAL STATEMENTS

### Note B – Summary of Significant Accounting Policies (continued)

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

| (Dollars in thousands)                 | 2025              | 2024              |
|--|-------------------|-------------------|
| <b>Customer receivables, net</b>       |                   |                   |
| Customer receivables                   | \$ 69,204         | \$ 73,607         |
| Wholesale receivables                  | \$ 8,041          | \$ 4,957          |
| Agency receivables                     | 11,940            | 11,148            |
| <b>Total customer receivables, net</b> | <b>89,185</b>     | <b>89,712</b>     |
| <b>Miscellaneous receivables, net</b>  | <b>32,483</b>     | <b>17,890</b>     |
| <b>Total accounts receivable, net</b>  | <b>\$ 121,668</b> | <b>\$ 107,602</b> |

**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 \$50.9 million and \$47.3 million at September 30, 2025 and 2024, respectively, including unbilled electric fuel revenues in the amount of \$15.1 million and \$12.3 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, 2025 and 2024 was \$40.7 million and \$33.1 million, respectively.

**Materials and supplies inventory, net:** Materials and supplies are reported at average cost; in 2025, OUC changed its inventory valuation method from standard cost to average cost, which had no material impact on the financial statements. Materials and supplies inventory at September 30, 2025 and 2024 was \$85.3 million and \$74.5 million, including an allowance for obsolescence of \$23.6 million and \$22.9 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, 2025 and 2024 were \$7.7 million and \$12.1 million, respectively.

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

| (Dollars in thousands)              | 2025              | 2024              |
|-------------------------------------|-------------------|-------------------|
| <b>Other long-term assets</b>       |                   |                   |
| Contractual custodial asset rights  | \$ 95,879         | \$ 99,537         |
| Employee benefit plan other assets  | 52,572            | 17,783            |
| Long-term prepaid expenses          | 19,249            | 14,919            |
| <b>Total other long-term assets</b> | <b>\$ 167,700</b> | <b>\$ 132,239</b> |

**Hedging derivative instruments:** All effective derivative instruments were included in the Statements of Net Position as either an asset or liability measured at fair value. Changes in the fair value of the hedging derivative instruments during the year were deferred and recognized in the period in which the derivative was settled. Ineffective derivative instruments are expensed in the period in which they are deemed ineffective or evaluated for deferral as a Board approved regulatory asset. The settlement of fuel and financial related hedging derivative instruments were included in fuel for generation and purchased power and interest expenses, respectively, in the Statements of Revenues, Expenses and Changes in Net Position. The asset value of hedging derivatives were \$17.2 million and \$19.7 million and the liability value for the hedging derivatives were \$4.4 million and \$8.5 million at September 30, 2025 and 2024, respectively (see Note M).

**Lease receivables:** OUC provides lease rights for land, building and equipment to third parties without the transfer of ownership for periods greater than one year. The rights associated with these leases are required to be recognized at their net present value using OUC's incremental borrowing rate or in accordance with the lease terms. The value of these lease receivables were \$14.5 million and \$15.3 million at September 30, 2025 and 2024, respectively. Revenues recognized in conjunction with these long-term lease receivables were \$0.6 million and \$0.7 million for the years ended September 30, 2025 and 2024, respectively. Interest revenues related to these receivables were \$0.4 million for both years.

## Note B – Summary of Significant Accounting Policies (continued)

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

| (Dollars in thousands)           | 2025             | 2024             |
|----------------------------------|------------------|------------------|
| <b>Right of use assets</b>       |                  |                  |
| Land                             | \$ 11,705        | \$ 12,292        |
| Vehicles                         | 10,769           | 10,848           |
| SBITA                            | 17,509           | 15,256           |
| Other                            | 554              | 554              |
| <b>Total right of use assets</b> | <b>40,537</b>    | <b>38,950</b>    |
| <b>Accumulated amortization</b>  | <b>(20,977)</b>  | <b>(18,491)</b>  |
| <b>Right of use assets, net</b>  | <b>\$ 19,560</b> | <b>\$ 20,459</b> |

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

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

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

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

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

| (Dollars in thousands)                             | 2025             | 2024              |
|--|------------------|-------------------|
| Supplier payables                                  | \$ 47,639        | \$ 85,727         |
| Fuel and purchased power payables                  | 25,429           | 22,143            |
| Margin advances on fuel hedge derivatives          | 13               | 1,475             |
| Emergency response supplier payables               | 205              | 150               |
| Other accounts payable and accrued expenses        | 8,653            | 8,862             |
| Accrued self-insurance expenses                    | 6,158            | 4,977             |
| <b>Total accounts payable and accrued expenses</b> | <b>\$ 88,097</b> | <b>\$ 123,334</b> |

**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, 2025 and 2024 were \$27.0 million and \$25.2 million, respectively.



## NOTES TO THE FINANCIAL STATEMENTS

### Note B – Summary of Significant Accounting Policies (continued)

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

- **ARO:** Asset retirement obligations have been accrued for St. Lucie Unit 2 (SL2) nuclear generation facility and the closure and post-closure requirements for the SEC and MC3 landfills.
  - In accordance with the results of the approved Florida Public Service Commission (FPSC) report provided by the owner-operator, OUC's 6.09 percent minority ownership interest and the license maturity period of 2043 for SL2, an ARO estimate for the decommission of this facility is accrued. The most recent study completed for the period ending December 31, 2020, presented in 2020 dollars, estimated OUC's ARO commitment to be \$45.6 million or \$13.2 million lower than projected based on the previous report. Based on these updated results, the ARO was \$52.9 million and \$51.2 million with restricted assets of \$49.5 million and \$47.7 million, at September 30, 2025 and 2024, respectively (see Note E).
  - In conjunction with new State of Florida requirements under the Coal Combustion Residual rules and OUC's 70.07 percent majority ownership interest, asset retirement obligations for the closure and post-closure landfill costs at SEC were modified. At September 30, 2025 and 2024, OUC's accrued ARO for the landfill closure and post-closure costs were \$35.4 million and \$39.8 million, respectively. In accordance with Board action, the recognition of these costs were deferred and are included as a component of the regulatory assets (see Note G).
  - The ARO for the landfill closure and post-closure costs at MC3, decommissioned in April 2021, were accrued in the amount of \$2.2 million and \$1.7 million at September 30, 2025 and 2024, respectively, and included in the regulatory asset (see Note G).
- **Accrued contributions in aid of construction:** These amounts represent funds received from developers and customers beyond OUC's duty to serve. As projects are completed, contributions are recognized as revenue and at September 30, 2025 and 2024 accrued contributions in aid of construction were \$31.6 million and \$47.8 million, respectively.
- **Accrued environmental liabilities:** OUC records environmental liabilities when it is probable that an obligation has been incurred and the amount can be reasonably estimated, including obligations related to remediation, monitoring, or oversight of environmental matters. Accrued environmental liabilities at September 30, 2025 and 2024 were \$8.5 million and \$8.3 million, respectively.
- **Other liabilities:** Other liabilities represent miscellaneous obligations arising from normal operations that are not individually significant and are recorded in accordance with generally accepted accounting principles. Other liabilities at September 30, 2025 and 2024 were \$30.3 million and \$23.2 million, respectively.

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

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

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

As a matter of practice, OUC applies restricted resources to eligible expenditures before utilizing unrestricted resources, when permitted by applicable legal and contractual requirements.

#### **Reclassification of Prior-Year Net Position:**

In 2025, certain prior-year amounts have been reclassified among certain net position categories. This reclassification did not affect total net position.

**Note B – Summary of Significant Accounting Policies (continued)****Implementation of New GASB Accounting Standards****Fiscal year 2025:**

In December 2023, the GASB issued Statement No. 102, "Certain Risk Disclosures," (Statement No. 102) addressing a variety of risks that could negatively affect the level of service they provide or their ability to meet obligations as they come due. Although governments are required to disclose information about their exposure to some of those risks, essential information about other risks that are prevalent among state and local governments is not routinely disclosed because it is not explicitly required. The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. This statement had no effect on the financial statements.

**Fiscal year 2024:**

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

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

**Future GASB Accounting Standard Implementations**

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

In September 2024, the GASB issues Statement No. 104, "Disclosure of Certain Capital Assets," (Statement No. 104) which requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement 34. Lease assets recognized in accordance with Statement No. 87, Leases, and intangible right-to-use assets recognized in accordance with Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements, should be disclosed separately by major class of underlying asset in the capital as-sets note disclosures. Subscription assets recognized in accordance with Statement No. 96, Subscription-Based Information Technology Arrangements, also should be separately disclosed. In addition, this Statement requires intangible assets other than those three types to be disclosed separately by major class. This Statement also requires additional disclosures for capital assets held for sale. A capital asset is a capital asset held for sale if the government has decided to pursue the sale of the capital asset and it is probable that the sale will be finalized within one year of the financial statement date. Governments should consider relevant factors to evaluate the likelihood of the capital asset being sold within the established time frame. This Statement requires that capital assets held for sale be evaluated each reporting period. Governments should disclose the ending balance of capital assets held for sale, with separate disclosure for historical cost and accumulated depreciation by major class of asset, and the carrying amount of debt for which the capital assets held for sale are pledged as collateral for each major class of asset. The effective date of this standard is for the period beginning after June 15, 2025 and management has yet to determine the impact, if any, to the financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

### Note C – Utility Plant

Activities for the years ended September 30, 2025 and 2024 were as follows:

| Utility Plant (Net)<br>(Dollars in thousands) | 2024                | Additions         | Transfers      | Retirements/<br>Reclassifications | 2025                |
|---|---------------------|-------------------|----------------|-----------------------------------|---------------------|
| Utility plant                                 |                     |                   |                |                                   |                     |
| Electric                                      | \$ 3,734,906        | \$ 15,551         | \$ 148,144     | \$ (18,993)                       | \$ 3,879,608        |
| Water   | 719,836             | 4,689             | 18,337         | (340)                             | 742,522             |
| Chilled Water                                 | 119,806             | —                 | 585            | —                                 | 120,391             |
| Lighting                                      | 138,623             | —                 | 12,443         | 40                                | 151,106             |
| Shared/Customer Service                       | 259,575             | 1,467             | 87,325         | (1,279)                           | 347,088             |
| Total utility plant                           | <b>4,972,746</b>    | <b>21,707</b>     | <b>266,834</b> | <b>(20,572)</b>                   | <b>5,240,715</b>    |
| Accumulated depreciation                      |                     |                   |                |                                   |                     |
| Electric                                      | (2,084,155)         | (126,694)         | (33)           | 2,616                             | (2,208,266)         |
| Water   | (342,180)           | (19,529)          | (4)            | 828                               | (360,885)           |
| Chilled Water                                 | (72,004)            | (2,837)           | —              | —                                 | (74,841)            |
| Lighting                                      | (74,478)            | (6,192)           | —              | —                                 | (80,670)            |
| Shared/Customer Service                       | (174,550)           | (21,401)          | 37             | 792                               | (195,122)           |
| Total accumulated depreciation                | <b>(2,747,367)</b>  | <b>(176,653)</b>  | <b>—</b>       | <b>4,236</b>                      | <b>(2,919,784)</b>  |
| Total depreciable utility plant, net          | 2,225,379           | (154,946)         | 266,834        | (16,336)                          | 2,320,931           |
| Land and other non-depreciable assets         | 139,240             | 1,180             | (12,782)       | (27,571)                          | 100,067             |
| Construction work in progress                 | 622,988             | 314,929           | (254,052)      | (513)                             | 683,352             |
| Utility plant, net                            | <b>\$ 2,987,607</b> | <b>\$ 161,163</b> | <b>\$ —</b>    | <b>\$ (44,420)</b>                | <b>\$ 3,104,350</b> |

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

## Note D – Generation Resources

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

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

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

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

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

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

|   | Operational year | Nameplate capacity | OUC undivided ownership interest | Net OUC megawatt capacity | Fuel source     |
|---|------------------|--------------------|----------------------------------|---------------------------|-----------------|
| <b>Wholly owned and operated</b>          |                  |                    |                                  |                           |                 |
| Stanton Unit B (SEC Unit B)               | 2010             | 333                | 100.00%                          | 333                       | Natural gas     |
| Osceola Generating Station (OGS)          | 2022             | 591                | 100.00%                          | 591                       | Natural gas/Oil |
| <b>Jointly owned and operated</b>         |                  |                    |                                  |                           |                 |
| Indian River (IRP - A&B)                  | 1989             | 83                 | 48.80%                           | 40                        | Natural gas     |
| Indian River (IRP - C&D)                  | 1992             | 260                | 79.00%                           | 205                       | Natural gas     |
| Stanton Unit 1 (SEC Unit 1)               | 1987             | 465                | 68.55%                           | 319                       | Coal            |
| Stanton Unit 2 (SEC Unit 2)               | 1996             | 465                | 71.59%                           | 333                       | Coal            |
| <b>Jointly owned and non-OUC operated</b> |                  |                    |                                  |                           |                 |
| Stanton Unit A (SEC Unit A)               | 2003             | 688                | 28.00%                           | 193                       | Natural gas     |
| St. Lucie Unit 2 (SL2)                    | 1983             | 1080               | 6.09%                            | 66                        | Nuclear         |
| <b>Power purchase agreements</b>          |                  |                    |                                  |                           |                 |
| Stanton Unit A (SEC Unit A)               | 2003, 2024       | n/a <sup>1</sup>   | n/a <sup>1</sup>                 | 427                       | Natural gas     |
| Solar                                     | 2011-2024        | n/a <sup>1</sup>   | n/a <sup>1</sup>                 | 272                       | Solar           |
| Landfill Gas                              | 2011-2017        | n/a <sup>1</sup>   | n/a <sup>1</sup>                 | 19                        | Landfill gas    |

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS

### 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:

| (Dollars in thousands) | 2025                |                          |                   | 2024                |                          |                   |
|------------------------|---------------------|--------------------------|-------------------|---------------------|--------------------------|-------------------|
|                        | Utility plant       | Accumulated depreciation | Net book value    | Utility plant       | Accumulated depreciation | Net book value    |
| SEC Unit B             | \$ 323,213          | \$ 171,066               | \$ 152,147        | \$ 312,019          | \$ 157,868               | \$ 154,151        |
| SEC Unit 2             | 535,677             | 297,108                  | 238,569           | 437,651             | 284,477                  | 153,174           |
| SL2                    | 235,989             | 124,981                  | 111,008           | 229,025             | 118,977                  | 110,048           |
| OGS                    | 101,665             | 10,057                   | 91,608            | 93,501              | 5,272                    | 88,229            |
| SEC Common             | 268,671             | 181,406                  | 87,265            | 267,446             | 193,904                  | 73,542            |
| SEC Unit A             | 113,201             | 83,819                   | 29,382            | 112,052             | 78,056                   | 33,996            |
| IRP                    | 79,064              | 59,956                   | 19,108            | 72,440              | 58,247                   | 14,193            |
| SEC Unit 1             | 323,873             | 323,873                  | —                 | 318,921             | 304,572                  | 14,349            |
| <b>Total</b>           | <b>\$ 1,981,353</b> | <b>\$ 1,252,266</b>      | <b>\$ 729,087</b> | <b>\$ 1,843,055</b> | <b>\$ 1,201,373</b>      | <b>\$ 641,682</b> |

### 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 \$265.7 million and \$213.9 million of investments held in money market funds and QPD accounts that were exposed to this risk as of September 30, 2025 and 2024, 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.



## NOTES TO THE FINANCIAL STATEMENTS

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

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

| Investment type<br>(Dollars in thousands)      | 2025 |                | 2024 |                |
|--|------|----------------|------|----------------|
| Money market mutual funds                      |      |                |      |                |
| Principal Money Market                         | \$   | 89,711 9.7 %   | \$   | 2,011 0.2 %    |
| U.S. Agencies                                  |      |                |      |                |
| Federal Home Loan Mortgage Corporation         | \$   | 29,911 3.2 %   | \$   | 44,116 5.4 %   |
| Federal Home Loan Banks                        | \$   | 147,416 16.0 % | \$   | 165,040 20.2 % |
| Federal Farm Credit Banks                      | \$   | 60,741 6.6 %   | \$   | 106,219 13.0 % |
| Local government surplus funds investment pool |      |                |      |                |
| Florida FIT                                    | \$   | 25,227 2.7 %   | \$   | 54,059 6.6 %   |
| Florida State Board of Administration          | \$   | 116,520 12.6 % | \$   | 104,266 12.8 % |
| U.S. Treasury Notes                            | \$   | 265,998 28.8 % | \$   | 133,556 16.4 % |

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, |      |
|---|--|-----------------------------|--------------------------------------|------|
|   |  |                             | 2025                                 | 2024 |
| U.S. Agencies                                     | Indebtedness issued by government-sponsored enterprises (GSE), which are non-full faith and credited by the United States Government.  | 100%                        | 27%                                  | 42%  |
| U.S. Treasury notes                               | Direct obligations that are unconditionally guaranteed by the United States Government.  | 100%                        | 29%                                  | 16%  |
| Corporate notes and multi-national sovereign debt | Minimum rating of "A3" / "A-" by at least two nationally recognized rating agencies.   | 35%                         | 5%                                   | 9%   |
| 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%                         | 13%                                  | 4%   |
| Depository accounts                               | Investments held by or purchased from institutions certified with the Florida Security of Public Deposits Act, Chapter 280 of the Florida Statutes.  | 30%                         | 3%                                   | 3%   |
| Local government surplus funds investment pool 1  | Qualified under the laws of the State of Florida with no limitations or restrictions on withdrawals.   | 25%                         | 15%                                  | 19%  |
| Municipal notes                                   | Minimum "A" rating by a nationally recognized rating agency.   | 25%                         | 0%                                   | 2%   |
| Commercial paper                                  | Minimum rating of "A-1", "P-1" and "F1" by at least two nationally recognized rating agencies.   | 20%                         | 8%                                   | 4%   |
| Bankers acceptances                               | Inventory based with an unsecured, uninsured and unguaranteed obligation rating of at least "P-1" and "A", and "A-1" and "A" by Moody's and S&P, respectively. Bank must be ranked in the top 100 banks.   | 10%                         | —%                                   | —%   |
| Certificates of deposit                           | Investments held by or purchased from institutions certified with the Florida Security of Public Deposits Act, Chapter 280 of the Florida Statutes.  | 5%                          | —%                                   | —%   |
| Repurchase and reverse repurchase agreements      | Secured transactions executed under a master repurchase agreement with collateral limited to direct governmental and agency obligations with terms of less than 10 years and held and maintained by a third-party trust at a market value of 102% of the cash value. | 50% and 20%, respectively   | —%                                   | —%   |

<sup>1</sup> 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.

## NOTES TO THE FINANCIAL STATEMENTS

### 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<br>Moody's Investors Service/Standard<br>& Poor's/Fitch Ratings | 2025 | 2024 |
|---|--|------|------|
| U.S. Treasury notes                               | Aa1 / AA+  | 1.33 | 1.01 |
| Corporate notes and multi-national sovereign debt | AA-, A / Aa2, A2 / AA-, A+   | 0.83 | 1.00 |
| U.S. Agencies                                     | AA+ / Aa1 / AA+  | 1.62 | 0.86 |
| Municipal notes                                   | AA+ - A / Aaa - A3 / AAA   | —    | 0.58 |
| Commercial paper                                  | A-1 / P-1 / F1+, F1  | 0.25 | —    |

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

| (Dollars in thousands)   | 2025              | 2024              |
|--|-------------------|-------------------|
| <b>Cash and cash equivalents</b>   |                   |                   |
| Local government investment pool   | \$ 141,748        | \$ 182,590        |
| Money market mutual funds  | 122,711           | 35,011            |
| Depository accounts  | 28,262            | 20,580            |
| Commercial paper   | 9,920             | —                 |
| <b>Total cash and cash equivalents</b>   | <b>302,641</b>    | <b>238,181</b>    |
| <b>Investments</b>   |                   |                   |
| U.S. Agencies  | 251,157           | 343,076           |
| U.S. Treasury notes  | 265,998           | 133,556           |
| Corporate notes and multi-national sovereign debt  | 44,383            | 75,311            |
| Commercial paper   | 61,353            | 35,000            |
| Municipal notes  | —                 | 15,647            |
| <b>Total investments</b>   | <b>622,891</b>    | <b>602,590</b>    |
| <b>Total cash, cash equivalents and investments</b>                                      | <b>\$ 925,532</b> | <b>\$ 840,771</b> |
| <b>Restricted assets</b>   |                   |                   |
| Construction funds   | \$ 94,257         | \$ 75,014         |
| Nuclear generation facility decommissioning funds  | 49,452            | 47,697            |
| Debt service reserve   | 110,333           | 99,333            |
| Renew and replacement fund   | 104,164           | 59,466            |
| Deposits and advances  | 81,902            | 75,874            |
| <b>Total restricted assets</b>   | <b>440,108</b>    | <b>357,384</b>    |
| <b>Internally designated assets</b>  |                   |                   |
| Capital reserve  | 83,795            | 103,795           |
| Fuel reserves  | 89,387            | 93,655            |
| Electric base and water rate reserves  | 130,505           | 87,034            |
| Path to Alternative Water Sources reserves   | 85,257            | 86,295            |
| Path to Clean Energy reserves  | 40,852            | 60,827            |
| Self-insurance fund and excess benefit plan funds  | 24,713            | 23,605            |
| <b>Total internally designated assets</b>  | <b>454,509</b>    | <b>455,211</b>    |
| <b>Total restricted and internally designated assets</b>                                 | <b>894,617</b>    | <b>812,595</b>    |
| <b>Cash and investments</b>  | <b>31,705</b>     | <b>28,766</b>     |
| <b>Less accrued interest receivable from restricted and internally designated assets</b> | <b>(790)</b>      | <b>(590)</b>      |
| <b>Total cash, cash equivalents and investments</b>                                      | <b>\$ 925,532</b> | <b>\$ 840,771</b> |
| <b>Days cash on hand</b>   | <b>284</b>        | <b>275</b>        |

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

### Fiduciary Activities

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

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

- **Interest rate risk:** The investment policy limits holdings of the Trusts based on investment type and credit strength and entrusts the Trustees and the Trusts' investment advisor to execute transactions in accordance with the "prudent person" rule requiring the evaluation of current market conditions to ensure overall interest rate risks that might adversely affect the portfolio value are mitigated.
- **Custodial credit risk:** This risk is mitigated as all investment assets are maintained in the name of the Trusts and not in the possession or title of a third party.
- **Credit and concentration risk:** These risks are mitigated by providing specific guidance as to the weighting and integrity of the deposit and investment instruments other than those investments in mutual funds, collective trusts, limited partnerships or other alternative investment vehicle, U.S. Treasury obligations, U.S. Agency obligations and accounts insured by the Federal Deposit Insurance Corporation, as well as the execution of these transactions by the Trustees in accordance with the "prudent person" rule. At September 30, 2025 and 2024 there were no individually-held investments that made up more than 5.0 percent of the Trusts' portfolio.
- **Foreign and digital currency risk:** The Trusts do not hold any investments denominated in a foreign or digital currency, although it is exposed to foreign currency risk through its U.S. dollar-denominated international equity mutual funds and collective trusts, including those in private limited partnerships.
- **Liquidity risk:** This risk is mitigated by limiting the amount of real estate and alternative assets held in commingled funds, private limited partnerships or private equity structures to 15.0 percent each. All other securities within the plans must be traded on a national exchange or be in an open ended mutual fund or commingled fund structure. These funds typically have daily liquidity and always have no lock up provisions that would prevent the plans from selling them as needed.

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

| Asset class                | Benchmark                       | Pension allocation |         | OPEB allocation |         |
|----------------------------|---------------------------------|--------------------|---------|-----------------|---------|
|                            |                                 | 2025 - 2024        |         | 2025 - 2024     |         |
| Domestic Equity Securities | Russell 3000                    | 33%-43%            | 38%-48% | 33%-53%         | 38%-58% |
| Foreign Equity Securities  | MSCI-ACWxUS                     | 10%-20%            |         | 10%-20%         |         |
| Bank Loans                 | S&P / LSTA Leveraged Loan       | 0%-5%              |         | 0%-5%           |         |
| Cash & Cash Equivalents    |                                 | 0%-10%             |         | 0%-10%          |         |
| Global Fixed Income        | Barclays Global Aggregate ex US | 0%-5%              |         | 0%-5%           |         |
| Real Estate                | NCREIF ODCE Eq-Wt               | 5%-15%             |         | 0%-10%          |         |
| Domestic Fixed Income      | Barclays US Aggregate Bond      | 7%-27%             | 2%-22%  | 7%-27%          | 2%-22%  |
| Alternative Assets         | Strategy Index                  | 0%-25%             |         | 0%-25%          |         |

## NOTES TO THE FINANCIAL STATEMENTS

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

**Rate of return:** The annual money-weighted rate of return on pension plan investments, net of plan investment expense resulted in a gain of 11.7 percent and 21.1 percent for the years ended September 30, 2025 and 2024, respectively. The annual money-weighted rate of return on OPEB plan investments, net of plan investment expense resulted in a gain of 13.3 percent and 24.4 percent for the years ended September 30, 2025 and 2024, 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 <sup>1</sup> | 2025 | 2024 |
|--|------------------------------------|------|------|
| <b>Pension trust</b>                         |                                    |      |      |
| Garcia Hamilton                              |                                    |      |      |
| U.S. government bonds and treasury bills     | AA+                                | 4.2  | 11.4 |
| Corporate bonds                              | A                                  | 4.4  | 6.2  |
| Mortgage-backed securities                   | AA+                                | 16.6 | 9.7  |
| PIMCO Div Inc Bond Fund                      | BB                                 | 8.5  | 8.5  |
| Met West Total Return Bond Fund              | BBB                                | 7.9  | 7.6  |
| Pacific Funds Floating Rate Income           | B                                  | 4.3  | 4.4  |
| <b>OPEB trust</b>                            |                                    |      |      |
| Garcia Hamilton                              |                                    |      |      |
| U.S. government bonds and treasury bills     | AA+                                | 4.2  | 11.1 |
| Corporate bonds                              | A                                  | 4.4  | 6.2  |
| Mortgage-backed securities                   | AA+                                | 16.4 | 8.4  |
| PIMCO Div Inc Bond Fund                      | BB                                 | 8.5  | 8.5  |
| Met West Total Return Bond Fund              | BBB                                | 7.9  | 7.6  |
| Pacific Funds Floating Rate Income           | B                                  | 4.3  | 4.4  |

<sup>1</sup> Average credit rating of underlying assets as assigned by Standard & Poor's.

## Note F – Fair Value Measurements

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

### OUC Utility Operations

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

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

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

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

Donated capital assets are measured at acquisition value and excluded from the following fair value table. Acquisition value is the price that would be paid to acquire an asset with equivalent service potential in an orderly market transaction at the acquisition date or the amount at which a liability could be liquidated with the counterparty at the acquisition date. The donated capital assets acquisition value for water infrastructure received from developers and customers were included as contributions in aid of construction in the Statements of Revenues, Expenses and Changes in Net Position and were \$4.9 million and \$4.1 million for the years ended September 30, 2025 and 2024, respectively.



## NOTES TO THE FINANCIAL STATEMENTS

### Note F – Fair Value Measurements (continued)

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

| <b>(Dollars in thousands)</b>                                | <b>2025</b>       | <b>2024</b>       |
|--|-------------------|-------------------|
| <b>Cash equivalents and investments</b>                      |                   |                   |
| <b>Investments by fair value level:</b>                      |                   |                   |
| Debt securities  |                   |                   |
| Level 1  |                   |                   |
| U.S. Treasury notes  | \$ 206,052        | \$ 65,094         |
| Level 2  |                   |                   |
| U.S. agencies  | 251,157           | 225,735           |
| Corporate notes and multi-national sovereign debt            | 44,383            | 75,311            |
| Municipal notes  | —                 | 15,650            |
| <b>Total Level 2</b>   | <b>295,540</b>    | <b>316,696</b>    |
| <b>Total investments by fair value level</b>                 | <b>501,592</b>    | <b>381,790</b>    |
| <b>Investments measured at the amortized cost:</b>           |                   |                   |
| Debt securities  |                   |                   |
| U.S. Agencies  | —                 | 117,338           |
| U.S. Treasury notes  | 59,946            | 68,462            |
| Commercial paper   | 61,353            | 35,000            |
| <b>Total investments measured at the amortized cost</b>      | <b>121,299</b>    | <b>220,800</b>    |
| <b>Cash equivalents measured at the amortized cost:</b>      |                   |                   |
| Local government investment pool                             | 141,748           | 158,324           |
| Money market mutual funds                                    | 122,711           | 35,011            |
| Depository accounts  | 28,262            | 44,846            |
| Debt securities  |                   |                   |
| Commercial paper   | 9,920             | —                 |
| <b>Total cash equivalents measured at the amortized cost</b> | <b>302,641</b>    | <b>238,181</b>    |
| <b>Total cash equivalents and investments</b>                | <b>\$ 925,532</b> | <b>\$ 840,771</b> |
| <b>Derivatives:</b>  |                   |                   |
| Level 1  |                   |                   |
| Fuel hedge derivatives                                       | \$ 4,386          | \$ 6,824          |
| Level 2  |                   |                   |
| Interest rate swaps  | 9,098             | 8,636             |
| <b>Total derivatives</b>                                     | <b>\$ 13,484</b>  | <b>\$ 15,460</b>  |

## Note F – Fair Value Measurements (continued)

### Fiduciary Activities

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

- **Real estate investments** were stated at the net asset value, with annual valuations performed by independent third-party appraisers for each property in the portfolio, considering monthly events that impact property value.
- **Alternative investments** were stated at the net asset value or quoted market price based on the composition of the fund as calculated by the fund advisor. The unfunded commitments related to alternative investments as of September 30, 2025 and 2024 were \$40.2 million and \$38.9 million, respectively.

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

| (Dollars in thousands)  | 2025              | 2024              |
|---|-------------------|-------------------|
| <b>Cash equivalents and investments by fair value level:</b>                        |                   |                   |
| Level 1   |                   |                   |
| Debt securities   |                   |                   |
| U.S. Treasury notes   | \$ 23,789         | \$ 12,282         |
| Mutual funds  |                   |                   |
| Fixed income  | 77,372            | 49,789            |
| U.S. equity   | 220,090           | 178,243           |
| International equity  | 114,073           | 118,060           |
| Balanced  | 6,460             | 5,980             |
| U.S. equity   | 124,674           | 138,096           |
| <b>Total Level 1</b>  | <b>566,458</b>    | <b>502,450</b>    |
| Level 2   |                   |                   |
| U.S. Agencies   | 23,064            | 14,845            |
| Corporate notes and private placements  | 2,205             | 2,891             |
| U.S. equity   | 14,300            | 20,881            |
| Mutual funds - fixed income   | 19,272            | 22,281            |
| <b>Total Level 2</b>  | <b>58,841</b>     | <b>60,898</b>     |
| <b>Total investments by fair value level</b>  | <b>625,299</b>    | <b>563,348</b>    |
| <b>Other investments and cash equivalents measured at the net asset value:</b>      |                   |                   |
| Alternative investments   | 100,825           | 92,545            |
| Mutual funds - real estate  | 39,543            | 41,620            |
| Money market  | 9,369             | 19,714            |
| <b>Total other investments and cash equivalents measured at the net asset value</b> | <b>149,737</b>    | <b>153,879</b>    |
| <b>Total cash equivalents and investments</b>                                       | <b>\$ 775,036</b> | <b>\$ 717,227</b> |

## 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 actions in response to non-budgeted operating costs or changes in accounting guidance which were and will continue to be included in the rate-making process in future periods.

- **Long-term employee benefit expenses:** Board action was taken in 2019 to defer other postemployment benefits (OPEB) actuarially determined credits to offset the regulatory asset with no impact to current operating expenses. In 2022, a similar action was taken to defer pension actuarially determined credits with a modification to allow for the continued recognition of pension expenses at an amount equivalent to the annual member service costs. Combined regulatory amounts for long-term employee benefits were \$13.6 million and \$23.9 million, at September 30, 2025 and 2024, respectively.
- **Emergency response expenses:** Emergency response expenses were incurred in conjunction with unplanned major events including weather and other historic emergency response events such as the COVID-19 pandemic. Regulatory action is taken to defer expenses which are expected to be reimbursed by Federal Emergency Management Agency (FEMA) funding. Once funding is approved by federal and state agencies, the regulatory asset is reclassified to accounts receivable pending the receipt of approved funds. At September 30, 2025 and 2024, regulatory assets for emergency response expenses were \$14.7 million and \$7.5 million, respectively.
- **ARO expenses:** ARO expenses for the SL2 nuclear generation facility are based on the difference between the decommissioning accretion expense and the earnings on the associated restricted decommissioning funds as these amounts are anticipated to be offset over the long-term. To date, ARO expenses exceed the investment earnings, resulting in a regulatory asset at September 30, 2025 and 2024 of \$3.2 million and \$2.6 million, respectively.

ARO expenses were deferred and approved by the Board to be recognized over a ten year period beginning in 2023 for closure and post-closure costs for the SEC landfill. The regulatory amounts for these closure and post-closure costs were \$23.9 million and \$27.3 million at September 30, 2025 and 2024, 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.

- **Unrealized investment valuations:** Mark-to-market valuation changes for investments with a maturity of one year or greater are deferred. At September 30, 2025 and 2024, these unrealized investment valuations resulted in a deferred loss of \$0.0 million and \$4.5 million, respectively.
- **Loss on disposition of assets:** Certain costs associated with the disposition of utility assets are deferred and recovered through rates in accordance with the rate-making model. At September 30, 2025 and 2024, the deferred loss on disposition of assets was \$0.0 million and \$4.3 million, respectively.

## Note G – Regulatory Deferrals (continued)

### Regulatory Credits

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

- **Fuel reserves:** Fuel reserves were established in accordance with guidelines from the Public Utilities Regulatory Policies Act of 1978 and represent the difference between the fuel costs charged to customers. The amount of fuel reserves at September 30, 2025 and 2024 were \$104.4 million and \$105.9 million, including unbilled fuel revenues in the amount of \$15.1 million and \$12.3 million, respectively.
- **Path to Clean Energy reserves:** In 2023, Board action was taken to reclassify a portion of base rate and capital reserves to align with the Capital Plan requirements of the Path to Clean Energy strategic initiative. Additionally effective October 1, 2023, Board approved electric retail prices changes of up to a 1.0 percent of retail electric revenues in alignment with the adopted 2020 Electric Integrated Resource Plan to meet the CO<sub>2</sub> reduction goal of 50 percent fewer emissions by 2030. These amounts will be deferred to offset future revenue requirements associated with the Path to Clean Energy strategic roadmap. The amount of Path to Clean Energy reserves at September 30, 2025 and 2024 were \$98.8 million and \$92.9 million, respectively.
- **Base rate reserves:** Rate reserves are designed to maintain stable electric and water customer pricing with target ranges reviewed and approved annually by the Audit-Finance Committee. Base rate reserves at September 30, 2025 and 2024 were \$130.5 million and \$87.0 million, respectively.
- **Capital reserves:** In accordance with the Board's Capital Asset Disposal policy, the sale of capital assets in excess of \$0.5 million resulting in a gain are required to be deferred and recognized systematically over a period consistent with the lives of the assets with which they are associated. Capital reserves from the sale of assets and any forfeited land escrow deposits were \$24.3 million and \$6.5 million at September 30, 2025 and 2024, respectively.

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

- **Unrealized investment valuations:** In 2024, interest rate increases led to the interest rate swap for the Series 2015B Variable Rate Demand Obligation Bonds being classified as ineffective under accounting guidelines. Because OUC intends to retain the swap for the duration of the bonds, Board-action was taken to continue deferring the swap's fair market value. At September 30, 2025 and 2024, unrealized investment valuations resulted in a deferred gain of \$9.5 million and \$8.6 million, respectively.

In conjunction with the recording of these regulatory operating credits, the Board internally designated funds in the amount of \$260.7 million and \$241.5 million at September 30, 2025 and 2024, respectively.

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

| (Dollars in thousands)          | 2025                | 2024                |
|---------------------------------|---------------------|---------------------|
| <b>Regulatory assets</b>        |                     |                     |
| Deferred operating expenses     | \$ 55,342           | \$ 65,585           |
| Deferred non-operating expenses | —                   | 4,528               |
| <b>Total regulatory assets</b>  | <b>\$ 55,342</b>    | <b>\$ 70,113</b>    |
| <b>Regulatory credits</b>       |                     |                     |
| Deferred operating income       | \$ (357,988)        | \$ (292,309)        |
| Deferred non-operating income   | (9,453)             | (8,636)             |
| <b>Total regulatory credits</b> | <b>\$ (367,441)</b> | <b>\$ (300,945)</b> |

## NOTES TO THE FINANCIAL STATEMENTS

### Note H – Long-Term Debt

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

| Bond series<br>(Dollars in thousands) | Final<br>principal<br>payment | Interest rates (%)           | 2024                | Additions<br>during<br>year | Decreases<br>during year | 2025                | Current<br>portion |
|---------------------------------------|-------------------------------|------------------------------|---------------------|-----------------------------|--------------------------|---------------------|--------------------|
| 2012A                                 | 2027                          | 4.00 - 5.00%                 | \$ 31,340           | \$ —                        | \$ 15,155                | \$ 16,185           | \$ 15,175          |
| 2013A                                 | 2025                          | 5.00%                        | 103,745             | —                           | 51,980                   | 51,765              | 51,765             |
| 2015A                                 | 2035                          | 5.00%                        | 94,905              | —                           | 94,905                   | —                   | —                  |
| 2016A                                 | 2033                          | 4.00 - 5.00%                 | 36,610              | —                           | —                        | 36,610              | —                  |
| 2018A                                 | 2038                          | 5.00%                        | 143,870             | —                           | 6,665                    | 137,205             | 7,000              |
| 2019A                                 | 2040                          | 5.00%                        | 44,595              | —                           | —                        | 44,595              | —                  |
| 2020A                                 | 2027                          | 5.00%                        | 95,115              | —                           | —                        | 95,115              | —                  |
| 2021A                                 | 2046                          | 2.13 - 5.00%                 | 143,250             | —                           | —                        | 143,250             | —                  |
| 2021B                                 | 2046                          | 1.30 - 2.50%                 | 150,860             | —                           | —                        | 150,860             | —                  |
| 2021C                                 | 2027                          | 5.00%                        | 7,675               | —                           | 1,780                    | 5,895               | 1,865              |
| 2023A                                 | 2048                          | 5.00%                        | 245,130             | —                           | —                        | 245,130             | —                  |
| 2024A                                 | 2050                          | 5.00%                        | 89,290              | —                           | —                        | 89,290              | —                  |
| 2024B                                 | 2050                          | 5.00%                        | 179,390             | —                           | —                        | 179,390             | —                  |
| 2025A                                 | 2050                          | 5.00%                        | —                   | 182,965                     | —                        | 182,965             | —                  |
| 2025B                                 | 2050                          | 5.00%                        | —                   | 84,480                      | —                        | 84,480              | —                  |
| <b>Total fixed rate debt</b>          |                               |                              | <b>1,365,775</b>    | <b>267,445</b>              | <b>170,485</b>           | <b>1,462,735</b>    | <b>75,805</b>      |
| 2008                                  | 2033                          | Variable rate <sup>1,3</sup> | 200,000             | —                           | —                        | 200,000             | —                  |
| 2015B                                 | 2039                          | Variable rate <sup>1,4</sup> | 115,090             | —                           | —                        | 115,090             | —                  |
| <b>Total variable rate debt</b>       |                               |                              | <b>315,090</b>      | <b>—</b>                    | <b>—</b>                 | <b>315,090</b>      | <b>—</b>           |
| <b>Total debt</b>                     |                               |                              | <b>1,680,865</b>    | <b>267,445</b>              | <b>170,485</b>           | <b>1,777,825</b>    | <b>75,805</b>      |
| Less current portion                  |                               |                              | (75,580)            | 225                         | —                        | (75,805)            |                    |
| <b>Total long-term debt</b>           |                               |                              | <b>\$ 1,605,285</b> | <b>\$ 267,670</b>           | <b>\$ 170,485</b>        | <b>\$ 1,702,020</b> |                    |

| Bond series<br>(Dollars in thousands) | Final<br>principal<br>payment | Interest rates (%)           | 2023                | Additions<br>during<br>year | Decreases<br>during year | 2024                | Current<br>portion |
|---------------------------------------|-------------------------------|------------------------------|---------------------|-----------------------------|--------------------------|---------------------|--------------------|
| 2010A <sup>6</sup>                    | 2040                          | 5.66%                        | \$ 200,000          | \$ —                        | \$ 200,000               | \$ —                | \$ —               |
| 2012A                                 | 2027                          | 4.00 - 5.00%                 | 46,475              | —                           | 15,135                   | 31,340              | 15,155             |
| 2013A                                 | 2025                          | 5.00%                        | 131,495             | —                           | 27,750                   | 103,745             | 51,980             |
| 2015A                                 | 2035                          | 5.00%                        | 94,905              | —                           | —                        | 94,905              | —                  |
| 2016A                                 | 2033                          | 4.00 - 5.00%                 | 46,215              | —                           | 9,605                    | 36,610              | —                  |
| 2018A                                 | 2038                          | 5.00%                        | 150,220             | —                           | 6,350                    | 143,870             | 6,665              |
| 2019A                                 | 2040                          | 5.00%                        | 54,735              | —                           | 10,140                   | 44,595              | —                  |
| 2020A                                 | 2027                          | 5.00%                        | 95,115              | —                           | —                        | 95,115              | —                  |
| 2021A                                 | 2046                          | 2.13 - 5.00%                 | 143,250             | —                           | —                        | 143,250             | —                  |
| 2021B                                 | 2046                          | 1.30 - 2.50%                 | 150,860             | —                           | —                        | 150,860             | —                  |
| 2021C                                 | 2027                          | 5.00%                        | 13,570              | —                           | 5,895                    | 7,675               | 1,780              |
| 2023A                                 | 2048                          | 5.00%                        | 245,130             | —                           | —                        | 245,130             | —                  |
| 2024A                                 | 2050                          | 5.00%                        | —                   | 89,290                      | —                        | 89,290              | —                  |
| 2024B                                 | 2050                          | 5.00%                        | —                   | 179,390                     | —                        | 179,390             | —                  |
| <b>Total fixed rate debt</b>          |                               |                              | <b>1,371,970</b>    | <b>268,680</b>              | <b>274,875</b>           | <b>1,365,775</b>    | <b>75,580</b>      |
| 2008                                  | 2033                          | Variable rate <sup>2,3</sup> | 200,000             | —                           | —                        | 200,000             | —                  |
| 2015B                                 | 2039                          | Variable rate <sup>2,4</sup> | 115,090             | —                           | —                        | 115,090             | —                  |
| <b>Total variable rate debt</b>       |                               |                              | <b>315,090</b>      | <b>—</b>                    | <b>—</b>                 | <b>315,090</b>      | <b>—</b>           |
| <b>Total debt</b>                     |                               |                              | <b>1,687,060</b>    | <b>268,680</b>              | <b>274,875</b>           | <b>1,680,865</b>    | <b>75,580</b>      |
| Less current portion                  |                               |                              | (74,875)            | 705                         | —                        | (75,580)            |                    |
| <b>Total long-term debt</b>           |                               |                              | <b>\$ 1,612,185</b> | <b>\$ 269,385</b>           | <b>\$ 274,875</b>        | <b>\$ 1,605,285</b> |                    |

<sup>1</sup> Variable rates ranged from 1.27% to 5.09% for the year ended September 30, 2025.

<sup>2</sup> Variable rates ranged from 1.75% to 4.83% for the year ended September 30, 2024.

<sup>3</sup> The Series 2008 Variable Rate Demand Obligation Bonds are supported by a Standby Bond Purchase Agreement (SBPA) effective through January 4, 2027.

<sup>4</sup> The Series 2015B Variable Rate Demand Obligation Bonds are supported by a SBPA effective through August 2, 2030.



## NOTES TO THE FINANCIAL STATEMENTS

### Note H – Long-Term Debt (continued)

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

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

| (Dollars in thousands) | Principal        | Interest       | Total            |
|------------------------|------------------|----------------|------------------|
| 2026                   | \$ 82,260        | \$ 70,008      | \$ 152,268       |
| 2027                   | 82,965           | 66,367         | 149,332          |
| 2028                   | 69,570           | 62,692         | 132,262          |
| 2029                   | 72,230           | 61,566         | 133,796          |
| 2030                   | 75,025           | 58,422         | 133,447          |
| 2031-2035              | 422,180          | 240,527        | 662,707          |
| 2036-2040              | 405,320          | 147,738        | 553,058          |
| 2041-2045              | 315,285          | 74,567         | 389,852          |
| 2046-2050              | 177,185          | 19,755         | 196,940          |
| <b>Long-term debt</b>  | <b>1,702,020</b> | <b>801,642</b> | <b>2,503,662</b> |

**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.

## NOTES TO THE FINANCIAL STATEMENTS

### Note H – Long-Term Debt (continued)

In September 2024, OUC issued the Series 2024B fixed rate bonds with a par amount of \$179.4 million and a premium of \$29.0 million. The proceeds were used for the refunding of the Series 2010A Bonds with a par amount of \$200.0 million. The Series 2024B Bonds have maturity dates through October 1, 2040 and were issued with fixed rate coupons of 5.0 percent.

In February 2025, OUC issued the Series 2025B fixed rate bonds with a par amount of \$84.5 million and a premium of \$11.0 million. The proceeds were used for the refunding of the Series 2015A Bonds with a par amount of \$94.9 million. The Series 2025B Bonds have maturity dates through October 1, 2028 and October 1, 2035. The bonds were issued with fixed rate coupons of 5.0 percent.

| Debt issued<br>(Dollars in thousands) | Par<br>Amount<br>Issued | Premium<br>on<br>Issuance | Par<br>Amount<br>Refunded | Savings   | PV<br>Savings | Accounting<br>Loss | Savings %<br>of Refunded<br>Bonds | Debt<br>Refunded |
|---------------------------------------|-------------------------|---------------------------|---------------------------|-----------|---------------|--------------------|-----------------------------------|------------------|
| 2024B                                 | \$ 179,390              | \$ 28,999                 | \$ 200,000                | \$ 6,662  | \$ 267        | \$ 7,246           | 0.13%                             | 2010A            |
| 2025B                                 | \$ 84,480               | \$ 11,051                 | \$ 94,905                 | \$ 14,277 | \$ 11,728     | \$ 7,691           | 12.40%                            | 2015A            |

**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, 2025 and 2024. Costs associated with these agreements are deferred and amortized over the life of the underlying bond agreement (see Notes G and M). The notional amounts below are the basis for which interest is calculated; however, the notional amounts are not exchanged.

| Bond<br>series | Notional<br>amount<br>(000)’s | OUC<br>pays | Rate<br>paid | Rate received | Initiation<br>date | Termination<br>date | 2025<br>Fair value<br>asset | 2024<br>Fair value<br>asset | Counterparty  |
|----------------|-------------------------------|-------------|--------------|---------------|--------------------|---------------------|-----------------------------|-----------------------------|---------------|
| 2015B          | \$ 115,090                    | Fixed       | 1.78%        | 67% of SOFR   | 10/23/2015         | 10/1/2039           | \$ 9,098                    | \$ 8,636                    | Goldman Sachs |

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

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

**Lines of credit:** In fiscal year 2025, OUC entered into a \$120 million taxable line of credit to fund a loan to Duke Energy Florida pursuant to the Board-approved Facilities Construction Agreement (FCA) between OUC and Duke Energy. The loan will support OUC’s interconnection of the Osceola Generating Station (OGS) to OUC’s transmission system, as well as related additions, modifications, and upgrades.

The line of credit also supports a letter of credit issued on behalf of Duke Energy Florida as required under the FCA. In accordance with the agreement, the loan to Duke Energy Florida, including accrued interest, will be repaid to OUC within five years following the completion of construction.

At September 30, 2025, there was no outstanding balance under the line of credit; however, the line of credit remains available in the amount of up to \$120 million, bears interest at the term Secured Overnight Financing Rate (SOFR) plus 0.995%, and matures on September 30, 2030.

OUC did not have a line of credit in place as of September 30, 2024.

## Note I – Insurance Programs

### Background

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

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

Under the self-insurance program, OUC was liable for all claims up to certain maximum amounts per occurrence. At September 30, 2025 and 2024, the following coverages were available:

| Type of coverage              | OUC limits                     | Third party limits   |
|-------------------------------|--------------------------------|--|
| Health and wellness benefits  | \$0.8 million per insured/year | No third party coverage  |
| 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)        | 2024            | Payments, net      | Incurred claims  | 2025            |
|-------------------------------|-----------------|--------------------|------------------|-----------------|
| Health and wellness benefits  | \$ 3,381        | \$ (29,730)        | \$ 30,322        | \$ 3,973        |
| Workers' compensation         | 1,026           | (318)              | 840              | 1,548           |
| General and vehicle liability | 570             | (348)              | 415              | 637             |
| <b>Total</b>                  | <b>\$ 4,977</b> | <b>\$ (30,396)</b> | <b>\$ 31,577</b> | <b>\$ 6,158</b> |

| (Dollars in thousands)        | 2023            | Payments, net      | Incurred claims  | 2024            |
|-------------------------------|-----------------|--------------------|------------------|-----------------|
| Health and wellness benefits  | \$ 2,651        | \$ (25,649)        | \$ 26,379        | \$ 3,381        |
| Workers' compensation         | 1,140           | (578)              | 464              | 1,026           |
| General and vehicle liability | 546             | (425)              | 449              | 570             |
| <b>Total</b>                  | <b>\$ 4,337</b> | <b>\$ (26,652)</b> | <b>\$ 27,292</b> | <b>\$ 4,977</b> |

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.

## NOTES TO THE FINANCIAL STATEMENTS

### 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, and the balance of the fund is reviewed and adjusted, if necessary, on an annual basis. The self-insurance reserve balance was \$24.6 million and \$23.4 million as of September 30, 2025, and 2024, respectively. Refer to Note E for additional information related to cash reserves.

**Nuclear liability and property insurance:** Liability for accidents at the SL2 nuclear power plant, for which OUC has a minority interest, is governed by the Price-Anderson Act which limits the public liability of nuclear reactor owners to the amount of insurance available from private sources and an industry retrospective payment plan. Florida Power & Light (FPL), the owner-operator, maintains private liability insurance for all participants owning an undivided interest in the nuclear generation facility of \$500.0 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 \$1,161.0 million per unit, per incident at any nuclear utility reactor in the United States, payable at a rate not to exceed \$173.0 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 \$25.0 million plus applicable taxes per incident. Any such assessment to minority owners would be borne by each minority owner at their proportionate ownership share. See Note D for OUC's ownership interest in SL2.

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

### Note J – Commitments, Contingent Liabilities and Regulation

#### Fuel for Generation and Power Purchase Commitments

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

Included as a component of the fuel supply contracts are long-term natural gas discounted supply agreements which were executed in the amounts of 25,300 million British thermal units (MMBtu) per day, for terms not exceeding 30 years for years ended September 30, 2025 and 2024. Contract terms for these agreements price the physical supply of gas, at the time of purchase, based on market indices adjusted for the contractually agreed upon discounted price. As the market price fluctuates, the actual market rate and discount will vary in relation to these changes.

**Power purchase agreements (PPA):** Beyond OUC's ownership interest in SEC Unit A, OUC maintains a capacity power purchase commitment at the facility totaling 427 megawatts. OUC also retains power purchase agreements for solar and landfill gas renewable energy resources, representing contracted capacities of 272 megawatts and 19 megawatts, respectively.

| (Dollars in thousands) | Fuel <sup>1</sup>   | Transportation    | Power purchase commitments <sup>2</sup> | Total               |
|------------------------|---------------------|-------------------|---|---------------------|
| 2026                   | \$ 97,976           | \$ 28,471         | \$ 49,466                               | \$ 175,913          |
| 2027                   | 93,766              | 27,407            | 48,350                                  | 169,523             |
| 2028                   | 53,588              | 25,650            | 48,445                                  | 127,683             |
| 2029                   | 45,425              | 12,128            | 46,450                                  | 104,003             |
| 2030-2035              | 175,927             | 56,357            | 197,187                                 | 429,471             |
| 2036 - thereafter      | 573,018             | 3,294             | 161,592                                 | 737,904             |
| <b>Total</b>           | <b>\$ 1,039,700</b> | <b>\$ 153,307</b> | <b>\$ 551,490</b>                       | <b>\$ 1,744,497</b> |

<sup>1</sup> Variable pricing is included based upon the market price at September 30, 2025 and is assumed to remain static through contract expiration.

<sup>2</sup> Renewable energy purchase commitments are based on variables including capacity and projected power production.

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

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

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

Lease requirements at September 30:

| <b>(Dollars in thousands)</b> | <b>Principal</b> | <b>Interest</b> | <b>Total</b>     |
|-------------------------------|------------------|-----------------|------------------|
| 2026                          | \$ 4,798         | \$ 375          | \$ 5,173         |
| 2027                          | 3,150            | 293             | 3,443            |
| 2028                          | 2,351            | 232             | 2,583            |
| 2029                          | 2,114            | 177             | 2,291            |
| 2030                          | 1,251            | 135             | 1,386            |
| 2031-2035                     | 4,120            | 361             | 4,481            |
| 2036-2040                     | 1,411            | 50              | 1,461            |
| <b>Total</b>                  | <b>\$ 19,195</b> | <b>\$ 1,623</b> | <b>\$ 20,818</b> |



## NOTES TO THE FINANCIAL STATEMENTS

### 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 April 25, 2024, the EPA finalized new standards for carbon dioxide (CO<sub>2</sub>) emissions from new and existing fossil-fueled electric generating units (EGUs). Litigation on this rule began in late 2024 in the DC Circuit Court of Appeals and the case is currently being held in abeyance pending EPA review. On June 11, 2025, EPA issued a proposed rule that would result in the repeal of all GHG emission standards, including the April 2024 standards, for fossil fuel-fired power plants. This proposed rule also included an alternative that would result in the repeal a narrower set of requirements in lieu of a repeal of all GHG standards. The EPA has indicated its intention to finalize the proposed rule in early 2026.
- **Mercury and Air Toxics Standards (MATS) Rule:** The EPA proposed the MATS Rule to enhance regulation for mercury and other hazardous air pollutant emissions from electric generating units in April 2015. In April 2016, the EPA finalized its supplemental finding in order to fulfill the directives of the Supreme Court of the United States. In May 2024, the EPA published a final rule revising MATS for coal- and oil-fired EGUs to include a new limit for filterable particulate matter, with a three-year deadline to achieve compliance with the new limit. Litigation on this rule is on-going in the DC Circuit Court of Appeals, however, this case is currently being held in abeyance. On June 17, 2025, EPA issued a proposed rule that would repeal the May 2024 MATS revisions and revert to the original 2012 MATS requirements. The EPA has indicated its intention to finalize the proposed rule in early 2026.
- **EPA Coal Combustion Residual (CCR) Regulations:** In late 2016, Congress passed the Water Infrastructure Improvements for the Nation Act (WIIN Act) fundamentally changing the manner in which the CCR rules are to be implemented. Under the WIIN Act, the EPA is authorized to review and approve state CCR permit programs to ensure they are at least as protective as the federal CCR rules. Since this time, provisions of the CCR regulations were remanded back to the EPA and in July 2019, the EPA issued proposed amendments to the CCR rule. These rules, CCR: Closure Part A and Part B, were finalized in 2020. In January 2022, EPA proposed determinations associated with the CCR Rule that reflected its positions on various CCR rule compliance requirements including closure standards, groundwater monitoring and corrective action. In May 2024, EPA finalized revisions to the existing CCR regulations. These revisions established groundwater monitoring, corrective action, closure, and post closure care requirements for all CCR management units, regardless of how or when the CCR was placed at regulated CCR facilities. These rule changes now incorporate oversight of the original Stanton landfill, previously exempt from this rule. Legal challenges to the CCR Legacy Rule are pending in the D.C. Circuit Court, and the case is currently being held in abeyance pending EPA review. The EPA is expected to propose revisions to the CCR Legacy Rule in 2026.
- **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 2024, with the next audit scheduled for 2026.

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

Legislation under Sections 366.80 through 366.85, and 403.519, Florida Statutes (FS), are known collectively as the Florida Energy Efficiency and Conservation Act (FEECA). This Act provides the FPSC with general jurisdiction over energy conservation and related issues and further requires the FPSC to establish goals for six specific utilities, including OUC, every five years to encourage electric utilities to increase the efficiency of energy consumption, limit the growth of energy consumption and minimize weather-sensitive peak demands. These goals are commonly referred to as the “FEECA Goals.” OUC's FEECA goals for 2025-2029 were submitted and approved by the FPSC on September 20, 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, 2025 and 2024, subject to the inter-local agreements are included under the heading of resale electric revenues and were \$105.4 million and \$127.3 million, respectively. Revenue-based payments recorded under the heading of payments to other governments and taxes for the years ended September 30, 2025 and 2024 were \$12.6 million and \$9.7 million, respectively.

**City of Lake Worth:** In February 2013, OUC and the City of Lake Worth (Lake Worth) initiated an agreement whereby OUC would act as the administrator to provide wholesale electric and asset management services. The term of the agreement began January 1, 2014 with the most recent one-year extension exercised through December 31, 2025. Billed revenues, included under the heading of resale electric revenues, were \$10.6 million and \$11.4 million for the years ended September 30, 2025 and 2024, respectively.

**City of Winter Park:** In August 2013, OUC and the City of Winter Park (Winter Park) initiated an agreement whereby OUC supplements Winter Park's electric capacity and energy requirements. The term of the agreement began January 1, 2014 with the most recent extension exercised beginning January 1, 2020 for a new seven-year term. Billed revenues, included under the heading of resale electric revenues, were \$2.6 million and \$2.7 million for the years ended September 30, 2025 and 2024, respectively. In addition, OUC and Winter Park have executed an inter-local agreement whereby OUC and Winter Park may pursue additional joint projects for energy efficiency and utility services.

**City of Mount Dora:** In April 2020, OUC and the City of Mount Dora (Mount Dora) initiated an agreement whereby OUC provides and delivers wholesale electric service and Mount Dora purchases electric energy and capacity requirements necessary for Mount Dora to serve its load obligation. The term of this agreement began January 1, 2021 with a duration of seven years and the option of a three-year extension. Billed revenues, included under the heading of resale electric revenues, were \$3.9 million and \$3.0 million for the years ended September 30, 2025 and 2024, respectively.

**City of Chattahoochee:** In April 2020, OUC and the City of Chattahoochee (Chattahoochee) initiated an agreement whereby OUC provides and delivers wholesale electric service and Chattahoochee purchases electric energy and capacity requirements necessary for Chattahoochee to serve its load obligation. The term of this agreement began January 1, 2021 with a duration of seven years and the option of a three-year extension. Billed revenues, included under the heading of resale electric revenues, were \$1.2 million and \$0.9 million for the years ended September 30, 2025 and 2024, respectively.

**City of Lakeland:** In January 2021, OUC and the City of Lakeland (Lakeland) initiated an agreement whereby OUC provides and delivers wholesale electric service and Lakeland purchases electric energy and capacity requirements as a “bridge” energy source in conjunction with Lakeland's decision to shutter MC3. The agreement was amended in June 2024, modifying the electric capacity for seasonality and extending the term through December 2026. Billed revenues, included under the heading of resale electric revenues, were \$8.4 million and \$11.9 million for the year ended September 30, 2025 and 2024, respectively.

## NOTES TO THE FINANCIAL STATEMENTS

### Note K – Major Agreements (continued)

#### Other Major Agreements

**City of Orlando:** OUC pays the City of Orlando (City) a revenue-based payment and an income-based dividend payment. The underlying bi-lateral agreement defines the percentage of revenue based payments at 6.0 percent of retail revenues and the dividend payment at 60.0 percent of income before contributions. Total revenue-based payments recorded under the heading of payment to other governments and taxes for the years ended September 30, 2025 and 2024 were \$35.9 million and \$36.5 million, respectively. Dividend payments for the years ended September 30, 2025 and 2024 were \$76.9 million and \$74.5 million, respectively.

**Orange County:** OUC pays a revenue-based payment to Orange County (County) calculated at 1.0 percent of gross retail electric and chilled water billings to customers within the County but outside the city limits of the City and other municipalities. This payment is recorded under the heading of payments to other governments and taxes. Revenue-based payments for the years ended September 30, 2025 and 2024, including pass-through retail electric fuel revenues, were \$2.0 million and \$1.9 million, respectively.

**Greater Orlando Aviation Authority:** In June 2019, OUC and the Greater Orlando Aviation Authority (GOAA) Board executed a Global Agreement whereby OUC would assume contractual custodial responsibility for the maintenance and operation of the chilled water and back-up generation energy resources at GOAA's new South Terminal. Full custodial rights were transferred to OUC in November 2022. The total contract value of the assets for which OUC retains custodial rights is \$55.0 million including capital reserve funds designated for the continued maintenance of these facilities over the 20 year term. Revenues for the years ended September 30, 2025 and 2024 were \$8.3 million and \$7.3 million, respectively.

**Universal City Development Partners, LLC:** In November 2019, OUC and Universal City Development Partners, LLC (UCDP) executed an agreement under which OUC will retain contractual custodial rights to maintain and operate the chilled water facilities on property owned by UCDP. Construction of the chilled water facilities was performed by OUC in collaboration with UCDP and was completed in 2023 at a total contract value of \$52.0 million. Revenues for the years ended September 30, 2025 and 2024 were \$4.5 million and \$4.6 million, respectively.

### Note L – Long-term Employee Benefits

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

The defined benefit pension plan benefits are funded through the defined benefit pension trust, while the defined contribution benefits are funded through direct distributions from a third party administrator to employees. Non-pension postemployment benefits are funded through the 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, 2024. These reports may be obtained by writing to OUC Benefit Plans, Reliable Plaza at 100 West Anderson Street, Orlando, Florida 32801.

#### Pension and Other Postemployment Benefits

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

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

## Note L – Long-term Employee Benefits (continued)

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

### Traditional Plan

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

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

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

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

### Hybrid Plan

- **Cash balance defined benefit:** This benefit offering began on May 1, 2011 and provides benefits to all employees hired on or after January 1, 1998 and those who elected to transition their pension plan interests. Under the provisions of this plan, benefits vest after five years of service and are determined based on a sliding pay credit scale using a combination of an employee's age and years of service at September 30. In April 2025, the Board approved a change to the provisions of the Plan's Cash Balance component, effective retroactively to October 1, 2021. The adopted change increases the pay credit scale by 3 percentage points across all age-plus-service categories. As a result, the pay credit scale, which previously ranged from 5% to 12% based on the sum of a participant's age and service, now ranges from 8% to 15%, with the same breakpoints maintained. 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, 2025 and 2024, the number of active employees enrolled in this pension benefit program were 1,255 and 1,216, respectively. Total contributions for the years ended September 30, 2025 and 2024 were \$17.2 million (\$6.6 million employer and \$10.6 million employee) and \$14.2 million (\$6.0 million employer and \$8.2 million employee), respectively.



## NOTES TO THE FINANCIAL STATEMENTS

### Note L – Long-term Employee Benefits (continued)

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

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

|   | Pension plan |              | OPEB plan    |              | 415(m) plan |          |
|---|--------------|--------------|--------------|--------------|-------------|----------|
|   | 2025         | 2024         | 2025         | 2024         | 2025        | 2024     |
| Active cash balance plan members                    | 1,224        | 1,161        | 1,228        | 1,166        | —           | —        |
| Active traditional plan members                     | 43           | 55           | 43           | 55           | 2           | 2        |
| Inactive plan members currently receiving benefits  | 932          | 933          | 932          | 922          | 3           | 3        |
| Inactive plan members entitled to deferred benefits | 238          | 226          | —            | —            | —           | —        |
| <b>Total</b>  | <b>2,437</b> | <b>2,375</b> | <b>2,203</b> | <b>2,143</b> | <b>5</b>    | <b>5</b> |

**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:** Participant contributions under the traditional defined benefit plan 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. OUC contributes, at a minimum, amounts actuarially determined directly to the Pension Trust and the amounts for the years ended September 30, 2025 and 2024 were \$20.6 million and \$18.8 million, respectively. 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, 2023 and 2022 was 16.6 percent and 16.2 percent, respectively. No contributions were made to the 415(m) plan for the years ended September 30, 2025 and 2024.
- **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, 2025 and 2024 were \$1.6 million and \$1.6 million, respectively. The rate of contribution to the OPEB Trust, based on annual covered payroll for the actuarial valuation years ended September 30, 2023 and 2022 was 1.3 percent and 1.4 percent, respectively.



## NOTES TO THE FINANCIAL STATEMENTS

### 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:

| (Dollars in thousands)   | Qualified plan    |                   |                    |                    | Non-qualified   |                 |
|--|-------------------|-------------------|--------------------|--------------------|-----------------|-----------------|
|  | Pension           |                   | OPEB               |                    | 415(m) plan     |                 |
|  | 2025              | 2024              | 2025               | 2024               | 2025            | 2024            |
| <b>Total liability</b>   |                   |                   |                    |                    |                 |                 |
| Service cost   | \$ 8,160          | \$ 7,779          | \$ 1,516           | \$ 1,097           | \$ 38           | \$ 44           |
| Interest on the total liability                                  | 36,016            | 35,531            | 8,986              | 8,113              | 89              | 89              |
| Benefit changes  | —                 | —                 | —                  | 3,826              | —               | —               |
| Difference between expected and actual experience                | 2,972             | 2,399             | (5,534)            | (87)               | (13)            | (36)            |
| Assumption changes   | —                 | —                 | (1,929)            | 6,317              | 154             | (43)            |
| Benefit payments, including refunds of plan member contributions | (39,095)          | (38,696)          | (6,210)            | (7,280)            | (142)           | (120)           |
| <b>Net change in total liability</b>                             | <b>8,053</b>      | <b>7,013</b>      | <b>(3,171)</b>     | <b>11,986</b>      | <b>126</b>      | <b>(66)</b>     |
| <b>Total liability - beginning of year</b>                       | <b>544,964</b>    | <b>537,951</b>    | <b>134,717</b>     | <b>122,731</b>     | <b>1,963</b>    | <b>2,030</b>    |
| <b>Total liability - end of year</b>                             | <b>\$ 553,017</b> | <b>\$ 544,964</b> | <b>\$ 131,546</b>  | <b>\$ 134,717</b>  | <b>\$ 2,089</b> | <b>\$ 1,964</b> |
| <b>Plan fiduciary net position</b>                               |                   |                   |                    |                    |                 |                 |
| Contributions - employer   | \$ 18,832         | \$ 14,995         | \$ 1,180           | \$ 969             |                 |                 |
| Contributions - plan members                                     | 182               | 242               | —                  | —                  |                 |                 |
| Total investment income/(loss), net of investment expense        | 94,232            | 52,206            | 36,688             | 20,480             |                 |                 |
| Benefit payments, including refunds of plan member contributions | (39,096)          | (38,696)          | (6,211)            | (7,280)            |                 |                 |
| Administrative expense   | (194)             | (228)             | (39)               | —                  |                 |                 |
| <b>Net change in plan fiduciary net position</b>                 | <b>73,956</b>     | <b>28,519</b>     | <b>31,618</b>      | <b>14,169</b>      |                 |                 |
| <b>Plan fiduciary net position - beginning of year</b>           | <b>459,536</b>    | <b>431,017</b>    | <b>152,500</b>     | <b>138,331</b>     |                 |                 |
| <b>Plan fiduciary net position - end of year</b>                 | <b>\$ 533,492</b> | <b>\$ 459,536</b> | <b>\$ 184,118</b>  | <b>\$ 152,500</b>  |                 |                 |
| <b>Net liability/(asset) - beginning of year</b>                 | <b>\$ 85,428</b>  | <b>\$ 106,934</b> | <b>\$ (17,783)</b> | <b>\$ (15,600)</b> |                 |                 |
| <b>Net liability/(asset) - end of year</b>                       | <b>\$ 19,525</b>  | <b>\$ 85,428</b>  | <b>\$ (52,572)</b> | <b>\$ (17,783)</b> |                 |                 |

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)   | 2025               | 2024               |
|--------------------------|--------------------|--------------------|
| <b>Pension plan</b>      |                    |                    |
| Total pension liability  | \$ 553,017         | \$ 544,964         |
| Net position             | 533,492            | 459,536            |
| Net pension liability    | 19,525             | 85,428             |
| <b>415(m) plan</b>       |                    |                    |
| Total pension liability  | 2,089              | 1,964              |
| <b>Pension liability</b> | <b>\$ 21,614</b>   | <b>\$ 87,392</b>   |
| <b>OPEB plan</b>         |                    |                    |
| Total OPEB liability     | \$ 131,546         | \$ 134,717         |
| Net position             | 184,118            | 152,500            |
| <b>Net OPEB asset</b>    | <b>\$ (52,572)</b> | <b>\$ (17,783)</b> |

**Actuarial methods and assumptions used to measure TPL, TOL, NPL/NPA and NOL/NOA:** The TPL, TOL, NPL/NPA and NOL/NOA as of September 30, 2025 and 2024 were measured as of September 30, 2024 and 2023, 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.

## NOTES TO THE FINANCIAL STATEMENTS

### Note L – Long-term Employee Benefits (continued)

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

|                                  | 2025   | 2024   |
|----------------------------------|--|--|
| <b>Plan benefit assumptions</b>  |  |  |
| Annual COLA (pension only)       | 2.0%, based on actual COLA granted for the current year, and 1.0% per year, compounded annually, thereafter  | 2.0%, based on actual COLA granted for the current year, and 1.0% per year, compounded annually, thereafter  |
| Hybrid Plan interest credit rate | 5.0% per year for active members and 3.5% per year for terminated vested members   | 5.0% per year for active members and 3.5% per year for terminated vested members   |
| Healthcare cost trend rate       | Based on Getzen Model, with trend starting at 7.00% and gradually decreasing to an ultimate trend rate of 4.00%  | Based on Getzen Model, with trend starting at 7.00% and gradually decreasing to an ultimate trend rate of 4.04%  |
| <b>Actuarial assumptions</b>     |  |  |
| Actuarial cost method            | Entry Age Normal, Level Percent of Pay   | Entry Age Normal, Level Percent of Pay   |
| Inflation                        | 2.25% per year   | 2.25% per year   |
| Salary increases                 | 4.5% to 10.0% per year, depending on age and plan offering   | 4.5% to 10.0% per year, depending on age and plan offering   |
| Investment rate of return        | 6.75%  | 6.75%  |
| Experience Studies               | Experience is reviewed by the actuaries for consistency with assumptions and changes made as needed. The most recent experience study was completed in October 2020. This experience study examined actual demographic experience during the seven-year period from October 1, 2012 through September 30, 2019. Based on the results of this experience study, assumption changes were reflected in the October 1, 2020 valuation report | Experience is reviewed by the actuaries for consistency with assumptions and changes made as needed. The most recent experience study was completed in October 2020. This experience study examined actual demographic experience during the seven-year period from October 1, 2012 through September 30, 2019. Based on the results of this experience study, assumption changes were reflected in the October 1, 2020 valuation report |
| Retirement Age                   | Experience-based tables of rates depending on age, service and group are used, based on the experience study referenced above.   | Experience-based tables of rates depending on age, service and group are used, based on the experience study referenced above.   |
| 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                                  |
| Healthcare cost trend rate       | Based on Getzen Model, with trend starting at 7.00% and gradually decreasing to an ultimate trend rate of 4.00%  | Based on Getzen Model, with trend starting at 7.00% and gradually decreasing to an ultimate trend rate of 4.04%  |

## NOTES TO THE FINANCIAL STATEMENTS

### Note L – Long-term Employee Benefits (continued)

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

The projected long-term real rate of return on benefit plan investments, valued as of September 30, 2024 and 2023, 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, 2024 and 2023 are summarized in the following table:

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

**Discount rate:** The discount rate used to measure the TPL and TOL was 6.75 percent, valued as of September 30, 2024 and 2023. 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, 2024 and 2023 was calculated using a municipal bond rate of 3.81 percent and 4.63 percent, respectively, as reported in Fidelity's "20-Year Municipal GO AA Index" as reported on the last business day of the month of the measurement date.

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

| (Dollars in thousands)              | Net pension liability/<br>(asset) |            | Net OPEB asset |             | Net pension liability<br>415(m) plan |          |
|-------------------------------------|-----------------------------------|------------|----------------|-------------|--------------------------------------|----------|
|                                     | 2024                              | 2023       | 2024           | 2023        | 2024                                 | 2023     |
| 1.0 percent decrease                | \$ 66,014                         | \$ 132,498 | \$ (43,493)    | \$ (3,965)  | \$ 2,312                             | \$ 2,164 |
| Current discount rate               | \$ 19,525                         | \$ 85,428  | \$ (52,572)    | \$ (17,783) | \$ 2,089                             | \$ 1,964 |
| 1.0 percent increase                | \$ (21,076)                       | \$ 44,441  | \$ (67,354)    | \$ (29,565) | \$ 1,904                             | \$ 1,796 |
| <b>Medical cost assumption rate</b> |                                   |            |                |             |                                      |          |
| 1.0 percent decrease                |                                   |            | \$ (54,942)    | \$ (29,984) |                                      |          |
| Current discount rate               |                                   |            | \$ (52,572)    | \$ (17,783) |                                      |          |
| 1.0 percent increase                |                                   |            | \$ (43,522)    | \$ (3,468)  |                                      |          |

**Pension and OPEB expense, deferred outflows of resources and deferred inflows of resources:** In accordance with Board approved regulatory actions (see Note G), pension expenses is recognized at an amount equivalent to the annual member service costs and OPEB income or credit is fully offset due to its fully funded status. For the years ended September 30, 2025 and 2024, OUC recognized pension expense of \$10.2 million and \$24.6 million, respectively, and OPEB expense of \$0.0 million and \$0.6 million, respectively. In addition, OUC recognized expense of \$0.2 million and income of \$0.4 million related to its non-qualified pension plan for the years ended September 30, 2025 and 2024, respectively.

## NOTES TO THE FINANCIAL STATEMENTS

### Note L – Long-term Employee Benefits (continued)

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

| (Dollars in thousands)  | Pension         |                  | OPEB               |                 | 415(m) plan   |               |
|---|-----------------|------------------|--------------------|-----------------|---------------|---------------|
|   | 2025            | 2024             | 2025               | 2024            | 2025          | 2024          |
| <b>Deferred outflows of resources</b>                               |                 |                  |                    |                 |               |               |
| Employers's contributions to the plan after measurement of NPL      | \$ 20,611       | \$ 18,831        | \$ 1,636           | \$ 1,180        | \$ —          | \$ —          |
| Benefit payments  | —               | —                | —                  | —               | 150           | 142           |
| Differences between expected and actual experience                  | 4,008           | 2,134            | 561                | 1,029           | —             | —             |
| Assumption Changes  | 8,479           | 12,074           | 11,567             | 14,366          | 51            | —             |
| Net difference between projected and actual earnings on investments | —               | 28,441           | —                  | 7,672           | —             | —             |
| <b>Subtotal deferred outflows of resources</b>                      | <b>33,098</b>   | <b>61,480</b>    | <b>13,764</b>      | <b>24,247</b>   | <b>201</b>    | <b>142</b>    |
| <b>Deferred inflows of resources</b>                                |                 |                  |                    |                 |               |               |
| Differences between expected and actual experience                  | 649             | 1,245            | 8,552              | 5,379           | 5             | 16            |
| Assumption Changes  | 719             | 2,517            | 9,815              | 13,484          | —             | 19            |
| Net difference between projected and actual earnings on investments | 27,481          | —                | 14,837             | —               | —             | —             |
| <b>Subtotal deferred inflows of resources</b>                       | <b>28,849</b>   | <b>3,762</b>     | <b>33,204</b>      | <b>18,863</b>   | <b>5</b>      | <b>35</b>     |
| <b>Total deferred (inflows)/outflows of resources</b>               | <b>\$ 4,249</b> | <b>\$ 57,718</b> | <b>\$ (19,440)</b> | <b>\$ 5,384</b> | <b>\$ 196</b> | <b>\$ 107</b> |

The following schedule is based on a measurement date of September 30, 2024, excluding market valuation impacts for the year ending September 30, 2025, 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            | OPEB               | 415(m) plan  |
|---|--------------------|--------------------|--------------|
| 2026  | \$ (1,363)         | \$ (7,256)         | \$ 46        |
| 2027  | 11,836             | (253)              | —            |
| 2028  | (15,236)           | (8,036)            | —            |
| 2029  | (11,964)           | (4,289)            | —            |
| 2030  | 365                | (364)              | —            |
| Thereafter  | —                  | (878)              | —            |
| <b>Net deferred outflows/(inflows) of resources</b> | <b>\$ (16,362)</b> | <b>\$ (21,076)</b> | <b>\$ 46</b> |

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.

## Note M – Hedging Activities

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

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

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

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

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

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

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

**Interest rate derivatives:** OUC’s interest rate swap related to the Series 2015B Bonds is intended to be held over the life of the underlying bonds. While GASB standards may classify the swap as effective in some years and ineffective in others, pursuant to Board action, changes in fair value are consistently deferred on the Statements of Net Position as a regulatory credit or debit (see Note G).



## NOTES TO THE FINANCIAL STATEMENTS

### Note M – Hedging Activities (continued)

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

| (Dollars in thousands)               | 2024<br>Fair value<br>asset | Change in<br>fair value | Settlement/<br>(Termination)<br>amount | 2025<br>Fair value<br>asset | Net<br>settlement<br>charges | Notional<br>amount |
|--------------------------------------|-----------------------------|-------------------------|--|-----------------------------|------------------------------|--------------------|
| <b>Interest rate swap agreements</b> |                             |                         |  |                             |                              |                    |
| 2015B Bonds <sup>1</sup>             | \$ 8,636                    | \$ 462                  | \$ —                                   | \$ 9,098                    | \$ —                         | \$ 115,090         |

| (Dollars in thousands)               | 2023<br>Fair value<br>asset | Change in<br>fair value | Settlement/<br>(Termination)<br>amount | 2024<br>Fair value<br>asset | Net<br>settlement<br>charges | Notional<br>amount |
|--------------------------------------|-----------------------------|-------------------------|--|-----------------------------|------------------------------|--------------------|
| <b>Interest rate swap agreements</b> |                             |                         |  |                             |                              |                    |
| 2015B Bonds <sup>1</sup>             | \$ 14,563                   | \$ (5,927)              | \$ —                                   | \$ 8,636                    | \$ —                         | \$ 115,090         |

<sup>1</sup> 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. Settlements of fuel-related derivative instruments resulted in a gain of \$5.8 million and a loss of \$12.4 million for the years ended September 30, 2025 and 2024, 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)  | 2024 fair<br>value | Change in<br>fair value | 2025 fair<br>value | 2025<br>notional<br>amount | Volume <sup>1</sup> |
|---|--------------------|-------------------------|--------------------|----------------------------|---------------------|
| Current natural gas fuel hedge assets                             | \$ 5,455           | \$ (355)                | \$ 5,100           | \$ 3,830                   | MMBTU               |
| Non-current natural gas fuel hedge assets                         | 11,095             | (3,001)                 | 8,094              | 10,420                     | MMBTU               |
| <b>Accumulated increase in fair value<br/>hedging derivatives</b> | <b>\$ 16,550</b>   | <b>\$ (3,356)</b>       | <b>\$ 13,194</b>   |                            |                     |
| Current natural gas fuel hedge liabilities                        | \$ (1,253)         | \$ (3,144)              | \$ (4,397)         | \$ 11,840                  | MMBTU               |
| Non-current natural gas fuel hedge liabilities                    | (8,473)            | 4,063                   | (4,411)            | 10,260                     | MMBTU               |
| <b>Accumulated decrease in fair value<br/>hedging derivatives</b> | <b>\$ (9,726)</b>  | <b>\$ 919</b>           | <b>\$ (8,808)</b>  |                            |                     |

| (Dollars in thousands)  | 2023<br>Fair value | Change in<br>fair value | 2024<br>Fair value | 2024<br>Notional<br>amount | Volume <sup>1</sup> |
|---|--------------------|-------------------------|--------------------|----------------------------|---------------------|
| Current natural gas fuel hedge assets                             | \$ 3,708           | \$ 1,746                | \$ 5,454           | \$ 7,320                   | MMBTU               |
| Non-current natural gas fuel hedge assets                         | 24,247             | (13,153)                | 11,094             | 10,610                     | MMBTU               |
| <b>Accumulated increase in fair value<br/>hedging derivatives</b> | <b>\$ 27,955</b>   | <b>\$ (11,407)</b>      | <b>\$ 16,548</b>   |                            |                     |
| Current natural gas fuel hedge liabilities                        | \$ (1,894)         | \$ 641                  | \$ (1,253)         | \$ 7,670                   | MMBTU               |
| Non-current natural gas fuel hedge liabilities                    | (4,254)            | (4,219)                 | (8,473)            | 14,870                     | MMBTU               |
| <b>Accumulated decrease in fair value<br/>hedging derivatives</b> | <b>\$ (6,148)</b>  | <b>\$ (3,578)</b>       | <b>\$ (9,726)</b>  |                            |                     |

<sup>1</sup> Million British Thermal Units (MMBTU)



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## REQUIRED SUPPLEMENTARY INFORMATION

### Schedule of changes in net pension liability/(asset) and related ratios

The following schedule presents multi-year trend information that demonstrates the components of change in the net pension liability/(asset) from year to year, as well as trends in related statistical information. Amounts presented are determined as of the measurement date of the net pension liability/(asset) for September 30:

| <b>Pension Plan</b>   |                   |                   |                         |                         |                         |                   |                   |                   |                   |                         |
|---|-------------------|-------------------|-------------------------|-------------------------|-------------------------|-------------------|-------------------|-------------------|-------------------|-------------------------|
| <b>(Dollars in thousands)</b>   | <b>2024</b>       | <b>2023</b>       | <b>2022<sup>1</sup></b> | <b>2021<sup>2</sup></b> | <b>2020<sup>3</sup></b> | <b>2019</b>       | <b>2018</b>       | <b>2017</b>       | <b>2016</b>       | <b>2015<sup>4</sup></b> |
| <b>Total pension liability</b>  |                   |                   |                         |                         |                         |                   |                   |                   |                   |                         |
| Service cost  | \$ 8,160          | \$ 7,779          | \$ 7,158                | \$ 6,820                | \$ 5,814                | \$ 5,867          | \$ 5,754          | \$ 5,748          | \$ 5,539          | \$ 5,570                |
| Interest on the total pension liability                                       | 36,016            | 35,531            | 35,753                  | 35,816                  | 36,079                  | 35,407            | 34,492            | 33,535            | 32,767            | 32,104                  |
| Benefit changes   | —                 | —                 | —                       | —                       | —                       | 68                | —                 | 408               | —                 | —                       |
| Difference between expected and actual experience                             | 2,972             | 2,399             | (600)                   | (640)                   | (2,073)                 | 2,106             | 4,904             | 3,706             | (106)             | (2,501)                 |
| Assumption changes  | —                 | —                 | 10,628                  | 10,398                  | (9,708)                 | —                 | —                 | —                 | 171               | 29,125                  |
| Benefit payments, including refunds of employee contributions                 | (39,095)          | (38,696)          | (37,174)                | (34,810)                | (34,671)                | (33,576)          | (31,726)          | (28,663)          | (27,324)          | (25,773)                |
| Net change in total pension liability   | 8,053             | 7,013             | 15,765                  | 17,584                  | (4,559)                 | 9,872             | 13,424            | 14,734            | 11,047            | 38,525                  |
| <b>Total pension liability - beginning of year</b>                            | <b>544,964</b>    | <b>537,951</b>    | <b>522,186</b>          | <b>504,602</b>          | <b>509,161</b>          | <b>499,289</b>    | <b>485,865</b>    | <b>471,131</b>    | <b>460,084</b>    | <b>421,559</b>          |
| <b>Total pension liability - end of year</b>                                  | <b>\$ 553,017</b> | <b>\$ 544,964</b> | <b>\$ 537,951</b>       | <b>\$ 522,186</b>       | <b>\$ 504,602</b>       | <b>\$ 509,161</b> | <b>\$ 499,289</b> | <b>\$ 485,865</b> | <b>\$ 471,131</b> | <b>\$ 460,084</b>       |
| <b>Plan fiduciary net position</b>  |                   |                   |                         |                         |                         |                   |                   |                   |                   |                         |
| Contributions - employer  | \$ 18,832         | \$ 14,995         | \$ 17,678               | \$ 19,173               | \$ 22,405               | \$ 22,491         | \$ 22,614         | \$ 21,876         | \$ 17,803         | \$ 18,573               |
| Contributions - plan members  | 182               | 242               | 310                     | 369                     | 423                     | 475               | 555               | 660               | 748               | 821                     |
| Total investment income, net of investment expense                            | 94,232            | 52,206            | (89,101)                | 95,240                  | 46,228                  | 17,599            | 37,039            | 48,761            | 29,872            | 4,783                   |
| Benefit payments, including refunds of employee contributions                 | (39,096)          | (38,696)          | (37,174)                | (34,810)                | (34,671)                | (33,576)          | (31,726)          | (28,663)          | (27,324)          | (25,773)                |
| Administrative expense  | (194)             | (228)             | (254)                   | (323)                   | (242)                   | (240)             | (320)             | (115)             | (36)              | (122)                   |
| Net change in plan fiduciary net position                                     | 73,956            | 28,519            | (108,541)               | 79,649                  | 34,143                  | 6,749             | 28,162            | 42,519            | 21,063            | (1,718)                 |
| <b>Plan fiduciary net position - beginning of year</b>                        | <b>459,536</b>    | <b>431,017</b>    | <b>539,558</b>          | <b>459,909</b>          | <b>425,766</b>          | <b>419,017</b>    | <b>390,855</b>    | <b>348,336</b>    | <b>327,273</b>    | <b>328,991</b>          |
| <b>Plan fiduciary net position - end of year</b>                              | <b>\$ 533,492</b> | <b>\$ 459,536</b> | <b>\$ 431,017</b>       | <b>\$ 539,558</b>       | <b>\$ 459,909</b>       | <b>\$ 425,766</b> | <b>\$ 419,017</b> | <b>\$ 390,855</b> | <b>\$ 348,336</b> | <b>\$ 327,273</b>       |
| <b>Net pension liability/(asset) - beginning of year</b>                      | <b>\$ 85,428</b>  | <b>\$ 106,934</b> | <b>\$ (17,372)</b>      | <b>\$ 44,693</b>        | <b>\$ 83,395</b>        | <b>\$ 80,272</b>  | <b>\$ 95,010</b>  | <b>\$ 122,795</b> | <b>\$ 132,811</b> | <b>\$ 92,568</b>        |
| <b>Net pension liability - end of year</b>                                    | <b>\$ 19,525</b>  | <b>\$ 85,428</b>  | <b>\$ 106,934</b>       | <b>\$ (17,372)</b>      | <b>\$ 44,693</b>        | <b>\$ 83,395</b>  | <b>\$ 80,272</b>  | <b>\$ 95,010</b>  | <b>\$ 122,795</b> | <b>\$ 132,811</b>       |
| <b>Plan fiduciary net position as a percentage of total pension liability</b> | <b>97 %</b>       | <b>84 %</b>       | <b>80 %</b>             | <b>103 %</b>            | <b>91 %</b>             | <b>84 %</b>       | <b>84 %</b>       | <b>80 %</b>       | <b>74 %</b>       | <b>71 %</b>             |
| <b>Covered payroll</b>  | <b>\$ 112,720</b> | <b>\$ 102,664</b> | <b>\$ 100,135</b>       | <b>\$ 100,621</b>       | <b>\$ 97,896</b>        | <b>\$ 90,907</b>  | <b>\$ 86,573</b>  | <b>\$ 78,314</b>  | <b>\$ 75,405</b>  | <b>\$ 72,479</b>        |
| <b>Net pension liability/(asset) as a percentage of covered payroll</b>       | <b>17 %</b>       | <b>83 %</b>       | <b>107 %</b>            | <b>(17)%</b>            | <b>46 %</b>             | <b>92 %</b>       | <b>93 %</b>       | <b>121 %</b>      | <b>163 %</b>      | <b>183 %</b>            |

<sup>1</sup> The assumed investment rate was changed to 6.75 percent.

<sup>2</sup> The assumed investment rate was changed to 7.00 percent.

<sup>3</sup> The assumed investment rate was changed to 7.25 percent. Additionally, assumption changes were made to salary, retirement, termination and mortality rates based on an experience study for the seven-year period ending September 30, 2019.

<sup>4</sup> Assumption changes were made to salary, retirement, termination and mortality rates based on experience study for the six-year period ending September 30, 2014.

## REQUIRED SUPPLEMENTARY INFORMATION

### Schedule of employer contributions to the Pension Plan and investment returns

The following schedule presents 10-year trend information regarding employer contributions to the Pension Plan and information on the annual money-weighted rate of return, calculated as the internal rate of return on Pension Plan investments, net of Pension Plan investment expense for the years ended September 30:

| Contribution year<br>(Dollars in thousands) | Actuarially<br>determined<br>contribution | Actual<br>contribution | Contribution<br>deficiency /<br>(excess) | Covered payroll<br>(CP) | Contributions<br>as a percentage<br>of CP |
|---|---|------------------------|--|-------------------------|---|
| 2025  | \$ 18,832                                 | \$ 18,832              | \$ —                                     | \$ 112,720              | 16.7 %                                    |
| 2024  | \$ 14,995                                 | \$ 14,995              | \$ —                                     | \$ 102,664              | 14.6 %                                    |
| 2023  | \$ 17,678                                 | \$ 17,678              | \$ —                                     | \$ 100,135              | 17.7 %                                    |
| 2022  | \$ 19,173                                 | \$ 19,173              | \$ —                                     | \$ 100,621              | 19.1 %                                    |
| 2021  | \$ 22,405                                 | \$ 22,405              | \$ —                                     | \$ 97,896               | 22.9 %                                    |
| 2020  | \$ 22,491                                 | \$ 22,491              | \$ —                                     | \$ 90,907               | 24.7 %                                    |
| 2019  | \$ 22,614                                 | \$ 22,614              | \$ —                                     | \$ 86,573               | 26.1 %                                    |
| 2018  | \$ 21,876                                 | \$ 21,876              | \$ —                                     | \$ 78,314               | 27.9 %                                    |
| 2017  | \$ 18,322                                 | \$ 17,803              | \$ 519                                   | \$ 75,405               | 23.6 %                                    |
| 2016  | \$ 20,500                                 | \$ 18,573              | \$ 1,926                                 | \$ 72,479               | 25.6 %                                    |

Actuarially determined contribution amounts are calculated as of October 1 which is twelve months prior to the beginning of the fiscal year in which contributions are made and reported. The following methods and assumptions were used in determining the contributions amounts for 2024:

**Actuarial cost method:** Entry age normal, level of percent of pay.

**Amortization method:** Level dollar, closed

**Remaining Amortization Period:** 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

**Salary increases:** 4.5 percent to 10.0 percent depending on service, including inflation

**Investment rate of return:** 6.75 percent

**Experience Study:** The most recent experience study was completed in October 2020. This experience study examined actual demographic experience during the seven-year period from October 1, 2012 through September 30, 2019. Based on the results of this experience study, assumption changes were implemented effective September 30, 2020.

**Retirement age:** Experience-based rates tables based on the experience study referenced above.

**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 postretirement 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.

## REQUIRED SUPPLEMENTARY INFORMATION

### Schedule of changes in net OPEB liability/(asset) and related ratios

The following schedule presents multi-year trend information that demonstrates the components of change in the net OPEB liability/(asset) from year to year, as well as trends in related statistical information. Amounts presented are determined as of the measurement date of the net OPEB liability/(asset) for September 30:

| <b>OPEB Plan</b>   |                    |                         |                         |                         |                         |                   |                   |                   |                   |                         |
|--|--------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------|-------------------|-------------------|-------------------|-------------------------|
| <b>(Dollars in thousands)</b>  | <b>2024</b>        | <b>2023<sup>1</sup></b> | <b>2022<sup>2</sup></b> | <b>2021<sup>3</sup></b> | <b>2020<sup>4</sup></b> | <b>2019</b>       | <b>2018</b>       | <b>2017</b>       | <b>2016</b>       | <b>2015<sup>5</sup></b> |
| <b>Total OPEB liability</b>  |                    |                         |                         |                         |                         |                   |                   |                   |                   |                         |
| Service cost   | \$ 1,516           | \$ 1,097                | \$ 889                  | \$ 1,039                | \$ 1,174                | \$ 1,186          | \$ 1,308          | \$ 1,331          | \$ 1,346          | \$ 1,480                |
| Interest on the total OPEB liability                                       | 8,986              | 8,113                   | 7,579                   | 8,620                   | 9,936                   | 9,906             | 10,385            | 10,434            | 11,882            | 12,134                  |
| Change in Benefits Terms   | —                  | 3,826                   | —                       | —                       | (438)                   | —                 | —                 | —                 | —                 | —                       |
| Difference between expected and actual experience                          | (5,534)            | (87)                    | (2,476)                 | (5,592)                 | 2,899                   | (2,192)           | (2,987)           | (3,285)           | (23,969)          | 3,536                   |
| Assumption changes <sup>6</sup>  | (1,929)            | 6,317                   | 12,716                  | (8,028)                 | (24,688)                | (1,029)           | (7,658)           | (2,093)           | (2,670)           | (452)                   |
| Benefit payments, including refunds of plan member contributions           | (6,210)            | (7,280)                 | (6,731)                 | (6,291)                 | (7,511)                 | (7,371)           | (7,702)           | (6,374)           | (8,063)           | (9,067)                 |
| Net change in total OPEB liability   | (3,171)            | 11,986                  | 11,977                  | (10,252)                | (18,628)                | 500               | (6,654)           | 13                | (21,474)          | 7,631                   |
| Total OPEB liability - beginning of year                                   | 134,717            | 122,731                 | 110,754                 | 121,006                 | 139,634                 | 139,134           | 145,788           | 145,775           | 167,249           | 159,619                 |
| <b>Total OPEB liability - end of year</b>                                  | <b>\$ 131,546</b>  | <b>\$ 134,717</b>       | <b>\$ 122,731</b>       | <b>\$ 110,754</b>       | <b>\$ 121,006</b>       | <b>\$ 139,634</b> | <b>\$ 139,134</b> | <b>\$ 145,788</b> | <b>\$ 145,775</b> | <b>\$ 167,250</b>       |
| <b>Plan fiduciary net position</b>   |                    |                         |                         |                         |                         |                   |                   |                   |                   |                         |
| Contributions - employer   | \$ 1,180           | \$ 969                  | \$ 1,133                | \$ 1,185                | \$ 3,682                | \$ 7,022          | \$ 9,068          | \$ 13,384         | \$ 12,628         | \$ 14,117               |
| Net investment income  | 36,688             | 20,480                  | (31,344)                | 31,313                  | 14,953                  | 5,399             | 10,956            | 13,420            | 9,621             | (1,195)                 |
| Benefit payments, including refunds of plan member contributions           | (6,211)            | (7,280)                 | (6,731)                 | (6,291)                 | (7,511)                 | (7,371)           | (7,702)           | (6,374)           | (8,063)           | (9,067)                 |
| Administrative expense   | (39)               | —                       | (3)                     | (17)                    | (17)                    | (17)              | (18)              | (18)              | (18)              | (32)                    |
| Net change in plan fiduciary net position                                  | 31,618             | 14,169                  | (36,945)                | 26,190                  | 11,107                  | 5,033             | 12,304            | 20,412            | 14,169            | 3,823                   |
| Plan fiduciary net position - beginning of year                            | 152,500            | 138,331                 | 175,276                 | 149,086                 | 137,979                 | 132,946           | 120,642           | 100,230           | 86,061            | 82,238                  |
| <b>Plan fiduciary net position - end of year</b>                           | <b>\$ 184,118</b>  | <b>\$ 152,500</b>       | <b>\$ 138,331</b>       | <b>\$ 175,276</b>       | <b>\$ 149,086</b>       | <b>\$ 137,979</b> | <b>\$ 132,946</b> | <b>\$ 120,642</b> | <b>\$ 100,230</b> | <b>\$ 86,061</b>        |
| <b>Net OPEB liability - beginning of year</b>                              | <b>\$ (17,783)</b> | <b>\$ (15,600)</b>      | <b>\$ (64,522)</b>      | <b>\$ (28,080)</b>      | <b>\$ 1,655</b>         | <b>\$ 6,188</b>   | <b>\$ 25,146</b>  | <b>\$ 45,545</b>  | <b>\$ 81,189</b>  | <b>\$ 77,381</b>        |
| <b>Net OPEB liability/(asset) - end of year</b>                            | <b>\$ (52,572)</b> | <b>\$ (17,783)</b>      | <b>\$ (15,600)</b>      | <b>\$ (64,522)</b>      | <b>\$ (28,080)</b>      | <b>\$ 1,655</b>   | <b>\$ 6,188</b>   | <b>\$ 25,146</b>  | <b>\$ 45,545</b>  | <b>\$ 81,189</b>        |
| <b>Plan fiduciary net position as a percentage of total OPEB liability</b> | <b>140 %</b>       | <b>113 %</b>            | <b>113 %</b>            | <b>158 %</b>            | <b>123 %</b>            | <b>99 %</b>       | <b>96 %</b>       | <b>83 %</b>       | <b>69 %</b>       | <b>52 %</b>             |
| <b>Covered payroll</b>   | <b>\$ 112,567</b>  | <b>\$ 102,954</b>       | <b>\$ 100,061</b>       | <b>\$ 100,721</b>       | <b>\$ 98,058</b>        | <b>\$ 91,035</b>  | <b>\$ 86,892</b>  | <b>\$ 78,447</b>  | <b>\$ 71,856</b>  | <b>\$ 72,990</b>        |
| <b>Net OPEB liability/(asset) as a percentage of covered payroll</b>       | <b>(47)%</b>       | <b>(17)%</b>            | <b>(16)%</b>            | <b>(64)%</b>            | <b>(29)%</b>            | <b>2 %</b>        | <b>7 %</b>        | <b>32 %</b>       | <b>63 %</b>       | <b>111 %</b>            |

<sup>1</sup> A benefit change was implemented modifying the methodology to determine the HRA contribution to incorporate the use of the published CPI-W inflation measure with a catch-up adjustment applied at the time of implementation.

<sup>2</sup> The assumed investment rate was changed to 6.75 percent.

<sup>3</sup> The assumed investment rate was changed to 7.00 percent.

<sup>4</sup> The assumed investment rate was changed to 7.25 percent. Additionally, assumption changes were made to salary, retirement, termination and mortality rates based on an experience study for the seven-year period ending September 30, 2019. OPEB Plan benefit changes included removal of the premium POS option and revisions in certain limits for the utility discount benefit.

<sup>5</sup> Assumption changes were made to salary, retirement, termination and mortality rates based on experience study for the six-year period ending September 30, 2014.

<sup>6</sup> Each year, changes in assumptions include claim costs and premium amounts for the self insurance health plan, premiums for the fully insured Medicare Advantage plan, longer-term medical trend rates and the annual trend for dental costs.

## REQUIRED SUPPLEMENTARY INFORMATION

### Schedule of employer contributions to the OPEB Plan and investment returns

The following schedule presents 10-year trend information regarding employer contributions to the OPEB Plan and information on the annual money-weighted rate of return, calculated as the internal rate of return on OPEB Plan investments, net of OPEB Plan investment expense, for the years ended September 30:

| Contribution year<br>(Dollars in thousands) | Actuarially<br>determined<br>contribution | Actual<br>contribution | Contribution<br>deficiency/<br>(excess) | Covered payroll<br>(CP) | Contributions<br>as a percentage<br>of CP |
|---|---|------------------------|---|-------------------------|---|
| 2025  | \$ 1,180                                  | \$ 1,180               | \$ —                                    | \$ 112,567              | 1.0 %                                     |
| 2024  | \$ 969                                    | \$ 969                 | \$ —                                    | \$ 102,954              | 0.9 %                                     |
| 2023  | \$ 1,133                                  | \$ 1,133               | \$ —                                    | \$ 100,061              | 1.1 %                                     |
| 2022  | \$ 1,185                                  | \$ 1,185               | \$ —                                    | \$ 100,721              | 1.2 %                                     |
| 2021  | \$ 3,682                                  | \$ 3,682               | \$ —                                    | \$ 98,058               | 3.8 %                                     |
| 2020  | \$ 7,022                                  | \$ 7,022               | \$ —                                    | \$ 91,035               | 7.7 %                                     |
| 2019  | \$ 9,068                                  | \$ 9,068               | \$ —                                    | \$ 86,892               | 10.4 %                                    |
| 2018  | \$ 13,384                                 | \$ 13,384              | \$ —                                    | \$ 78,447               | 17.1 %                                    |
| 2017  | \$ 12,628                                 | \$ 12,628              | \$ —                                    | \$ 71,856               | 17.6 %                                    |
| 2016  | \$ 14,117                                 | \$ 14,117              | \$ —                                    | \$ 72,990               | 19.3 %                                    |

Actuarially determined contribution amounts are calculated as of October 1 which is twelve months prior to the beginning of the fiscal year in which contributions are made and reported. The following methods and assumptions were used in determining the contributions amounts for 2024:

**Actuarial cost method:** Entry age normal, level of percent of pay.

**Amortization method:** Level percentage of payroll, open

**Remaining Amortization Period:** 5 years

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

**Inflation:** 2.25 percent

**Salary increases:** 4.5 percent to 10.0 percent depending on age and group

**Investment rate of return:** 6.75 percent

**Retirement Age:** Experience-based table of rates that are specific to the type of eligibility condition. Last updated in the October 1, 2020 actuarial valuation pursuant to the most recent experience study of the Orlando Utilities Commission Pension Plan, completed in October 2020. This experience study examined actual demographic experience during the seven-year period from October 1, 2012 through September 30, 2019.

**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 postretirement 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.

**Healthcare Cost Trend Rates:** Based on the Getzen Model, with trend starting at 7.00% and gradually decreasing to an ultimate trend rate of 4.00%.

**Aging Factors:** Based on the 2013 SOA Study "Health Care Costs - From Birth to Death".



## REQUIRED SUPPLEMENTARY INFORMATION

### Schedule of changes in total pension liability and related ratios

The following schedule presents multi-year trend information that demonstrates the components of change in the total pension liability from year to year, as well as trends in related statistical information. Amounts presented are determined as of the measurement date of the total pension liability for September 30:

#### 415(m) plan<sup>1</sup>

| (Dollars in thousands)   | 2024            | 2023            | 2022            | 2021            | 2020            | 2019            | 2018            | 2017            | 2016            | 2015            |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Total 415(m) plan pension liability                              |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |
| Service cost   | \$ 38.195       | \$ 44           | \$ 85           | \$ 75           | \$ 57           | \$ 40           | \$ 36           | \$ 28           | \$ 22           | \$ 21           |
| Interest on the total pension liability                          | 89              | 89              | 71              | 80              | 82              | 99              | 91              | 38              | 41              | 40              |
| Benefit changes  | —               | —               | —               | —               | —               | —               | —               | 1,124           | —               | —               |
| Difference between expected and actual experience                | (15)            | (36)            | (585)           | (190)           | 27              | 64              | 82              | 373             | 47              | —               |
| Assumption changes   | 154             | (43)            | (603)           | 87              | 320             | 350             | (96)            | (132)           | 97              | —               |
| Benefit payments, including refunds of plan member contributions | (142)           | (120)           | (152)           | (168)           | (160)           | (157)           | (118)           | (80)            | (51)            | (56)            |
| Net change in total pension liability                            | 124             | (66)            | (1,184)         | (116)           | 326             | 396             | (5)             | 1,351           | 156             | 5               |
| Total pension liability - beginning of year                      | 1,964           | 2,030           | 3,214           | 3,330           | 3,004           | 2,608           | 2,613           | 1,262           | 1,106           | 1,101           |
| <b>Total pension liability - end of year</b>                     | <b>\$ 2,088</b> | <b>\$ 1,964</b> | <b>\$ 2,030</b> | <b>\$ 3,214</b> | <b>\$ 3,330</b> | <b>\$ 3,004</b> | <b>\$ 2,608</b> | <b>\$ 2,613</b> | <b>\$ 1,262</b> | <b>\$ 1,106</b> |
| Covered payroll  | \$ 637          | \$ 610          | \$ 1,041        | \$ 937          | \$ 905          | \$ 905          | \$ 1,114        | \$ 1,458        | \$ 920          | \$ 804          |
| Net OPEB liability/(asset) as a percentage of covered payroll    | 328 %           | 322 %           | 195 %           | 343 %           | 368 %           | 332 %           | 234 %           | 179 %           | 137 %           | 138 %           |

<sup>1</sup> 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.



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

To Management and the Commissioners of Orlando Utilities Commission

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the business-type activities and the fiduciary activities of Orlando Utilities Commission (OUC) as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise OUC's basic financial statements (collectively referred to as the "financial statements"), and have issued our report thereon dated December 19, 2025.

### **Report on Internal Control Over Financial Reporting**

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

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

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



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### **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*

December 19, 2025



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**ORLANDO UTILITIES COMMISSION**

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