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

Tel: +1 407 872 6600
ey.com

Report of Independent Auditors

To Management and the Commissioners of Orlando Utilities
Commission

Report on the Audit of the Financial Statements

Opinions

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

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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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 5-15, the Schedule of changes in Net Pension liability/(asset) (NPL/NPA), Total Pension Liability (TPL), Net OPEB liability/(asset) (NOL/NOA) and related ratios and the Schedule of Employer Contributions to the pension plan on pages 59-61 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

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

Ernst + Young LLP

January 17, 2023

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

Management's Report

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

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

Overview of the Financial Statements

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

Background

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

Financial Reporting

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

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

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

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

Setting of Prices

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

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

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

Basic Financial Statements

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

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

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

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

Condensed Statements of Net Position

As of September 30

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

2022 Compared to 2021

Total Assets and Deferred Outflows of Resources

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

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

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

Total Liabilities, Deferred Inflows of Resources and Net Position

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

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

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

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

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

2021 Compared to 2020

Total Assets and Deferred Outflows of Resources

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

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

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

Total Liabilities, Deferred Inflows of Resources and Net Position

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

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

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

Condensed Statements of Revenues, Expenses and Changes in Net Position

Years Ended September 30

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

2022 Compared to 2021

Changes in Net Position

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

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

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

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

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

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

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

2021 Compared to 2020

Changes in Net Position

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

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

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

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

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

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

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

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

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

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

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

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

Condensed Statement of Cash Flows

Years Ended September 30

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

2022 Compared to 2021

Changes in Cash Flow

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

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

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

Future Capital Funding Needs

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

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

Capital Plan

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

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

Fiduciary Fund Financial Statements

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

Condensed Statements of Fiduciary Net Position
As of September 30

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

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

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

2022 Compared to 2021

Fiduciary Net Position and Changes in Fiduciary Net Position

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

2021 Compared to 2020

Fiduciary Net Position and Changes in Fiduciary Net Position

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

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

Electric Operations

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

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

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

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

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

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

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

Water Operations

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

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

Financing

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

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

STATEMENTS OF NET POSITION

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

See Notes to the Financial Statements for additional information.

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

See Notes to the Financial Statements for additional information.

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

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

See Notes to the Financial Statements for additional information.

STATEMENTS OF CASH FLOWS

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

See Notes to the Financial Statements for additional information.

STATEMENTS OF FIDUCIARY NET POSITION

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

See Notes to Financial Statements for additional information.

STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION

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

See Notes to Financial Statements for additional information.