Note H – Long-Term Debt

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

Bond series (Dollars in thousands)	Final principal payment	Interest rates (%)	2021	Additions during year	Decreases during year	2022	Current portion
2010A	2040	5.66%	$ 200,000	$ —	$ —	$ 200,000	$ —
2010C	2022	4.00 - 5.25%	20,040	—	9,765	10,275	10,275
2011B [5]	2023	5.00%	8,015	—	8,015	—	—
2011C [5]	2027	4.00 - 5.00%	50,975	—	24,925	26,050	26,050
2012A	2027	4.00 - 5.00%	47,280	—	395	46,885	410
2013A	2025	5.00%	191,665	—	24,560	167,105	35,610
2015A	2035	5.00%	94,905	—	—	94,905	—
2016A	2033	4.00 - 5.00%	62,060	—	14,390	47,670	1,455
2018A	2038	5.00%	150,220	—	—	150,220	—
2019A	2040	5.00%	54,735	—	—	54,735	—
2020A	2027	5.00%	95,115	—	—	95,115	—
2021A	2046	2.125 - 5.00%	143,250	—	—	143,250	—
2021B	2046	1.25 - 2.50%	150,860	—	—	150,860	—
2021C [5]	2027	5.00%	19,685	—	—	19,685	6,115
Total fixed rate debt			**1,288,805**	**—**	**82,050**	**1,206,755**	**79,915**
2008	2033	Variable rate [1,3]	200,000	—	—	200,000	—
2015B	2039	Variable rate [1,4]	115,090	—	—	115,090	—
Total variable rate debt			**315,090**	**—**	**—**	**315,090**	**—**
Total debt			**1,603,895**	**—**	**82,050**	**1,521,845**	**79,915**
Less current portion			(82,050)	—	2,135	(79,915)	
Total long-term debt			**$ 1,521,845**	**$ —**	**$ 79,915**	**$ 1,441,930**	

Bond series (Dollars in thousands)	Final principal payment	Interest rates (%)	2020	Additions during year	Decreases during year	2021	Current portion
2010A	2040	5.66%	$ 200,000	$ —	$ —	$ 200,000	$ —
2010C	2022	4.00 - 5.25%	29,360	—	9,320	20,040	9,765
2011B [5]	2023	5.000%	35,365	—	27,350	8,015	8,015
2011C [5]	2027	4.00 - 5.00%	73,630	—	22,655	50,975	24,925
2012A	2027	4.00 - 5.00%	47,280	—	—	47,280	395
2013A	2025	5.00%	212,955	—	21,290	191,665	24,560
2015A	2035	5.00%	94,905	—	—	94,905	—
2016A	2033	4.00 - 5.00%	77,280	—	15,220	62,060	14,390
2018A	2038	5.00%	150,220	—	—	150,220	—
2019A	2040	5.00%	54,735	—	—	54,735	—
2020A	2027	5.00%	95,115	—	—	95,115	—
2021A	2046	2.125 - 5.00%	—	143,250	—	143,250	—
2021B	2046	1.25 - 2.50%	—	150,860	—	150,860	—
2021C [5]	2027	5.00%	—	19,685	—	19,685	—
Total fixed rate debt			**1,070,845**	**313,795**	**95,835**	**1,288,805**	**82,050**
2008	2033	Variable rate [2,3]	200,000	—	—	200,000	—
2015B	2039	Variable rate [2,4]	115,090	—	—	115,090	—
Total variable rate debt			**315,090**	**—**	**—**	**315,090**	**—**
Total debt			**1,385,935**	**313,795**	**95,835**	**1,603,895**	**82,050**
Less current portion			(73,930)	8,120	—	(82,050)	
Total long-term debt			**$ 1,312,005**	**$ 321,915**	**$ 95,835**	**$ 1,521,845**	

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

Note H – Long-Term Debt (continued)

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

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

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

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

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

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

Note H – Long-Term Debt (continued)

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

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

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

The following schedule summarizes OUC's fair value position, based on quoted market rates, for its outstanding swap agreement at September 30, 2022 and 2021. Costs associated with these agreements are deferred and amortized over the life of the underlying bond agreement. The notional amounts below are the basis for which interest is calculated; however, the notional amounts are not exchanged.

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

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

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

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

Note I – Insurance Programs

Background

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

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

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

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

Liabilities

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

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

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

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

The total of these liabilities is included in the Statements of Net Position under the heading of accounts payable and accrued expenses.

Claims

It is the opinion of OUC's general counsel that OUC, as a statutory commission, may enjoy sovereign immunity against tort claims under Section 768.28, Florida Statutes, in the same manner as a municipality, as allowed by Florida Court of Appeals rulings. Under current case law, these rulings, and the Florida Statutes, OUC's limit of liability for tort claims for general liability or vehicle liability is $0.2 million per claim or a total of $0.3 million for the same incident or occurrence; greater liability can result only through an act of the Florida Legislature. Furthermore, under applicable case law, sovereign immunity shall not be deemed to have been waived or the limits of liability increased as a result of obtaining or providing insurance in excess of statutory limitations.

Note I – Insurance Programs and Claims (continued)

Under certain of its business transactions, OUC is obliged to waive sovereign immunity to the enforcement of contractual provisions by the counterparty as well as to its contractual indemnification obligations to the counterparty. OUC's contractual liability is insured under its general liability policies, in excess of its $2.0 million self-insured retention and capped in the aggregate over the life of each agreement.

To support the operations and maintenance of OUC's self-insurance programs, an internally designated fund was established from operating revenues. A review is performed annually and in 2022, the fund was increased $5.3 million to cover increases in the health and wellness programs and contract performance requirements. As a result, the self-insurance reserve balance was $21.8 million and $16.5 million at September 30, 2022 and 2021, respectively. Refer to Note E for details related to cash reserves.

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

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

Note J – Commitments, Contingent Liabilities and Regulation

Fuel for Generation and Power Purchase Commitments

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

Included as a component of the fuel supply contracts are long-term natural gas discounted supply agreements which were executed in the amounts of 21,800 million and 16,800 million British thermal units (MMBtu) per day, for terms not exceeding 30 years, for years ended September 30, 2022 and 2021, respectively. Contract terms for these agreements price the physical supply of gas, at the time of purchase, based on market indices adjusted for the contractually agreed upon discounted price. As the market price fluctuates, the actual market rate and discount will vary in relation to these changes.

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

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

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

[1] Variable pricing is included based upon the market price at September 30, 2022 and is assumed to remain static through contract expiration.
[2] Renewable energy purchase commitments are based on variables including capacity and projected power production.

Leases

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

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

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

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

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

Regulation

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

Environmental Protection Agency (EPA)

- **Greenhouse Gas (GHG) Regulation:** In 2015 the EPA began issuing guidance regulating GHG emissions. The form and substance of this guidance has evolved over the past several years and on August 21, 2018, the EPA proposed a new rule, entitled the Affordable Clean Energy (ACE) Rule, to replace the Clean Power Plan (CPP). On June 19, 2019 the final ACE Rule was issued and the former GHG proposed guidance, the CPP, was repealed. On January 19, 2021, the D.C. Circuit vacated the ACE Rule but left the CPP repeal in place. A replacement rule is currently being developed by the EPA.
- **Mercury and Air Toxics Standards (MATS) Rule:** The EPA proposed the MATS Rule to enhance regulation for mercury and other hazardous air pollutant emissions from electric generating units in April 2015. In April 2016, the EPA finalized its supplemental finding in order to fulfill the directives of the Supreme Court of the United States. Although litigation of the MATS Rule continues, all affected OUC generating units have operated under the requirements of the MATS Rule.
- **EPA Coal Combustion Residual (CCR) Regulations:** On April 17, 2015, the EPA issued new rules regulating the disposal and beneficial use of CCRs. In late 2016, Congress passed the Water Infrastructure Improvements for the Nation Act (WIIN Act) which fundamentally changed the manner in which the CCR rules are to be implemented. Under the WIIN Act, the EPA is authorized to review and approve state CCR permit programs that are at least as protective as the federal CCR rules. Provisions of the CCR regulations were remanded back to the EPA in August 2018 and the EPA issued proposed amendments to the CCR rule in July 2019. The CCR: Closure Part A and Part B rules were finalized in 2020. In January 2022 EPA proposed determinations associated with the CCR Rule that reflected its positions on various CCR Rule compliance requirements including closure standards, groundwater monitoring and corrective action. OUC is in the process of reviewing these determinations to understand how EPA's current positions may impact our efforts related to CCR Rule compliance requirements. The ultimate impact of EPA's announced positions cannot be determined at this time.
- **Interstate Transport Rule:** Based on current modeling, Florida is not significantly contributing to any other state's ozone compliance and as such is meeting its transport-related obligations. Therefore, OUC's electric generating units are not currently impacted by this ruling, although subsequent modeling could impact this status and require subsequent compliance measures.

Federal Regulation Enforcement

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

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

Florida State Regulation

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

Note K – Major Agreements

All Requirements and Wholesale Power Supply Agreements

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

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

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

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

City of Winter Park: In August 2013, OUC and the City of Winter Park (Winter Park) initiated an agreement whereby OUC supplements Winter Park's electric capacity and energy requirements. The term of the agreement began January 1, 2014 with the most recent extension exercised beginning January 1, 2020 for a new seven-year term. Billed revenues, included under the heading of resale electric revenues, were $4.9 million and $3.0 million for the years ended September 30, 2022 and 2021, respectively. In addition, OUC and Winter Park have executed an inter-local agreement whereby OUC and Winter Park may pursue additional joint projects for energy efficiency and utility services.

City of Mount Dora: In April 2020, OUC and the City of Mount Dora (Mount Dora) initiated an agreement whereby OUC provides and delivers wholesale electric service and Mount Dora purchases electric energy and capacity requirements necessary for Mount Dora to serve its load obligation. The term of this agreement began January 1, 2021 with a duration of seven years and the option of a three-year extension. Billed revenues, included under the heading of resale electric revenues, were $6.3 million and $2.9 million for the years ended September 30, 2022 and 2021, respectively.

City of Chattahoochee: In April 2020, OUC and the City of Chattahoochee (Chattahoochee) initiated an agreement whereby OUC provides and delivers wholesale electric service and Chattahoochee purchases electric energy and capacity requirements necessary for Chattahoochee to serve its load obligation. The term of this agreement began January 1, 2021 with a duration of seven years and the option of a three-year extension. Billed revenues, included under the heading of resale electric revenues, were $2.3 million and $1.0 million for the years ended September 30, 2022 and 2021, respectively.

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

Note K – Major Agreements (continued)

Other Major Agreements

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

Orange County: OUC pays a revenue-based payment to Orange County (County) calculated at 1.0 percent of gross retail electric and chilled water billings to customers within the County but outside the city limits of the City and other municipalities. This payment is recorded under the heading of payments to other governments and taxes on the Statements of Revenues, Expenses and Changes in Net Position. Revenue-based payments for the years ended September 30, 2022 and 2021 were $1.7 million and $1.6 million, respectively.

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

Universal City Development Partners, LLC: In November 2019, OUC and Universal City Development Partners, LLC (UCDP) executed an agreement under which OUC will retain contractual custodial rights to maintain and operate the chilled water facilities on property owned by UCDP. Construction of the chilled water facilities is being performed by OUC in collaboration with UCDP and is targeted to be completed in January 2023 at a total contract value of $55.0 million. Revenues in the amount of $0.8 million were recognized beginning in 2022.

Note L – Long-term Employee Benefits

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

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

The defined benefit pension and OPEB plan assets are included in the fiduciary financial statements. Detailed information about the defined benefit pension plan and OPEB plan fiduciary net positions are available in annual standalone financial statements, with the most recent reports issued for the year ended September 30, 2021. These reports may be obtained by writing to OUC Benefit Plans, Reliable Plaza at 100 West Anderson Street, Orlando, Florida 32801 or from the OUC website at www.ouc.com/about-ouc/careers-at-ouc/benefits. The next available report will be issued in 2023 for the plan year ended September 30, 2022.

Pension and Other Postemployment Benefits

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

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

Note L – Long-term Employee Benefits (continued)

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

Traditional Plan

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

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

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

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

Hybrid Plan

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

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

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

Note L – Long-term Employee Benefits (continued)

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

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

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

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

Funding policy: OUC contributes, at a minimum, amounts actuarially determined. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. OUC is required to contribute the difference between the actuarially determined rate and the contribution rate of its employees.

- **Pension:** Traditional defined benefit required participant contributions are 4.0 percent of earnings until the later of age 62 or completion of 30 years of service, with no required contributions thereafter. No participant contributions are required for the cash balance defined benefit offering. The OUC required rate of contribution to the Pension Trust, net of participant contributions based on annual covered payroll, for the actuarial valuation years ended September 30, 2020 and 2019 was 17.1 percent and 18.5 percent, respectively. No contributions were made to the 415 Trust in 2022 or 2021.
- **OPEB:** Participant contributions to the OPEB Trust are not required, however, participants are required to remit directly to OUC costs for their coverage beyond the employee's annual subsidy. OUC contributes, at a minimum, amounts actuarially determined directly to the OPEB Trust and the amounts for the years ended September 30, 2022 and 2021 were $1.1 million and $1.2 million, respectively. Since benefits were paid through operations and not directly from the OPEB Trust, OUC was reimbursed by the OPEB Trust in 2022 and 2021 $6.1 million and $6.7 million, respectively for annual expenses of $6.4 million and $6.3 million, respectively. The rate of contribution to the OPEB Trust, based on annual covered payroll for the actuarial valuation years ended September 30, 2020 and 2019 was 1.1 percent and 1.2 percent, respectively.

Note L – Long-term Employee Benefits (continued)

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

	Qualified plan				Non-qualified plan	
	Pension		OPEB		415 Trust	
(Dollars in thousands)	2022	2021	2022	2021	2022	2021
Total liability						
Service cost	$ 6,820	$ 5,814	$ 1,039	$ 1,174	$ 75	$ 57
Interest on the total liability	35,816	36,079	8,620	9,936	80	82
Benefit changes	—	—	—	(438)	—	—
Difference between expected and actual experience	(640)	(2,073)	(5,592)	2,899	(190)	27
Assumption changes	10,398	(9,708)	(8,028)	(24,688)	87	320
Benefit payments, including refunds of plan member contributions	(34,810)	(34,671)	(6,291)	(7,511)	(168)	(160)
Net change in total liability	**17,584**	**(4,559)**	**(10,252)**	**(18,628)**	**(116)**	**326**
Total liability - beginning of year	**504,602**	**509,161**	**121,006**	**139,634**	**3,330**	**3,004**
Total liability - end of year	**$ 522,186**	**$ 504,602**	**$ 110,754**	**$ 121,006**	**$ 3,214**	**$ 3,330**
Plan fiduciary net position						
Contributions - employer	$ 19,173	$ 22,405	$ 1,185	$ 3,682		
Contributions - plan members	369	423	—	—		
Total investment income, net of investment expense	95,240	46,228	31,313	14,953		
Benefit payments, including refunds of plan member contributions	(34,810)	(34,671)	(6,291)	(7,511)		
Administrative expense	(323)	(242)	(17)	(17)		
Net change in plan fiduciary net position	**79,649**	**34,143**	**26,190**	**11,107**		
Plan fiduciary net position - beginning of year	**459,909**	**425,766**	**149,086**	**137,979**		
Plan fiduciary net position - end of year	**$ 539,558**	**$ 459,909**	**$ 175,276**	**$ 149,086**		
Net liability/(asset) - beginning of year	**$ 44,693**	**$ 83,395**	**$ (28,080)**	**$ 1,655**		
Net (asset)/liability - end of year	**$ (17,372)**	**$ 44,693**	**$ (64,522)**	**$ (28,080)**		

The following schedule presents the long-term employee benefits liability and asset as reported in the Statements of Net Position for the years ended September 30:

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

Actuarial methods and assumptions used to measure TPL, NPL/NPA and NOL/NOA: The TPL, NPL/NPA and NOL/NOA as of September 30, 2022 and 2021 were measured as of September 30, 2021 and 2020, respectively. Since the measurement date and valuation date are the same, no update procedures were used to roll forward the TPL and TOL from the valuation date to the measurement date.

The measurements of the TPL and TOL were determined by an independent actuary in accordance with the American Academy of Actuaries Interpretations, and there were no deviations from the guidance in the Actuarial Standards of Practice in the selection of assumptions used to determine the TPL and TOL and related measures. Annual actuarial amounts for reporting were calculated using the entry age normal cost method.

Note L – Long-term Employee Benefits (continued)

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

	2021	2020
Plan benefit assumptions		
Annual COLA (pension only)	2.0%, based on actual COLA granted for the current year, and 1.0% per year, compounded annually, thereafter	1.5%, based on actual COLA granted for the current year, and 1.0% per year, compounded annually, thereafter
Hybrid Plan interest credit rate	5.0% per year for active members and 3.75% per year for terminated vested members	5.0% per year for active members and 4.0% per year for terminated vested members
Healthcare cost trend rate	Based on the Getzen Model, with trend starting at 6.0% and gradually decreasing to an ultimate trend rate of 3.75%	Based on the Getzen Model, with trend starting at 6.25% and gradually decreasing to an ultimate trend rate of 3.99%
Actuarial assumptions		
Asset valuation method	20.0% of the difference between expected actuarial value, based on assumed return, and market value is recognized each year with 10.0% corridor around market value	20.0% of the difference between expected actuarial value, based on assumed return, and market value is recognized each year with 10.0% corridor around market value
Inflation	2.25% per year	2.25% per year
Investment rate of return	7.00%	7.25%
Salary Increases	4.5% to 10.0% per year, depending on age and plan group	4.5% to 10.0% per year, depending on age and plan group
Mortality	PUB-2010 Headcount Weighted General Below Median Employee Mortality Table (for pre-retirement mortality) and PUB-2010 Headcount Weighted General Below Median Healthy Retiree Mortality Table (for post-retirement mortality), with separate rates for males and females and ages set back one year for males, with mortality improvements projected to all future years after 2010 using Scale MP-2018.	PUB-2010 Headcount Weighted General Below Median Employee Mortality Table (for pre-retirement mortality) and PUB-2010 Headcount Weighted General Below Median Healthy Retiree Mortality Table (for post-retirement mortality), with separate rates for males and females and ages set back one year for males, with mortality improvements projected to all future years after 2010 using Scale MP-2018.

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

The projected long-term real rate of return on pension and OPEB plan investments, valued as of September 30, 2021 and 2020, was determined with the assistance of the plans' independent investment adviser and actuarial review using a building block method, which considers historical performance data and future expectations for each major asset class, while also reflecting current capital market conditions. These best-estimate ranges, net of assumed long-term inflation and investment expenses, were combined to produce the long-term expected rate of return.

The target allocation and best estimates of arithmetic real rates of return for each major asset class as of September 30, 2021 and 2020 are summarized in the following table:

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

Note L – Long-term Employee Benefits (continued)

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

The TPL for the non-qualified plan as of September 30, 2021 and 2020 was calculated using a municipal bond rate of 2.19 percent and 2.41 percent, respectively, as reported in Fidelity's "20-Year Municipal GO AA Index" as reported on the last business day of the month of the measurement date.

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

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

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

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

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

Note L – Long-term Employee Benefits (continued)

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

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

The following schedule is based on a measurement date of September 30, 2021, excluding market valuation impacts for the year ending September 30, 2022, and presents the future amortization of pension and OPEB-related deferred outflows of resources and deferred inflows of resources, excluding the balance attributable to the employer's contribution to the plan in the current fiscal year and subsequent to the measurement date, at September 30:

(Dollars in thousands)	**Pension**	**415 trust**	**OPEB**
2023	$ (14,049)	$ 80	$ (13,395)
2024	(13,034)	(5)	(12,102)
2025	(16,024)	—	(11,173)
2026	(11,711)	—	(9,679)
2027	1,488	—	(2,677)
Thereafter	—	—	(1,777)
Net deferred outflows/(inflows) of resources	**$ (53,330)**	**$ 75**	**$ (50,803)**

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