

# Ohio Valley Electric Corporation and Subsidiary Company

Consolidating Financial Statements as of and  
for the Years Ended December 31, 2024 and 2023,  
and Independent Auditor's Report



## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors of Ohio Valley Electric Corporation:

### **Opinion**

We have audited the consolidating financial statements of Ohio Valley Electric Corporation and its subsidiary company, Indiana-Kentucky Electric Corporation (the "Companies"), which comprise the consolidating balance sheets as of December 31, 2024 and 2023, and the related consolidating statements of income and retained earnings and cash flows for the years then ended, and the related notes to the consolidating financial statements (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Companies as of December 31, 2024 and 2023, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 Companies and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **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 from 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 the Companies' ability to continue as a going concern for one year after the date that the financial statements are issued.

## **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 opinion. 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 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, 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 the Companies' 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 the Companies' ability to continue as a going concern for a reasonable period of time.

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

*Deloitte & Touche LLP*

April 15, 2025

# OHIO VALLEY ELECTRIC CORPORATION AND SUBSIDIARY COMPANY

## CONSOLIDATING BALANCE SHEETS AS OF DECEMBER 31, 2024 AND 2023

	2024				2023			
	Consolidated	Eliminations (Deduct)	Ohio Valley Electric Corporation	Indiana-Kentucky Electric Corporation	Consolidated	Eliminations (Deduct)	Ohio Valley Electric Corporation	Indiana-Kentucky Electric Corporation
<b>ASSETS</b>								
<b>ELECTRIC PLANT:</b>								
At original cost	\$3,272,178,716	\$ -	\$1,600,309,984	\$1,671,868,732	\$3,181,000,415	\$ -	\$1,566,397,579	\$1,614,602,836
Less—accumulated provisions for depreciation	2,270,960,768	-	1,239,328,538	1,031,632,230	2,145,475,614	-	1,149,865,329	995,610,285
	1,001,217,948	-	360,981,446	640,236,502	1,035,524,801	-	416,532,250	618,992,551
Construction in progress	53,739,145	-	26,079,073	27,660,072	17,869,041	-	8,394,454	9,474,587
Total electric plant	1,054,957,093	-	387,060,519	667,896,574	1,053,393,842	-	424,926,704	628,467,138
<b>INVESTMENTS AND OTHER:</b>								
Investment in subsidiary company	-	(3,400,000)	3,400,000	-	-	(3,400,000)	3,400,000	-
Advances to subsidiary	-	(579,277,744)	579,277,744	-	-	(582,815,754)	582,815,754	-
Total investments and other	-	(582,677,744)	582,677,744	-	-	(586,215,754)	586,215,754	-
<b>CURRENT ASSETS:</b>								
Cash and cash equivalents	44,178,533	-	44,172,333	6,200	39,734,708	-	39,728,508	6,200
Accounts receivable	46,946,724	-	44,658,682	2,288,042	65,061,157	-	60,571,247	4,489,910
Income taxes receivable	1,728,688	-	1,728,688	-	-	-	-	-
Fuel in storage	185,986,932	-	77,876,833	108,110,099	165,654,233	-	66,597,540	99,056,693
Materials and supplies	59,981,267	-	36,247,120	23,734,147	57,450,329	-	36,214,724	21,235,605
Property taxes applicable to future years	3,870,000	-	3,870,000	-	3,762,000	-	3,762,000	-
Regulatory assets	6,358,579	-	6,358,579	-	1,643,440	-	1,643,440	-
Prepaid expenses and other	6,575,226	-	3,800,025	2,775,201	4,655,934	-	2,809,671	1,846,263
Total current assets	355,625,949	-	218,712,260	136,913,689	337,961,801	-	211,327,130	126,634,671
<b>REGULATORY ASSETS:</b>								
Unrecognized postemployment benefits	9,464,083	-	2,789,526	6,674,557	8,808,588	-	2,994,015	5,814,573
Unrecognized pension benefits	5,492,094	-	3,207,383	2,284,711	2,178,707	-	1,194,367	984,340
Income taxes billable to customers	55,902,459	-	55,511,614	390,845	33,721,522	-	29,123,602	4,597,920
Other regulatory assets	2,771,867	-	2,771,867	-	4,415,307	-	4,415,307	-
Total regulatory assets	73,630,503	-	64,280,390	9,350,113	49,124,124	-	37,727,291	11,396,833
<b>DEFERRED CHARGES AND OTHER:</b>								
Unamortized debt expense	430,646	-	430,646	-	747,151	-	747,151	-
Long-term investments	216,975,904	-	209,186,632	7,789,272	191,373,359	-	191,126,088	247,271
Postretirement benefits	46,028,655	-	26,223,865	19,804,790	46,589,903	-	24,537,840	22,052,063
Other	1,865,000	-	1,865,000	-	2,865,000	-	2,865,000	-
Total deferred charges and other	265,300,205	-	237,706,143	27,594,062	241,575,413	-	219,276,079	22,299,334
<b>TOTAL</b>	<b>\$1,749,513,750</b>	<b>\$(582,677,744)</b>	<b>\$1,490,437,056</b>	<b>\$ 841,754,438</b>	<b>\$1,682,055,180</b>	<b>\$(586,215,754)</b>	<b>\$1,479,472,958</b>	<b>\$ 788,797,976</b>

See notes to consolidating financial statements.

(Continued)

# OHIO VALLEY ELECTRIC CORPORATION AND SUBSIDIARY COMPANY

## CONSOLIDATING BALANCE SHEETS AS OF DECEMBER 31, 2024 AND 2023

	2024				2023			
	Consolidated	Eliminations (Deduct)	Ohio Valley Electric Corporation	Indiana-Kentucky Electric Corporation	Consolidated	Eliminations (Deduct)	Ohio Valley Electric Corporation	Indiana-Kentucky Electric Corporation
<b>CAPITALIZATION AND LIABILITIES</b>								
CAPITALIZATION:								
Common stock, \$100 par value—authorized, 300,000 shares; outstanding, 100,000 shares in 2024 and 2023	\$ 10,000,000	\$ -	\$ 10,000,000	\$ -	\$ 10,000,000	\$ -	\$ 10,000,000	\$ -
Common stock, without par value, stated at \$200 per share—authorized, 100,000 shares; outstanding, 17,000 shares in 2024 and 2023	-	(3,400,000)	-	3,400,000	-	(3,400,000)	-	3,400,000
Long-term debt	712,224,775	-	712,224,775	-	814,322,489	-	814,322,489	-
Line of credit borrowings	145,000,000	-	145,000,000	-	140,000,000	-	140,000,000	-
Retained earnings	32,589,284	-	32,589,284	-	28,429,819	-	28,429,819	-
Total capitalization	<u>899,814,059</u>	<u>(3,400,000)</u>	<u>899,814,059</u>	<u>3,400,000</u>	<u>992,752,308</u>	<u>(3,400,000)</u>	<u>992,752,308</u>	<u>3,400,000</u>
CURRENT LIABILITIES:								
Current portion of long-term debt	103,407,923	-	103,407,923	-	98,831,592	-	98,831,592	-
Current portion of line of credit borrowings	30,000,000	-	30,000,000	-	10,000,000	-	10,000,000	-
Accounts payable	61,336,547	-	29,440,222	31,896,325	70,075,957	-	22,688,712	47,387,245
Accrued taxes	12,414,121	-	8,322,398	4,091,723	17,040,414	-	13,049,814	3,990,600
Regulatory liabilities	49,100,028	-	24,958,823	24,141,205	847,054	-	847,054	-
Asset retirement obligations	39,992,049	-	15,390,772	24,601,277	19,724,090	-	7,917,570	11,806,520
Accrued interest and other	21,051,559	-	15,544,318	5,507,241	21,522,096	-	18,127,942	3,394,154
Total current liabilities	<u>317,302,227</u>	<u>-</u>	<u>227,064,456</u>	<u>90,237,771</u>	<u>238,041,203</u>	<u>-</u>	<u>171,462,684</u>	<u>66,578,519</u>
COMMITMENTS AND CONTINGENCIES (Notes 3, 9, 11, and 12)								
REGULATORY LIABILITIES:								
Postretirement benefits	140,373,348	-	110,704,752	29,668,596	137,206,331	-	99,616,738	37,589,593
Advance billing of debt reserve	120,000,000	-	120,000,000	-	120,000,000	-	120,000,000	-
Total regulatory liabilities	<u>260,373,348</u>	<u>-</u>	<u>230,704,752</u>	<u>29,668,596</u>	<u>257,206,331</u>	<u>-</u>	<u>219,616,738</u>	<u>37,589,593</u>
OTHER LIABILITIES:								
Pension liability	5,492,094	-	3,207,383	2,284,711	2,178,707	-	1,194,367	984,340
Deferred income tax liability	22,285,974	-	21,898,768	387,206	22,206,478	-	17,608,558	4,597,920
Asset retirement obligations	233,858,657	-	104,414,552	129,444,105	159,350,630	-	73,264,720	86,085,910
Postemployment benefits obligation	9,464,083	-	2,789,526	6,674,557	8,808,588	-	2,994,015	5,814,573
Parent advances	-	(579,277,744)	-	579,277,744	-	(582,815,754)	-	582,815,754
Other non-current liabilities	923,308	-	543,560	379,748	1,510,935	-	579,568	931,367
Total other liabilities	<u>272,024,116</u>	<u>(579,277,744)</u>	<u>132,853,789</u>	<u>718,448,071</u>	<u>194,055,338</u>	<u>(582,815,754)</u>	<u>95,641,228</u>	<u>681,229,864</u>
TOTAL	<u>\$1,749,513,750</u>	<u>\$(582,677,744)</u>	<u>\$1,490,437,056</u>	<u>\$ 841,754,438</u>	<u>\$1,682,055,180</u>	<u>\$(586,215,754)</u>	<u>\$1,479,472,958</u>	<u>\$ 788,797,976</u>

See notes to consolidating financial statements.

(Concluded)

# OHIO VALLEY ELECTRIC CORPORATION AND SUBSIDIARY COMPANY

## CONSOLIDATING STATEMENTS OF INCOME AND RETAINED EARNINGS FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

	2024				2023			
	Consolidated	Eliminations (Deduct)	Ohio Valley Electric Corporation	Indiana-Kentucky Electric Corporation	Consolidated	Eliminations (Deduct)	Ohio Valley Electric Corporation	Indiana-Kentucky Electric Corporation
REVENUES FROM CONTRACTS WITH CUSTOMERS—Sales of electric energy to:								
Department of Energy	\$ 4,131,774	\$ -	\$ 4,131,774	\$ -	\$ 4,126,832	\$ -	\$ 4,126,832	\$ -
Ohio Valley Electric Corporation	-	(345,516,013)	-	345,516,013	-	(374,039,381)	-	374,039,381
Sponsoring Companies	790,040,646	-	790,040,646	-	850,874,742	-	850,874,742	-
Total revenues from contracts with customers	794,172,420	(345,516,013)	794,172,420	345,516,013	855,001,574	(374,039,381)	855,001,574	374,039,381
OPERATING EXPENSES:								
Fuel and emission allowances consumed in operation	373,259,365	-	166,661,322	206,598,043	344,622,250	-	160,586,668	184,035,582
Purchased power	3,942,691	(345,516,013)	349,458,704	-	3,937,749	(374,039,381)	377,977,130	-
Other operation	94,822,339	-	63,412,616	31,409,723	88,025,177	-	57,998,010	30,027,167
Maintenance	116,666,625	-	55,684,143	60,982,482	92,064,829	-	44,418,003	47,646,826
Depreciation	133,804,423	-	93,173,629	40,630,794	256,096,220	-	149,459,678	106,636,542
Federal income tax	4,500,000	-	4,500,000	-	3,000,000	-	3,000,000	-
Taxes—other than income taxes	13,468,791	-	7,671,873	5,796,918	12,417,841	-	6,827,454	5,590,387
Total operating expenses	740,464,234	(345,516,013)	740,562,287	345,417,960	800,164,066	(374,039,381)	800,266,943	373,936,504
OPERATING INCOME	53,708,186	-	53,610,133	98,053	54,837,508	-	54,734,631	102,877
OTHER INCOME (EXPENSE)	971,769	-	1,007,304	(35,535)	197,576	-	232,539	(34,963)
INCOME BEFORE INTEREST CHARGES	54,679,955	-	54,617,437	62,518	55,035,084	-	54,967,170	67,914
INTEREST CHARGES:								
Amortization of debt expense	1,627,140	-	1,627,140	-	1,730,851	-	1,730,851	-
Interest expense	48,893,350	-	48,830,832	62,518	50,376,392	-	50,308,478	67,914
Total interest charges	50,520,490	-	50,457,972	62,518	52,107,243	-	52,039,329	67,914
NET INCOME	4,159,465	-	4,159,465	-	2,927,841	-	2,927,841	-
RETAINED EARNINGS—Beginning of year	28,429,819	-	28,429,819	-	25,501,978	-	25,501,978	-
RETAINED EARNINGS—End of year	\$ 32,589,284	\$ -	\$ 32,589,284	\$ -	\$ 28,429,819	\$ -	\$ 28,429,819	\$ -

See notes to consolidating financial statements.

# OHIO VALLEY ELECTRIC CORPORATION AND SUBSIDIARY COMPANY

## CONSOLIDATING STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

	2024				2023			
	Consolidated	Eliminations (Deduct)	Ohio Valley Electric Corporation	Indiana-Kentucky Electric Corporation	Consolidated	Eliminations (Deduct)	Ohio Valley Electric Corporation	Indiana-Kentucky Electric Corporation
OPERATING ACTIVITIES:								
Net income	\$ 4,159,465	\$ -	\$ 4,159,465	\$ -	\$ 2,927,841	\$ -	\$ 2,927,841	\$ -
Adjustments to reconcile net income to net cash provided by (used in) operating activities:								
Depreciation	133,804,423	-	93,173,629	40,630,794	256,096,220	-	149,459,678	106,636,542
Amortization of debt expense	1,627,140	-	1,627,140	-	1,730,851	-	1,730,851	-
Changes in assets and liabilities:								
Accounts receivable	18,114,433	-	15,912,565	2,201,868	(14,349,799)	-	(9,993,689)	(4,356,110)
Fuel in storage	(19,294,505)	-	(11,279,293)	(8,015,212)	(103,279,667)	-	(43,746,526)	(59,533,141)
Materials and supplies	(2,530,938)	-	(32,396)	(2,498,542)	(10,666,098)	-	(5,796,656)	(4,869,442)
Property taxes applicable to future years	(108,000)	-	(108,000)	-	(600,000)	-	(600,000)	-
Prepaid expenses and other	(1,919,292)	-	(990,354)	(928,938)	1,738,977	-	1,470,885	268,092
Other regulatory assets	(23,165,211)	-	(20,329,892)	(2,835,319)	(3,250,410)	-	(6,079,011)	2,828,601
Other noncurrent assets	(18,976,761)	-	(14,581,261)	(4,395,500)	(17,491,921)	-	(9,462,420)	(8,029,501)
Accounts payable	(13,194,218)	-	4,902,548	(18,096,766)	(14,541,030)	-	(10,273,184)	(4,267,846)
Accrued taxes	(6,354,981)	-	(6,456,104)	101,123	6,114,877	-	6,071,912	42,965
Accrued interest and other	(4,186,824)	-	(4,701,942)	515,118	691,245	-	639,915	51,330
Other liabilities	(143,807)	-	1,285,360	(1,429,167)	(74,186,215)	-	(19,429,160)	(54,757,055)
Other regulatory liabilities	<u>51,419,991</u>	<u>-</u>	<u>35,199,783</u>	<u>16,220,208</u>	<u>(45,321,625)</u>	<u>-</u>	<u>(15,546,636)</u>	<u>(29,774,989)</u>
Net cash (used in) provided by operating activities	<u>119,250,915</u>	<u>-</u>	<u>97,781,248</u>	<u>21,469,667</u>	<u>(14,386,754)</u>	<u>-</u>	<u>41,373,800</u>	<u>(55,760,554)</u>

(Continued)

# OHIO VALLEY ELECTRIC CORPORATION AND SUBSIDIARY COMPANY

## CONSOLIDATING STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

	2024				2023			
	Consolidated	Eliminations (Deduct)	Ohio Valley Electric Corporation	Indiana-Kentucky Electric Corporation	Consolidated	Eliminations (Deduct)	Ohio Valley Electric Corporation	Indiana-Kentucky Electric Corporation
<b>INVESTING ACTIVITIES:</b>								
Changes in short-term intercompany lendings	\$ -	\$ (1,571,762)	\$ 1,571,762	\$ -	\$ -	\$ 32,305,595	\$ (32,305,595)	\$ -
Electric plant additions	(41,124,451)	-	(21,593,722)	(19,530,729)	(50,822,921)	-	(24,559,659)	(26,263,262)
Proceeds from sale of long-term investments	588,917,379	-	572,746,338	16,171,040	933,946,766	-	820,078,483	113,868,283
Purchases of long-term investments	(587,769,571)	-	(571,599,634)	(16,169,936)	(848,379,837)	-	(784,878,020)	(63,501,817)
Net cash (used in) provided by investing activities	<u>(39,976,643)</u>	<u>(1,571,762)</u>	<u>(18,875,256)</u>	<u>(19,529,625)</u>	<u>34,744,008</u>	<u>32,305,595</u>	<u>(21,664,791)</u>	<u>24,103,204</u>
<b>FINANCING ACTIVITIES:</b>								
Changes in short-term intercompany borrowings	-	1,571,762	-	(1,571,762)	-	(32,305,595)	-	32,305,595
Debt issuance and maintenance costs	-	-	-	-	(689,458)	-	(689,458)	-
Repayment of Senior 2006 Notes	(29,367,184)	-	(29,367,184)	-	(27,726,072)	-	(27,726,072)	-
Repayment of Senior 2007 Notes	(20,965,069)	-	(20,965,069)	-	(19,773,778)	-	(19,773,778)	-
Repayment of Senior 2008 Notes	(23,499,340)	-	(23,499,340)	-	(22,023,544)	-	(22,023,544)	-
Repayment of Senior 2017A Notes	(25,000,000)	-	(25,000,000)	-	-	-	-	-
Proceeds from line of credit	60,000,000	-	60,000,000	-	40,000,000	-	40,000,000	-
Payments on line of credit	(35,000,000)	-	(35,000,000)	-	-	-	-	-
Principal payments under finance leases	(998,854)	-	(630,574)	(368,280)	(1,021,914)	-	(373,669)	(648,245)
Net cash (used in) provided by financing activities	<u>(74,830,447)</u>	<u>1,571,762</u>	<u>(74,462,167)</u>	<u>(1,940,042)</u>	<u>(31,234,766)</u>	<u>(32,305,595)</u>	<u>(30,586,521)</u>	<u>31,657,350</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>								
	4,443,825	-	4,443,825	-	(10,877,512)	-	(10,877,512)	-
<b>CASH AND CASH EQUIVALENTS—Beginning of year</b>								
	<u>39,734,708</u>	<u>-</u>	<u>39,728,508</u>	<u>6,200</u>	<u>50,612,220</u>	<u>-</u>	<u>50,606,020</u>	<u>6,200</u>
<b>CASH AND CASH EQUIVALENTS—End of year</b>								
	<u>\$ 44,178,533</u>	<u>\$ -</u>	<u>\$ 44,172,333</u>	<u>\$ 6,200</u>	<u>\$ 39,734,708</u>	<u>\$ -</u>	<u>\$ 39,728,508</u>	<u>\$ 6,200</u>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:</b>								
Interest paid	<u>\$ 50,065,094</u>	<u>\$ -</u>	<u>\$ 50,065,094</u>	<u>\$ -</u>	<u>\$ 52,107,243</u>	<u>\$ -</u>	<u>\$ 52,107,243</u>	<u>\$ -</u>
Income taxes (received) paid—net	<u>\$ 26,100,000</u>	<u>\$ -</u>	<u>\$ 26,100,000</u>	<u>\$ -</u>	<u>\$ 9,700,000</u>	<u>\$ -</u>	<u>\$ 9,700,000</u>	<u>\$ -</u>
Non-cash electric plant additions included in accounts payable at December 31	<u>\$ 3,548,581</u>	<u>\$ -</u>	<u>\$ 1,859,675</u>	<u>\$ 1,688,906</u>	<u>\$ 136,855</u>	<u>\$ -</u>	<u>\$ 15,601</u>	<u>\$ 121,254</u>

See notes to consolidating financial statements.

(Concluded)



# OHIO VALLEY ELECTRIC CORPORATION AND SUBSIDIARY COMPANY

## NOTES TO CONSOLIDATING FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

---

### 1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

**Consolidating Financial Statements**—The consolidating financial statements include the accounts of Ohio Valley Electric Corporation (“OVEC”) and its wholly owned subsidiary, Indiana-Kentucky Electric Corporation (“IKEC”) collectively, the Companies. All intercompany transactions have been eliminated in consolidation.

**Organization**—The Companies own two generating stations located in Ohio and Indiana with a combined electric production capability of approximately 2,256 megawatts. OVEC is owned by several investor-owned utilities or utility-holding companies and two affiliates of generation and transmission rural electric cooperatives. These entities or their affiliates comprise the Sponsoring Companies. The Sponsoring Companies purchase power from OVEC according to the terms of the Inter-Company Power Agreement (“ICPA”), which has a current termination date of June 30, 2040. Approximately 20% of the Companies’ employees are covered by a collective bargaining agreement that expires on August 31, 2027.

Prior to 2004, OVEC’s primary commercial customer was the U.S. Department of Energy (“DOE”). The contract to provide OVEC-generated power to the DOE was terminated in 2003 and all obligations were settled at that time. Currently, OVEC has an agreement to arrange for the purchase of power (“Arranged Power”), under the direction of the DOE, for resale directly to the DOE. The current agreement with the DOE was executed on July 11, 2018, for one year, with the option for the DOE to extend the agreement at the anniversary date. The agreement was extended on July 11, 2024, for one year. OVEC anticipates that this agreement could continue to 2027. All purchase costs are billable by OVEC to the DOE.

**Rate Regulation**—The proceeds from the sale of power to the Sponsoring Companies are designed to be sufficient for OVEC to meet its operating expenses and fixed costs as well as earn a return on equity before federal income taxes. In addition, the proceeds from the sale of power are designed to cover debt amortization and interest expense associated with financings. The Companies have continued and expect to continue to operate pursuant to the cost-plus rate of return recovery provisions at least to June 30, 2040, the date of termination of the ICPA.

The accounting guidance for Regulated Operations provides that rate-regulated utilities account for and report assets and liabilities consistent with the economic effect of the way in which rates are established, if the rates established are designed to recover the costs of providing the regulated service and it is probable that such rates can be charged and collected. The Companies follow the accounting and reporting requirements in accordance with the guidance for Regulated Operations. Certain expenses and credits subject to utility regulation or rate determination normally reflected in income are deferred in the accompanying consolidating balance sheets and are recognized as income as the related amounts are included in service rates and recovered from or refunded to customers.

The Companies' regulatory assets, liabilities, and amounts authorized for recovery through the billings of Sponsoring Companies at December 31, 2024 and 2023, were as follows:

	2024		2023	
	OVEC	IKEC	OVEC	IKEC
Regulatory assets:				
Current regulatory assets:				
Other regulatory assets	\$ 6,358,579	\$ -	\$ 1,643,440	\$ -
Noncurrent regulatory assets:				
Unrecognized postemployment benefits	2,789,526	6,674,557	2,994,015	5,814,573
Unrecognized pension benefits	3,207,383	2,284,711	1,194,367	984,340
Income taxes billable to customers	55,511,614	390,845	29,123,602	4,597,920
Other regulatory assets	2,771,867	-	4,415,307	-
Total	64,280,390	9,350,113	37,727,291	11,396,833
Total regulatory assets	\$ 70,638,969	\$ 9,350,113	\$ 39,370,731	\$ 11,396,833
Regulatory liabilities:				
Current regulatory liabilities:				
Deferred revenue—advances for construction	\$ 24,299,495	\$ 24,141,205	\$ -	\$ -
Deferred credit—advance collection of interest	659,328	-	847,054	-
Total	24,958,823	24,141,205	847,054	-
Noncurrent regulatory liabilities:				
Postretirement benefits	110,704,752	29,668,596	99,616,738	37,589,593
Advance billing of debt reserve	120,000,000	-	120,000,000	-
Total	230,704,752	29,668,596	219,616,738	37,589,593
Total regulatory liabilities	\$ 255,663,575	\$ 53,809,801	\$ 220,463,792	\$ 37,589,593

**Regulatory Assets**—Regulatory assets consist primarily of pension benefit costs, postemployment benefit costs, and income taxes to be billed to the Sponsoring Companies in future years. The Companies' current billing policy for pension and postemployment benefit costs is to bill its actual plan funding.

**Regulatory Liabilities**—The regulatory liabilities classified as current in the accompanying consolidating balance sheet as of December 31, 2024 consist primarily of advance billing of construction and interest expense collected from customers in advance of expense recognition. These amounts will be credited to customer bills during 2025. Other regulatory liabilities consist primarily of postretirement benefit costs and advanced billings collected from the Sponsoring Companies for debt service.

The regulatory liability for postretirement benefits recorded at December 31, 2024 and 2023, represents amounts collected in historical billings in excess of net periodic benefit costs recognizable under accounting principles generally accepted in the United States of America ("GAAP"), including a termination payment from the DOE in 2003 for unbilled postretirement benefit costs, and incremental net plan assets recognized in the balance sheets but not yet recognizable in GAAP net periodic benefit costs.

Beginning January 2017 and continuing through December 31, 2020, the Companies billed the Sponsoring Companies for debt service as allowed under the ICPA. A total of \$120 million was billed during this period. As the Companies have not yet incurred the related costs, a regulatory liability was recorded which will be credited to customer bills on a long-term basis.

**Cash and Cash Equivalents**—Cash and cash equivalents primarily consist of cash and money market funds and their carrying value approximates fair value. For purposes of these statements, the Companies consider temporary cash investments to be cash equivalents since they are readily convertible into cash and have original maturities of less than three months.

**Electric Plant**—Property additions and replacements are charged to utility plant accounts. Depreciation expense is recorded at the time property additions and replacements are billed to customers or at the date the property is placed in service, if the in-service date occurs subsequent to the customer billing. Customer billings for construction in progress are recorded as deferred revenue—advances for construction. These amounts are closed to revenue at the time the related property is placed in service. Depreciation expense and accumulated depreciation are recorded when financed property additions and replacements are recovered over a period of years through customer debt retirement billing. All depreciable property will be fully billed and depreciated prior to the expiration of the ICPA. Repairs of property are charged to maintenance expense.

**Fuel in Storage, Emission Allowances, and Materials and Supplies**—The Companies maintain coal, reagent, and oil inventories for use in the generation of electricity. Additionally, the Companies maintain emission allowance inventories for regulatory compliance purposes. These inventories are valued at average cost. Materials and supplies consist primarily of replacement parts necessary to maintain the generating facilities and are valued at average cost.

**Long-Term Investments**—Long-term investments consist of marketable securities and other investments that are held for the purpose of funding decommissioning and demolition costs, debt service, potential postretirement funding, and other costs. These debt securities have been classified as trading securities in accordance with Accounting Standards Codification (“ASC”) Topics 320 and 321. Debt and equity securities reflected in long-term investments are carried at fair value. The cost of securities sold is based on the specific identification cost method. The fair value of investment securities is determined by reference to quoted market prices when available. Where quoted market prices are not available, the Companies use the market price of similar types of securities that are traded in the market to estimate fair value. See Fair Value Measurements in Note 10. Long-term investments, primarily consist of municipal bonds, money market mutual fund investments, and mutual funds. Net unrealized gains (losses) recognized during 2024 and 2023 on securities still held at the balance sheet date were \$872,270 and \$1,725,732, respectively.

**Fair Value Measurements of Assets and Liabilities**—The accounting guidance for Fair Value Measurements and Disclosures establishes a fair value hierarchy that prioritizes the inputs used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Where observable inputs are available, pricing may be completed using comparable securities, dealer values, and general market conditions to determine fair value. Valuation models utilize various inputs that include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, and other observable inputs for the asset or liability.

**Unamortized Debt Expense**—Unamortized debt expense relates to costs incurred in connection with obtaining revolving credit agreements. These costs are amortized over the term of the related revolving credit agreement and are recorded as an asset in the consolidating balance sheets. Costs incurred to issue debt are recorded as a reduction to long-term debt as presented in Note 6, Long-Term Debt.

**Asset Retirement Obligations and Asset Retirement Costs**—The Companies recognize the fair value of legal obligations associated with the retirement or removal of long-lived assets at the time of the incurrence of the obligations when such obligations are probable and the amounts can be reasonably estimated. The initial recognition of this liability is accompanied by a corresponding increase in depreciable electric plant. Subsequent to the initial recognition, the liability is adjusted for revisions to the expected value of the retirement obligation (with corresponding adjustments to electric plant), for payments in satisfaction of asset retirement obligations, and for accretion of the liability due to the passage of time.

These asset retirement obligations are primarily related to plant closure costs, including the impacts of the coal combustion residuals rule (“CCR”), as well as obligations associated with future asbestos abatement.

	OVEC	IKEC	Consolidated
Balance—January 1, 2023	\$ 64,097,283	\$ 67,845,175	\$ 131,942,458
Accretion	3,809,408	8,292,604	12,102,012
Liabilities settled	(15,428,341)	(50,952,315)	(66,380,656)
Revisions to cash flows (1)	<u>28,703,940</u>	<u>72,706,966</u>	<u>101,410,906</u>
Balance—December 31, 2023	81,182,290	97,892,430	179,074,720
Accretion	4,926,611	4,229,280	9,155,891
Liabilities settled	(487,159)	(3,037,903)	(3,525,062)
Revisions to cash flows (1)	<u>34,183,582</u>	<u>54,961,575</u>	<u>89,145,157</u>
Balance—December 31, 2024	<u>\$ 119,805,324</u>	<u>\$ 154,045,382</u>	<u>\$ 273,850,706</u>
Current	\$ 15,390,772	\$ 24,601,277	\$ 39,992,049
Non-current	<u>104,414,552</u>	<u>129,444,105</u>	<u>233,858,657</u>
Balance—December 31, 2024	<u>\$ 119,805,324</u>	<u>\$ 154,045,382</u>	<u>\$ 273,850,706</u>

(1) Represents non-cash investing activity.

In response to revised regulations for coal combustion residuals and the potential for the establishment of even more reformative rules, the Companies have accelerated the timing of remediation activities related to their coal ash ponds and landfills. This resulted in liabilities settled in 2023 and 2024, as disclosed in the table above. Changes in the regulations, or in the remediation technologies could potentially result in material increases in the asset retirement obligation. The Companies will revisit the studies, as necessary throughout the process of executing remediation related to the coal ash ponds and landfills to maintain an accurate estimated cost of remediation.

The revised cash flow estimates in 2024 and 2023 reflect the outcome of the decommissioning and demolition study resulting in an upward revision of \$89.1 million and \$101.4 million, respectively. This increase in 2024 was driven by asbestos abatement and post closure costs.

The Companies do not recognize liabilities for asset retirement obligations for which the fair value cannot be reasonably estimated. The Companies have asset retirement obligations associated with transmission assets. However, the retirement date for these assets cannot be determined; therefore, the fair value of the associated liability currently cannot be estimated and no amounts are recognized in the consolidating financial statements herein.

**Income Taxes**—The Companies use the liability method of accounting for income taxes. Under the liability method, the Companies provide deferred income taxes for all temporary differences between the book and tax basis of assets and liabilities, which will result in a future tax consequence. The Companies account for uncertain tax positions in accordance with the accounting guidance for income taxes.

**Use of Estimates**—The preparation of consolidating financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and to disclose contingent assets and liabilities at the date of the consolidating financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Revenue Recognition**—Revenue is recognized when the Companies transfer promised goods or services to customers in an amount that reflects the consideration to which the Companies expect to be entitled in exchange for those goods or services. Performance obligations related to the sale of electric energy are satisfied over time as system resources are made available to customers and as energy is delivered to customers and the Companies recognize revenue upon billing the customer.

The Companies have two contracts with customers that give rise to the following revenue types;

- 1) Sales of Electric Energy to The Department of Energy
- 2) Sales of Electric Energy to Sponsoring Companies

The Companies have no contract assets or liabilities as of December 31, 2024 and 2023. The following table provides information about the Companies' receivables from contracts with customers:

	<b>OVEC</b>	<b>IKEC</b>	<b>Consolidated</b>
	<b>Accounts Receivable</b>	<b>Accounts Receivable</b>	<b>Accounts Receivable</b>
Beginning balance—January 1, 2023	\$ 50,577,558	\$ 133,800	\$ 50,711,358
Ending balance—December 31, 2023	<u>60,571,247</u>	<u>4,489,910</u>	<u>65,061,157</u>
Increase/(decrease)	<u>\$ 9,993,689</u>	<u>\$ 4,356,110</u>	<u>\$ 14,349,799</u>
Beginning balance—January 1, 2024	\$ 60,571,247	\$ 4,489,910	\$ 65,061,157
Ending balance—December 31, 2024	<u>44,658,682</u>	<u>2,288,042</u>	<u>46,946,724</u>
Increase/(decrease)	<u>\$ (15,912,565)</u>	<u>\$ (2,201,868)</u>	<u>\$ (18,114,433)</u>

**Subsequent Events**—In preparing the accompanying financial statements and disclosures, the Companies reviewed subsequent events through April 15, 2025, which is the date the consolidating financial statements were issued.

## 2. RELATED-PARTY TRANSACTIONS

Transactions with the Sponsoring Companies during 2024 and 2023 included the sale of all generated power, contract barging services, railcar services, and minor transactions for services and materials. The Companies have Power Agreements with Buckeye Power Generating, LLC, Peninsula Generation Cooperative, Louisville Gas and Electric Company, Duke Energy Ohio, Inc., The Dayton Power and Light Company, Kentucky Utilities Company, Ohio Edison Company, and American Electric Power Service Corporation as agent for the American Electric Power System Companies, as well as Transmission Service Agreements with Louisville Gas and Electric Company, Duke Energy Ohio, Inc., The Dayton Power and Light Company, The Toledo Edison Company, Ohio Edison Company, Kentucky Utilities Company, and American Electric Power Service Corporation as agent for the American Electric Power System Companies.

At December 31, 2024 and 2023, balances due from the Sponsoring Companies are as follows:

	<b>2024</b>	<b>2023</b>
Accounts receivable	<u>\$ 43,515,644</u>	<u>\$ 52,500,983</u>

During 2024 and 2023, American Electric Power Company, Inc., accounted for approximately 43% of operating revenues from Sponsoring Companies and Buckeye Power Generating, LLC, accounted for 18%. No other Sponsoring Company accounted for more than 10%.

American Electric Power Company, Inc. and subsidiary companies owned 43.47% of the common stock of OVEC as of December 31, 2024. The following is a summary of the principal services received from the American Electric Power Service Corporation as authorized by the Companies' Boards of Directors:

	<b>2024</b>	<b>2023</b>
General services	\$ 3,125,673	\$ 2,403,734
Specific projects	<u>301,210</u>	<u>98,903</u>
Total	<u>\$ 3,426,883</u>	<u>\$ 2,502,637</u>

General services consist of regular recurring operation and maintenance services. Specific projects primarily represent nonrecurring plant construction projects and engineering studies, which are approved by the Companies' Boards of Directors. The services are provided in accordance with the service agreement dated December 15, 1956, between the Companies and the American Electric Power Service Corporation. Charges for these services are included in the Companies' operating expense.

### 3. COAL SUPPLY

The Companies have coal supply agreements with certain nonaffiliated companies that expire at various dates from the year 2025 through 2028. Pricing for coal under these contracts is subject to contract provisions and adjustments. The Companies currently have 82% of their 2025 coal requirements under contract. The remaining coal requirements in 2025 will be filled by the coal supply on hand. These contracts are based on rates in effect at the time of contract execution. The Companies' total obligations under these agreements as of December 31, 2024, are included in the table below:

	OVEC	IKEC	Consolidated
2025	\$ 136,338,717	\$ 125,568,380	\$ 261,907,097
2026	22,538,000	49,138,500	71,676,500
2027	-	26,250,000	26,250,000
2028	-	26,250,000	26,250,000

### 4. ELECTRIC PLANT

Electric plant at December 31, 2024 and 2023, consists of the following:

	2024		2023	
	OVEC	IKEC	OVEC	IKEC
Steam production plant	\$1,536,896,568	\$1,639,935,163	\$1,502,936,545	\$1,582,669,266
Transmission plant	51,149,121	30,914,548	51,149,120	30,914,548
General plant	12,245,371	1,011,381	12,292,990	1,011,382
Intangible	<u>18,924</u>	<u>7,640</u>	<u>18,924</u>	<u>7,640</u>
	1,600,309,984	1,671,868,732	1,566,397,579	1,614,602,836
Less accumulated depreciation	<u>1,239,328,538</u>	<u>1,031,632,230</u>	<u>1,149,865,329</u>	<u>995,610,285</u>
	360,981,446	640,236,502	416,532,250	618,992,551
Construction in progress	<u>26,079,073</u>	<u>27,660,072</u>	<u>8,394,454</u>	<u>9,474,587</u>
Total electric plant	<u>\$ 387,060,519</u>	<u>\$ 667,896,574</u>	<u>\$ 424,926,704</u>	<u>\$ 628,467,138</u>

All property additions and replacements are fully depreciated on the date the property is placed in service unless the addition or replacement relates to a financed project. As the Companies' policy is to bill in accordance with the debt service schedule under the debt agreements, all financed projects are depreciated in amounts equal to the principal payments on outstanding debt.

### 5. BORROWING ARRANGEMENTS AND NOTES

OVEC has a revolving credit facility of \$150 million which was renewed on March 16, 2023 and set to expire on March 16, 2026. At December 31, 2024 and 2023, OVEC had borrowed \$145 million and \$140 million, respectively, under the revolving credit facility. Additionally, OVEC has a 364-day revolving credit facility of \$35 million entered into on December 19, 2023 and extended on November 9, 2024. As of December 31, 2024, OVEC had borrowed \$30 million under the 364-day revolving credit facility. Interest expense related to lines of credit borrowings was \$11,122,095 in 2024 and \$9,022,080 in 2023. During 2024 and 2023, OVEC incurred annual commitment fees of \$82,615 and \$76,542, respectively, based on the borrowing limits of the line of credit.

On February 21, 2025, OVEC terminated the \$35 million 364 Day Credit Agreement and amended the March 16, 2023, \$150 million primary line of credit agreement. The amended agreement has a total capacity of \$200 million and is set to expire on February 21, 2029.

## 6. LONG-TERM DEBT

The following amounts were outstanding at December 31, 2024 and 2023:

	Interest Rate Type	Interest Rate	2024	2023
Senior 2006 Notes:				
2006A due February 15, 2026	Fixed	5.80 %	\$ 44,634,587	\$ 72,333,829
2006B due June 15, 2040	Fixed	6.40	46,761,205	48,429,148
Senior 2007 Notes:				
2007A-A due February 15, 2026	Fixed	5.90	16,221,335	29,295,163
2007A-B due February 15, 2026	Fixed	5.90	4,085,184	7,377,699
2007A-C due February 15, 2026	Fixed	5.90	4,117,713	7,436,445
2007B-A due June 15, 2040	Fixed	6.50	23,257,416	24,107,521
2007B-B due June 15, 2040	Fixed	6.50	5,857,151	6,071,242
2007B-C due June 15, 2040	Fixed	6.50	5,903,788	6,119,584
Senior 2008 Notes:				
2008A due February 15, 2026	Fixed	5.92	5,065,856	9,148,464
2008B due February 15, 2026	Fixed	6.71	9,562,814	18,138,280
2008C due February 15, 2026	Fixed	6.71	12,159,556	20,614,382
2008D due June 15, 2040	Fixed	6.91	34,199,844	35,382,998
2008E due June 15, 2040	Fixed	6.91	34,794,087	35,997,799
Series 2009 Bonds:				
2009A due February 1, 2026	Fixed	2.88	25,000,000	25,000,000
2009B due February 1, 2026	Fixed	1.38	-	25,000,000
2009C due February 1, 2026	Fixed	1.50	25,000,000	25,000,000
2009D due February 1, 2026	Fixed	2.88	25,000,000	25,000,000
Series 2010 Bonds:				
2010A due November 1, 2030	Fixed	3.00	50,000,000	50,000,000
2010B due November 1, 2030	Fixed	2.50	50,000,000	50,000,000
Series 2012 Bonds:				
2012A due November 1, 2030	Fixed	4.25	200,000,000	200,000,000
2012B due November 1, 2030	Fixed	3.00	50,000,000	50,000,000
2012C due November 1, 2030	Fixed	3.00	50,000,000	50,000,000
Series 2019 Bonds—				
2019A due September 1, 2029	Fixed	3.25	<u>100,000,000</u>	<u>100,000,000</u>
Total debt			821,620,536	920,452,554
Less unamortized debt expense			<u>(5,987,838)</u>	<u>(7,298,473)</u>
Total debt net of premiums, discounts, and unamortized debt expense			815,632,698	913,154,081
Current portion of long-term debt			<u>103,407,923</u>	<u>98,831,592</u>
Total long-term debt			<u>\$712,224,775</u>	<u>\$814,322,489</u>

Since 2009, OVEC has entered into a number of tax-exempt financing arrangements. Under these arrangements, the Ohio Air Quality Development Authority (“OAQDA”), and the Indiana Finance Authority (“IFA”) issued tax exempt bonds, and the Companies entered back-to-back loan agreements under which the Companies are obligated to make payments equal to the principal and interest due on such bonds.



The 2009, 2010, 2012B and 2012C Bonds were originally issued as variable-rate remarketable put bonds backed by irrevocable transferable direct-pay letters of credit. These bonds were all subsequently remarketed as fixed-rate bonds with interest periods that extend through their final maturity dates, except for the 2009B and 2009C bonds, which have interest periods that extend through October 31, 2024 and November 3, 2025, respectively, at which point such bonds are subject to mandatory tender. The 2009B bond was repaid on October 31, 2024.

The 2010, 2012B, 2012C and 2019 Bonds are all scheduled to begin amortizing in 2026. The 2012A Bonds will begin amortizing in 2027.

Certain of OVEC's bonds and its revolving credit facility require the Companies to maintain a minimum of \$11 million of equity, which includes common stock and retained earnings balances. Common stock and retained earnings approximated \$42.6 million as of December 31, 2024.

The annual maturities of long-term debt as of December 31, 2024, are as follows:

2025	\$ 103,407,923
2026	130,578,255
2027	120,092,120
2028	124,591,285
2029	129,265,197
2030–2040	<u>213,685,756</u>
 Total	 <u>\$ 821,620,536</u>

Note that the 2025 maturities include \$25 million variable-rate bonds subject to remarketing in November 2025.

## 7. INCOME TAXES

OVEC and IKEC file a consolidated federal income tax return. The effective tax rate varied from the statutory federal income tax rate due to differences between the book and tax treatment of various transactions as follows:

	<b>2024</b>	<b>2023</b>
Income tax expense at statutory rate (21%)	\$ 1,818,488	\$ 1,244,847
Temporary differences flowed through to customer bills	2,678,622	1,753,316
Permanent differences and other	<u>2,890</u>	<u>1,837</u>
 Income tax provision	 <u>\$ 4,500,000</u>	 <u>\$ 3,000,000</u>

Components of the income tax provision were as follows:

	<b>2024</b>	<b>2023</b>
Current income tax expense—federal	\$ 26,597,816	\$ 16,782,327
Current income tax (benefit)/expense—state	3,639	-
Deferred income tax expense/(benefit)—federal	<u>(22,101,455)</u>	<u>(13,782,327)</u>
 Total income tax provision	 <u>\$ 4,500,000</u>	 <u>\$ 3,000,000</u>

OVEC and IKEC record deferred tax assets and liabilities based on differences between book and tax basis of assets and liabilities measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. Deferred tax assets and liabilities are adjusted for changes in tax rates.

To the extent that the Companies have not reflected charges or credits in customer billings for deferred tax assets and liabilities, they have recorded a regulatory asset or liability representing income taxes billable or refundable to customers under the applicable agreements among the parties. These temporary differences will be billed or credited to the Sponsoring Companies through future billings. The regulatory asset was \$55,902,459 and \$33,721,522 at December 31, 2024 and 2023, respectively.

Deferred income tax assets (liabilities) at December 31, 2024 and 2023, consisted of the following:

	<b>2024</b>	<b>2023</b>
Deferred tax assets:		
Deferred revenue—advances for construction	\$ 10,173,860	\$ -
Pension benefits	161,111	-
Postemployment benefit obligation	1,987,714	1,849,974
Asset retirement obligations	57,245,081	37,609,157
Advanced collection of interest and debt service	25,341,728	25,380,220
Miscellaneous accruals	1,207,718	1,146,109
Other	990,179	-
Regulatory liability—postretirement benefits	<u>29,482,207</u>	<u>28,815,985</u>
 Total deferred tax assets	 <u>126,589,598</u>	 <u>94,801,445</u>
Deferred tax liabilities:		
Prepaid expenses	(804,839)	(744,560)
Electric plant	(57,780,669)	(51,136,454)
Unrealized gain/loss on marketable securities	(216,246)	(317,346)
Postretirement benefits	(9,667,265)	(9,784,781)
Pension benefits	-	(655,532)
Regulatory asset—pension benefits	(1,153,489)	(457,571)
Regulatory asset—other	(1,917,513)	(1,272,454)
Regulatory asset—postemployment benefits	(1,987,714)	(1,849,974)
Regulatory asset—income taxes billable to customers	<u>(11,741,045)</u>	<u>(7,079,145)</u>
 Total deferred tax liabilities	 <u>(85,268,780)</u>	 <u>(73,297,817)</u>
 Valuation allowance	 <u>(63,606,792)</u>	 <u>(43,710,106)</u>
 Deferred income tax liabilities	 <u>\$(22,285,974)</u>	 <u>\$(22,206,478)</u>

Because future taxable income may prove to be insufficient to recover the Companies' gross deferred tax assets, the Companies have recorded a valuation allowance for deferred tax assets as of December 31, 2024 and 2023.

The accounting guidance for Income Taxes addresses the determination of whether the tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, the Companies may recognize the tax benefit from an uncertain tax position only

if it is more likely than not that the tax position will be sustained on examination by the taxing authorities based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The Companies have not identified any uncertain tax positions as of December 31, 2024 and 2023, and accordingly, no liabilities for uncertain tax positions have been recognized.

The Companies file income tax returns with the Internal Revenue Service and the states of Ohio, Indiana, and the Commonwealth of Kentucky. The Companies are no longer subject to federal tax examinations for tax years 2020 and earlier. The Companies are no longer subject to State of Indiana tax examinations for tax years 2020 and earlier. The Companies are no longer subject to Ohio and the Commonwealth of Kentucky examinations for tax years 2019 and earlier.

## **8. PENSION PLAN AND OTHER POSTRETIREMENT AND POSTEMPLOYMENT BENEFITS**

The Companies have a noncontributory qualified defined benefit pension plan (the "Pension Plan"), covering substantially all employees hired prior to January 1, 2015. The benefits are based on years of service and each employee's highest consecutive 36-month compensation period. Employees are vested in the Pension Plan after five years of service with the Companies.

Funding for the Pension Plan is based on actuarially determined contributions, the maximum of which is generally the amount deductible for income tax purposes and the minimum being that required by the Employee Retirement Income Security Act of 1974, as amended.

In addition to the Pension Plan, the Companies provide certain health care and life insurance benefits ("Other Postretirement Benefits") for retired employees. Substantially all of the Companies' employees hired prior to January 1, 2015, become eligible for these benefits if they reach retirement age while working for the Companies. These and similar benefits for active employees are provided through employer funding and insurance policies. In December 2004, the Companies established VEBA trusts. In January 2011, the Companies established an Internal Revenue Code Section 401(h) account under the Pension Plan.

The full cost of the pension benefits and other postretirement benefits has been allocated to OVEC and IKEC in the accompanying consolidating financial statements. The allocated amounts for pension benefits and postretirement life plan represent approximately a 58% and 42% split between OVEC and IKEC, respectively, as of December 31, 2024, and a 55% and 45% split between OVEC and IKEC, respectively, as of December 31, 2023. The allocated amounts for postretirement medical plan represent approximately a 57% and 43% split between OVEC and IKEC, respectively, as of December 31, 2024, and a 53% and 47% split between OVEC and IKEC, respectively, as of December 31, 2023.

The Pension Plan's assets as of December 31, 2024, consist of investments in equity and debt securities. All of the trust funds' investments for the pension and postretirement benefit plans are diversified and managed in compliance with applicable laws and regulations. Management regularly reviews the actual asset allocation and periodically rebalances the investments to targeted allocation when appropriate. The investments are reported at fair value under the Fair Value Measurements and Disclosures accounting guidance.

All benefit plan assets are invested in accordance with each plan's investment policy. The investment policy outlines the investment objectives, strategies, and target asset allocations by plan. Benefit plan assets are reviewed on a formal basis each quarter by the OVEC-IKEC Qualified Plan Trust Committee.

The investment philosophies for the benefit plans support the allocation of assets to minimize risks and optimize net returns.

Investment strategies include:

- Maintaining a long-term investment horizon.
- Diversifying assets to help control volatility of returns at acceptable levels.
- Managing fees, transaction costs, and tax liabilities to maximize investment earnings.
- Using active management of investments where appropriate risk/return opportunities exist.
- Keeping portfolio structure style neutral to limit volatility compared to applicable benchmarks.

The target asset allocation for each portfolio is as follows:

<b>Pension Plan Assets</b>	<b>Target</b>
Domestic equity	10 %
Fixed income	90
<b>VEBA Plan Assets</b>	
Domestic equity	20 %
International and global equity	20
Fixed income	60

Each benefit plan contains various investment limitations. These limitations are described in the investment policy statement and detailed in customized investment guidelines. These investment guidelines require appropriate portfolio diversification and define security concentration limits. Each investment manager's portfolio is compared to an appropriate diversified benchmark index.

**Fixed-Income Limitations**—As of December 31, 2024, the Pension Plan fixed-income allocation consists of managed accounts composed of U.S. Government, corporate, and municipal obligations. The VEBA benefit plans' fixed-income allocation is composed of a variety of fixed-income securities and mutual funds. Investment limitations for these fixed-income funds are defined by manager prospectus.

**Cash Limitations**—Cash and cash equivalents are held in each trust to provide liquidity and meet short-term cash needs. Cash equivalent funds are used to provide diversification and preserve principal. The underlying holdings in the cash funds are investment-grade money market instruments, including money market mutual funds, certificates of deposit, treasury bills, and other types of investment-grade short-term debt securities. The cash funds are valued each business day and provide daily liquidity.

Pension Plan and Other Postretirement Benefits obligations and funded status as of December 31, 2024 and 2023, are as follows:

	Pension Plan		Other Postretirement Benefits	
	2024	2023	2024	2023
Change in benefit obligation:				
Benefit obligation—beginning of year	\$143,107,463	\$175,515,791	\$107,032,772	\$115,228,026
Service cost	4,355,743	3,934,599	1,980,561	2,235,362
Interest cost	7,609,509	8,426,290	5,468,326	6,054,459
Plan participants' contributions	-	-	1,475,489	1,408,571
Benefits paid	(8,269,704)	(6,199,021)	(7,428,399)	(6,871,369)
Net actuarial loss (gain)	(1,756,623)	4,895,556	(158,927)	(11,022,277)
Expenses paid from assets	(217,984)	(232,062)	-	-
Settlements	-	(43,233,690)	-	-
	<u>144,828,404</u>	<u>143,107,463</u>	<u>108,369,822</u>	<u>107,032,772</u>
Benefit obligation—end of year				
Change in fair value of plan assets:				
Fair value of plan assets—beginning of year	140,928,756	166,305,021	153,622,675	143,795,804
Actual return on plan assets	1,595,242	17,088,508	6,704,255	15,265,390
Expenses paid from assets	(217,984)	(232,062)	-	-
Employer contributions	5,300,000	7,200,000	24,457	24,279
Plan participants' contributions	-	-	1,475,489	1,408,571
Benefits paid	(8,269,704)	(6,199,021)	(7,428,399)	(6,871,369)
Settlements	-	(43,233,690)	-	-
	<u>139,336,310</u>	<u>140,928,756</u>	<u>154,398,477</u>	<u>153,622,675</u>
Fair value of plan assets—end of year				
(Underfunded) overfunded status—end of year	<u>\$ (5,492,094)</u>	<u>\$ (2,178,707)</u>	<u>\$ 46,028,655</u>	<u>\$ 46,589,903</u>

See Note 1, Organization and Significant Accounting Policies, for information regarding regulatory assets related to the Pension Plan and Other Postretirement Benefits.

The accumulated benefit obligation for the Pension Plan was \$126,471,390 and \$126,768,473 at December 31, 2024 and 2023, respectively.

During 2023, the Pension Plan paid lump sum payouts and purchased an annuity, the total of which exceeded the Pension Plan's service cost plus interest cost, thereby meeting the requirement for settlement accounting in the second and fourth quarters. Settlement charges of \$43.2 million were recorded as of December 31, 2023. Net periodic pension benefit cost increased by \$4.5 million as of December 31, 2023, as the result of the remeasurement.

**Components of Net Periodic Benefit Cost**—The Companies record the expected cost of Other Postretirement Benefits over the service period during which such benefits are earned.

Pension expense is recognized as amounts are contributed to the Pension Plan and billed to customers. The accumulated difference between recorded pension expense and the yearly net periodic pension expense, as calculated under GAAP, is billable as a cost of operations under the ICPA when contributed to the pension fund. This accumulated difference has been recorded as a regulatory asset in the accompanying consolidating balance sheets.

	<u>Pension Plan</u>		<u>Other Postretirement Benefits</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Service cost	\$ 4,355,743	\$ 3,934,599	\$ 1,980,561	\$ 2,235,362
Interest cost	7,609,509	8,426,290	5,468,326	6,054,459
Expected return on plan assets	(10,439,557)	(10,199,408)	(9,011,255)	(8,352,410)
Amortization of prior service cost	(416,565)	(416,566)	(2,781,539)	(2,781,539)
Recognized actuarial loss (gain)	381,886	212,740	(5,595,177)	(4,163,385)
Settlement	-	<u>4,463,353</u>	-	-
Total benefit cost	<u>\$ 1,491,016</u>	<u>\$ 6,421,008</u>	<u>\$(9,939,084)</u>	<u>\$(7,007,513)</u>
Pension and other postretirement benefits expense recognized in the consolidating statements of income and retained earnings and billed to Sponsoring Companies under the ICPA	<u>\$ 5,300,000</u>	<u>\$ 7,200,000</u>	<u>\$ -</u>	<u>\$ -</u>

The following table presents the classification of Pension Plan assets within the fair value hierarchy at December 31, 2024 and 2023:

	Fair Value Measurements at Reporting Date Using			Total
	Quoted Prices in Active Market for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
<b>2024</b>				
Equity mutual funds	\$ 13,254,915	\$ -	\$ -	\$ 13,254,915
Fixed-income securities	-	90,023,267	-	90,023,267
Cash equivalents	<u>4,381,010</u>	<u>-</u>	<u>-</u>	<u>4,381,010</u>
Subtotal benefit plan assets	<u>\$ 17,635,925</u>	<u>\$ 90,023,267</u>	<u>\$ -</u>	107,659,192
Investments measured at net asset value (NAV)				<u>31,677,118</u>
Total benefit plan assets				<u>\$ 139,336,310</u>
<b>2023</b>	<b>(Level 1)</b>	<b>(Level 2)</b>	<b>(Level 3)</b>	<b>Total</b>
Common stock	\$ 5,954,635	\$ -	\$ -	\$ 5,954,635
Equity mutual funds	26,342,073	-	-	26,342,073
Index futures	-	81	-	81
Fixed-income securities	-	95,118,441	-	95,118,441
Cash equivalents	<u>5,655,816</u>	<u>-</u>	<u>-</u>	<u>5,655,816</u>
Subtotal benefit plan assets	<u>\$ 37,952,524</u>	<u>\$ 95,118,522</u>	<u>\$ -</u>	133,071,046
Investments measured at net asset value (NAV)				<u>7,857,710</u>
Total benefit plan assets				<u>\$ 140,928,756</u>

The following table presents the classification of VEBA and 401(h) account assets within the fair value hierarchy at December 31, 2024 and 2023:

	Fair Value Measurements at Reporting Date Using			Total
	Quoted Prices in Active Market for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
<b>2024</b>				
Equity mutual funds	\$ 42,929,235	\$ -	\$ -	\$ 42,929,235
Equity exchange traded funds	8,575,915	-	-	8,575,915
Fixed-income mutual funds	79,765,839	-	-	79,765,839
Fixed-income securities	-	16,196,172	-	16,196,172
Cash equivalents	<u>777,631</u>	<u>-</u>	<u>-</u>	<u>777,631</u>
Benefit plan assets	<u>\$132,048,620</u>	<u>\$16,196,172</u>	<u>\$ -</u>	148,244,792
Uncleared cash disbursements from benefits paid				(2,062,453)
Investments measured at net asset value (NAV)				<u>8,216,138</u>
Total benefit plan assets				<u>\$154,398,477</u>
<b>2023</b>				
Equity mutual funds	\$ 43,188,454	\$ -	\$ -	\$ 43,188,454
Equity exchange traded funds	9,405,798	-	-	9,405,798
Fixed-income mutual funds	77,221,888	-	-	77,221,888
Fixed-income securities	-	16,963,326	-	16,963,326
Cash equivalents	<u>505,281</u>	<u>-</u>	<u>-</u>	<u>505,281</u>
Benefit plan assets	<u>\$130,321,421</u>	<u>\$16,963,326</u>	<u>\$ -</u>	147,284,747
Uncleared cash disbursements from benefits paid				(1,638,519)
Investments measured at net asset value (NAV)				<u>7,976,447</u>
Total benefit plan assets				<u>\$153,622,675</u>

Investments that were measured at net asset value per share (or its equivalent) as a practical expedient have not been classified in the fair value hierarchy. These investments represent holdings in a single private investment fund that are redeemable at the election of the holder upon no more than 30 days' notice. The values reported above are based on information provided by the fund manager.



**Pension Plan and Other Postretirement Benefit Assumptions**—Actuarial assumptions used to determine benefit obligations at December 31, 2024 and 2023, were as follows:

	Pension Plan		Other Postretirement Benefits			
			2024		2023	
	2024	2023	Medical	Life	Medical	Life
Discount rate	5.72 %	5.35 %	5.72 %	5.72 %	5.35 %	5.35 %
Rate of compensation increase for next year	5.00	4.00	N/A	5.00	N/A	4.00
Rate to which compensation is assumed to decline (ultimate trend rate)	3.00	3.00	N/A	3.00	N/A	3.00
Year that rate reaches the ultimate trend	2027	2026	N/A	2027	N/A	2026

Actuarial assumptions used to determine net periodic benefit cost for the years ended December 31, 2024 and 2023, were as follows:

	Pension Plan			
	For the Period	For the Period	For the Period	
	January 1 through December 31, 2024	July 1 through December 31, 2023	January 1 through June 30, 2023	
Discount rate	5.35 %	5.44 %	5.61 %	
Expected long-term return on plan assets	7.50	7.00	7.00	
	<b>2024</b>		<b>2023</b>	
Rate of compensation increase for next year	4.00 %		4.50 %	
Rate to which compensation is assumed to decline (ultimate trend rate)	3.50		4.00	
Ultimate compensation rate	3.00		3.00	
Year that rate reaches the ultimate trend	2026		2026	
	Other Postretirement Obligations			
	2024		2023	
	Medical	Life	Medical	Life
Discount rate	5.35 %	5.35 %	5.57 %	5.57 %
Expected long-term return on plan assets	5.88	6.50	5.83	6.50
Rate of compensation increase	N/A	4.00	N/A	4.50

In selecting the expected long-term rate of return on assets, the Companies considered the average rate of earnings expected on the funds invested to provide for plan benefits. This included considering the Pension Plan and VEBA trusts' asset allocation, and the expected returns likely to be earned over the life of the Pension Plan and the VEBAs.

Assumed health care cost trend rates at December 31, 2024 and 2023, were as follows:

	2024	2023
Health care trend rate assumed for next year—participants under 65	6.50 %	6.75 %
Health care trend rate assumed for next year—participants over 65	6.50	6.75
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)—participants under 65	5.00	5.00
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)—participants over 65	5.00	5.00
Year that the rate reaches the ultimate trend rate	2029	2029

**Pension Plan and Other Postretirement Benefit Assets**—The asset allocation for the Pension Plan and VEBA trusts at December 31, 2024 and 2023, by asset category was as follows:

	Pension Plan		VEBA Trusts	
	2024	2023	2024	2023
Asset category:				
Equity securities	32 %	29 %	38 %	39 %
Debt securities	68	71	62	61

**Pension Plan and Other Postretirement Benefit Contributions**—The Companies expect to contribute \$6.3 million to their Pension Plan and \$25.1 thousand to their Other Postretirement Benefits plan in 2025.

**Estimated Future Benefit Payments**—The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

Years Ending December 31	Pension Plan	Other Postretirement Benefits
2025	\$ 7,518,680	\$ 7,541,908
2026	7,772,929	7,966,554
2027	8,105,351	8,313,283
2028	8,482,804	8,585,852
2029	8,908,545	8,808,805
Five years thereafter	51,671,163	48,550,078

**Postemployment Benefits**—The Companies follow the accounting guidance in ASC Topic 712, *Compensation—Non-Retirement Postemployment Benefits*, and accrue the estimated cost of benefits provided to former or inactive employees after employment but before retirement. Such benefits include, but are not limited to, salary continuations, supplemental unemployment, severance, disability (including workers' compensation), job training, counseling, and continuation of benefits, such as health care and life insurance coverage. The cost of such benefits and related obligations has been allocated to OVEC and IKEC in the accompanying consolidating financial statements. The allocated amounts represent approximately a 29% and 71% split between OVEC and IKEC, respectively, as of December 31, 2024, and approximately a 34% and 66% split between OVEC and IKEC, respectively, as of December 31, 2023. The liability is offset with a corresponding regulatory asset and represents unrecognized postemployment benefits billable in the future to customers. The accrued cost of such benefits was \$9,464,083 and \$8,808,588 at December 31, 2024 and 2023, respectively.

**Defined Contribution Plan**—The Companies have a trustee-defined contribution supplemental pension and savings plan that includes 401(k) features and is available to employees who have met eligibility requirements. The Companies’ contributions to the savings plan equal 100% of the first 1% and 50% of the next 5% of employee-participants’ pay contributed. In addition, the Companies provide contributions to eligible employees hired on or after January 1, 2015, of 3% to 5% of pay based on age and service. Benefits to participating employees are based solely upon amounts contributed to the participants’ accounts and investment earnings. By its nature, the plan is fully funded at all times. The employer contributions for 2024 and 2023 were \$2,305,433 and \$2,001,057, respectively.

## 9. ENVIRONMENTAL MATTERS

**Air Regulations**—In response to Air Regulations adopted by the USEPA to meet ambient air quality standards, the Companies determined that it would be necessary to install flue gas desulfurization (“FGD”) systems at both plants. Following completion of the necessary engineering and permitting, construction initiated and the two Kyger Creek FGD systems were placed into service in 2011 and 2012, while the two Clifty Creek FGD systems were placed into service in 2013.

These FGD systems remain in service, and continue to perform in compliance with all applicable regulations and permit conditions. In addition, the USEPA also adopted the Mercury and Air Toxics Standards (“MATS”) rule that established emission limits and went into effect April 16, 2015. The USEPA also promulgated an updated MATS rule in May of 2024. That rule is undergoing litigation; however, the Companies are maintaining compliance with the existing MATS rules and expect the installed pollution control systems at each plant will be adequate to meet the stringent emissions requirements outlined in the new MATS rule if it is ultimately upheld.

Since 2017, the companies have also been subject to stringent ozone season NOx emissions requirements under the Cross State Air Pollution Rules (“CASPR”) promulgated pursuant to requirements under the Clean Air Act. The Companies prepared for and implemented a successful compliance strategy for the CSAPR Update requirements in the 2017 ozone season and that strategy was standardized to meet future ozone season compliance obligations. To date, that strategy has resulted in successful ozone season compliance through 2024. The CSAPR regulations have also been updated by the USEPA, and the latest revisions that became effective in March of 2023 (referred to as the “Good Neighbor Rule”) have also been subject to extensive litigation and that rule is subject to a stay issued by the United States Supreme Court until the legal challenges are resolved.

In the interim, the historic CASPR regulations remain in effect, and that rule is not expected to materially impact the Companies near term compliance strategy for the ten units with selective catalytic reduction controls for NOx emissions.

With all FGD systems fully operational, the Companies continue to expect to have adequate SO2 allowances available every year without having to rely on market purchases to comply with applicable rules. Given the success of the Companies’ NOx ozone season compliance strategy, the purchase of additional NOx allowances has not been needed for the past several years; however, the Companies did implement changes in unit dispatch criteria for Clifty Creek Unit 6 during the 2017 and subsequent ozone seasons. Should the more stringent NOx regulations promulgated by the USEPA in 2023 ultimately withstand the legal challenges, that rule could result in additional restrictions on Unit 6 during the ozone season.

In 2024, the Ohio EPA adopted a new State Implementation Plan (“SIP”) for compliance with the Regional Haze Program authorized under the Clean Air Act. The SIP is currently being reviewed by the

USEPA, and it establishes new emissions limits for several coal-fired generating stations within Ohio, including a new year-round NOx emissions limit for the Kyger Creek Station. This new limit can be achieved with the current NOx emission controls and it is not expected to materially impact unit operations.

**CCR Rule**—The USEPA’s CCR Rule became effective in October 2015 to regulate CCR as a nonhazardous solid waste. The rule applies to new and existing active CCR landfills and CCR surface impoundments at operating electric utility or independent power production facilities. The rule imposes new and additional construction and operating obligations, including location restrictions, liner criteria, structural integrity requirements for impoundments, operating criteria, and additional groundwater monitoring requirements. The rule is self-implementing and currently does not require state action for the states of Indiana or Ohio. As a result of this self-implementing feature, the rule contains extensive recordkeeping and notice requirements, including requirements for disclosing CCR compliance information on the Companies’ publicly available website.

The Companies have been systematically implementing the applicable provisions of the CCR Rule and all revisions thereof. The Companies have completed all compliance obligations to date.

Since the initial publication of the CCR rules in 2015, several legal, legislative, and regulatory events impacting the scope, applicability, and future CCR compliance obligations and timelines have also taken place. Final actions include: 1.) federal legislation (i.e., the Water Infrastructure Improvements for the Nation Act (“WIIN”)) that provides a pathway for states to seek approval for administering and enforcing the federal CCR program; 2.) The USEPA’s issuance of a Phase I, Part I revision to the CCR rules on March 1, 2018; 3.) the D.C. Circuit Court’s August 21, 2018, ruling, vacating and remanding portions of the CCR rule, and 4.) The USEPA’s issuance of a final CCR Rule, Part A, which was published in the *Federal Register* on August 28, 2020. This final rule introduced a significant revision to the 2015 CCR rule requiring all impoundments that do not meet the liner requirements outlined in the rule to cease receiving CCR material and initiate closure could have been by April 11, 2021, regardless of their overall compliance status. If that date was determined to not be technically feasible, an alternate date to cease receiving CCR material and initiate closure could have been secured from the USEPA through a proposed extension request process, which was required to be submitted to the USEPA no later than November 30, 2020. The surface impoundments at Kyger Creek and Clifty Creek were not constructed in a manner that meets the definition of a liner under the 2015 CCR rule. As a result, the Companies completed an engineering evaluation to develop preliminary closure designs for the impoundments, to determine a technically feasible timeline for discontinuing placement of CCR and non-CCR waste streams in these impoundments, and to initiate closure of the CCR impoundments consistent with the requirements of the rule. The Companies submitted technical justification documents to the USEPA in compliance with the November 30, 2020, deadline that demonstrated why additional time was needed to cease placement of CCR and non-CCR waste streams in the surface impoundments and initiate closure. Separately, the proposed Part B revisions to the 2015 CCR rule outline the development of a federal permitting program to regulate and enforce the CCR rule at all applicable facilities consistent with the Congressional mandate outlined in the WIIN Act. This federal permit program would replace the current enforcement mechanism of a self-implementing rule enforced through citizen suits and place it back with the USEPA or any state regulator that receives primacy to implement the CCR permitting within their respective state. The Companies are actively monitoring these developments and adapting their CCR compliance program to ensure compliance obligations and timelines are adjusted accordingly.

The Companies secured various environmental permits in support of the CCR compliance strategy developed to comply with the CCR Rule, Part A and initiated work in 2021. On January 11, 2022, the IKEC Clifty Creek Station received a preliminary determination from USEPA proposing to deny the alternative closure deadlines IKEC requested for its two surface impoundments in the demonstration application filed by IKEC on November 30, 2020. However, the USEPA took no final action on the proposed denial of the Clifty Creek Station's application. The Kyger Creek Station filed a similar demonstration application in November of 2020. The Companies did not receive final determinations from the USEPA for either the Clifty Creek or Kyger Creek Stations. The Companies executed their compliance strategy and maintained compliance with the CCR Rule by completing the work and ceasing receipt of CCR and non-CCR waste streams prior to October 15, 2023.

On May 9, 2024, the USEPA finalized the Legacy CCR rule, which became effective November 8, 2024. The Legacy Rule establishes requirements for legacy impoundments, coal combustion residuals management units ("CCRMUs"), as well as provides clarification on various CCR regulatory definitions. Based on OVEC's review of the Legacy Rule, the Companies are not subjected to the legacy impoundment conditions, but will need to comply with CCRMU requirements. The first compliance obligation associated with the Legacy Rule for the Companies is February 6, 2026. Separately, the Legacy Rule was challenged by the industry for various reasons and is undergoing litigation. On February 13, 2025, the USEPA filed a motion requesting abeyance of litigation for 120 days to allow transition to the new administration. The D.C. Circuit Court granted the request for abeyance and directed the USEPA to file a motion to govern further proceedings by June 13, 2025. Until litigation is exhausted, the Companies cannot assess the full impacts of the rule at this time.

Changes in regulations or in the Companies' strategies for mitigating the impact of coal combustion residuals could potentially result in material increases to the asset retirement obligations. The Companies will revisit the demolition and decommissioning studies as appropriate throughout the process of executing closure of the CCR surface impoundments to maintain an appropriate estimated cost of ultimate facility closure and decommissioning.

**NAAQS Compliance for SO<sub>2</sub>**—On June 22, 2010, the USEPA revised the Clean Air Act by developing and publishing a new one-hour SO<sub>2</sub> NAAQS of 75 parts per billion, which became effective on August 23, 2010. States with areas failing to meet the standard were required to develop state implemented plans to expeditiously attain and maintain the standard.

On August 15, 2013, the USEPA published its initial non-attainment area designations for the new one-hour SO<sub>2</sub>, which did not include the areas around Kyger Creek or Clifty Creek. However, the amended rule does establish that at a minimum, sources that emit 2,000 tons of SO<sub>2</sub> or more per year be characterized by their respective states using either modeling of actual source emissions or through appropriately sited ambient air quality monitors.

In addition, the USEPA entered into a settlement agreement with Sierra Club/Natural Resources Defense Council in the U.S. District Court for the Northern District of California requiring the USEPA to take certain actions, including completing area designation by July 2, 2016, for areas with either monitored violations based on 2013-15 air quality monitoring or sources not announced for retirement that emitted more than 16,000 tons SO<sub>2</sub> or more than 2,600 tons with a 0.45 SO<sub>2</sub>/mmBtu emission rate in 2012.

Both Kyger Creek and Clifty Creek directly or indirectly triggered one of the criteria and have been evaluated by the respective state regulatory agencies through modeling. The modeling results showed Clifty Creek could meet the new one-hour SO<sub>2</sub> limit using their current scrubber systems without any

additional investment or modifications. Kyger Creek’s modeling data was rejected by USEPA as inconclusive in 2016. As a result, the USEPA required Kyger Creek to install an SO<sub>2</sub> monitoring network around the plant and monitor ambient air quality beginning on January 1, 2017. Based on the first three years of data from that network, the Ohio Environmental Protection Agency prepared an updated petition to the USEPA in early 2020 requesting that the area in the county surrounding the plant be re-designated to attainment/unclassifiable with the one-hour SO<sub>2</sub> standard. The USEPA subsequently acted on this request and published a notice in the *Federal Register* proposing to make this re-designation. A final rulemaking approving the re-designation was expected in 2021; however, the USEPA failed to act on the re-designation. While a final decision has not been rendered as of December 31, 2024, the Company remains optimistic that the USEPA will render a decision as there is now six years of data supporting a re-designation determination. On February 26, 2019, the USEPA issued a final decision that it is retaining the existing primary SO<sub>2</sub> NAAQS at 75 parts per billion for the next five-year NAAQS review cycle. Given this decision, combined with current scrubber performance, the Companies expect to avoid more restrictive permit limits relative to its SO<sub>2</sub> emissions or the need for additional capital investment in major scrubber upgrades or modifications.

**NAAQS Compliance for Particulate Matter (“PM”)**—In 2021, the Biden administration signaled via Executive Order that it intended to revisit the 2020 PM NAAQS standard and lower it. On January 6, 2023, USEPA announced its proposed decision to revise the primary health-based annual PM<sub>2.5</sub> standard from its current level of 12.0 µg/m<sup>3</sup> to within the range of 9.0 to 10.0 µg/m<sup>3</sup>. On March 6, 2024, the USEPA published a final rule revising and lowering the prior PM NAAQS to 9.0 µg/m<sup>3</sup>. The Rule became effective on May 6, 2024, and states were expected to begin a multi-year process to determine if there are areas not meeting the new standard and, if so, develop State Implementation Plans (“SIP”) to address those non-attainment areas. Under the Rule, each SIP will also need to be submitted to the USEPA for review and approval, which could result in additional SO<sub>2</sub> and/or NO<sub>x</sub> emissions reductions for the utility sector. However, industry groups and states, including Ohio and Indiana, challenged the Rule in D.C. Circuit Court. As of the date of this report, no decision has been reached and, at the request of the USEPA, challenges to the Rule are being held in abeyance until April 28, 2025, while the new administration reviews the Rule. Additionally, on March 12, 2025, the USEPA announced its intent to reconsider the PM NAAQS standards to support President Trump’s Executive Order, “Unleashing American Energy” issued on January 20, 2025.

The companies will continue to monitor the activities that the USEPA and the states undertake associated with the new PM NAAQS to determine what impact revisions to this NAAQS standard could have on unit operations.

**Steam Electric Effluent Limitations Guidelines**—On September 30, 2015, the USEPA signed a new final rule governing Effluent Limitations Guidelines (“ELGs”) for the wastewater discharges from steam electric power generating plants. The rule, which was formally published in the *Federal Register* on November 3, 2015, impacted future wastewater discharges from both the Kyger Creek and Clifty Creek stations.

The rule was intended to require power plants to modify the way they handle a number of wastewater processes. Specifically, the new ELG standards were going to affect the following wastewater processes in three ways listed below; however, in April 2017, the USEPA issued an administrative stay on the ELG rule. In June 2017, the USEPA issued a separate rulemaking staying the compliance deadlines for portions of the ELG rule applicable to bottom ash sluice water and to FGD wastewater discharges. The USEPA revised the rule redefining what constitutes “best available technology” for these two wastewater discharges and issued an updated final rule in the *Federal Register* on October 13, 2020. Based on the original rule and revisions captured in the 2020 update, the following impacts to each wastewater discharge are expected:

1. Kyger Creek was required to convert to dry fly ash handling by no later than December 31, 2023. Construction activities associated with dry fly ash conversion at Kyger Creek were completed in late 2022. The Clifty Creek Station was not impacted since the conversion to dry fly ash was completed prior to the implementation of this rule.
2. The new ELG rules originally prohibited the discharge of bottom ash sluice water from boiler slag/bottom ash wastewater treatment systems. As a result, Clifty Creek and Kyger Creek were converted to a closed-loop bottom ash management system for boiler slag, with up to a 10% purge based on each facility’s total wetted volume. Each system was placed into service in advance of October 15, 2023.
3. The new ELG rules originally established new internal limitations for the FGD system wastewater discharges for arsenic, mercury, selenium, and nitrate/nitrite nitrogen. After reviewing the requirements of the 2015 edition of the rule, the Companies expected both Clifty Creek and Kyger Creek Stations to be able to meet the mercury and arsenic limitations with the current wastewater treatment technology; however, the Companies anticipated the potential need to add some form of biological, or equivalent nonbiological, treatment system downstream of each station’s existing FGD wastewater treatment plant to meet the new nitrate/nitrite nitrogen and selenium limitations. Installation of new controls to meet the final effluent limitations contained in the revised rule was placed on hold while the USEPA reconsidered the 2015 ELG rule to ensure that the compliance strategy ultimately selected would be able to meet any revised requirements in the updated ELG rule. With the finalization of the October 13, 2020 ELG Revision, the Companies resumed evaluation of the appropriate technology, design, and schedule to achieve compliance with the new requirements, which included a change in the final effluent limitations for arsenic, nitrate/nitrite, mercury and selenium. The Companies worked with outside engineering resources, developed preliminary design reports, and conducted a pilot test at the Kyger Creek station in 2021. Further, the Companies worked with state agencies to request the revised ELG applicability date for FGD wastewater of no later than December 31, 2025. This compliance date is now incorporated into both plant’s National Pollutant Discharge Elimination System (“NPDES”) permits. Construction activities associated with the installation of bioreactors at both plants will commence late in the second quarter of 2025.

The 2024 ELG Rule was published in the *Federal Register* on May 9, 2024, and became effective on July 8, 2024. The updated ELG rule placed additional requirements on FGD wastewater, bottom ash transport water, combustion residuals leachate and unmanaged combustion residuals leachate. Facilities subject to the rule are required to either invest in additional technologies to meet the obligations of the rule, or elect to submit a Notice of Planned Participation by December 31, 2025, to cease coal combustion by December 31, 2034. The industry challenged the updated ELG Rule through a series of legal actions. Most recently, the litigation rule was placed in abeyance by the Eighth Circuit of Court for a period of 60 days to provide the USEPA time to reevaluate the rule consistent with the new administration's focus on energy.

The Companies will continue to monitor USEPA regulatory actions on this pending rule and will continue to execute their compliance plan in 2025.

**316(b) Compliance**—The 316(b) rule was published as a final rule in the *Federal Register* on August 15, 2014, and impacts facilities that use cooling water intake structures designed to withdraw at least 2 million gallons per day from waters of the U.S., and those facilities who also have an NPDES permit. The rule requires such facilities to choose one of seven options specified by the rule to reduce impingement to fish and other aquatic organisms. Additionally, facilities that withdraw 125 million gallons or more per day must conduct entrainment studies to assist state permitting authorities in determining what site-specific controls are required to reduce the number of aquatic organisms entrained by each respective cooling water system.

The Companies have completed the required two-year fish entrainment studies and filed the reports with the respective state regulatory agencies consistent with regulatory requirements under 40 CFR Section 122.21(r).

The timeline for retrofits to the Kyger Creek Station's cooling water intake structure has been incorporated into its NPDES permit, with installation of the first sets of modified traveling water screens completed in 2024. Subsequent sets of modified traveling water screens will be installed consistent with the requirements of the facility's NPDES permit. Negotiation associated with the retrofits for the Clifty Creek Station are still underway with the Indiana Department of Environmental Management and will be incorporated into the facility's NPDES permit upon settlement. The Companies anticipate receiving a modified NPDES permits in the second quarter of 2025, and commencing installation of the first sets of modified traveling water screens in the fall of 2025.

**Utility Sector Greenhouse Gas Regulations**—The USEPA has proposed regulations under Section 111(b) and (d) of the Clean Air Act to establish requirements for existing coal-fired and new natural gas fired steam electric generators. The proposed rules applicable to existing coal-fired steam electric generators larger than 100 MW in size may require those units to ultimately retire, co-fire with natural gas, and/or install carbon capture and sequestration technology to maintain long-term operations. The regulation was published with the *Federal Register* on May 9, 2024. The rule was challenged by the utility industry and a number of state agencies, with the litigation ultimately being heard in the D.C. Circuit Court, who has yet to rule on the case at the date of this report. Most recently, litigation and rule were placed in abeyance by the D.C. Circuit Court for a period of 60 days, beginning February 19, 2025, to provide the USEPA time to reevaluate the rule consistent with the new administration's focus on energy.

The Companies will continue to monitor USEPA regulatory actions and will respond as necessary. Environmental rules and regulations discussed throughout the Environmental Matters footnote could require material additional capital expenditures or maintenance expenses in future periods.



## 10. FAIR VALUE MEASUREMENTS

The accounting guidance for financial instruments requires disclosure of the fair value of certain financial instruments. The estimates of fair value under this guidance require the application of broad assumptions and estimates. Accordingly, any actual exchange of such financial instruments could occur at values significantly different from the amounts disclosed.

OVEC utilizes its trustee's external pricing service in its estimate of the fair value of the underlying investments held in the benefit plan trusts and investment portfolios. The Companies' management reviews and validates the prices utilized by the trustee to determine fair value. Equities and fixed-income securities are classified as Level 1 holdings if they are actively traded on exchanges. In addition, mutual funds are classified as Level 1 holdings as they are actively traded at quoted market prices. Certain fixed-income securities do not trade on an exchange and do not have an official closing price. Pricing vendors calculate bond valuations using financial models and matrices. Fixed-income securities are typically classified as Level 2 holdings because their valuation inputs are based on observable market data. Observable inputs used for valuing fixed-income securities are benchmark yields, reported trades, broker/dealer quotes, issuer spreads, bids, offers, and economic events. Other securities with model-derived valuation inputs that are observable are also classified as Level 2 investments. Investments with unobservable valuation inputs are classified as Level 3 investments.

As of December 31, 2024 and 2023, the Companies held certain assets that are required to be measured at fair value on a recurring basis. These consist of investments recorded within long-term investments, including money market mutual funds, equity mutual funds, and fixed-income municipal securities. Changes in the observed trading prices and liquidity of money market funds are monitored as additional support for determining fair value, and unrealized gains and losses are recorded in earnings.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Companies believe their valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

As cash and cash equivalents, current receivables, current payables, and line of credit borrowings are all short-term in nature, their carrying amounts approximate fair value.

**Long-Term Investments**—Assets measured at fair value on a recurring basis at December 31, 2024 and 2023, were as follows:

	<b>Fair Value Measurements at Reporting Date Using</b>		
	<b>Quoted Prices in Active Market for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>
<b>2024</b>			
Fixed-income securities	\$ -	\$ 149,541,547	\$ -
Cash equivalents	<u>20,183,022</u>	<u>-</u>	<u>-</u>
Total fair value	<u>\$ 20,183,022</u>	<u>\$ 149,541,547</u>	<u>\$ -</u>
Assets not subject to fair value levels:			
Money Market Demand Deposit Account			<u>\$ 47,251,335</u>
Total long-term investments			<u>\$ 216,975,904</u>
<b>2023</b>			
Fixed-income securities	\$ -	\$ 118,360,679	\$ -
Cash equivalents	<u>27,877,237</u>	<u>-</u>	<u>-</u>
Total fair value	<u>\$ 27,877,237</u>	<u>\$ 118,360,679</u>	<u>\$ -</u>
Assets not subject to fair value levels:			
Money Market Demand Deposit Account			<u>\$ 45,135,443</u>
Total long-term investments			<u>\$ 191,373,359</u>

**Long-Term Debt**—The fair values of the senior notes and fixed-rate bonds were estimated using discounted cash flow analyses based on current incremental borrowing rates for similar types of borrowing arrangements. These fair values are not reflected in the balance sheets. The fair values and recorded values of the senior notes and fixed- and variable-rate bonds as of December 31, 2024 and 2023, are as follows:

	<b>2024</b>		<b>2023</b>	
	<b>Fair Value</b>	<b>Recorded Value</b>	<b>Fair Value</b>	<b>Recorded Value</b>
Total	<u>\$ 834,706,963</u>	<u>\$ 821,620,536</u>	<u>\$ 929,279,387</u>	<u>\$ 920,452,554</u>

## 11. LEASES

OVEC has various operating leases for the use of other property and equipment.

On January 1, 2019, the Companies adopted ASC 842, *Leases* which, among other changes, requires the Companies to record liabilities classified as operating leases on the balance sheet along with a corresponding right-of-use asset. The Companies elected the package of practical expedients available for expired or existing contracts, which allowed them to carryforward their historical assessments of whether contracts are or contain leases, lease classification tests and treatment of initial direct costs. Further, the Companies elected to not separate lease components from non-lease components for all fixed payments and excluded variable lease payments in the measurement of right-of-use assets and lease obligations.

The Companies determine whether an arrangement is, or includes, a lease at contract inception. Leases with an initial term of 12 months or less are not recognized on the balance sheet. The Companies recognize lease expense for these leases on a straight-line basis over the lease term.

Operating lease right-of-use assets and liabilities are recognized at commencement date and initially measured based on the present value of lease payments over the defined lease term. Operating leases are immaterial as of December 31, 2024.

Contracts determined to be leases typically do not provide an implicit rate; therefore, the Companies use the estimated incremental borrowing rate at the time of lease commencement to discount the present value of lease payments. In order to apply the incremental borrowing rate, a portfolio approach with a collateralized rate is utilized. Assets were grouped based on similar lease terms and economic environments in a manner whereby the Companies reasonably expect that the application is not expected to differ materially from a lease-by-lease approach.

The Companies have finance leases for the use of vehicles, property, and equipment. The leases have remaining terms of 0 to 4 years. The components of lease expense are as follows:

	<b>December 31, 2024</b>
Finance lease cost:	
Amortization of leased assets	\$ 998,852
Interest on lease liabilities	<u>117,315</u>
 Total finance lease cost	 <u>\$ 1,116,167</u>

Supplemental cash flow information related to leases was as follows:

Financing cash flows from finance leases	\$998,852
Weighted average remaining lease term:	
Finance leases	2
Weighted average discount rate:	
Finance leases	5.09 %

The amount in property under finance leases is \$5,555,438 and \$5,217,996 with accumulated depreciation of \$3,529,466 and \$2,674,161 as of December 31, 2024 and 2023, respectively.

Future maturities of finance lease liabilities are as follows:

<b>Years Ending December 31</b>	<b>Finance</b>
2025	\$ 1,044,124
2026	446,103
2027	310,457
2028	154,636
2029	<u>46,353</u>
Total future minimum lease payments	2,001,673
Less estimated interest element	<u>166,634</u>
Estimated present value of future minimum lease payments	<u><u>\$ 1,835,039</u></u>

## 12. COMMITMENTS AND CONTINGENCIES

The Companies are party to or may be affected by litigation, claims and uncertainties that arise in the ordinary course of business. The Companies regularly analyze current information and, as necessary provide accruals for probable and reasonably estimable liabilities on the eventual disposition of these matters. Management believes that the ultimate outcome of these matters will not have a significant, adverse effect on either the Companies' future results of operation or financial position.

\* \* \* \* \*