

Ohio Valley Electric Corporation and Subsidiary Company

Consolidated Financial Statements as of and
for the Years Ended December 31, 2025 and 2024,
and Independent Auditor's Report



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Ohio Valley Electric Corporation:

Opinion

We have audited the consolidated financial statements of Ohio Valley Electric Corporation and its subsidiary company, Indiana-Kentucky Electric Corporation (the "Companies"), which comprise the consolidated balance sheets as of December 31, 2025 and 2024, and the related consolidated statements of income and retained earnings and cash flows for the years then ended, and the related notes to the consolidated 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, 2025 and 2024, 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 23, 2026

OHIO VALLEY ELECTRIC CORPORATION AND SUBSIDIARY COMPANY

CONSOLIDATED BALANCE SHEETS AS OF DECEMBER 31, 2025 AND 2024

| | 2025 | 2024 |
|--|--------------------------------|--------------------------------|
| ASSETS | | |
| ELECTRIC PLANT: | | |
| At original cost | \$ 3,381,712,238 | \$ 3,272,178,716 |
| Less—accumulated provisions for depreciation | <u>2,420,772,509</u> | <u>2,270,960,768</u> |
| | 960,939,729 | 1,001,217,948 |
| Construction in progress | <u>8,586,509</u> | <u>53,739,145</u> |
| Total electric plant | <u>969,526,238</u> | <u>1,054,957,093</u> |
| CURRENT ASSETS: | | |
| Cash and cash equivalents | 34,046,859 | 44,178,533 |
| Accounts receivable | 43,720,634 | 46,946,724 |
| Income taxes receivable | 2,000,017 | 1,728,688 |
| Fuel in storage | 88,962,785 | 185,986,932 |
| Materials and supplies | 58,139,045 | 59,981,267 |
| Property taxes applicable to future years | 3,300,000 | 3,870,000 |
| Regulatory assets | 19,461,939 | 6,358,579 |
| Prepaid expenses and other | <u>7,941,261</u> | <u>6,575,226</u> |
| Total current assets | <u>257,572,540</u> | <u>355,625,949</u> |
| REGULATORY ASSETS: | | |
| Unrecognized postemployment benefits | 10,125,828 | 9,464,083 |
| Unrecognized pension benefits | 2,388,943 | 5,492,094 |
| Income taxes billable to customers | - | 55,902,459 |
| Other regulatory assets | <u>5,933,461</u> | <u>2,771,867</u> |
| Total regulatory assets | <u>18,448,232</u> | <u>73,630,503</u> |
| DEFERRED CHARGES AND OTHER: | | |
| Unamortized debt expense | 994,172 | 430,646 |
| Long-term investments | 226,964,867 | 216,975,904 |
| Postretirement benefits | 81,837,048 | 46,028,655 |
| Deferred income tax asset | 4,536,766 | - |
| Other | <u>1,865,000</u> | <u>1,865,000</u> |
| Total deferred charges and other | <u>316,197,853</u> | <u>265,300,205</u> |
| TOTAL | <u><u>\$ 1,561,744,863</u></u> | <u><u>\$ 1,749,513,750</u></u> |

(Continued)

OHIO VALLEY ELECTRIC CORPORATION AND SUBSIDIARY COMPANY

CONSOLIDATED BALANCE SHEETS AS OF DECEMBER 31, 2025 AND 2024

| | 2025 | 2024 |
|--|--------------------------------|--------------------------------|
| CAPITALIZATION AND LIABILITIES | | |
| CAPITALIZATION: | | |
| Common stock, \$100 par value—authorized, 300,000 shares; outstanding, 10,000 shares in 2025 and 2024 | \$ 10,000,000 | \$ 10,000,000 |
| Long-term debt | 632,483,595 | 712,224,775 |
| Line of credit borrowings | 155,000,000 | 145,000,000 |
| Retained earnings | <u>36,275,382</u> | <u>32,589,284</u> |
| Total capitalization | <u>833,758,977</u> | <u>899,814,059</u> |
| CURRENT LIABILITIES: | | |
| Current portion of long-term debt | 80,576,718 | 103,407,923 |
| Current portion of line of credit borrowings | - | 30,000,000 |
| Accounts payable | 68,759,612 | 61,336,547 |
| Accrued taxes | 11,449,988 | 12,414,121 |
| Regulatory liabilities | 3,555,221 | 49,100,028 |
| Asset retirement obligations | 73,837,148 | 39,992,049 |
| Accrued interest and other | <u>20,558,449</u> | <u>21,051,559</u> |
| Total current liabilities | <u>258,737,136</u> | <u>317,302,227</u> |
| COMMITMENTS AND CONTINGENCIES (Notes 3, 9, 11, and 12) | | |
| REGULATORY LIABILITIES: | | |
| Postretirement benefits | 146,237,146 | 140,373,348 |
| Advance billing of debt reserve | 120,000,000 | 120,000,000 |
| Income tax refundable to customers | 4,509,185 | - |
| Other regulatory liabilities | <u>8,166,903</u> | <u>-</u> |
| Total regulatory liabilities | <u>278,913,234</u> | <u>260,373,348</u> |
| OTHER LIABILITIES: | | |
| Pension liability | 2,388,943 | 5,492,094 |
| Deferred income tax liability | - | 22,285,974 |
| Asset retirement obligations | 177,238,039 | 233,858,657 |
| Postemployment benefits obligation | 10,125,828 | 9,464,083 |
| Other non-current liabilities | <u>582,706</u> | <u>923,308</u> |
| Total other liabilities | <u>190,335,516</u> | <u>272,024,116</u> |
| TOTAL | <u><u>\$ 1,561,744,863</u></u> | <u><u>\$ 1,749,513,750</u></u> |

See notes to consolidated financial statements.

(Concluded)

OHIO VALLEY ELECTRIC CORPORATION AND SUBSIDIARY COMPANY

CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

| | 2025 | 2024 |
|---|----------------------|----------------------|
| REVENUES FROM CONTRACTS WITH CUSTOMERS—Sales of electric energy to: | | |
| Department of Energy | \$ 6,312,222 | \$ 4,131,774 |
| Sponsoring Companies | <u>829,321,003</u> | <u>790,040,646</u> |
| Total revenues from contracts with customers | <u>835,633,225</u> | <u>794,172,420</u> |
| OPERATING EXPENSES: | | |
| Fuel and emission allowances consumed in operation | 416,724,263 | 373,259,365 |
| Purchased power | 5,768,056 | 3,942,691 |
| Other operation | 71,954,006 | 94,822,339 |
| Maintenance | 112,409,866 | 116,666,625 |
| Depreciation | 149,508,325 | 133,804,423 |
| Federal income tax | 33,914,403 | 4,500,000 |
| Taxes—other than income taxes | <u>13,188,563</u> | <u>13,468,791</u> |
| Total operating expenses | <u>803,467,482</u> | <u>740,464,234</u> |
| OPERATING INCOME | 32,165,743 | 53,708,186 |
| OTHER INCOME | <u>954,971</u> | <u>971,769</u> |
| INCOME BEFORE INTEREST CHARGES | <u>33,120,714</u> | <u>54,679,955</u> |
| INTEREST CHARGES: | | |
| Amortization of debt expense | 1,574,097 | 1,627,140 |
| Interest expense | <u>27,860,519</u> | <u>48,893,350</u> |
| Total interest charges | <u>29,434,616</u> | <u>50,520,490</u> |
| NET INCOME | 3,686,098 | 4,159,465 |
| RETAINED EARNINGS—Beginning of year | <u>32,589,284</u> | <u>28,429,819</u> |
| RETAINED EARNINGS—End of year | <u>\$ 36,275,382</u> | <u>\$ 32,589,284</u> |

See notes to consolidated financial statements.

OHIO VALLEY ELECTRIC CORPORATION AND SUBSIDIARY COMPANY

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

| | 2025 | 2024 |
|---|---------------------|---------------------|
| OPERATING ACTIVITIES: | | |
| Net income | \$ 3,686,098 | \$ 4,159,465 |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities: | | |
| Depreciation | 149,508,325 | 133,804,423 |
| Amortization of debt expense | 1,574,097 | 1,627,140 |
| Changes in assets and liabilities: | | |
| Accounts receivable | 3,226,090 | 18,114,433 |
| Income taxes receivable | (271,329) | - |
| Fuel in storage | 97,024,147 | (19,294,505) |
| Materials and supplies | 1,842,222 | (2,530,938) |
| Property taxes applicable to future years | 570,000 | (108,000) |
| Prepaid expenses and other | (1,366,035) | (1,919,292) |
| Other regulatory assets | 21,058,267 | (23,165,211) |
| Other noncurrent assets | (42,889,627) | (18,976,761) |
| Accounts payable | 8,725,903 | (13,194,218) |
| Accrued taxes | (964,133) | (6,354,981) |
| Accrued interest and other | 488,197 | (4,186,824) |
| Other liabilities | (31,417,699) | (143,807) |
| Other regulatory liabilities | (21,129,702) | 51,419,991 |
| | <u>189,664,821</u> | <u>119,250,915</u> |
| Net cash (used in) provided by operating activities | | |
| INVESTING ACTIVITIES: | | |
| Electric plant additions | (67,000,472) | (41,124,451) |
| Proceeds from sale of long-term investments | 453,262,710 | 588,917,379 |
| Purchases of long-term investments | (460,367,875) | (587,769,571) |
| | <u>(74,105,637)</u> | <u>(39,976,643)</u> |
| Net cash (used in) provided by investing activities | | |

(Continued)

OHIO VALLEY ELECTRIC CORPORATION AND SUBSIDIARY COMPANY

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

| | 2025 | 2024 |
|---|---------------|---------------|
| FINANCING ACTIVITIES: | | |
| Debt issuance and maintenance costs | (1,301,629) | - |
| Repayment of Senior 2006 Notes | (31,105,493) | (29,367,184) |
| Repayment of Senior 2007 Notes | (22,228,167) | (20,965,069) |
| Repayment of Senior 2008 Notes | (25,074,262) | (23,499,340) |
| Repayment of Senior 2017A Notes | - | (25,000,000) |
| Repayment of Senior 2009C Bonds | (25,000,000) | - |
| Proceeds from line of credit | 65,000,000 | 60,000,000 |
| Payments on line of credit | (85,000,000) | (35,000,000) |
| Principal payments under finance leases | (981,307) | (998,854) |
| | (125,690,858) | (74,830,447) |
| Net cash (used in) provided by financing activities | | |
| | (10,131,674) | 4,443,825 |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | | |
| CASH AND CASH EQUIVALENTS—Beginning of year | 44,178,533 | 39,734,708 |
| CASH AND CASH EQUIVALENTS—End of year | \$ 34,046,859 | \$ 44,178,533 |
| SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION: | | |
| Interest paid | \$ 42,280,655 | \$ 50,065,094 |
| Income taxes (received) paid—net | \$ 600,000 | \$ 26,100,000 |
| Non-cash electric plant additions included in accounts payable at December 31 | \$ 2,155,743 | \$ 3,548,581 |
| See notes to consolidated financial statements. | | (Concluded) |

OHIO VALLEY ELECTRIC CORPORATION AND SUBSIDIARY COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Consolidated Financial Statements—The consolidated 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 19% 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, 2025, 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 consolidated 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, 2025 and 2024, were as follows:

| | 2025 | 2024 |
|--|-----------------------|-----------------------|
| Regulatory assets: | | |
| Current regulatory assets: | | |
| Other regulatory assets | \$ 19,461,939 | \$ 6,358,579 |
| Noncurrent regulatory assets: | | |
| Unrecognized postemployment benefits | 10,125,828 | 9,464,083 |
| Unrecognized pension benefits | 2,388,943 | 5,492,094 |
| Income taxes billable to customers | - | 55,902,459 |
| Other regulatory assets | 5,933,461 | 2,771,867 |
| Total | <u>18,448,232</u> | <u>73,630,503</u> |
| Total regulatory assets | <u>\$ 37,910,171</u> | <u>\$ 79,989,082</u> |
| Regulatory liabilities: | | |
| Current regulatory liabilities: | | |
| Deferred revenue—advances for construction | \$ 2,471,945 | \$ 48,440,700 |
| Deferred credit—advance collection of interest | 474,563 | 659,328 |
| Other regulatory liabilities | 608,713 | - |
| Total | <u>3,555,221</u> | <u>49,100,028</u> |
| Noncurrent regulatory liabilities: | | |
| Postretirement benefits | 146,237,146 | 140,373,348 |
| Advance billing of debt reserve | 120,000,000 | 120,000,000 |
| Income tax refundable to customers | 4,509,185 | - |
| Other regulatory liabilities | 8,166,903 | - |
| Total | <u>278,913,234</u> | <u>260,373,348</u> |
| Total regulatory liabilities | <u>\$ 282,468,455</u> | <u>\$ 309,473,376</u> |

Regulatory Assets—The regulatory assets classified as current in the accompanying consolidated balance sheet as of December 31, 2025 consist primarily of deferred interest expense. These amounts will be billed to customer during 2026. The regulatory assets classified as noncurrent 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 partially bill its actual plan funding.

Regulatory Liabilities—The regulatory liabilities classified as current in the accompanying consolidated balance sheet as of December 31, 2025 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 2026. The regulatory liabilities classified as noncurrent 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, 2025 and 2024, 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.

Recoverable (Refundable) Fuel Costs—The Companies record the sale of coal plant by-products, such as gypsum and fly ash, net of fuel expense. The sales are initially deferred as a regulatory liability and refunded to Sponsor Companies each month through the Energy Charge component of the customer bills, as provided for under the ICPA, lowering the cost of fuel. The amounts offsetting fuel expense were \$11.1 million and \$1.7 million in 2025 and 2024, respectively.

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 recognized during 2025 and 2024 on securities still held at the balance sheet date were \$1,189,792 and \$872,270, 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 consolidated 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.

| | |
|--|-----------------------|
| Balance-January 1, 2024 | \$ 179,074,720 |
| Accretion | 9,155,891 |
| Liabilities settled | (3,525,062) |
| Revisions to cash flows ⁽¹⁾ | <u>89,145,157</u> |
| Balance-December 31, 2024 | 273,850,706 |
| Accretion | 5,860,172 |
| Liabilities settled | <u>(28,635,691)</u> |
| Balance-December 31, 2025 | <u>\$ 251,075,187</u> |
| Current | \$ 73,837,148 |
| Non-current | <u>177,238,039</u> |
| Balance-December 31, 2025 | <u>\$ 251,075,187</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 2024 and 2025, 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 estimate in 2024 reflects the outcome of the decommissioning and demolition study resulting in an upward revision of \$89.1 million. 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 consolidated 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 consolidated 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 consolidated 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 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, 2025 and 2024. The following table provides information about the Companies' receivables from contracts with customers:

| | Accounts Receivable |
|-----------------------------------|--------------------------------|
| Beginning balance—January 1, 2024 | \$ 65,061,157 |
| Ending balance—December 31, 2024 | <u>46,946,724</u> |
| Increase/(decrease) | <u>\$(18,114,433)</u> |
| Beginning balance—January 1, 2025 | \$ 46,946,724 |
| Ending balance—December 31, 2025 | <u>43,720,634</u> |
| Increase/(decrease) | <u>\$ (3,226,090)</u> |

Recently Issued Accounting Standards—In November 2023, the FASB issued ASU 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures. This pronouncement requires disclosure of significant segment expenses that are regularly provided to the Chief Operating Decision Maker (“CODM”) and included within each reported measure of segment profit or loss and disclosure of title and position of the CODM and how the CODM uses reported measures. The Companies adopted this pronouncement as of December 31, 2025 and disclosed significant expenses regularly provided to the CODM, the CODM’s title and how the CODM utilizes reported measures. See Note 1, “Business Segment Information” for further discussion.

In December 2023, the FASB issued ASU 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures. This pronouncement enhances required income tax disclosures. The pronouncement requires disclosure of specific categories and reconciling items included in the rate reconciliation, disaggregation between federal, state and local income taxes paid, and disclosure of income taxes paid by jurisdictions over a certain threshold. Additionally, the pronouncement eliminates certain required disclosures related to unrecognized tax benefits. The Companies have adopted this ASU on a prospective basis in the income taxes footnote 7, for the year ended December 31, 2025.

Business Segment Information—The Companies have determined that it operates one reportable segment which focuses on the generation and sale of electric energy to its Sponsor Companies under the ICPA agreement. The Companies’ Chief Operating Officer & Chief Financial Officer functions as the Chief Operating Decision Maker (the “CODM”). The CODM regularly reviews monthly plant production reports and assesses the operational and financial performance of OVEC and its two generating facilities. The assessment of the two facilities focuses on operating expenses as OVEC generates electricity to provide to the Sponsor Companies. As part of the budgeting process, the CODM also receives, reviews, and approves the annual budget for the Companies to assess the reasonableness of sponsor billings. The Companies’ significant segment expenses are derived from and can be found within the consolidated statement of income and retained earnings. The measure of segment assets for the Companies’ single reportable segment is “Total assets” as reported in the consolidated balance sheets.

Subsequent Events—In preparing the accompanying financial statements and disclosures, the Companies reviewed subsequent events through April 23, 2026, which is the date the consolidated financial statements were issued.

2. RELATED-PARTY TRANSACTIONS

Transactions with the Sponsoring Companies during 2025 and 2024 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, 2025 and 2024, balances due from the Sponsoring Companies are as follows:

| | 2025 | 2024 |
|---------------------|----------------------|----------------------|
| Accounts receivable | <u>\$ 39,104,157</u> | <u>\$ 43,515,644</u> |

During 2025 and 2024, 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, 2025 and 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:

| | 2025 | 2024 |
|-------------------|---------------------|---------------------|
| General services | \$ 3,733,820 | \$ 3,125,673 |
| Specific projects | <u>566,520</u> | <u>301,210</u> |
| Total | <u>\$ 4,300,340</u> | <u>\$ 3,426,883</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 2026 through 2028. Pricing for coal under these contracts is subject to contract provisions and adjustments. The Companies currently have 100% of their 2026 coal requirements under contract. These contracts are based on rates in effect at the time of contract execution. The Companies' total commitments under these agreements as of December 31, 2025, are included in the table below:

| | |
|------|----------------|
| 2026 | \$ 254,928,575 |
| 2027 | 176,218,655 |
| 2028 | 98,579,155 |

4. ELECTRIC PLANT

Electric plant at December 31, 2025 and 2024, consists of the following:

| | 2025 | 2024 |
|-------------------------------|-----------------------|------------------------|
| Steam production plant | \$3,276,576,276 | \$3,176,831,731 |
| Transmission plant | 82,561,349 | 82,063,669 |
| General plant | 22,548,049 | 13,256,752 |
| Intangible | <u>26,564</u> | <u>26,564</u> |
| | 3,381,712,238 | 3,272,178,716 |
| Less accumulated depreciation | <u>2,420,772,509</u> | <u>2,270,960,768</u> |
| | 960,939,729 | 1,001,217,948 |
| Construction in progress | <u>8,586,509</u> | <u>53,739,145</u> |
| Total electric plant | <u>\$ 969,526,238</u> | <u>\$1,054,957,093</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. On February 21, 2025, OVEC amended the agreement for a total capacity of \$200 million which is set to expire on February 21, 2029. As of December 31, 2025 and 2024, OVEC had borrowed \$155 million and \$145 million, respectively, under the revolving credit facility.

Additionally, OVEC had a 364-day revolving credit facility of \$35 million entered into on December 19, 2023 and extended on November 9, 2024. On February 21, 2025, OVEC terminated the \$35 million 364 day credit agreement. 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 \$8,078,599 in 2025 and \$11,122,095 in 2024. During 2025 and 2024, OVEC incurred annual commitment fees of \$186,389 and \$82,615, respectively, based on the borrowing limits of the line of credit.

6. LONG-TERM DEBT

The following amounts were outstanding at December 31, 2025 and 2024:

| | Interest Rate Type | Interest Rate | 2025 | 2024 |
|--|-----------------------|------------------|----------------------|----------------------|
| Senior 2006 Notes: | | | | |
| 2006A due February 15, 2026 | Fixed | 5.80 % | \$ 15,305,494 | \$ 44,634,587 |
| 2006B due June 15, 2040 | Fixed | 6.40 | 44,984,806 | 46,761,205 |
| Senior 2007 Notes: | | | | |
| 2007A-A due February 15, 2026 | Fixed | 5.90 | 2,364,774 | 16,221,335 |
| 2007A-B due February 15, 2026 | Fixed | 5.90 | 595,545 | 4,085,184 |
| 2007A-C due February 15, 2026 | Fixed | 5.90 | 600,287 | 4,117,713 |
| 2007B-A due June 15, 2040 | Fixed | 6.50 | 22,351,155 | 23,257,416 |
| 2007B-B due June 15, 2040 | Fixed | 6.50 | 5,628,918 | 5,857,151 |
| 2007B-C due June 15, 2040 | Fixed | 6.50 | 5,673,738 | 5,903,788 |
| Senior 2008 Notes: | | | | |
| 2008A due February 15, 2026 | Fixed | 5.92 | 737,981 | 5,065,856 |
| 2008B due February 15, 2026 | Fixed | 6.71 | 402,281 | 9,562,814 |
| 2008C due February 15, 2026 | Fixed | 6.71 | 3,127,893 | 12,159,556 |
| 2008D due June 15, 2040 | Fixed | 6.91 | 32,933,522 | 34,199,844 |
| 2008E due June 15, 2040 | Fixed | 6.91 | 33,505,761 | 34,794,087 |
| 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 | - | - |
| 2009C due February 1, 2026 | Fixed | 1.50 | - | 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 | | | 718,212,155 | 821,620,536 |
| Less unamortized debt expense | | | <u>(5,151,842)</u> | <u>(5,987,838)</u> |
| Total debt net of premiums, discounts, and unamortized debt expense | | | 713,060,313 | 815,632,698 |
| Current portion of long-term debt | | | <u>80,576,718</u> | <u>103,407,923</u> |
| Total long-term debt | | | <u>\$632,483,595</u> | <u>\$712,224,775</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 2009C bond was repaid on November 3, 2025.

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 \$46,275,382 million as of December 31, 2025.

The annual maturities of long-term debt as of December 31, 2025, are as follows:

| | |
|-----------|----------------------------------|
| 2026 | \$ 80,576,718 |
| 2027 | 120,082,120 |
| 2028 | 124,539,435 |
| 2029 | 129,265,197 |
| 2030 | 103,425,872 |
| 2031–2040 | <u>160,322,813</u> |
| Total | <u><u>\$ 718,212,155</u></u> |

In February 2026, OVEC refinanced \$100 million of tax-exempt bonds through the Ohio Air Quality Development Authority (OAQDA). The purpose of the bonds was to refund the outstanding OAQDA Series 2009A-D Bonds, \$25 million from each series. The new bonds, Series 2026A and Series 2026B, were issued at \$50 million each with the Series 2026A priced to a final maturity of January 1, 2036 with a coupon of 3.875% and Series 2026B priced to a final maturity of June 30, 2040 with a coupon of 4.350%. Both series are callable beginning July 1, 2035.

Also in February 2026, OVEC issued \$35 million in new tax-exempt bonds through the Ohio Air Quality Development Authority. The Series 2026C bonds were priced to a final maturity of January 1, 2036 with a final coupon of 4.125% and are not subject to optional redemption.

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:

| | 2025 | 2024 |
|--|----------------------|---------------------|
| Income tax expense at statutory rate (21%) | \$ 7,896,105 | \$ 1,818,488 |
| Temporary differences | 26,007,062 | 2,678,622 |
| Permanent differences and other | <u>11,236</u> | <u>2,890</u> |
| Income tax provision | <u>\$ 33,914,403</u> | <u>\$ 4,500,000</u> |

Components of the income tax provision were as follows:

| | 2025 | 2024 |
|---|----------------------|---------------------|
| Current income tax expense—federal | \$ - | \$ 26,597,816 |
| Current income tax (benefit)/expense—state | (3,639) | 3,639 |
| Deferred income tax expense/(benefit)—federal | <u>33,918,042</u> | <u>(22,101,455)</u> |
| Total income tax provision | <u>\$ 33,914,403</u> | <u>\$ 4,500,000</u> |

The states that contribute to the majority (greater than 50%) of the tax effect in this category include Indiana for 2025. The amounts of cash taxes paid by (refunded) OVEC/IKEC are as follows: Federal payment of \$600,000.

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 liability was \$4,509,185 and regulatory asset was \$55,902,459 as of December 31, 2025 and 2024, respectively.

Deferred income tax assets (liabilities) at December 31, 2025 and 2024, consisted of the following:

| | 2025 | 2024 |
|---|---------------------|------------------------|
| Deferred tax assets: | | |
| Deferred revenue—advances for construction | \$ 519,281 | \$ 10,173,860 |
| Pension benefits | - | 161,111 |
| Postemployment benefit obligation | 2,127,129 | 1,987,714 |
| Asset retirement obligations | 52,743,284 | 57,245,081 |
| Advanced collection of interest and debt service | 25,308,053 | 25,341,728 |
| Miscellaneous accruals | 2,173,869 | 1,207,718 |
| Other | - | 990,179 |
| Regulatory liability—postretirement benefits | 30,719,990 | 29,482,207 |
| Regulatory liability—Income taxes billable to customers | 947,229 | - |
| | <u>114,538,835</u> | <u>126,589,598</u> |
| Total deferred tax assets | | |
| Deferred tax liabilities: | | |
| Prepaid expenses | (812,012) | (804,839) |
| Electric plant | (39,730,561) | (57,780,669) |
| Unrealized gain/loss on marketable securities | (267,436) | (216,246) |
| Postretirement benefits | (17,191,482) | (9,667,265) |
| Pension benefits | (1,562,090) | - |
| Regulatory asset—pension benefits | (501,844) | (1,153,489) |
| Regulatory asset—other | (1,588,587) | (1,917,513) |
| Regulatory asset—postemployment benefits | (2,127,129) | (1,987,714) |
| Regulatory asset—income taxes billable to customers | - | (11,741,045) |
| Regulatory asset—deferred interest | (2,736,707) | - |
| Regulatory asset—boiler slag | (1,009,511) | - |
| | <u>(67,527,359)</u> | <u>(85,268,780)</u> |
| Total deferred tax liabilities | | |
| Valuation allowance | <u>(42,474,710)</u> | <u>(63,606,792)</u> |
| Deferred income tax assets (liabilities) | <u>\$ 4,536,766</u> | <u>\$ (22,285,974)</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, 2025 and 2024.

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, 2025 and 2024, 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 2021 and earlier. The Companies are no longer subject to State of Indiana tax examinations for tax years 2021 and earlier. The Companies are no longer subject to Ohio and the Commonwealth of Kentucky examinations for tax years 2020 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 consolidated financial statements. The allocated amounts for pension benefits and postretirement life plan represent approximately a 57% and 43% split between OVEC and IKEC, respectively, as of December 31, 2025, and 58% and 42% split between OVEC and IKEC, respectively, as of December 31, 2024. The allocated amounts for postretirement medical plan represent approximately a 56% and 44% split between OVEC and IKEC, respectively, as of December 31, 2025, and a 57% and 43% split between OVEC and IKEC, respectively, as of December 31, 2024.

The Pension Plan’s assets as of December 31, 2025, 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:

| Pension Plan Assets | Target |
|---------------------------------|---------------|
| Domestic equity | 10 % |
| Fixed income | 90 |
| | |
| VEBA Plan Assets | |
| 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, 2025, the Pension Plan fixed-income allocation consists of managed accounts composed of U.S. Government, corporate, and municipal obligations. The OPEB 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, 2025 and 2024, are as follows:

| | Pension Plan | | Other Postretirement Benefits | |
|---|-----------------------|-----------------------|-------------------------------|----------------------|
| | 2025 | 2024 | 2025 | 2024 |
| Change in benefit obligation: | | | | |
| Benefit obligation—beginning of year | \$144,828,404 | \$143,107,463 | \$108,369,822 | \$107,032,772 |
| Service cost | 4,108,797 | 4,355,743 | 2,001,571 | 1,980,561 |
| Interest cost | 8,073,546 | 7,609,509 | 5,670,182 | 5,468,326 |
| Plan participants' contributions | - | - | 1,595,215 | 1,475,489 |
| Benefits paid | (9,995,961) | (8,269,704) | (6,986,463) | (7,428,399) |
| Net actuarial loss (gain) | 448,100 | (1,756,623) | (23,415,362) | (158,927) |
| Expenses paid from assets | (221,704) | (217,984) | - | - |
| Plan amendments | - | - | (895,482) | - |
| Benefit obligation—end of year | <u>147,241,182</u> | <u>144,828,404</u> | <u>86,339,483</u> | <u>108,369,822</u> |
| Change in fair value of plan assets: | | | | |
| Fair value of plan assets—beginning of year | 139,336,310 | 140,928,756 | 154,398,477 | 153,622,675 |
| Actual return on plan assets | 9,433,594 | 1,595,242 | 19,142,832 | 6,704,255 |
| Expenses paid from assets | (221,704) | (217,984) | - | - |
| Employer contributions | 6,300,000 | 5,300,000 | 26,470 | 24,457 |
| Plan participants' contributions | - | - | 1,595,215 | 1,475,489 |
| Benefits paid | <u>(9,995,961)</u> | <u>(8,269,704)</u> | <u>(6,986,463)</u> | <u>(7,428,399)</u> |
| Fair value of plan assets—end of year | <u>144,852,239</u> | <u>139,336,310</u> | <u>168,176,531</u> | <u>154,398,477</u> |
| (Underfunded) overfunded status—end of year | <u>\$ (2,388,943)</u> | <u>\$ (5,492,094)</u> | <u>\$ 81,837,048</u> | <u>\$ 46,028,655</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 \$127,400,959 and \$126,471,390 at December 31, 2025 and 2024, respectively.

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 consolidated balance sheets.

| | Pension Plan | | Other Postretirement Benefits | |
|---|---------------------|---------------------|----------------------------------|-----------------------|
| | 2025 | 2024 | 2025 | 2024 |
| Service cost | \$ 4,108,797 | \$ 4,355,743 | \$ 2,001,571 | \$ 1,980,561 |
| Interest cost | 8,073,546 | 7,609,509 | 5,670,182 | 5,468,326 |
| Expected return on plan assets | (9,686,381) | (10,439,557) | (8,535,105) | (9,011,255) |
| Amortization of prior service cost | (416,565) | (416,565) | (2,872,645) | (2,781,539) |
| Recognized actuarial loss (gain) | 815,567 | 381,886 | (5,308,945) | (5,595,177) |
| Settlement | - | - | - | - |
| Total benefit cost | <u>\$ 2,894,964</u> | <u>\$ 1,491,016</u> | <u>\$ (9,044,942)</u> | <u>\$ (9,939,084)</u> |
| Pension and other postretirement benefits expense recognized in the consolidated statements of income and retained earnings and billed to Sponsoring Companies under the ICPA | <u>\$ 3,575,000</u> | <u>\$ 5,300,000</u> | <u>\$ -</u> | <u>\$ -</u> |

The following table presents the classification of Pension Plan assets within the fair value hierarchy at December 31, 2025 and 2024:

| | 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) | |
| 2025 | | | | |
| Equity mutual funds | \$14,770,606 | \$ - | \$ - | \$ 14,770,606 |
| Fixed-income securities | - | 92,746,443 | - | 92,746,443 |
| Cash equivalents | <u>3,923,029</u> | <u>-</u> | <u>-</u> | <u>3,923,029</u> |
| Subtotal benefit plan assets | <u>\$18,693,635</u> | <u>\$92,746,443</u> | <u>\$ -</u> | \$111,440,078 |
| Investments measured at net asset value (NAV) | | | | <u>33,412,161</u> |
| Total benefit plan assets | | | | <u>\$144,852,239</u> |
| 2024 | (Level 1) | (Level 2) | (Level 3) | Total |
| 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> |

The following table presents the classification of OPEB Plan assets within the fair value hierarchy at December 31, 2025 and 2024:

| | 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) | |
| 2025 | | | | |
| Equity mutual funds | \$ 48,361,882 | \$ - | \$ - | \$ 48,361,882 |
| Equity exchange traded funds | 9,079,758 | - | - | 9,079,758 |
| Fixed-income mutual funds | 85,902,387 | - | - | 85,902,387 |
| Fixed-income securities | - | 15,889,934 | - | 15,889,934 |
| Cash equivalents | <u>821,391</u> | <u>-</u> | <u>-</u> | <u>821,391</u> |
| Benefit plan assets | <u>\$144,165,418</u> | <u>\$15,889,934</u> | <u>\$ -</u> | 160,055,352 |
| Uncleared cash disbursements from benefits paid | | | | (982,720) |
| Investments measured at net asset value (NAV) | | | | <u>9,103,899</u> |
| Total benefit plan assets | | | | <u>\$168,176,531</u> |
| 2024 | | | | |
| 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> |

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, 2025 and 2024, were as follows:

| | Pension Plan | | Other Postretirement Benefits | | | |
|--|--------------|--------|-------------------------------|--------|---------|--------|
| | | | 2025 | | 2024 | |
| | 2025 | 2024 | Medical | Life | Medical | Life |
| Discount rate | 5.76 % | 5.72 % | 5.70 % | 5.70 % | 5.72 % | 5.72 % |
| Rate of compensation increase for next year | 4.00 | 5.00 | N/A | 4.00 | N/A | 5.00 |
| Rate to which compensation is assumed to decline (ultimate trend rate) | 4.00 | 3.00 | N/A | 4.00 | N/A | 3.00 |
| Year that rate reaches the ultimate trend | 2026 | 2027 | N/A | 2026 | N/A | 2027 |

Actuarial assumptions used to determine net periodic benefit cost for the years ended December 31, 2025 and 2024, were as follows:

| | Pension Plan | |
|--|-------------------------------------|-------------------------------------|
| | For the Period | For the Period |
| | January 1 through December 31, 2025 | January 1 through December 31, 2024 |
| Discount rate | 5.72 % | 5.35 % |
| Expected long-term return on plan assets | 7.00 | 7.50 |
| | 2025 | 2024 |
| Rate of compensation increase for next year | 5.00 % | 4.00 % |
| Rate to which compensation is assumed to decline (ultimate trend rate) | 4.00 | 3.50 |
| Ultimate compensation rate | 3.00 | 3.00 |
| Year that rate reaches the ultimate trend | 2027 | 2026 |

| | Other Postretirement Obligations | | | |
|--|----------------------------------|--------|---------|--------|
| | 2025 | | 2024 | |
| | Medical | Life | Medical | Life |
| Discount rate | 5.72 % | 5.72 % | 5.35 % | 5.35 % |
| Expected long-term return on plan assets | 5.83 | 4.16 | 5.88 | 6.50 |
| Rate of compensation increase | N/A | 5.00 | N/A | 4.00 |

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, 2025 and 2024, were as follows:

| | 2025 | 2024 |
|---|--------|--------|
| Health care trend rate assumed for next year—participants under 65 | 7.00 % | 6.50 % |
| Health care trend rate assumed for next year—participants over 65 | 7.00 | 6.50 |
| 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 | 2034 | 2029 |

Pension Plan and Other Postretirement Benefit Assets—The asset allocation for the Pension Plan and VEBA trusts at December 31, 2025 and 2024, by asset category was as follows:

| | Pension Plan | | VEBA Trusts | |
|-------------------|--------------|------|-------------|------|
| | 2025 | 2024 | 2025 | 2024 |
| Asset category: | | | | |
| Equity securities | 33 % | 32 % | 39 % | 38 % |
| Debt securities | 67 | 68 | 61 | 62 |

Pension Plan and Other Postretirement Benefit Contributions—The Companies expect to contribute \$6.1 million to their Pension Plan and \$27 thousand to their Other Postretirement Benefits plan in 2026.

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 |
|-----------------------------|-----------------|-------------------------------------|
| 2026 | \$ 8,836,270 | \$ 6,988,646 |
| 2027 | 9,078,692 | 7,263,802 |
| 2028 | 8,802,607 | 7,348,724 |
| 2029 | 9,468,698 | 7,409,470 |
| 2030 | 9,496,751 | 7,651,537 |
| Five years thereafter | 54,417,261 | 42,367,254 |

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 consolidated financial statements. The allocated amounts represent approximately a 35% and 65% split between OVEC and IKEC, respectively, as of December 31, 2025, and approximately a 29% and 71% split between OVEC and IKEC, respectively, as of December 31, 2024. 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 \$10,125,828 and \$9,464,083 at December 31, 2025 and 2024, 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 2025 and 2024 were \$2,522,164 and \$2,305,433, respectively.

9. ENVIRONMENTAL MATTERS

Air Regulations—In response to air regulations adopted by the United States Environmental Protection Agency (“USEPA”) to meet ambient air quality standards, the Companies determined that it was 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, which was ultimately rescinded by USEPA on February 19, 2026.

Since 2017, the companies have also been subject to 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 2025. 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. Separately, the USEPA has requested a voluntary remand of the Good Neighbor Rule, and has introduced a phased approach to revise the rule. It is anticipated that USEPA will publish a revised rule sometime in late 2026.

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 or ultimately not be revised by the USEPA, that rule could result in additional restrictions on Unit 6 during the ozone season in future years.

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 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 was originally February 9, 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. USEPA issued a final rule, the CCRMU Deadline Extension Rule, on February 9, 2026, that extended the deadline for the first compliance obligation by one year, as well as a number of subsequent compliance deadlines. Further, USEPA is expected to undertake additional rulemaking associated with legacy CCR units and finalize that rule mid-2026. Until litigation is exhausted, the Companies cannot assess the full impacts of the rule at this time.

Additionally, the USEPA is anticipated to make additional significant revisions to the CCR Rule in mid-2026 that may impact the Companies' compliance strategy. As a result, changes in regulations or in the Companies' strategies for mitigating the impact of coal combustion residuals could potentially result in material changes 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 SO₂—On June 22, 2010, the USEPA revised the Clean Air Act by developing and publishing a new one-hour SO₂ 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 SO₂, 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 SO₂ 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 SO₂ or more than 2,600 tons with a 0.45 SO₂/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 SO₂ limit using their current scrubber systems without any additional investment or modifications. Kyger Creek's modeling data was rejected by the USEPA as inconclusive in 2016. As a result, the USEPA required Kyger Creek to install an SO₂ 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 SO₂ 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. On February 26, 2019, the USEPA issued a final decision that it is retaining the existing primary SO₂ NAAQS at 75 parts per billion for the next five-year NAAQS review cycle. Currently, the Companies will continue to work with the USEPA and OEPA and continue to monitor for SO₂ until a final designation decision is made.

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, the USEPA announced its proposed decision to revise the primary health-based annual PM_{2.5} standard from its current level of 12.0 µg/m³ to within the range of 9.0 to 10.0 µg/m³. On March 6, 2024, the USEPA published a final rule revising and lowering the prior PM NAAQS to 9.0 µg/m³. 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 SO₂ and/or NO_x 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. Most recently, the USEPA has discontinued to defend the rulemaking and is instead seeking to vacate updated PM NAAQS. Additionally, the USEPA has extended the deadline by one year for areas to demonstrate attainment with the tightened standard, which is anticipated to provide additional time for the agency to revise the rule.

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 2020 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 was completed at both plants in mid-2025, followed by optimization of the system. The bioreactor at the Kyger Creek and Clifty Creek Station’s were placed in service in compliance with the applicability date of December 31, 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. Under the 2024 Rule, facilities were 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. Litigation of the 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.

On December 31, 2025, the USEPA published the 2025 ELG Deadline Extension Rule, which extended the no later than applicability dates for FGD wastewater, bottom ash transport water, coal combustion residuals leachate and unmanaged combustion residuals leachate from December 31, 2029 to December 31, 2034. The rule also extended the deadline for facilities to file a Notice of Planned Participation to cease coal combustion from December 31, 2025 to December 31, 2031. Further, the USEPA has indicated that additional rulemaking is anticipated associated with the continued appropriateness of zero liquid discharge as the prescribed requirement under the ELG Rule. The USEPA is expected to issue additional rulemaking late in 2026.

The Companies will continue to monitor the USEPA regulatory actions on this pending rule.

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, with all screens to be installed no later than November 2027. The Clifty Creek Station also received a compliance schedule in its most recent NPDES permit modification that establishes a compliance schedule to install fish-friendly modified traveling water screens. The first screens were installed at the facility in the fall of 2025, and the installation of screens across all units are expected to be completed by July 1, 2028.

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 on May 9, 2024. The proposed rules, which would be applicable to existing coal-fired steam electric generators larger than 100 MW in size would have required those units to ultimately retire, co-fire with natural gas, and/or install carbon capture and sequestration technology to maintain long-term operations. 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. The 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. Most recently, the USEPA has been working to rescind the rule. On February 18, 2026, the USEPA rescinded the 2009 Endangerment Finding, which was relied upon by the agency previously as a foundational element on which the GHG Rule was based. As of the date of this report, the USEPA is expected to take additional action to rescind the GHG Rule in its entirety in late 2026.

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, 2025 and 2024, 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, 2025 and 2024, were as follows:

| | Fair Value Measurements at Reporting Date Using | | |
|--|--|--|--|
| | Quoted Prices in Active Market for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| 2025 | | | |
| Fixed-income securities | \$ - | \$ 173,766,404 | \$ - |
| Cash equivalents | <u>4,391,564</u> | <u>-</u> | <u>-</u> |
| Total fair value | <u>\$ 4,391,564</u> | <u>\$ 173,766,404</u> | <u>\$ -</u> |
| Assets not subject to fair value levels: | | | |
| Money Market Demand Deposit Account | | | <u>\$ 48,806,899</u> |
| Total long-term investments | | | <u>\$ 226,964,867</u> |
| 2024 | | | |
| 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> |

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, 2025 and 2024, are as follows:

| | 2025 | | 2024 | |
|-------|-----------------------|-----------------------|-----------------------|-----------------------|
| | Fair Value | Recorded Value | Fair Value | Recorded Value |
| Total | <u>\$ 737,686,605</u> | <u>\$ 718,212,155</u> | <u>\$ 834,706,963</u> | <u>\$ 821,620,536</u> |

11. LEASES

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

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, 2025.

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 less than 1 year to 4 years. The components of lease expense are as follows:

| | December 31, 2025 |
|-------------------------------|--------------------------|
| Finance lease cost: | |
| Amortization of leased assets | \$ 1,088,585 |
| Interest on lease liabilities | <u>90,222</u> |
| Total finance lease cost | <u>\$ 1,178,807</u> |

Supplemental cash flow information related to leases was as follows:

| | |
|--|------------|
| Financing cash flows from finance leases | \$ 981,307 |
| Weighted average remaining lease term: | |
| Finance leases | 1.7 |
| Weighted average discount rate: | |
| Finance leases | 5.09 % |

The amount in property under finance leases is \$5,432,160 and \$5,555,438 with accumulated depreciation of \$4,162,582 and \$3,529,466 as of December 31, 2025 and 2024, respectively.

Future maturities of finance lease liabilities are as follows:

| Years Ending December 31 | Finance |
|--|---------------------|
| 2026 | \$ 504,210 |
| 2027 | 368,564 |
| 2028 | 212,743 |
| 2029 | <u>77,311</u> |
| Total future minimum lease payments | 1,162,828 |
| Less estimated interest element | <u>100,908</u> |
| Estimated present value of future minimum lease payments | <u>\$ 1,061,920</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.

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