



electric
gas
water
wastewater

Your Source for Energy and Water Services.

Third Quarter Financial Report FY 2010

Statement of Net Assets

(unaudited)

As of March 31
(thousands)

<u>Assets</u>	2010	2009
Current assets		
Cash & Equivalents	\$ 181,116	\$ 182,355
Operating Contingency	59,535	59,494
Accounts Receivable	56,286	62,226
Inventory	6,015	6,162
Other	35,203	41,505
Total Current Assets	<u>\$ 338,155</u>	<u>\$ 351,742</u>
Restricted assets		
Bond Proceeds Fund	\$ 27,952	\$ 18,159
Bond Fund	15,598	14,380
Other	278	382
Total Restricted Assets	<u>\$ 43,828</u>	<u>\$ 32,921</u>
Net Plant	<u>\$ 1,179,912</u>	<u>\$ 1,115,948</u>
Other Assets	<u>\$ 11,745</u>	<u>\$ 11,527</u>
Total Assets	<u><u>\$ 1,573,640</u></u>	<u><u>\$ 1,512,138</u></u>
<u>Liabilities</u>		
Current Liabilities		
Current Debt	\$ 12,840	\$ 12,320
Accounts Payable	77,324	84,064
Other	39,323	35,598
Total Current Liabilities	<u>\$ 129,487</u>	<u>\$ 131,982</u>
Other Liabilities	<u>\$ 24,546</u>	<u>\$ 24,360</u>
Long-term Debt	<u>\$ 636,605</u>	<u>\$ 594,445</u>
Total Liabilities	<u>\$ 790,638</u>	<u>\$ 750,787</u>
Net assets		
Invested In Capital Assets	\$ 528,295	\$ 506,367
Restricted for:		
Capital assets	-	-
Debt Service	6,041	5,753
Other	278	383
Unrestricted	248,388	248,848
Total Net Assets	<u>\$ 783,002</u>	<u>\$ 761,351</u>
Total Liabilities and Net Assets	<u><u>\$ 1,573,640</u></u>	<u><u>\$ 1,512,138</u></u>



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**Statement of Revenues, Expenses, and
Changes in Net Assets**
(unaudited)

	Three Months Ended March 31 (thousands)		Nine Months Ended March 31 (thousands)	
	2010	2009	2010	2009
Operating Revenue	\$ 203,687	\$ 218,017	\$ 519,703	\$ 598,796
Less: Purchased Energy	(135,750)	(154,826)	(346,263)	(423,809)
Margin on Sales	\$ 67,937	\$ 63,191	\$ 173,440	\$ 174,987
Operating Expenses				
Operations & Maintenance	\$ 26,412	\$ 27,117	\$ 75,262	\$ 78,603
Depreciation and Amortization Expense	11,395	11,648	33,793	34,899
Taxes & Equivalents	5,692	5,663	17,372	17,191
Total Operating Expenses	\$ 43,499	\$ 44,428	\$ 126,427	\$ 130,693
Operating Income	\$ 24,438	\$ 18,763	\$ 47,013	\$ 44,294
Other Revenue (Expenses)				
Interest Income	\$ 563	\$ 764	\$ 1,760	\$ 2,960
Interest Expense	(7,449)	(6,744)	(21,067)	(18,678)
Other (Net)	3,653	534	3,412	3,950
Total Other Expenses	(3,233)	(5,446)	(15,895)	(11,768)
Change in Net Assets	\$ 21,205	\$ 13,317	\$ 31,118	\$ 32,526

Statistical Highlights

	Three Months Ended March 31			Nine Months Ended March 31		
	2010	2009	% Change	2010	2009	% Change
Customers	441,244	440,786	0.1%	441,244	440,786	0.1%
Electric Sales (MWh)	1,547	1,377	12%	4,513	4,545	-1%
Gas Sales (Dth in 000s)	5,768	4,802	20%	11,032	9,736	13%
Water Sales (Mg)	2,203	1,891	16%	6,376	6,928	-8%
Wastewater Sales (Mg)	1,657	1,699	-2%	5,376	5,668	-5%
Heating Degree Days	2,323	1,903	22%	3,769	3,394	11%
Cooling Degree Days	-	2	-100%	895	1,084	-17%
Avg Temperature	38.8	43.6	-11%	54.1	56.2	-4%

Mega Watt hour (MWh)

Dekatherm (Dth)

Million Gallon (Mg)

KUB Bond Ratings

	Moody's	Standard & Poor's
Electric	Aa3	AA+
Gas	Aa3	AA
Water	Aa3	AA+
Wastewater	Aa3	AA+

KUB operates four separate enterprise funds. This presentation represents a consolidation of statements for the enterprise funds, as provided for under Governmental Accounting Standard 34.

These unaudited financial statements should be read in conjunction with the Notes to Financial Statements appearing in KUB's Annual Report for fiscal year 2009.



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Management Financial Discussion

KUB's change in net assets (net income) for the nine months ended March 31, 2010, was \$31.1 million, compared to \$32.5 million for the same period last year.

Third quarter sales were higher for all utility systems resulting in margin increasing \$4.7 million over last year's third quarter. Electric sales volumes rose 12 percent, gas sales 20 percent, and water sales 16 percent, the result of colder temperatures and higher industrial usage.

Fiscal year to date margin still lags \$1.6 million behind last year, as year to date electric and water sales are lower than last year, due to the relatively mild and wet summer.

Operating and Maintenance (O&M) expenses fell \$0.7 million, compared to the prior year's third quarter. O&M expense fiscal year to date has decreased \$3.3 million compared to last year, largely due to a \$2.8 million reduction in accrued expenses for future post-employment health care benefits.

Interest expense for the third quarter was up \$0.7 million compared to last year, due to the interest cost on \$85 million of bonds issued in the previous fiscal year and \$55 million of bonds issued in the current fiscal year. Interest expense fiscal year to date increased \$2.4 million, compared to the prior year. Interest income for the third quarter fell \$0.2 million, compared to the same quarter last year, the result of lower interest rates.

KUB's total debt outstanding as of March 31, 2010, was \$649.4 million, representing 45.3 percent of KUB's capital structure. This debt level represented a net increase of \$42.7 million compared to the same period last year, as KUB has issued \$25 million in water bonds and \$30 million in wastewater bonds to fund capital improvements for those systems. The wastewater bonds were issued as federally taxable Build America Bonds, which resulted in a significant debt service savings over the life of the bonds as compared to tax-exempt bonds.