



Your Source for Energy and Water Services.

electric
natural gas
water
wastewater

First Quarter Financial Report FY 2015

Statement of Net Position

(unaudited)

As of September 30
(thousands)

	2014	2013
Current assets		
Cash & Equivalents	\$ 181,560	\$ 167,254
Operating Contingency Reserves	82,343	78,310
Accounts Receivable	52,626	50,530
Inventory	9,029	9,021
Other	37,983	39,275
Total Current Assets	\$ 363,541	\$ 344,390
Restricted assets		
Unused Bond Proceeds	\$ 32,488	\$ 767
Bond Fund	23,756	23,120
Other	54	54
Total Restricted Assets	\$ 56,298	\$ 23,941
Net Plant	\$ 1,558,908	\$ 1,475,302
Other Assets	\$ 17,694	\$ 17,948
Total Assets	\$ 1,996,441	\$ 1,861,581
Deferred Outflows of Resources	\$ 12,068	\$ 12,808
Total Assets and Deferred Outflows of Resources	\$ 2,008,509	\$ 1,874,389
Current Liabilities		
Current Bonds Payable	\$ 27,250	\$ 24,330
Accounts Payable	84,656	82,713
Other	56,462	56,528
Total Current Liabilities	\$ 168,368	\$ 163,571
Other Liabilities	\$ 26,463	\$ 30,020
Long-term Debt	\$ 907,555	\$ 807,405
Total Liabilities	\$ 1,102,386	\$ 1,000,996
Deferred Inflows of Resources	\$ 6,865	\$ 7,222
Total Liabilities and Deferred Inflows of Resources	\$ 1,109,251	\$ 1,008,218
Net position		
Net Investment in Capital Assets	\$ 627,727	\$ 647,855
Restricted for:		
Capital assets	-	-
Debt Service	11,703	10,833
Other	54	54
Unrestricted	259,774	207,429
Total Net Position	\$ 899,258	\$ 866,171
Total Liabilities, Deferred Inflows, and Net Position	\$ 2,008,509	\$ 1,874,389



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

	Three Months Ended September 30 (thousands)	
	2014	2013
Operating Revenue	\$ 183,061	\$ 174,690
Less: Purchased Energy	(119,552)	(116,644)
Margin on Sales	\$ 63,509	\$ 58,046
Operating Expenses		
Operations & Maintenance	\$ 26,460	\$ 26,200
Depreciation and Amortization Expense	14,926	13,715
Taxes & Equivalents	6,935	6,678
Total Operating Expenses	\$ 48,321	\$ 46,593
Operating Income	\$ 15,188	\$ 11,453
Other Revenue (Expenses)		
Interest Income	\$ 204	\$ 205
Interest Expense	(9,207)	(8,923)
Other (Net)	(341)	(209)
Total Other Expenses	(9,344)	(8,927)
Change in Net Position Before Capital Contributions	\$ 5,844	\$ 2,526
Capital Contributions	-	-
Change in Net Position	\$ 5,844	\$ 2,526

Statistical Highlights

	Three Months Ended September 30 (thousands)		
	2014	2013	% Change
Electric Sales (MWh)	1,630	1,635	-0.3%
Natural Gas Sales (Dth in 000s)	1,505	1,429	5.3%
Water Sales (Mg)	2,566	2,436	5.3%
Wastewater Sales (Mg)	2,015	1,969	2.3%
Heating Degree Days	1	1	-
Cooling Degree Days	915	909	0.7%
Avg Temperature	75	75	-
Mega Watt hour (MWh)			
Dekatherm (Dth)			
Million Gallon (Mg)			

KUB Bond Ratings

	Moody's	Standard & Poor's
Electric	Aa2	AA+
Natural Gas	Aa2	AA
Water	Aa2	AAA
Wastewater	Aa2	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 2014.



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Management Financial Discussion

KUB's change in net position (net income) for the three months ended September 30, 2014 was \$5.8 million, representing an increase of \$3.3 million compared to last fiscal year's first quarter. The higher level of earnings reflected additional margin from increased utility sales and rate increases to support KUB's Century II infrastructure programs.

Margin on sales increased \$5.5 million or 9.4 percent as compared to last year's first quarter. Electric System margin increased \$1.4 million, reflecting additional revenue from the October 2013 and July 2014 rate increases. Natural Gas System margin increased \$1.8 million, reflecting a 5.3 percent increase in natural gas sales volumes and additional revenue from the October 2013 rate increase. Water System margin increased \$1.6 million, due to a 5.4 percent increase in sales volumes and additional revenue from the 2014 rate increases. Wastewater System margin increased \$0.6 million, reflecting a 2.4 percent increase in billed volumes.

O&M expenses increased \$0.3 million or 1 percent compared to the first quarter of last year.

Interest expense for the first quarter of fiscal year 2015 was up \$0.3 million, due to \$50 million in bonds issued in September 2013 to fund capital improvements for the natural gas and water systems. Interest income was consistent with the same quarter last year.

Cash and cash equivalents increased \$14.3 million as compared to last year's first quarter, as bond proceeds were used to fund a majority of capital projects last fiscal year, thus increasing cash balances.

KUB's total debt outstanding as of September 30, 2014, was \$934.8 million, representing 51 percent of KUB's capital structure. This debt level represented an increase of \$103.1 million compared to the same period last year. KUB sold \$78 million in bonds in September 2014 for the purpose of funding utility system capital improvements for the electric, water, and wastewater systems. KUB also sold \$50 million in bonds in October 2013 to fund capital improvements for the gas and water systems. The water system's bond rating was elevated to AAA by Standard and Poor's, reflecting the highest credit rating available from S&P. The water system's high-quality Aa2 rating was affirmed by Moody's Investors Service. The electric and wastewater systems' AA+/Aa2 ratings were also affirmed by S&P and Moody's, respectively.