



Your Source for Energy and Water Services.

electric
natural gas
water
wastewater

First Quarter Financial Report FY 2016

Statement of Net Position

(unaudited)

As of September 30
(thousands)

| | 2015 | 2014 |
|--|--------------|--------------|
| Current assets | | |
| Cash & Equivalents | \$ 175,769 | \$ 181,560 |
| Operating Contingency Reserves | 90,478 | 82,343 |
| Accounts Receivable | 51,309 | 53,104 |
| Inventory | 9,731 | 9,029 |
| Other | 35,483 | 37,983 |
| Total Current Assets | \$ 362,770 | \$ 364,019 |
| Restricted assets | | |
| Unused Bond Proceeds | \$ 12,967 | \$ 32,488 |
| Bond Fund | 26,429 | 23,756 |
| Other | 54 | 54 |
| Total Restricted Assets | \$ 39,450 | \$ 56,298 |
| Net Plant | \$ 1,669,661 | \$ 1,558,908 |
| Other Assets | \$ 31,544 | \$ 20,320 |
| Total Assets | \$ 2,103,425 | \$ 1,999,545 |
| Deferred Outflows of Resources | \$ 29,452 | \$ 12,068 |
| Total Assets and Deferred Outflows of Resources | \$ 2,132,877 | \$ 2,011,613 |
| Current Liabilities | | |
| Current Bonds Payable | \$ 30,870 | \$ 27,250 |
| Accounts Payable | 84,048 | 84,656 |
| Other | 54,875 | 56,462 |
| Total Current Liabilities | \$ 169,793 | \$ 168,368 |
| Other Liabilities | \$ 22,396 | \$ 26,463 |
| Long-term Debt | \$ 994,632 | \$ 917,524 |
| Total Liabilities | \$ 1,186,821 | \$ 1,112,355 |
| Deferred Inflows of Resources | \$ 6,378 | \$ - |
| Total Liabilities and Deferred Inflows of Resources | \$ 1,193,199 | \$ 1,112,355 |
| Net position | | |
| Net Investment in Capital Assets | \$ 677,720 | \$ 627,727 |
| Restricted for: | | |
| Debt Service | 13,577 | 11,703 |
| Other | 54 | 54 |
| Unrestricted | 248,327 | 259,774 |
| Total Net Position | \$ 939,678 | \$ 899,258 |
| Total Liabilities, Deferred Inflows, and Net Position | \$ 2,132,877 | \$ 2,011,613 |



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

| | Three Months Ended September 30 (thousands) | |
|--|---|------------|
| | 2015 | 2014 |
| Operating Revenue | \$ 187,642 | \$ 183,061 |
| Less: Purchased Energy | (118,193) | (119,552) |
| Margin on Sales | \$ 69,449 | \$ 63,509 |
| Operating Expenses | | |
| Operations & Maintenance | \$ 25,228 | \$ 26,460 |
| Depreciation and Amortization Expense | 16,105 | 14,926 |
| Taxes & Equivalents | 7,610 | 6,935 |
| Total Operating Expenses | \$ 48,943 | \$ 48,321 |
| Operating Income | \$ 20,506 | \$ 15,188 |
| Other Revenue (Expenses) | | |
| Interest Income | \$ 298 | \$ 204 |
| Interest Expense | (9,838) | (9,207) |
| Other (Net) | (479) | (341) |
| Total Other Expenses | (10,019) | (9,344) |
| Change in Net Position Before Capital Contributions | \$ 10,487 | \$ 5,844 |
| Capital Contributions | 570 | - |
| Change in Net Position | \$ 11,057 | \$ 5,844 |

Statistical Highlights

| | Three Months Ended September 30 (thousands) | | |
|---------------------------------|---|-------|----------|
| | 2015 | 2014 | % Change |
| Electric Sales (MWh) | 1,667 | 1,630 | 2.3% |
| Natural Gas Sales (Dth in 000s) | 1,489 | 1,505 | -1.1% |
| Water Sales (Mg) | 2,602 | 2,566 | 1.4% |
| Wastewater Sales (Mg) | 2,095 | 2,015 | 4.0% |
| Heating Degree Days | 10 | 1 | - |
| Cooling Degree Days | 1,026 | 915 | 12.1% |
| Avg Temperature | 76 | 75 | 1.3% |

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 2015.



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First Quarter Financial Report Fiscal Year 2016

Management Financial Discussion

KUB's change in net position (net income) for the three months ended September 30, 2015 was \$11.1 million, representing an increase of \$5.2 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 \$5.9 million or 9.4 percent as compared to last year's first quarter. Electric system margin increased \$2.9 million, reflecting a 2.2 percent increase in electric sales volumes and additional revenue from the July 2015 rate increase. Natural gas system margin increased \$0.5 million, the net result of a 1.1 percent decrease in natural gas sales volumes and additional revenue from the October 2014 rate increase. Water system margin increased \$1 million, due to a 1.4 percent increase in sales volumes and additional revenue from the July 2015 rate increase. Wastewater system margin increased \$1.5 million, reflecting a 4 percent increase in billed volumes and additional revenue from the October 2014 rate increase.

O&M expenses decreased \$1.2 million or 4.7 percent compared to the first quarter of last year, primarily due to a decrease in the required contribution to the Post-Employment Health Care (OPEB) Trust Fund.

Interest expense for the first quarter of fiscal year 2016 was up \$0.6 million, due to \$85 million in bonds sold in April 2015. Interest income increased \$0.1 million compared with the same quarter last year.

Cash and cash equivalents decreased \$5.8 million as compared to last year's first quarter, due to cash being used to fund capital growth.

KUB's total debt outstanding as of September 30, 2015, was \$997.2 million, representing 51 percent of KUB's capital structure. This debt level represented an increase of \$62.4 million compared to the same period last year. KUB issued \$85 million in bonds in April 2015 for the purpose of funding utility system capital improvements for the electric, water, and wastewater systems.