



electric
natural gas
water
wastewater

Your Source for Energy and Water Services.

First Quarter Financial Report FY 2017

Statement of Net Position

(unaudited)

As of September 30
(thousands)

	2016	2015
Current assets		
Cash & Equivalents	\$ 156,944	\$ 175,769
Operating Contingency Reserves	94,660	90,478
Accounts Receivable	56,199	51,309
Inventory	15,513	9,731
Other	34,310	35,483
Total Current Assets	<u>\$ 357,626</u>	<u>\$ 362,770</u>
Restricted assets		
Unused Bond Proceeds	\$ 37,509	\$ 12,967
Bond Fund	27,569	26,429
Other	31	54
Total Restricted Assets	<u>\$ 65,109</u>	<u>\$ 39,450</u>
Net Plant	\$ 1,753,561	\$ 1,669,687
Other Assets	<u>\$ 24,330</u>	<u>\$ 31,545</u>
Total Assets	\$ 2,200,626	\$ 2,103,452
Deferred Outflows of Resources	<u>\$ 36,760</u>	<u>\$ 29,452</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 2,237,386</u>	<u>\$ 2,132,904</u>
Current Liabilities		
Current Bonds Payable	\$ 33,080	\$ 30,870
Accounts Payable	87,245	84,080
Other	56,226	54,875
Total Current Liabilities	<u>\$ 176,551</u>	<u>\$ 169,825</u>
Other Liabilities	\$ 24,717	\$ 22,396
Long-term Debt	<u>\$ 1,061,542</u>	<u>\$ 994,632</u>
Total Liabilities	\$ 1,262,810	\$ 1,186,853
Deferred Inflows of Resources	<u>\$ 1,512</u>	<u>\$ 6,378</u>
Total Liabilities and Deferred Inflows of Resources	<u>\$ 1,264,322</u>	<u>\$ 1,193,231</u>
Net position		
Net Investment in Capital Assets	\$ 693,731	\$ 677,747
Restricted for:		
Debt Service	14,144	13,577
Other	31	54
Unrestricted	265,158	248,295
Total Net Position	<u>\$ 973,064</u>	<u>\$ 939,673</u>
Total Liabilities, Deferred Inflows, and Net Position	<u>\$ 2,237,386</u>	<u>\$ 2,132,904</u>



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

	Three Months Ended September 30 (thousands)	
	2016	2015
Operating Revenue	\$ 200,035	\$ 187,642
Less: Purchased Energy	(126,043)	(118,193)
Margin on Sales	\$ <u>73,992</u>	\$ <u>69,449</u>
Operating Expenses		
Operations & Maintenance	\$ 27,601	\$ 25,234
Depreciation Expense	17,508	16,105
Taxes & Equivalents	8,401	7,610
Total Operating Expenses	\$ <u>53,510</u>	\$ <u>48,949</u>
Operating Income	\$ 20,482	\$ 20,500
Other Revenue (Expenses)		
Interest Income	\$ 426	\$ 298
Interest Expense	(10,042)	(9,838)
Other (Net)	(429)	(479)
Total Other Expenses	<u>(10,045)</u>	<u>(10,019)</u>
Change in Net Position Before Capital Contributions	\$ 10,437	\$ 10,481
Capital Contributions	34	570
Change in Net Position	\$ <u><u>10,471</u></u>	\$ <u><u>11,051</u></u>

Statistical Highlights

	Three Months Ended September 30 (thousands)		
	2016	2015	% Change
Electric Sales (MWh)	1,775	1,667	6.5%
Natural Gas Sales (Dth in 000s)	1,516	1,489	1.8%
Water Sales (Mg)	2,786	2,602	7.1%
Wastewater Sales (Mg)	2,091	2,095	-0.2%
Heating Degree Days	4	10	-
Cooling Degree Days	1,402	1,026	36.6%
Avg Temperature	80	76	5.3%

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	Aa1	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 2016.



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First Quarter Financial Report Fiscal Year 2017

Management Financial Discussion

KUB's change in net position (net income) for the three months ended September 30, 2016 was \$10.5 million, representing a decrease of \$0.6 million from the same period last year.

Margin on sales increased \$4.5 million or 6.5 percent compared to last fiscal year. Electric sales margin increased \$2.1 million, reflecting additional revenue from the July 2016 rate increase coupled with a 6.5 percent increase in sales volumes. Natural gas sales margin increased \$0.5 million, due to a 1.8 percent increase in sales volumes and additional revenue from the rate increase last fiscal year. Water margin increased \$1 million, the result of a 7.1 percent increase in water sales volumes and additional revenue from the July 2016 rate increase. Wastewater margin increased \$0.9 million, reflecting additional revenue from the rate increase last fiscal year.

O&M expenses fiscal year to date increased \$2.4 million, partially due to an increase in labor and contractor expense associated with power restoration for the July storm events. Depreciation expense increased \$1.4 million. Taxes and tax equivalents increased \$0.8 million.

Interest expense fiscal year to date increased \$0.2 million compared to the prior year. Interest income fiscal year to date increased \$0.1 million.

Cash and cash equivalents decreased \$18.8 million from last year, due to cash being used to fund Century II infrastructure programs.

KUB's total debt outstanding as of September 30, 2016, was \$1.1 billion, representing 52 percent of KUB's capital structure. This debt level represented an increase of \$67.1 million compared to the same period last year. KUB issued \$97 million in bonds in August 2016 for the purpose of funding utility system capital improvements for each utility system.