



electric
natural gas
water
wastewater

Your Source for Energy and Water Services.

First Quarter Financial Report FY 2019

Statement of Net Position

(unaudited)

As of September 30
(thousands)

	2018	2017
Current assets		
Cash & Equivalents	\$ 220,825	\$ 177,353
Operating Contingency Reserves	103,500	98,370
Accounts Receivable	56,527	51,842
Inventory	17,053	16,435
Other	40,763	36,948
Total Current Assets	<u>\$ 438,668</u>	<u>\$ 380,948</u>
Restricted assets		
Unused Bond Proceeds	\$ 18,843	\$ 33,843
Bond Fund	30,125	28,318
Other	21	63
Total Restricted Assets	<u>\$ 48,989</u>	<u>\$ 62,224</u>
Net Plant	\$ 1,916,455	\$ 1,834,426
Other Assets	<u>\$ 41,448</u>	<u>\$ 24,238</u>
Total Assets	\$ 2,445,560	\$ 2,301,836
Deferred Outflows of Resources	<u>\$ 25,965</u>	<u>\$ 34,066</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 2,471,525</u>	<u>\$ 2,335,902</u>
Current Liabilities		
Current Bonds Payable	\$ 39,185	\$ 35,635
Accounts Payable	83,642	78,208
Other	61,471	56,690
Total Current Liabilities	<u>\$ 184,298</u>	<u>\$ 170,533</u>
Other Liabilities	\$ 26,579	\$ 23,732
Long-term Debt	<u>\$ 1,163,076</u>	<u>\$ 1,123,402</u>
Total Liabilities	\$ 1,373,953	\$ 1,317,667
Deferred Inflows of Resources	<u>\$ 14,259</u>	<u>\$ 5,268</u>
Total Liabilities and Deferred Inflows of Resources	<u>\$ 1,388,212</u>	<u>\$ 1,322,935</u>
Net position		
Net Investment in Capital Assets	\$ 742,514	\$ 708,231
Restricted for:		
Debt Service	16,488	15,122
Other	21	62
Unrestricted	324,290	289,552
Total Net Position	<u>\$ 1,083,313</u>	<u>\$ 1,012,967</u>
Total Liabilities, Deferred Inflows, and Net Position	<u>\$ 2,471,525</u>	<u>\$ 2,335,902</u>



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

	Three Months Ended September 30 (thousands)	
	2018	2017
Operating Revenue	\$ 202,881	\$ 193,307
Less: Purchased Energy	(120,352)	(116,639)
Margin on Sales	<u>\$ 82,529</u>	<u>\$ 76,668</u>
Operating Expenses		
Operations & Maintenance	\$ 29,232	\$ 26,238
Depreciation Expense	18,592	18,533
Taxes & Equivalents	8,747	8,499
Total Operating Expenses	<u>\$ 56,571</u>	<u>\$ 53,270</u>
Operating Income	\$ 25,958	\$ 23,398
Other Revenue (Expenses)		
Interest Income	\$ 1,319	\$ 679
Interest Expense	(10,339)	(9,883)
Other (Net)	(859)	7
Total Other Expenses	<u>(9,879)</u>	<u>(9,197)</u>
Change in Net Position Before Capital Contributions	\$ 16,079	\$ 14,201
Capital Contributions	455	82
Change in Net Position	<u><u>\$ 16,534</u></u>	<u><u>\$ 14,283</u></u>

Statistical Highlights

	Three Months Ended September 30 (thousands)		
	2018	2017	% Change
Electric Sales (MWh in 000s)	1,718	1,608	6.8%
Natural Gas Sales (Dth in 000s)	1,596	1,624	-1.7%
Water Sales (Mg)	2,712	2,598	4.4%
Wastewater Sales (Mg)	2,070	2,016	2.7%
Heating Degree Days	-	15	-
Cooling Degree Days	1,171	952	23%
Avg Temperature	78	75	3.5%

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 2018.



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First Quarter Financial Report Fiscal Year 2019

Management Financial Discussion

KUB's change in net position (net income) for the three months ended September 30, 2018 was \$16.5 million, representing an increase of \$2.3 million over the same period last year.

Margin on sales increased \$5.9 million or 7.6 percent compared to last fiscal year. Electric sales margin increased \$2.6 million, due to a 6.8 percent increase in sales volumes driven by warmer than normal summer temperatures. Natural gas sales margin increased \$0.5 million, the net result of a 1.7 percent decrease in sales volumes and additional revenue from the rate increase last fiscal year. Water margin increased \$1.2 million, due to a 4.4 percent increase in water sales volumes and additional revenue from the July 2018 rate increase. Wastewater margin increased \$1.5 million, due to a 2.7 percent increase in customer usage as well as additional revenue from the July 2018 rate increase.

O&M expenses fiscal year to date increased \$3 million, reflecting higher labor-related expenses. Depreciation expense increased \$0.1 million. Taxes and tax equivalents increased \$0.2 million.

Interest income fiscal year to date increased \$0.6 million as interest rates continue to rise. Interest expense fiscal year to date increased \$0.5 million compared to the prior year.

KUB's total debt outstanding as of September 30, 2018, was \$1.2 billion, representing 52 percent of KUB's capital structure. This debt level represented an increase of \$44.4 million compared to the same period last year. KUB sold \$80 million in bonds in August 2018 for the purpose of funding utility system capital improvements for each utility system. KUB's strong, high-quality bond ratings from Standard & Poor's and Moody's Investors Service were reaffirmed as part of the issuance process for these bonds.