



electric
natural gas
water
wastewater

Your Source for Energy and Water Services.

Second Quarter Financial Report FY 2017

Statement of Net Position

(unaudited)

As of December 31
(thousands)

	2016	2015
Current assets		
Cash & Equivalents	\$ 154,004	\$ 160,144
Operating Contingency Reserves	94,377	89,948
Accounts Receivable	54,305	45,528
Inventory	17,147	10,278
Other	45,323	41,918
Total Current Assets	<u>\$ 365,156</u>	<u>\$ 347,816</u>
Restricted assets		
Unused Bond Proceeds	\$ 20,650	\$ -
Bond Fund	36,379	34,516
Other	399	34
Total Restricted Assets	<u>\$ 57,428</u>	<u>\$ 34,550</u>
Net Plant	\$ 1,768,633	\$ 1,690,635
Other Assets	<u>\$ 24,220</u>	<u>\$ 30,334</u>
Total Assets	\$ 2,215,437	\$ 2,103,335
Deferred Outflows of Resources	<u>\$ 37,602</u>	<u>\$ 30,545</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 2,253,039</u>	<u>\$ 2,133,880</u>
Current Liabilities		
Current Bonds Payable	\$ 33,080	\$ 30,870
Accounts Payable	75,619	67,996
Other	71,528	63,800
Total Current Liabilities	<u>\$ 180,227</u>	<u>\$ 162,666</u>
Other Liabilities	\$ 25,314	\$ 22,973
Long-term Debt	<u>\$ 1,061,105</u>	<u>\$ 994,115</u>
Total Liabilities	\$ 1,266,646	\$ 1,179,754
Deferred Inflows of Resources	<u>\$ 1,512</u>	<u>\$ 6,378</u>
Total Liabilities and Deferred Inflows of Resources	<u>\$ 1,268,158</u>	<u>\$ 1,186,132</u>
Net position		
Net Investment in Capital Assets	\$ 708,245	\$ 698,882
Restricted for:		
Debt Service	22,640	21,377
Other	32	34
Unrestricted	253,964	227,455
Total Net Position	<u>\$ 984,881</u>	<u>\$ 947,748</u>
Total Liabilities, Deferred Inflows, and Net Position	<u>\$ 2,253,039</u>	<u>\$ 2,133,880</u>



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

	Three Months Ended December 31 (thousands)		Six Months Ended December 31 (thousands)	
	2016	2015	2016	2015
Operating Revenue	\$ 195,326	\$ 173,523	\$ 395,361	\$ 361,165
Less: Purchased Energy	(115,045)	(101,368)	(241,088)	(219,561)
Margin on Sales	\$ 80,281	\$ 72,155	\$ 154,273	\$ 141,604
Operating Expenses				
Operations & Maintenance	\$ 32,308	\$ 29,616	\$ 59,909	\$ 54,844
Depreciation Expense	17,850	16,854	35,358	32,959
Taxes & Equivalents	8,246	8,074	16,647	15,684
Total Operating Expenses	\$ 58,404	\$ 54,544	\$ 111,914	\$ 103,487
Operating Income	\$ 21,877	\$ 17,611	\$ 42,359	\$ 38,117
Other Revenue (Expenses)				
Interest Income	\$ 480	\$ 311	\$ 906	\$ 609
Interest Expense	(10,242)	(9,838)	(20,284)	(19,676)
Other (Net)	(625)	(459)	(1,054)	(938)
Total Other Expenses	(10,387)	(9,986)	(20,432)	(20,005)
Change in Net Position Before Capital Contributions	\$ 11,490	\$ 7,625	\$ 21,927	\$ 18,112
Capital Contributions	326	444	360	1,014
Change in Net Position	\$ 11,816	\$ 8,069	\$ 22,287	\$ 19,126

Statistical Highlights

	Three Months Ended December 31 (thousands)			Six Months Ended December 31 (thousands)		
	2016	2015	% Change	2016	2015	% Change
Electric Sales (MWh)	1,263	1,206	5%	3,038	2,873	6%
Gas Sales (Dth in 000s)	3,532	2,843	24%	5,048	4,332	17%
Water Sales (Mg)	2,063	1,884	10%	4,849	4,486	8%
Wastewater Sales (Mg)	1,560	1,561	-	3,651	3,656	-
Heating Degree Days	1,081	883	22%	1,085	893	22%
Cooling Degree Days	109	48	127%	1,511	1,074	41%
Avg Temperature	54.1	55.6	-3%	67.0	65.7	2%
Mega Watt hour (MWh)						
Dekatherm (Dth)						
Million Gallon (Mg)						

KUB Bond Ratings

	Moody's	Standard & Poor's
Electric	Aa2	AA+
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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Second Quarter Financial Report Fiscal Year 2017

Management Financial Discussion

KUB's change in net position (net income) for the six months ended December 31, 2016 was \$22.3 million, representing an increase of \$3.2 million from the same period last year. 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 \$12.7 million or 8.9 percent for the fiscal year to date. Electric system margin increased \$4.7 million over the previous fiscal year, reflecting additional revenue from the July 2016 rate increase and a 5.7 percent increase in sales volumes. Natural gas system margin increased \$3.5 million due to additional revenue from the October 2016 rate increase and a 16.5 percent increase in sales volumes. Water system margin increased \$2.2 million, the result of a 8.1 percent increase in sales volume and additional revenue from the July 2016 rate increase. Wastewater system margin increased \$2.3 million, reflecting additional revenue from the October 2016 rate increase.

O&M expenses increased \$5.1 million reflecting restoration costs associated with the July 2016 storm events, timing of payments for vegetation management, and costs associated with a higher number of water main breaks resulting in part from prolonged dry weather conditions. Depreciation expense increased \$2.4 million. Taxes and Equivalents increased \$1 million.

Interest expense for the second quarter of fiscal year 2017 increased \$0.4 million. Fiscal year to date interest expense increased \$0.6 million. Interest income for the fiscal year to date increased \$0.3 million.

KUB's total bonds outstanding as of December 31, 2016, were \$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, reflecting \$97 million in bonds sold in July 2016 to fund utility system capital improvements for each utility system.