



Your Source for Energy and Water Services.

electric
natural gas
water
wastewater

Second Quarter Financial Report FY 2018

Statement of Net Position

(unaudited)

As of December 31
(thousands)

	2017	2016
Current assets		
Cash & Equivalents	\$ 195,487	\$ 154,004
Operating Contingency Reserves	98,028	94,377
Accounts Receivable	57,677	54,305
Inventory	20,909	17,147
Other	52,485	45,323
Total Current Assets	\$ 424,586	\$ 365,156
Restricted assets		
Unused Bond Proceeds	\$ 4,782	\$ 20,650
Bond Funds	38,392	36,379
Other	69	399
Total Restricted Assets	\$ 43,243	\$ 57,428
Net Plant	\$ 1,847,092	\$ 1,768,633
Other Assets	\$ 23,732	\$ 24,220
Total Assets	\$ 2,338,653	\$ 2,215,437
Deferred Outflows of Resources	\$ 34,637	\$ 37,602
Total Assets and Deferred Outflows of Resources	\$ 2,373,290	\$ 2,253,039
Current Liabilities		
Current Bonds Payable	\$ 35,635	\$ 33,080
Accounts Payable	80,230	75,619
Other	76,592	71,528
Total Current Liabilities	\$ 192,457	\$ 180,227
Other Liabilities	\$ 21,144	\$ 25,314
Long-term Debt	\$ 1,122,814	\$ 1,061,105
Total Liabilities	\$ 1,336,415	\$ 1,266,646
Deferred Inflows of Resources	\$ 5,268	\$ 1,512
Total Liabilities and Deferred Inflows of Resources	\$ 1,341,683	\$ 1,268,158
Net position		
Net Investment in Capital Assets	\$ 720,426	\$ 708,245
Restricted for:		
Debt Service	24,318	22,640
Other	69	32
Unrestricted	286,794	253,964
Total Net Position	\$ 1,031,607	\$ 984,881
Total Liabilities, Deferred Inflows, and Net Position	\$ 2,373,290	\$ 2,253,039



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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)	
	2017	2016	2017	2016
Operating Revenue	\$ 204,561	\$ 195,326	\$ 397,868	\$ 395,361
Less: Purchased Energy	(117,693)	(115,045)	(234,332)	(241,088)
Margin on Sales	\$ 86,868	\$ 80,281	\$ 163,536	\$ 154,273
Operating Expenses				
Operations & Maintenance	\$ 30,476	\$ 32,308	\$ 56,714	\$ 59,909
Depreciation Expense	18,670	17,850	37,203	35,358
Taxes & Equivalents	8,771	8,246	17,270	16,647
Total Operating Expenses	\$ 57,917	\$ 58,404	\$ 111,187	\$ 111,914
Operating Income	\$ 28,951	\$ 21,877	\$ 52,349	\$ 42,359
Other Revenue (Expenses)				
Interest Income	\$ 961	\$ 480	\$ 1,640	\$ 906
Interest Expense	(10,852)	(10,242)	(20,735)	(20,284)
Other (Net)	(505)	(625)	(498)	(1,054)
Total Other Expenses	(10,396)	(10,387)	(19,593)	(20,432)
Change in Net Position Before Capital Contributions	\$ 18,555	\$ 11,490	\$ 32,756	\$ 21,927
Capital Contributions	84	326	166	360
Change in Net Position	\$ 18,639	\$ 11,816	\$ 32,922	\$ 22,287

Statistical Highlights

	Three Months Ended December 31 (thousands)			Six Months Ended December 31 (thousands)		
	2017	2016	% Change	2017	2016	% Change
Electric Sales (MWh)	1,318	1,263	4%	2,926	3,038	-4%
Gas Sales (Dth in 000s)	4,047	3,532	15%	5,671	5,048	12%
Water Sales (Mg)	2,020	2,063	-2%	4,618	4,849	-5%
Wastewater Sales (Mg)	1,586	1,560	2%	3,602	3,651	-1%
Heating Degree Days	1,349	1,081	25%	1,364	1,085	26%
Cooling Degree Days	95	109	-13%	1,047	1,511	-31%
Avg Temperature	51.2	54.1	-5%	63.0	67.0	-6%

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 2017.



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Second Quarter Financial Report Fiscal Year 2018

Management Financial Discussion

KUB's change in net position (net income) for the six months ended December 31, 2017 was \$32.9 million, representing an increase of \$10.6 million from the same period last year. The higher level of earnings was the result of additional margin from rate increases to support KUB's Century II infrastructure programs, higher natural gas sales, and lower operating expenses.

Margin on sales increased \$9.3 million or 6 percent for the fiscal year to date. Electric system margin increased \$1.4 million over the previous fiscal year, reflecting additional revenue from the October 2017 rate increase. Natural gas system margin increased \$3 million due to additional revenue from the October 2017 rate increase and a 12.3 percent increase in sales volumes. Water system margin increased \$1.4 million, the result of additional revenue from the July 2017 rate increase. Wastewater system margin increased \$3.6 million, reflecting additional revenue from the July 2017 rate increase.

O&M expenses decreased \$3.2 million reflecting a lower level of employee medical claim costs for the fiscal year to date and a reduction in the use of contractors. Depreciation expense increased \$1.8 million. Taxes and Equivalents increased \$0.6 million.

Fiscal year to date interest expense increased \$0.5 million. Interest income for the fiscal year to date increased \$0.7 million.

KUB's total bonds outstanding as of December 31, 2017, were \$1.1 billion, representing 52 percent of KUB's capital structure. This debt level represented an increase of \$58.8 million compared to the same period last year, reflecting \$97 million in bonds sold in August 2017 to fund utility system capital improvements for each utility system.