



electric
natural gas
water
wastewater

Your Source for Energy and Water Services.

Second Quarter Financial Report FY 2019

Statement of Net Position (unaudited)

As of December 31
(thousands)

	2018	2017
Current assets		
Cash & Equivalents	\$ 216,750	\$ 195,487
Operating Contingency Reserves	104,119	98,028
Accounts Receivable	57,860	57,677
Inventory	19,731	20,909
Other	50,037	52,485
Total Current Assets	<u>\$ 448,497</u>	<u>\$ 424,586</u>
Restricted assets		
Unused Bond Proceeds	\$ 5	\$ 4,782
Bond Funds	41,187	38,392
Other	22	69
Total Restricted Assets	<u>\$ 41,214</u>	<u>\$ 43,243</u>
Net Plant	\$ 1,949,499	\$ 1,847,092
Other Assets	<u>\$ 45,558</u>	<u>\$ 23,732</u>
Total Assets	\$ 2,484,768	\$ 2,338,653
Deferred Outflows of Resources	<u>\$ 26,387</u>	<u>\$ 34,637</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 2,511,155</u>	<u>\$ 2,373,290</u>
Current Liabilities		
Current Bonds Payable	\$ 39,185	\$ 35,635
Accounts Payable	87,797	80,230
Other	76,423	76,592
Total Current Liabilities	<u>\$ 203,405</u>	<u>\$ 192,457</u>
Other Liabilities	\$ 25,534	\$ 21,144
Long-term Debt	<u>\$ 1,162,515</u>	<u>\$ 1,122,814</u>
Total Liabilities	\$ 1,391,454	\$ 1,336,415
Deferred Inflows of Resources	<u>\$ 14,259</u>	<u>\$ 5,268</u>
Total Liabilities and Deferred Inflows of Resources	<u>\$ 1,405,713</u>	<u>\$ 1,341,683</u>
Net position		
Net Investment in Capital Assets	\$ 774,842	\$ 720,426
Restricted for:		
Debt Service	26,510	24,318
Other	21	69
Unrestricted	304,069	286,794
Total Net Position	<u>\$ 1,105,442</u>	<u>\$ 1,031,607</u>
Total Liabilities, Deferred Inflows, and Net Position	<u>\$ 2,511,155</u>	<u>\$ 2,373,290</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)	
	2018	2017	2018	2017
Operating Revenue	\$ 207,867	\$ 204,561	\$ 410,748	\$ 397,868
Less: Purchased Energy	(116,118)	(117,693)	(236,470)	(234,332)
Margin on Sales	\$ 91,749	\$ 86,868	\$ 174,278	\$ 163,536
Operating Expenses				
Operations & Maintenance	\$ 32,629	\$ 30,476	\$ 61,861	\$ 56,714
Depreciation Expense	18,912	18,670	37,504	37,203
Taxes & Equivalents	9,379	8,771	18,126	17,270
Total Operating Expenses	\$ 60,920	\$ 57,917	\$ 117,491	\$ 111,187
Operating Income	\$ 30,829	\$ 28,951	\$ 56,787	\$ 52,349
Other Revenue (Expenses)				
Interest Income	\$ 1,734	\$ 961	\$ 3,053	\$ 1,640
Interest Expense	(11,197)	(10,852)	(21,536)	(20,735)
Other (Net)	510	(505)	(349)	(498)
Total Other Expenses	(8,953)	(10,396)	(18,832)	(19,593)
Change in Net Position Before Capital Contributions	\$ 21,876	\$ 18,555	\$ 37,955	\$ 32,756
Capital Contributions	253	84	708	166
Change in Net Position	\$ 22,129	\$ 18,639	\$ 38,663	\$ 32,922

Statistical Highlights

	Three Months Ended December 31 (thousands)			Six Months Ended December 31 (thousands)		
	2018	2017	% Change	2018	2017	% Change
Electric Sales (MWh)	1,294	1,318	-2%	3,012	2,926	3%
Gas Sales (Dth in 000s)	3,970	4,047	-2%	5,566	5,671	-2%
Water Sales (Mg)	1,935	2,020	-4%	4,647	4,618	1%
Wastewater Sales (Mg)	1,597	1,586	1%	3,667	3,602	2%
Heating Degree Days	1,437	1,349	7%	1,437	1,364	5%
Cooling Degree Days	121	95	27%	1,292	1,047	23%
Avg Temperature	50.4	51.2	-2%	63.9	63.0	1%
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 2018.



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Second Quarter Financial Report Fiscal Year 2019

Management Financial Discussion

KUB's change in net position (net income) for the six months ended December 31, 2018 was \$38.7 million, representing an increase of \$5.7 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 and higher commodity sales.

Margin on sales increased \$10.7 million or 6.6 percent for the fiscal year to date. Electric system margin increased \$4.7 million over the previous fiscal year, reflecting additional revenue from the October 2018 rate increase and a 3 percent increase in sales volumes. Natural gas system margin increased \$1.2 million, the net result of a 2 percent decrease in sales volumes and additional revenue from the October 2018 rate increase. Water system margin increased \$2 million, the result of additional revenue from the July 2018 rate increase and a 1 percent increase in sales volumes. Wastewater system margin increased \$2.9 million, reflecting additional revenue from the July 2018 rate increase and a 2 percent increase in customer usage.

O&M expenses increased \$5.1 million reflecting an increase in labor expenses for the fiscal year to date. Depreciation expense increased \$0.3 million. Taxes and Equivalents increased \$0.9 million.

Fiscal year to date interest expense increased \$0.8 million. Interest income for the fiscal year to date increased \$1.4 million.

KUB's total bonds outstanding as of December 31, 2018, were \$1.2 billion, representing 51 percent of KUB's capital structure. This debt level represented an increase of \$44.4 million compared to the same period last year, reflecting \$80 million in bonds sold in August 2018 to fund utility system capital improvements for each utility system.