



electric
natural gas
water
wastewater

Your Source for Energy and Water Services.

Second Quarter Financial Report FY 2020

Statement of Net Position

(unaudited)

As of December 31
(thousands)

| | 2019 | 2018 |
|--|---------------------|---------------------|
| Current assets | | |
| Cash & Equivalents | \$ 169,569 | \$ 216,750 |
| Operating Contingency Reserves | 109,060 | 104,119 |
| Accounts Receivable | 51,320 | 57,860 |
| Inventory | 16,443 | 19,731 |
| Other | 46,075 | 50,037 |
| Total Current Assets | <u>\$ 392,467</u> | <u>\$ 448,497</u> |
| Restricted assets | | |
| Unused Bond Proceeds | \$ 2,178 | \$ 5 |
| Bond Funds | 43,102 | 41,187 |
| Other | 2 | 22 |
| Total Restricted Assets | <u>\$ 45,282</u> | <u>\$ 41,214</u> |
| Net Plant | \$ 2,065,323 | \$ 1,949,499 |
| Other Assets | <u>\$ 19,965</u> | <u>\$ 45,558</u> |
| Total Assets | \$ 2,523,037 | \$ 2,484,768 |
| Deferred Outflows of Resources | <u>\$ 41,766</u> | <u>\$ 26,387</u> |
| Total Assets and Deferred Outflows of Resources | <u>\$ 2,564,803</u> | <u>\$ 2,511,155</u> |
| Current Liabilities | | |
| Current Bonds Payable | \$ 41,205 | \$ 39,185 |
| Accounts Payable | 75,610 | 87,797 |
| Other | 76,524 | 76,423 |
| Total Current Liabilities | <u>\$ 193,339</u> | <u>\$ 203,405</u> |
| Other Liabilities | \$ 30,266 | \$ 25,534 |
| Long-term Debt | <u>\$ 1,157,226</u> | <u>\$ 1,162,515</u> |
| Total Liabilities | \$ 1,380,831 | \$ 1,391,454 |
| Deferred Inflows of Resources | <u>\$ 3,843</u> | <u>\$ 14,259</u> |
| Total Liabilities and Deferred Inflows of Resources | <u>\$ 1,384,674</u> | <u>\$ 1,405,713</u> |
| Net position | | |
| Net Investment in Capital Assets | \$ 890,612 | \$ 774,842 |
| Restricted for: | | |
| Debt Service | 28,250 | 26,510 |
| Other | 2 | 21 |
| Unrestricted | 261,265 | 304,069 |
| Total Net Position | <u>\$ 1,180,129</u> | <u>\$ 1,105,442</u> |
| Total Liabilities, Deferred Inflows, and Net Position | <u>\$ 2,564,803</u> | <u>\$ 2,511,155</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) | |
|--|--|------------|--|------------|
| | 2019 | 2018 | 2019 | 2018 |
| Operating Revenue | \$ 204,741 | \$ 207,867 | \$ 414,185 | \$ 410,748 |
| Less: Purchased Energy | (109,368) | (116,118) | (229,686) | (236,470) |
| Margin on Sales | \$ 95,373 | \$ 91,749 | \$ 184,499 | \$ 174,278 |
| Operating Expenses | | | | |
| Operations & Maintenance | \$ 35,147 | \$ 32,629 | \$ 63,309 | \$ 61,861 |
| Depreciation Expense | 18,341 | 18,912 | 36,808 | 37,504 |
| Taxes & Equivalents | 8,702 | 9,379 | 17,843 | 18,126 |
| Total Operating Expenses | \$ 62,190 | \$ 60,920 | \$ 117,960 | \$ 117,491 |
| Operating Income | \$ 33,183 | \$ 30,829 | \$ 66,539 | \$ 56,787 |
| Other Revenue (Expenses) | | | | |
| Interest Income | \$ 1,427 | \$ 1,734 | \$ 2,947 | \$ 3,053 |
| Interest Expense | (11,114) | (11,197) | (21,765) | (21,536) |
| Other (Net) | 21 | 510 | 70 | (349) |
| Total Other Expenses | (9,666) | (8,953) | (18,748) | (18,832) |
| Change in Net Position Before Capital Contributions | \$ 23,517 | \$ 21,876 | \$ 47,791 | \$ 37,955 |
| Capital Contributions | 220 | 253 | 220 | 708 |
| Change in Net Position | \$ 23,737 | \$ 22,129 | \$ 48,011 | \$ 38,663 |

Statistical Highlights

| | Three Months Ended December 31 (thousands) | | | Six Months Ended December 31 (thousands) | | |
|-------------------------|--|-------|----------|--|-------|----------|
| | 2019 | 2018 | % Change | 2019 | 2018 | % Change |
| Electric Sales (MWh) | 1,270 | 1,294 | -2% | 2,969 | 3,012 | -1% |
| Gas Sales (Dth in 000s) | 3,901 | 3,970 | -2% | 5,459 | 5,566 | -2% |
| Water Sales (Mg) | 1,961 | 1,935 | 1% | 4,658 | 4,647 | - |
| Wastewater Sales (Mg) | 1,528 | 1,597 | -4% | 3,523 | 3,667 | -4% |
| Heating Degree Days | 1,240 | 1,437 | -14% | 1,240 | 1,437 | -14% |
| Cooling Degree Days | 105 | 121 | -13% | 1,388 | 1,292 | 7% |
| Avg Temperature | 52.4 | 50.4 | 4% | 65.6 | 63.9 | 3% |

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 2019.



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Second Quarter Financial Report Fiscal Year 2020

Management Financial Discussion

KUB's change in net position (net income) for the six months ended December 31, 2019 was \$48 million, representing an increase of \$9.3 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.

Margin on sales increased \$10.2 million or 5.9 percent for the fiscal year to date. Electric system margin increased \$5.7 million over the previous fiscal year, the net result of a 1.4 decrease in sales volumes and additional revenue from the October 2019 rate increase. Natural gas system margin increased \$0.7 million, the net result of a 1.9 percent decrease in sales volumes and additional revenue from the October 2019 rate increase. Water system margin increased \$2.7 million, the result of additional revenue from the July 2019 rate increase and a 0.3 percent increase in sales volumes. Wastewater system margin increased \$1.4 million, the net result of additional revenue from the July 2019 rate increase and a 3.9 percent decrease in customer usage.

O&M expenses increased \$1.4 million reflecting an increase in labor expenses for the fiscal year to date. Depreciation expense decreased \$0.7 million. Taxes and Equivalents decreased \$0.3 million.

Fiscal year to date interest expense increased \$0.2 million. Interest income for the fiscal year to date decreased \$0.1 million.

KUB's total bonds outstanding as of December 31, 2019, were \$1.2 billion, representing 50 percent of KUB's capital structure. This debt level represented a decrease of \$3.2 million compared to the same period last year. KUB sold \$36 million in bonds in July 2019 for the purpose of funding utility system capital improvements for the water and wastewater utility systems.