



*Your Source for Energy and Water Services.*

electric  
natural gas  
water  
wastewater

## Second Quarter Financial Report FY 2015

### Statement of Net Position

(unaudited)

As of December 31  
(thousands)

	2014	2013
<b>Current assets</b>		
Cash & Equivalents	\$ 181,602	\$ 170,672
Operating Contingency Reserves	82,328	78,343
Accounts Receivable	50,475	49,579
Inventory	9,161	9,784
Other	48,275	52,232
Total Current Assets	\$ 371,841	\$ 360,610
<b>Restricted assets</b>		
Unused Bond Proceeds	\$ 12,664	\$ 15,429
Bond Fund	30,888	28,813
Other	54	54
Total Restricted Assets	\$ 43,606	\$ 44,296
<b>Net Plant</b>	\$ 1,574,104	\$ 1,499,223
<b>Other Assets</b>	\$ 18,276	\$ 18,739
<b>Total Assets</b>	\$ 2,007,827	\$ 1,922,868
<b>Deferred Outflows of Resources</b>	\$ 11,884	\$ 12,613
<b>Total Assets and Deferred Outflows of Resources</b>	\$ 2,019,711	\$ 1,935,481
<b>Current Liabilities</b>		
Current Bonds Payable	\$ 27,250	\$ 24,930
Accounts Payable	76,485	74,302
Other	67,457	68,270
Total Current Liabilities	\$ 171,192	\$ 167,502
<b>Other Liabilities</b>	\$ 25,989	\$ 27,821
<b>Long-term Debt</b>	\$ 907,555	\$ 856,805
<b>Total Liabilities</b>	\$ 1,104,736	\$ 1,052,128
<b>Deferred Inflows of Resources</b>	\$ 6,729	\$ 6,668
<b>Total Liabilities and Deferred Inflows of Resources</b>	\$ 1,111,465	\$ 1,058,796
<b>Net position</b>		
Net Investment in Capital Assets	\$ 642,260	\$ 622,081
Restricted for:		
Debt Service	18,709	17,277
Other	54	54
Unrestricted	247,223	237,273
Total Net Position	\$ 908,246	\$ 876,685
<b>Total Liabilities, Deferred Inflows, and Net Position</b>	\$ 2,019,711	\$ 1,935,481



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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)	
	2014	2013	2014	2013
<b>Operating Revenue</b>	\$ 188,799	\$ 184,476	\$ 371,860	\$ 359,166
Less: Purchased Energy	(115,779)	(115,480)	(235,331)	(232,124)
Margin on Sales	\$ 73,020	\$ 68,996	\$ 136,529	\$ 127,042
<b>Operating Expenses</b>				
Operations & Maintenance	\$ 29,889	\$ 28,591	\$ 56,349	\$ 54,791
Depreciation and Amortization Expense	16,417	13,717	31,343	27,432
Taxes & Equivalents	7,793	6,808	14,728	13,486
Total Operating Expenses	\$ 54,099	\$ 49,116	\$ 102,420	\$ 95,709
<b>Operating Income</b>	\$ 18,921	\$ 19,880	\$ 34,109	\$ 31,333
<b>Other Revenue (Expenses)</b>				
Interest Income	\$ 224	\$ 226	\$ 428	\$ 431
Interest Expense	(9,995)	(9,424)	(19,202)	(18,347)
Other (Net)	(162)	(168)	(503)	(377)
Total Other Expenses	(9,933)	(9,366)	(19,277)	(18,293)
<b>Change in Net Position Before Capital Contributions</b>	\$ 8,988	\$ 10,514	\$ 14,832	\$ 13,040
Capital Contributions	-	-	-	-
<b>Change in Net Position</b>	\$ 8,988	\$ 10,514	\$ 14,832	\$ 13,040

**Statistical Highlights**

	Three Months Ended December 31 (thousands)			Six Months Ended December 31 (thousands)		
	2014	2013	% Change	2014	2013	% Change
Electric Sales (MWh)	1,321	1,345	-2%	2,951	2,980	-1%
Gas Sales (Dth in 000s)	3,759	3,818	-2%	5,264	5,247	-
Water Sales (Mg)	1,860	1,932	-4%	4,426	4,368	1%
Wastewater Sales (Mg)	1,587	1,569	1%	3,602	3,538	2%
Heating Degree Days	1,489	1,358	10%	1,490	1,359	10%
Cooling Degree Days	36	64	-44%	951	973	-2%
Avg Temperature	49.0	50.6	-3%	61.9	62.6	-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	Aa2	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 2014.*



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## **Second Quarter Financial Quarterly Report 2015**

### **Management Financial Discussion**

KUB's change in net position (net income) for the six months ended December 31, 2014 was \$14.8 million. Each KUB utility system posted positive earnings, representing a \$1.8 million increase over the same period last year. Increased sales margins offset expected increases in operating expenses, including O&M and depreciation.

November 2014 was a strong sales month for natural gas. KUB experienced its highest November sales month in 2014 with sales of 1,584,997 dekatherms (dth), surpassing the prior November high sales mark set in 1997.

Margin on sales increased \$4 million or 5.8 percent as compared to last year's second quarter. Electric system margin increased \$1.6 million over the previous fiscal year, reflecting additional revenue from the July 2014 rate increase. Natural gas system margin increased \$0.2 million, due to additional revenue from the October 2014 rate increase. Water system margin increased \$1.2 million, the result of additional revenue from the July 2014 rate increase. Wastewater system margin increased \$1 million, reflecting a 1.1 percent increase in billed volumes and additional revenue from the October 2014 rate increase.

Year-to-date margin on sales increased \$9.5 million or 7.5 percent compared to last year. O&M expenses increased \$1.6 million. Depreciation expense increased \$3.9 million, due to growth in assets from KUB's Century II Programs and Smart Grid Pilot Project.

Interest expense for the second quarter of fiscal year 2015 was up \$0.6 million, due to \$78 million in bonds issued in August 2014 to fund capital improvements in the electric, water, and wastewater systems. Fiscal year to date interest expense increased \$0.9 million compared to the prior year. Interest income for the fiscal year to date was consistent with the prior year.

KUB's total debt outstanding as of December 31, 2014, was \$934.8 million, representing 51 percent of KUB's capital structure. This debt level represented an increase of \$53.1 million compared to the same period last year.