



electric
gas
water

Your Source for Energy and Water Services.

wastewater

Third Quarter Financial Report FY 2017

Statement of Net Position

(unaudited)

As of March 31
(thousands)

	2017	2016
Current assets		
Cash & Equivalents	\$ 167,085	\$ 162,294
Operating Contingency Reserves	94,326	90,489
Accounts Receivable	51,629	51,845
Inventory	18,875	10,974
Other	<u>36,630</u>	<u>32,914</u>
Total Current Assets	\$ 368,545	\$ 348,516
Restricted assets		
Bond Fund	\$ 34,283	\$ 32,589
Other	<u>6,669</u>	<u>22</u>
Total Restricted Assets	\$ 40,952	\$ 32,611
Net Plant	\$ 1,785,530	\$ 1,706,501
Other Assets	<u>\$ 20,370</u>	<u>\$ 26,351</u>
Total Assets	\$ 2,215,397	\$ 2,113,979
Deferred Outflows of Resources	<u>\$ 38,446</u>	<u>\$ 31,624</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 2,253,843</u>	<u>\$ 2,145,603</u>
Current Liabilities		
Current Bonds Payable	\$ 33,570	\$ 31,050
Accounts Payable	70,196	70,097
Other	<u>67,899</u>	<u>62,655</u>
Total Current Liabilities	\$ 171,665	\$ 163,802
Other Liabilities	\$ 29,053	\$ 25,775
Long-term Debt	<u>\$ 1,049,668</u>	<u>\$ 983,694</u>
Total Liabilities	\$ 1,250,386	\$ 1,173,271
Deferred Inflows of Resources	<u>\$ 1,512</u>	<u>\$ 6,378</u>
Total Liabilities and Deferred Inflows of Resources	<u>\$ 1,251,898</u>	<u>\$ 1,179,649</u>
Net position		
Net Investment in Capital Assets	\$ 735,621	\$ 724,511
Restricted for:		
Debt Service	20,634	19,353
Other	31	21
Unrestricted	<u>245,659</u>	<u>222,069</u>
Total Net Position	\$ 1,001,945	\$ 965,954
Total Liabilities, Deferred Inflows, and Net Position	<u>\$ 2,253,843</u>	<u>\$ 2,145,603</u>



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

	Three Months Ended March 31 (thousands)		Nine Months Ended March 31 (thousands)	
	2017	2016	2017	2016
Operating Revenue	\$ 198,929	\$ 206,195	\$ 594,290	\$ 567,360
Less: Purchased Energy	(117,483)	(123,506)	(358,571)	(343,067)
Margin on Sales	\$ 81,446	\$ 82,689	\$ 235,719	\$ 224,293
Operating Expenses				
Operations & Maintenance	\$ 29,171	\$ 30,222	\$ 89,080	\$ 85,066
Depreciation Expense	18,195	17,317	53,553	50,276
Taxes & Equivalents	8,495	7,962	25,142	23,646
Total Operating Expenses	\$ 55,861	\$ 55,501	\$ 167,775	\$ 158,988
Operating Income	\$ 25,585	\$ 27,188	\$ 67,944	\$ 65,305
Other Revenue (Expenses)				
Interest Income	\$ 576	\$ 389	\$ 1,482	\$ 998
Interest Expense	(10,208)	(9,811)	(30,492)	(29,487)
Other (Net)	(178)	440	(1,232)	(498)
Total Other Expenses	\$ (9,810)	\$ (8,982)	\$ (30,242)	\$ (28,987)
Change in Net Position Before Capital Contributions	\$ 15,775	\$ 18,206	\$ 37,702	\$ 36,318
Capital Contributions	1,289	-	1,649	1,014
Change in Net Position	\$ 17,064	\$ 18,206	\$ 39,351	\$ 37,332

Statistical Highlights

	Three Months Ended March 31			Nine Months Ended March 31		
	2017	2016	% Change	2017	2016	% Change
Electric Sales (MWh)	1,247	1,401	-11%	4,285	4,274	-
Gas Sales (Dth in 000s)	4,245	5,164	-18%	9,293	9,496	-2%
Water Sales (Mg)	1,821	1,794	2%	6,670	6,280	6%
Wastewater Sales (Mg)	1,511	1,546	-2%	5,162	5,202	-1%
Heating Degree Days	1,373	1,846	-26%	2,458	2,739	-10%
Cooling Degree Days	3	15	-80%	1,514	1,089	39%
Avg Temperature	49.5	44.6	11%	61.2	58.7	4%

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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Third Quarter Financial Report Fiscal Year 2017

Management Financial Discussion

KUB's change in net position (net income) for the nine months ended March 31, 2017 was \$39.4 million, representing an increase of \$2 million from the same period last year. The change in net position by system includes \$13.1 million for electric, \$8.9 million for natural gas, \$5.6 million for water, and \$11.7 for the wastewater system.

Margin on sales increased \$11.4 million or 5.1 percent compared to last fiscal year. Electric sales margin increased \$4.6 million, reflecting additional revenue from the July 2016 rate increase coupled with a 0.3 percent increase in sales volumes. Gas sales margin increased \$0.7 million, due to a 2.1 percent decrease in sales volumes from the third warmest winter on record combined with the October 2016 rate increase. Water margin increased \$2.8 million, the result of a 6.2 percent increase in water sales volumes and additional revenue from the July 2016 rate increase. Wastewater margin increased \$3.4 million, reflecting a 0.8 percent decrease in sales volumes and additional revenue from the October 2016 rate increase.

O&M expenses fiscal year to date increased \$4 million, reflecting restoration costs associated with the July 2016 storm events, and costs associated with a higher number of water main breaks resulting in part from prolonged dry weather conditions. Depreciation expense increased \$3.3 million. Taxes and tax equivalents increased \$1.5 million.

Interest expense fiscal year to date increased \$1 million compared to the prior year. Interest income fiscal year to date increased \$0.5 million due to an increase in the market interest rates.

KUB's total debt outstanding as of March 31, 2017, was \$1.1 billion, representing 51 percent of KUB's capital structure. This debt level represented an increase of \$66.5 million compared to the same period last year. KUB sold \$97 million in bonds in July 2016 for the purpose of funding utility system capital improvements for each utility system.