



electric
gas
water
wastewater

Your Source for Energy and Water Services.

Third Quarter Financial Report FY 2018

Statement of Net Position

(unaudited)

As of March 31
(thousands)

	2018	2017
Current assets		
Cash & Equivalents	\$ 204,227	\$ 167,085
Operating Contingency Reserves	101,625	94,326
Accounts Receivable	58,108	51,629
Inventory	27,040	18,875
Other	<u>39,722</u>	<u>36,630</u>
Total Current Assets	\$ 430,722	\$ 368,545
Restricted assets		
Bond Fund	\$ 36,158	\$ 34,283
Other	<u>46</u>	<u>6,669</u>
Total Restricted Assets	\$ 36,204	\$ 40,952
Net Plant	\$ 1,864,526	\$ 1,785,530
Other Assets	<u>\$ 17,309</u>	<u>\$ 20,370</u>
Total Assets	\$ 2,348,761	\$ 2,215,397
Deferred Outflows of Resources	<u>\$ 35,209</u>	<u>\$ 38,446</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 2,383,970</u>	<u>\$ 2,253,843</u>
Current Liabilities		
Current Bonds Payable	\$ 36,190	\$ 33,570
Accounts Payable	76,133	70,196
Other	<u>71,440</u>	<u>67,899</u>
Total Current Liabilities	\$ 183,763	\$ 171,665
Other Liabilities	\$ 27,611	\$ 29,053
Long-term Debt	<u>\$ 1,110,272</u>	<u>\$ 1,049,668</u>
Total Liabilities	\$ 1,321,646	\$ 1,250,386
Deferred Inflows of Resources	<u>\$ 5,267</u>	<u>\$ 1,512</u>
Total Liabilities and Deferred Inflows of Resources	<u>\$ 1,326,913</u>	<u>\$ 1,251,898</u>
Net position		
Net Investment in Capital Assets	\$ 749,159	\$ 735,621
Restricted for:		
Debt Service	22,105	20,634
Other	46	31
Unrestricted	<u>285,747</u>	<u>245,659</u>
Total Net Position	<u>\$ 1,057,057</u>	<u>\$ 1,001,945</u>
Total Liabilities, Deferred Inflows, and Net Position	<u>\$ 2,383,970</u>	<u>\$ 2,253,843</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)	
	2018	2017	2018	2017
Operating Revenue	\$ 228,980	\$ 198,929	\$ 626,848	\$ 594,290
Less: Purchased Energy	(134,803)	(117,483)	(369,135)	(358,571)
Margin on Sales	\$ 94,177	\$ 81,446	\$ 257,713	\$ 235,719
Operating Expenses				
Operations & Maintenance	\$ 31,042	\$ 29,171	\$ 87,756	\$ 89,080
Depreciation Expense	18,886	18,195	56,089	53,553
Taxes & Equivalents	8,778	8,495	26,048	25,142
Total Operating Expenses	\$ 58,706	\$ 55,861	\$ 169,893	\$ 167,775
Operating Income	\$ 35,471	\$ 25,585	\$ 87,820	\$ 67,944
Other Revenue (Expenses)				
Interest Income	\$ 1,140	\$ 576	\$ 2,780	\$ 1,482
Interest Expense	(10,670)	(10,208)	(31,405)	(30,492)
Other (Net)	(500)	(178)	(998)	(1,232)
Total Other Expenses	\$ (10,030)	\$ (9,810)	\$ (29,623)	\$ (30,242)
Change in Net Position Before Capital Contributions	\$ 25,441	\$ 15,775	\$ 58,197	\$ 37,702
Capital Contributions	9	1,289	175	1,649
Change in Net Position	\$ 25,450	\$ 17,064	\$ 58,372	\$ 39,351

Statistical Highlights

	Three Months Ended March 31			Nine Months Ended March 31		
	2018	2017	% Change	2018	2017	% Change
Electric Sales (MWh)	1,414	1,247	13%	4,340	4,285	1%
Gas Sales (Dth in 000s)	5,661	4,245	33%	11,332	9,293	22%
Water Sales (Mg)	1,865	1,821	2%	6,483	6,670	-3%
Wastewater Sales (Mg)	1,561	1,511	3%	5,163	5,162	-
Heating Degree Days	1,874	1,373	36%	3,238	2,458	32%
Cooling Degree Days	22	3	-	1,069	1,514	-29%
Avg Temperature	44.4	49.5	-10%	56.8	61.2	-7%

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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Third Quarter Financial Report Fiscal Year 2018

Management Financial Discussion

KUB's change in net position (net income) for the nine months ended March 31, 2018 was \$58.4 million, representing an increase of \$19 million from the same period last year. The change in net position by system includes \$17.7 million for electric, \$18.4 million for natural gas, \$6.7 million for water, and \$15.6 for the wastewater system.

Margin on sales increased \$22 million or 9.3 percent compared to last fiscal year. Electric sales margin increased \$5.9 million, reflecting additional revenue from the October 2017 rate increase coupled with a 1.3 percent increase in sales volumes. Gas sales margin increased \$8.8 million, due to a 21.9 percent increase in sales volumes combined with the October 2017 rate increase. Water margin increased \$2.4 million, the net result of a 2.8 percent decrease in water sales volumes and additional revenue from the July 2017 rate increase. Wastewater margin increased \$5 million, reflecting consistent sales volumes and additional revenue from the July 2017 rate increase.

O&M expenses fiscal year to date decreased \$1.3 million, reflecting a lower level of employee medical claim costs for the fiscal year to date. Depreciation expense increased \$2.5 million. Taxes and tax equivalents increased \$0.9 million.

Interest expense fiscal year to date increased \$0.9 million compared to the prior year. Interest income fiscal year to date increased \$1.3 million due to an increase in market interest rates.

KUB's total debt outstanding as of March 31, 2018, was \$1.1 billion, representing 51 percent of KUB's capital structure. This debt level represented an increase of \$57.9 million compared to the same period last year. KUB sold \$97 million in bonds in August 2017 for the purpose of funding utility system capital improvements for each utility system.