February 2025 Preliminary Financial Results

April 16, 2025

Financial Results

2025 Billed kWh (YTD February)

Electric	(CY) 2025 YTD	(PY) 2024 YTD	
Residential	109,986,217	104,790,790	
Commercial	162,001,379	162,723,599	
Industrial	73,844,606	83,198,772	
	345,832,202	350,713,161	-1.4%

Residential – Up 5%   Commercial – Flat   Industrial – Down 11%

Financial Results

2025 Billed CCF's (YTD February)

Water	(CY) 2025 YTD	(PY) 2024 YTD	
Residential	555,829	576,794	
Commercial	383,040	415,165	
Industrial	254,592	295,664	
	1,193,461	1,287,623	-7.3%

Residential – Down 4%   Commercial – Down 8%   Industrial – Down 14%

Financial Results

Revenues – February 2025

	(CY) 2025 February	(PY) 2024 February		Budget 2025 February	(CY) 2025 February	
Electric	$ 28.589	$ 25.486		$ 26.034	$ 28.589	
Water	4.334	4.182		4.841	4.334	
Combined	$ 32.923	$ 29.668	11.0%	$ 30.875	$ 32.923	6.6%

**Dollars in millions

Financial Results

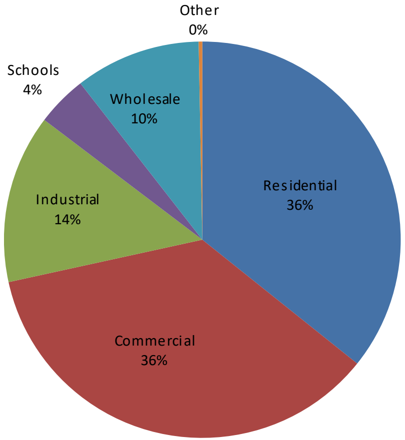
Revenues – 2025 YTD

	(CY) 2025 YTD	(PY) 2024 YTD		Budget 2025 YTD	(CY) 2025 YTD	
Electric	$ 57.550	$ 51.387		$ 52.017	$ 57.550	
Water	8.866	8.576		9.357	8.866	
Combined	$ 66.416	$ 59.963	10.8%	$ 61.374	$ 66.416	8.2%

**Dollars in millions

Variance – YTD comparing Budget to Actual for 2025

8€πÆ¯Œπ	Up 11%	ï †šπ¯:	*Down* 5%
Residential	$ 193K	vπ¸Œπ· šŒ€	˙ɜ ëi ь W
Commercial	($ 128K)	- Á‡ ‡ π¯Æ€€	˙ɜ ǯєW
Industrial	($ 1.2M)	Industrial	$ 37K
Schools	$ 144K	Wholesale	$59K
Wholesale	$ 4.3M		



Recognized 2 months of 6 of the 2024 ERC Over Recovery of the ERC - $9,658,617

Financial Results

Operating Expenses – February 2025

	(CY) 2025 February	(PY) 2024 February		Budget 2025 February	(CY) 2025 February	
Electric	$ 19.932	$ 15.646		$ 18.301	$ 19.932	
Water	3.454	3.365		3.574	3.454	
Combined	$ 23.386	$ 19.011	23.0%	$ 21.875	$ 23.386	6.9%

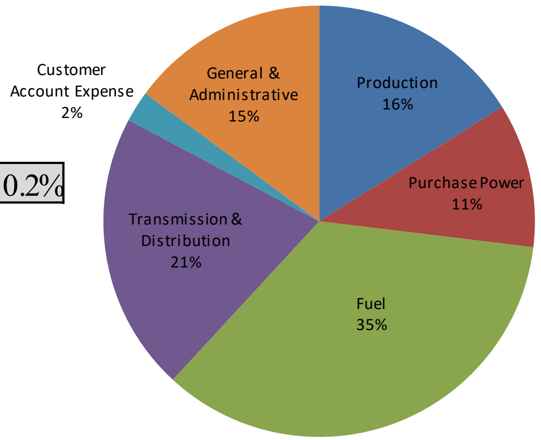
**Dollars in millions

Financial Results

Operating Expenses – 2025 YTD

	(CY) 2025 YTD	(PY) 2024 YTD		Budget 2025 YTD	(CY) 2025 YTD	
Electric	$ 39.907	$ 42.806		$ 39.246	$ 39.907	
Water	6.829	6.607		7.393	6.829	
Combined	$ 46.736	$ 49.413	-5.4%	$ 46.639	$ 46.736	0.2%

**Dollars in millions



Actual Compared to 2025 Budget

- Electric – Up 2%
- Water - Down 8%
- Combined – Flat

Financial Results

Operating Expenses – 2025 YTD less Depreciation

	(CY) 2025 YTD	(PY) 2024 YTD		Budget 2025 YTD	(CY) 2025 YTD	
Electric	$ 33.871	$ 36.724		$ 33.434	$ 33.871	
Water	5.433	5.188		6.028	5.433	
Combined	$ 39.304	$ 41.912	-6.2%	$ 39.462	$ 39.304	-0.4%

**Dollars in millions

Variance – YTD comparing Budget to Actual 2025

[illegible]

Purchased Power	($ 5.3M)
Fuel	$ 9.2M
[illegible]	[illegible]
T&D	($ 1.0M)
G&A	($ 490K)

[illegible]

[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]

Financial Results

Change in Net Position – February 2025

	(CY) 2025 February	(PY) 2024 February
Electric	$ 4.878	$ 5.974
Water	(0.172)	0.089
Combined	$ 4.706	$ 6.063

Budget 2025 February	(CY) 2025 February
$ 3.948	$ 4.878
0.648	(0.172)
$ 4.596	$ 4.706

**Dollars in millions

Financial Results

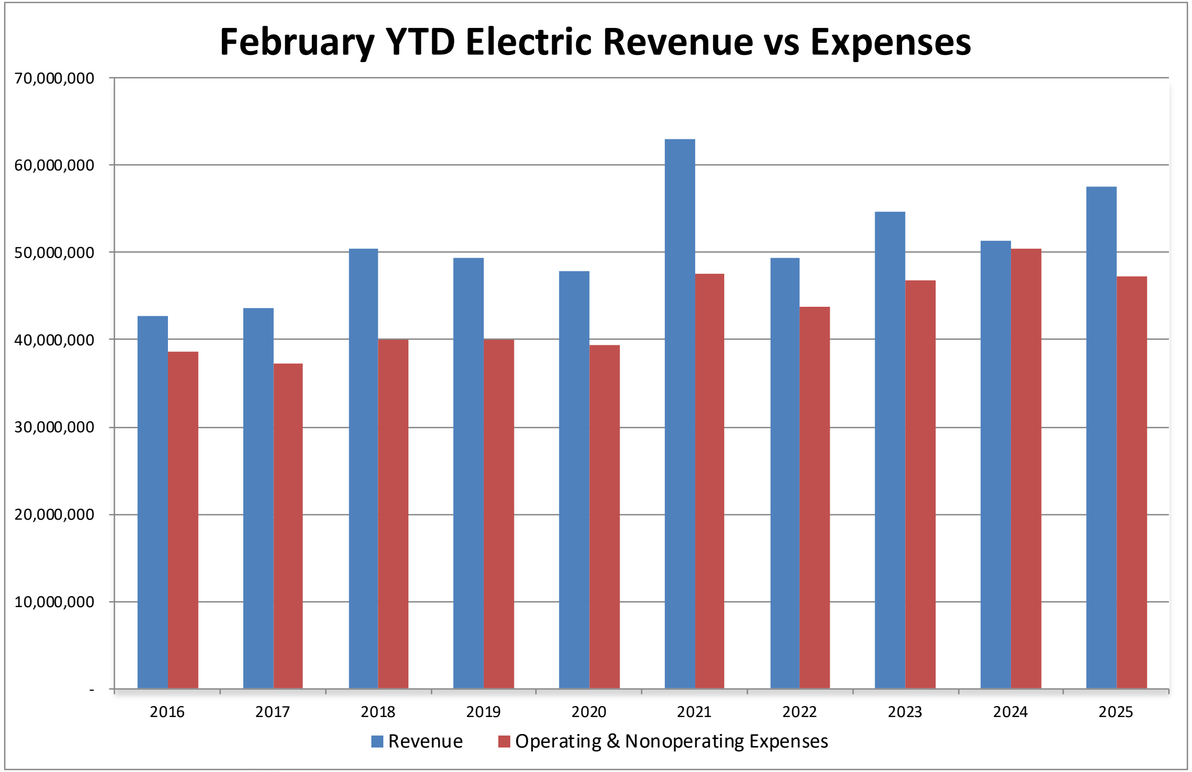
Change in Net Position – 2025 YTD

	(CY) 2025 YTD	(PY) 2024 YTD
Electric	$ 10.293	$ 0.954
Water	0.973	1.454
Combined	$ 11.266	$ 2.408

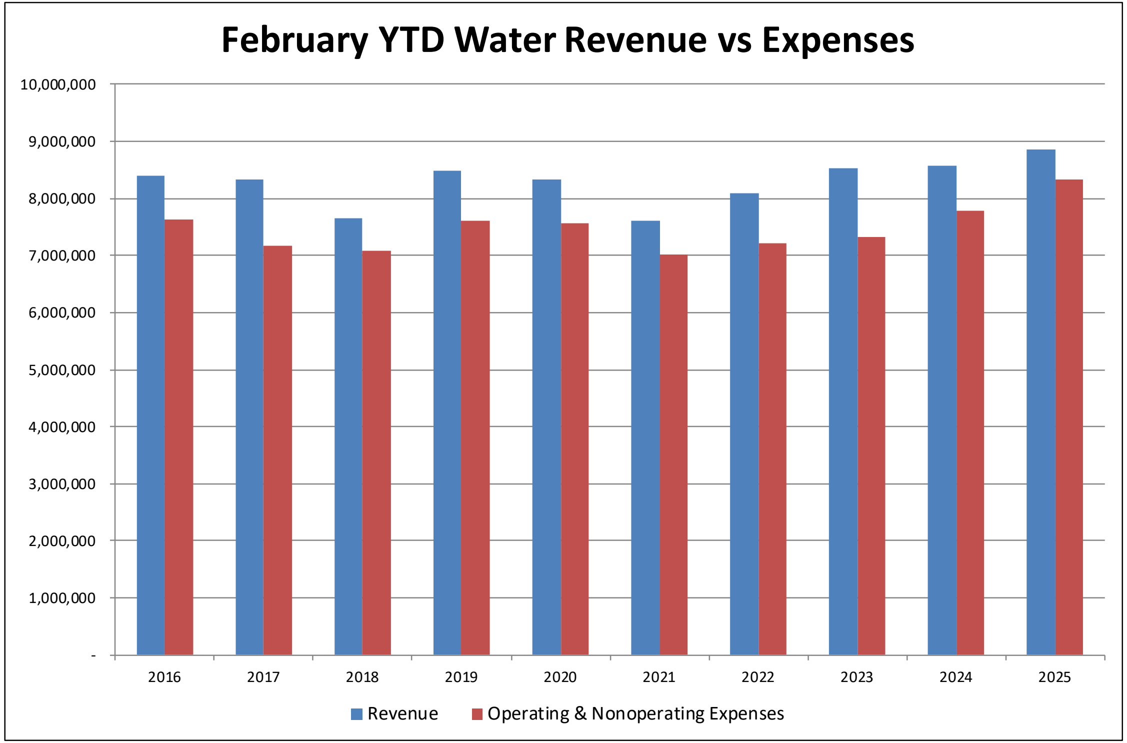
Budget 2025 YTD	(CY) 2025 YTD
$ 5.203	$ 10.293
0.932	0.973
$ 6.135	$ 11.266

**Dollars in millions

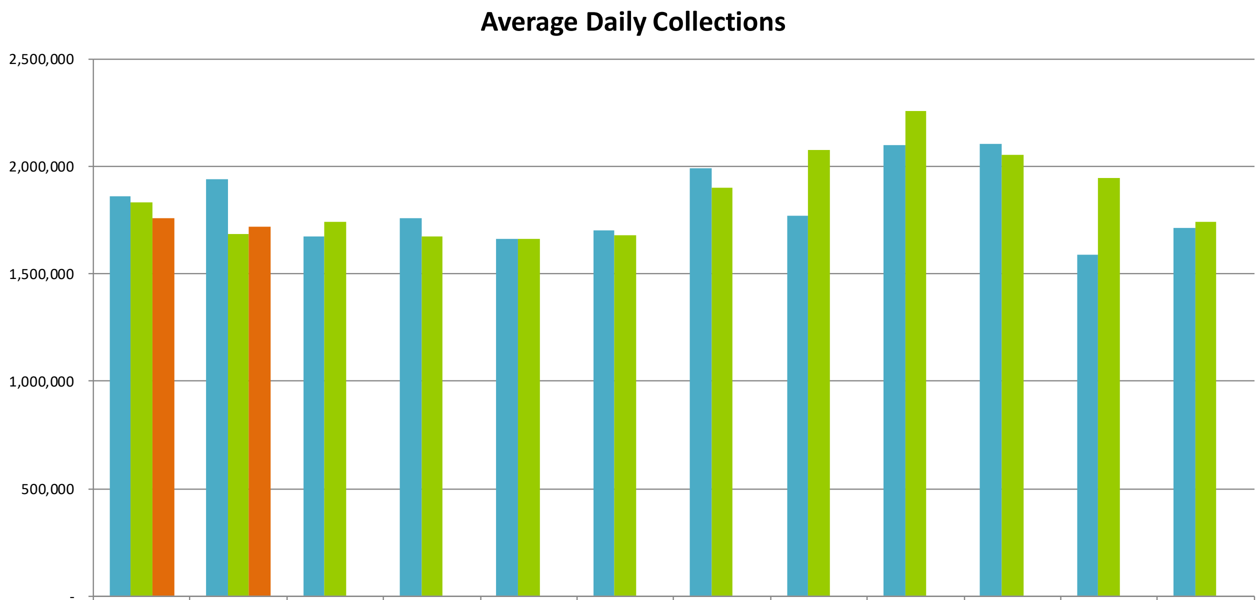
Financial Results – 10 Year Trend



Financial Results – 10 Year Trend



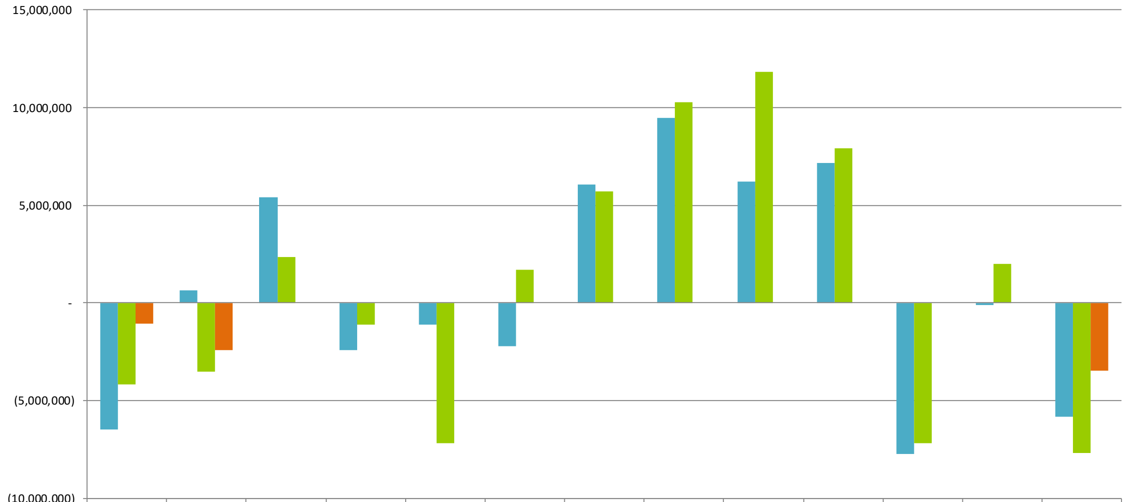
Financial Results



	1	2	3	4	5	6	7	8	9	10	11	12
2023	1,862,967	1,938,839	1,671,891	1,757,358	1,659,923	1,702,047	1,988,948	1,770,620	2,099,336	2,101,461	1,591,285	1,714,211
2024	1,830,117	1,685,265	1,740,105	1,672,991	1,661,003	1,681,827	1,899,404	2,078,098	2,255,683	2,055,689	1,948,140	1,740,757
2025	1,756,890	1,720,603										

Financial Results

Historical Monthly Cash Comparison



	1	2	3	4	5	6	7	8	9	10	11	12	Feb YTD
2023	(6,472,381)	638,504	5,405,785	(2,409,148)	(1,113,193)	(2,228,268)	6,063,811	9,501,646	6,228,358	7,167,736	(7,749,408)	(100,816)	(5,833,877)
2024	(4,156,502)	(3,527,776)	2,330,482	(1,117,461)	(7,193,814)	1,689,997	5,692,241	10,261,589	11,833,744	7,932,460	(7,163,172)	2,012,187	(7,684,278)
2025	(1,068,000)	(2,412,904)											(3,480,904)

2023 2024 2025

Financial Results

Cash Position

	(CY) 2025 February	(PY) 2024 February	2024 January
Combined (E&W)	$ 73.37	$ 50.05	$ 75.39
Days Cash-on-Hand	122	80	128

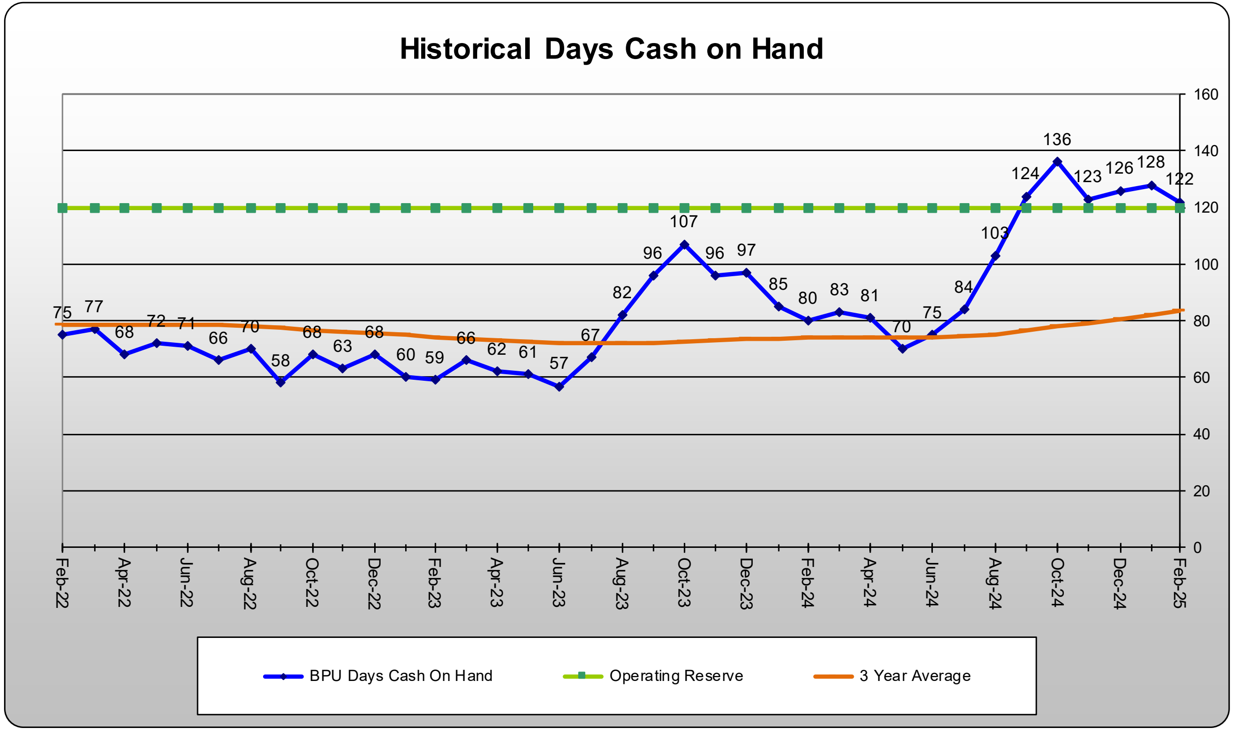
1 Day = Approximately $600K-$625K
(Based on 12 month rolling average of expenses)

Balance Sheet: Notables

	(CY) 2025 February	(PY) 2024 February
Fuel Inventory	$ 4.745	$ 10.424

**Dollars in millions

Financial Results



Financial Results

Capital Spending

	(CY) 2025 YTD	(PY) 2024 YTD	2025 Budget YTD		
Electric	$ 3.65	$ 1.62	$ 32.25		
Water	3.04	0.68	20.32		
Common	0.37	0.27	4.10		
Total YTD Capital	$ 7.06	$ 2.57	$ 56.67	Remaining	88%

Major projects in 2025:

**Dollars in millions

Annual OH & UG Construction - $4.1M
Annual Meter Program - $900K
Distribution Pole Inspection - $4.0M
OH & UG Transformers - $3.7M
CT2 and CT3 Control System Upgrade - $2.5M
Aged Water Main Replacement - $5.0M
Parallel Pump Station Improvements - $2.6M
Water Ops Kansas River Crossing - $2.0M

Financial Results

Debt Coverage

Financial Guideline Target
2.0 times with PILOT

Debt Coverage with PILOT

	(CY) 2025 February	(PY) 2024 February
Electric	3.06	2.36
Water	3.06	2.69
Combined	3.19	2.52

Financial Guideline Target
1.6 times without PILOT

Debt Coverage w/o PILOT

	(CY) 2025 February	(PY) 2024 February
Electric	2.34	1.65
Water	2.40	2.10
Combined	2.45	1.80

Bond and Debt Overview

April 16, 2025

Introduction to Utility Debt

•Municipalities often issue bonds to finance infrastructure projects

•Municipal government entities generally issue GO or General Obligation Bonds. These bonds generally contain an obligation backed by the taxing authority of the community.

•Electric and water utilities generally issue Revenue Bonds. These bonds generally contain an obligation backed by the revenue of the utility.

Why Use Debt Financing

- Infrastructure is capital-intensive and long-term.

- Bond financing spreads cost over time.

- Allows urgent upgrades without immediate rate hikes.

- Typical tools: **Revenue Bonds, General Obligation Bonds, KDHE State Revolving Loan Fund (Water projects)**

Pros and Cons of Debt Financing

Pros:

- Infrastructure is capital-intensive and long-term.
- Bond financing spreads cost over time.
- Typically, allows access to lower interest rates because of the tax free status of the bond.
- Allows urgent upgrades without immediate rate hikes.
- Preserves cash reserves for emergencies

Cons:

- Increases long-term liabilities
- May result in higher utility rates
- Requires solid capital & financial plans
- Can Impacts credit rating if plans are mismanaged

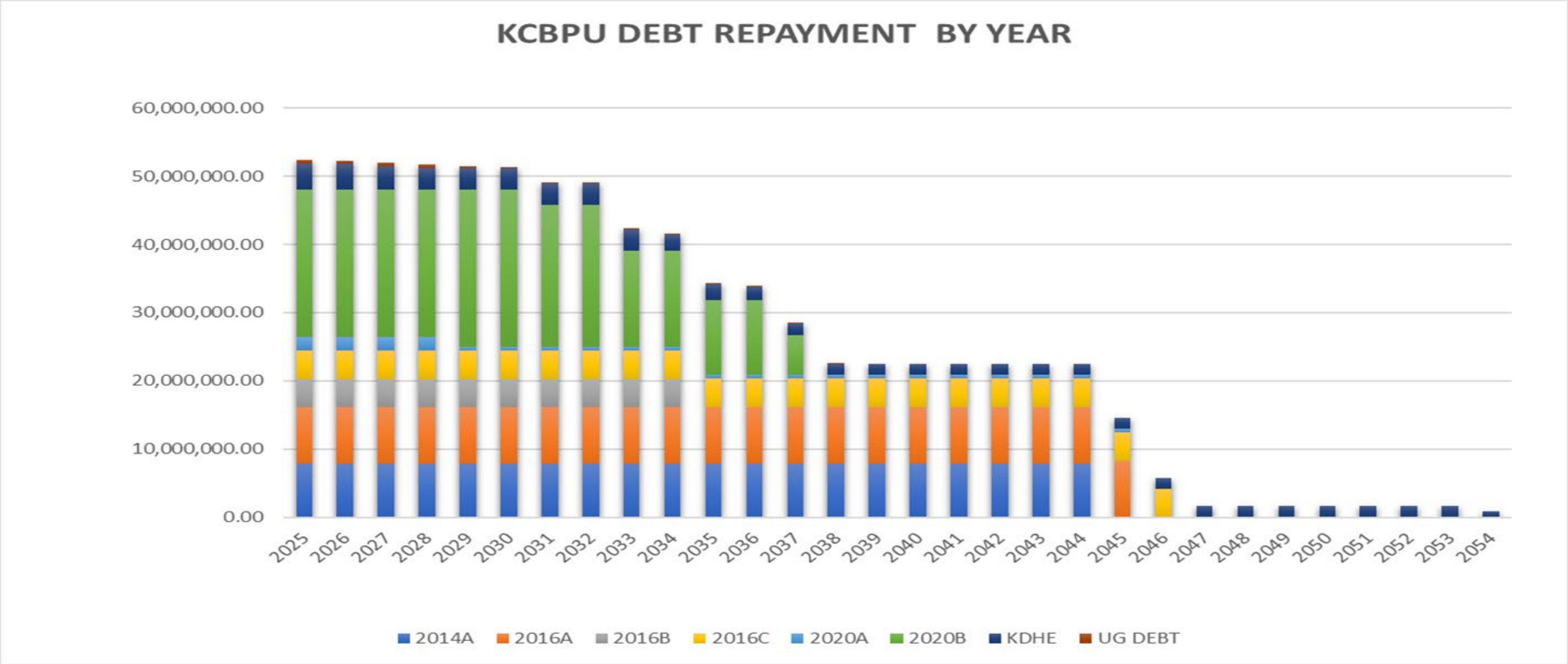
Examples of Debt in Utilities

- **Infrastructure Upgrades:** Aging grids, substations, and transmission lines.
- **Regulatory Compliance:** Meeting federal/state energy mandates.
- **Pipeline Replacement:** Addressing leaks, contamination risks, and old systems.
- **Water Treatment Plants:** Upgrades or new facilities to ensure safe drinking water.
- Capital Assets that have a long useful life.
- Spreads out the costs while minimizing the impact on current year rates & mill levies

Current debt issuances

Current KCBPU Debt Issues	Amount	Purpose	TIC
2014A	$110 M	Nearman AQC Phase 1	3.8%
2016A	$125 M	Nearman AQC Phase 2 TIC 3.86%	3.9%
2016B	$42.5 M	Refunding 2009A (2009A Elec T&D, Prod, Water) TIC 3.6%	3.6%
2016C	$56 M	$56M (Boiler Tubes @ N1 & Elec Ops projects) TIC 4.3%	4.3%
2020A	$231.5 M	Refunding Previous Issues 2010A ,2011A, 2012A, 2012B issues	2.2%
2020B	$18.8 M	Refunding & Electric Operations Projects	2.0%
KDHE Loans	Varies	Loans for Water System	-
UG RADIO	??	EMS system & Leavenworth Road Electric T&D Project	-

Current Debt Structure



High Level Process

1. **Project Identification & Planning**
   - The utility identifies a capital project (e.g., water treatment plant, electric grid upgrade).
   - Cost estimates, timelines, and potential revenues are evaluated.
   - Feasibility studies may be conducted to assess economic and operational viability.
2. **Approval Process**
   - Staff presents a bond proposal presentation & BPU Board approval or declines.
   - Staff presents a bond proposal presentation & UG Board approval or declines
   - Publish Public hearings & Notices
3. **Financial Advising & Bond Structuring**
   - A financial advisor helps structure the bond terms (amount, interest rate, maturity).
   - Typically backed by **utility revenues** (not taxes).
   - Credit rating agencies may be engaged to assess the bond’s risk.
4. **Legal & Regulatory Compliance**
   - Legal counsel ensures the issuance complies with municipal finance laws.
   - Financial Auditors provide consent
   - Official bond documents are prepared, including a **bond prospectus** or **official statement** for investors.

High Level Process

5. **Bond Sale**
    - **Bonds are sold via a public offering or private placement.**
    - **Investors purchase the bonds, providing the utility with upfront capital.**
6. **Project Construction & Use of Funds**
    - **Funds are used exclusively for the approved utility projects.**
    - **Utilities establish a construction fund and track spending.**
7. **Repayment**
    - **Debt is repaid over time using utility revenues (e.g., water or electricity bills).**
    - **Bonds typically have a 25–30 year term.**
    - **Ongoing annual disclosure and financial reporting to bondholders is required on all open bond issues.**

Conclusion

- Debt is a necessary tool for maintaining and modernizing public utilities.
- Must be a balance with long-term financial & capital planning.
- Credit worthiness and the long-term yield curve has a major influence on the ability to secure bond financing and the rate of that financing.