

# 2006 ANNUAL REPORT



local PEOPLE, local SERVICE.

## Electric System Balance Sheets

(Figures in Thousands)

	Audited 2006	Audited 2005	Audited 2004	Audited 2003
<b>ASSETS</b>				
Utility Plant, Net	\$222,109	\$229,797	\$234,266	\$223,730
Restricted Assets	81,839	85,390	81,568	98,955
Current Assets	25,991	20,375	19,460	19,195
Noncurrent Assets	4,923	2,055	2,328	2,966
<b>TOTAL ASSETS</b>	<b>\$334,862</b>	<b>\$337,617</b>	<b>\$337,622</b>	<b>\$344,846</b>
<b>LIABILITIES &amp; NET ASSETS</b>				
Total Net Assets	\$116,637	\$113,988	\$100,049	\$93,600
Long-Term Debt	174,784	182,754	198,501	209,401
L-T Payable to KU	2,521	2,608	2,375	4,757
Current Liabilities	33,506	32,549	33,278	32,884
Deferred Revenue	7,414	5,718	3,419	4,204
<b>TOTAL LIABILITIES &amp; NET ASSETS</b>	<b>\$334,862</b>	<b>\$337,617</b>	<b>\$337,622</b>	<b>\$344,846</b>

## Electric System Statements of Revenues, Expenses & Changes in Net Assets

(Figures in Thousands)

	Audited 2006	Audited 2005	Audited 2004	Audited 2003
<b>Kilowatt Hours Sold</b>				
OMU	892,615	870,060	864,545	876,143
KU (01)	1,327,755	1,515,179	1,657,142	1,513,003
<b>TOTAL KILOWATT HOURS SOLD</b>	<b>2,220,370</b>	<b>2,385,239</b>	<b>2,521,687</b>	<b>2,389,146</b>
Operating Revenues	\$92,372	\$96,820	\$83,237	\$84,927
Operating Expenses	73,829	66,382	62,207	64,148
<b>OPERATING INCOME</b>	<b>\$18,543</b>	<b>\$30,438</b>	<b>\$21,030</b>	<b>\$20,779</b>
Nonoperating Revenues (Expenses)	(9,701)	(11,248)	(9,539)	(8,895)
<b>INCOME BEFORE CONTRIBUTIONS &amp; TRANSFERS</b>	<b>\$8,842</b>	<b>\$19,190</b>	<b>\$ 11,491</b>	<b>\$ 11,884</b>
Dividend to City	(6,193)	(5,251)	(5,042)	(4,854)
<b>CHANGE IN NET ASSETS</b>	<b>\$2,649</b>	<b>\$13,939</b>	<b>\$6,449</b>	<b>\$7,030</b>

(01) Includes kwh from SEPA power sales.

## Water System Balance Sheets

(Figures in Thousands)

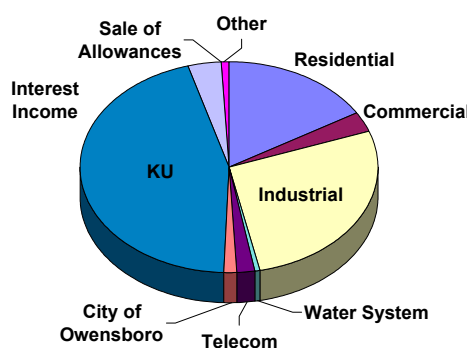
	Audited 2006	Audited 2005	Audited 2004	Audited 2003
<b>ASSETS</b>				
Utility Plant, Net	\$46,202	\$46,462	\$44,316	\$43,097
Restricted Assets	2,321	2,804	4,347	5,699
Current Assets	3,292	2,895	2,669	2,241
Noncurrent Assets	386	391	427	446
<b>TOTAL ASSETS</b>	<b>\$52,201</b>	<b>\$52,552</b>	<b>\$51,759</b>	<b>\$51,483</b>
<b>LIABILITIES &amp; NET ASSETS</b>				
Total Net Assets	\$27,913	\$26,777	\$25,235	\$23,989
Long-Term Debt	20,954	22,278	23,546	24,664
Current Liabilities	2,193	2,382	1,912	1,745
Customers' Advances for Construction	1,141	1,115	1,066	1,085
<b>TOTAL LIABILITIES &amp; NET ASSETS</b>	<b>\$52,201</b>	<b>\$52,552</b>	<b>\$ 51,759</b>	<b>\$ 51,483</b>

## Water System Statements of Revenues, Expenses & Changes in Net Assets

(Figures in Thousands)

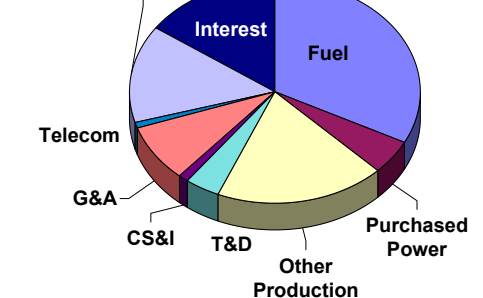
	Audited 2006	Audited 2005	Audited 2004	Audited 2003
<b>CUBIC FEET SOLD</b>				
Operating Revenues	\$7,838	\$7,405	\$7,272	\$7,071
Operating Expenses	5,724	5,396	5,123	4,942
<b>OPERATING INCOME</b>	<b>\$2,114</b>	<b>\$2,009</b>	<b>\$2,149</b>	<b>\$2,129</b>
Nonoperating Revenues (Expenses)	(1,014)	(1,125)	(1,092)	(1,130)
<b>INCOME BEFORE CONTRIBUTIONS &amp; TRANSFERS</b>	<b>\$1,100</b>	<b>\$884</b>	<b>\$1,057</b>	<b>\$999</b>
Capital Contributions	199	859	390	11
Dividend to City	(163)	(201)	(201)	(182)
<b>CHANGE IN NET ASSETS</b>	<b>\$1,136</b>	<b>\$1,542</b>	<b>\$1,246</b>	<b>\$828</b>

## Electric



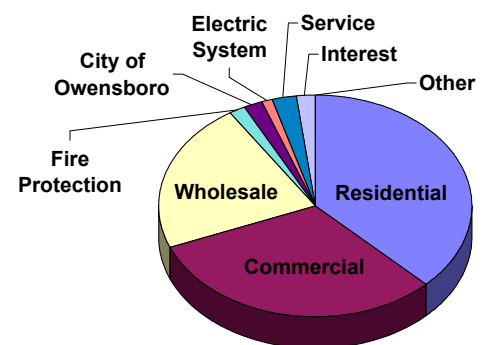
Residential	\$ 15,713,864
Commercial	2,879,238
Industrial	26,223,850
Water System	450,892
Telecommunications	1,934,433
City of Owensboro	1,342,383
Kentucky Utilities Company	43,058,556
Interest Income	3,573,368
Gain from Sale of Allowances	85,503
Other	701,495
<b>TOTAL REVENUES</b>	<b>\$ 95,963,582</b>

## Water



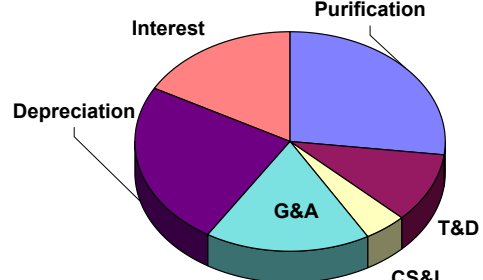
Fuel	\$ 28,382,814
Purchased Power	4,222,903
Other Production	16,627,085
Transmission & Distribution (T&D)	3,273,196
Customer Service & Information (CS&I)	1,001,719
General & Administrative (G&A)	7,234,341
Telecommunications (Telecom)	824,562
Depreciation	12,262,632
Interest	13,292,605
<b>TOTAL EXPENSES</b>	<b>\$ 87,121,857</b>

## Water



Residential	\$ 2,982,932
Commercial	2,506,584
Wholesale	1,752,705
Fire Protection	141,624
City of Owensboro	163,073
Electric System	75,297
Service	209,463
Interest	144,363
Other	5,848
<b>TOTAL REVENUES</b>	<b>\$ 7,981,889</b>

## Production & Purification



Production & Purification	\$ 1,851,979
Transmission & Distribution (T&D)	717,825
Customer Service & Information (CS&I)	305,944
General & Administrative (G&A)	1,178,311
Depreciation	1,669,763
Interest	1,157,900
<b>TOTAL EXPENSES</b>	<b>\$ 6,881,722</b>

## Public Power Week 2006

For the past 19 years in October, the more than 2,000 municipally-owned and operated electric utilities have celebrated Public Power Week. OMU joins others this week and throughout the month in celebrating the concept of local community control and ownership of their electric service.

In this annual report, you will get a glimpse of Owensboro Municipal Utilities. You will see that we have proudly served our community for the past 106 years. We hope to continue to serve you, our customer and our owner, efficiently and effectively.

### OMU: Your Electric, Water and Telecommunications Utility

As you may know, OMU is a municipally-owned utility, which means that you, our customers, are our owners. Initially, Owensboro Municipal Utilities served only a few hundred customers. As Owensboro has grown, OMU has expanded and now provides service to 25,605 electric customers and 24,143 water users, including both residential and commercial accounts.

#### Electric peak

OMU set a new all-time electric peak on August 2, 2006 at the hour ending 2 p.m. with 198.2 megawatts.

#### Water peak

OMU set its all-time peak for water production on July 23, 1999 when OMU pumped a daily total of 19,122,000 gallons of water to its customers. OMU set its 2006 peak on August 1 when it pumped 15,088,000 gallons.

#### City of Owensboro

OMU transferred \$6,355,563 in cash and free electric and water service to the City of Owensboro in Fiscal Year 2005-2006, lowering the tax requirements for the city. This saved each Owensboro resident approximately \$115.56 in taxes based on an estimated city population of 55,000.

#### Electric costs\*

On average, OMU electric customers paid 5.1 cents per kilowatt hour in fiscal year 2005-2006, which is among the lowest rates in the region and the nation.

#### Water costs\*\*

OMU water customers paid an average of \$1.90 per 1000 gallons, or less than 2/10 of a cent per gallon. OMU's two water treatment plants provide water to not only Owensboro residents, but also supply wholesale water to three local districts (Southeast Daviess County, West Daviess County and East Daviess County), who distribute water throughout Daviess County.

#### Payment options

OMU continually looks for ways to better serve our customers. We offer a variety of programs that make paying your combined services bill easier. For instance, 2,411 customers have their monthly bill automatically deducted from their local checking account. Many others choose from two of our monthly budgeting plans: leveled or budget billing. In March 2001, OMU added credit cards to its list of payment options. Customers can use a VISA, Discover or Mastercard credit card to pay their combined services bill.

In addition, OMU launched online bill payment through its website at [www.omu.org](http://www.omu.org), allowing customers to use their checking account or credit card to pay through the Internet.

#### Coal

The Elmer Smith Station burns locally-mined coal and uses a tire-derived fuel system (TDF) to produce the electricity Owensboro requires. The plant purchased 1,228,720 tons of fuel in fiscal year 2006 at a cost of \$24,828,105, an average of \$20.21 per ton.

The TDF system consumed a total of 8,208 tons of chipped tires which removed approximately 820,000 waste tires from our landscape, saving valuable landfill space and providing environmental benefits.

#### Telecommunications

OMU added a third utility to its list of services in 1996. OMU's telecommunication division provides dark fiber, Internet and point-to-point services for commercial and industrial customers. The telecom utility has grown significantly since its birth. Gross revenues for the telecom division rose from \$1,620,588 in fiscal year 2005 to \$1,934,433 in fiscal year 2006.

OMU launched its wireless Internet program in November 2002. We provided service to 2,964 commercial and residential customers as the fiscal year ended May 31, 2006.

#### Safety program

At OMU, safety comes first for the community and our employees. In the past year, our employees celebrated several safety milestones. We congratulate them on working safely and encourage them to continue this tradition.

#### Community

Since its birth, OMU has maintained a strong commitment to its community. For instance, Owensboro Municipal Utilities' employees have remained one of the largest donors to United Way annually. Employees also participate in the March of Dimes WalkAmerica, Corporate Challenge, local blood drives, festivals, Neighborhood Alliance projects and numerous other fundraising events and drives for other organizations. In addition, OMU is proud of its school safety program. Power Town and Louie the Lightning Bug® tell children each year about the importance of electricity and using it safely.

For over 100 years, Owensboro Municipal Utilities has served our community by providing quality services at the most economical cost.

Owensboro is one of 2,000 cities across the nation to realize the benefits of being served by a public utility. Our customers know that their service provider is only a local phone call or a short drive away.

Planning, hard work and employee dedication have enabled us to offer water, electricity and telecommunications to our customers at low rates.

We are proud to serve our community. We live and work here and have a vested interest in its future success.

OMU will continue to carry forward our philosophy of customer satisfaction and quality service. We will strive to continually improve and meet your needs in the most efficient and effective way.

If you have any questions about this annual report or any of our services, please contact me. On behalf of all of our employees, we look forward to continuing to provide the quality services that you deserve.

Sincerely,  
**Bob Hunzinger,**  
General Manager

\*Average electric revenues from residential, industrial and commercial customers. \*\*Average water revenues from residential and commercial customers.