

2008 Annual Report



local
people
local
service

Electric System Balance Sheets (Figures in Thousands)

	Management 2008	Audited 2007	Audited 2006	Audited 2005
ASSETS				
Utility Plant, Net	\$208,479	\$214,448	\$222,109	\$229,797
Restricted Assets	84,350	86,086	81,839	85,390
Current Assets	25,694	24,564	25,991	20,375
Noncurrent Assets	8,379	2,897	4,923	2,055
TOTAL ASSETS	\$326,902	\$327,995	\$334,862	\$337,617
LIABILITIES & NETASSETS				
Total Net Assets	115,978	\$117,763	\$116,637	\$113,988
Long-Term Debt	151,759	165,282	174,784	182,754
L-T Payable to KU	3,182	2,846	2,521	2,608
Current Liabilities	46,926	33,617	33,506	32,549
Deferred Revenue	9,057	8,487	7,414	5,718
TOTAL LIABILITIES & NETASSETS	\$326,902	\$327,995	\$334,862	\$337,617

Electric System Statements of Revenues, Expenses & Changes in Net Assets (Figures in Thousands)

	Management 2008	Audited 2007	Audited 2006	Audited 2005
Kilowatt Hours				
OMU	919,892	902,185	892,615	870,060
KU/Other (01)	1,138,906	1,327,167	1,327,755	1,515,179
TOTAL KILOWATT HOURS SOLD	2,058,798	2,229,352	2,220,370	2,385,239
Operating Revenues	\$108,127	\$88,292	\$92,372	\$96,820
Operating Expenses	95,444	72,508	73,829	66,382
OPERATING INCOME	\$ 12,683	\$ 15,784	\$ 18,543	\$ 30,438
Nonoperating Revenues (Expenses)	(7,431)	(8,227)	(9,701)	(11,248)
INCOME BEFORE CONTRIBUTIONS & TRANSFERS	\$ 5,252	\$ 7,557	\$ 8,842	\$ 19,190
Dividend to City	(7,037)	(6,431)	(6,193)	(5,251)
CHANGE IN NETASSETS	\$ (1,785)	\$ 1,126	\$ 2,649	\$ 13,939

(01) Includes kWh from supplemental power sales.
Fiscal years 2007-2008, 2006-2007 and 2005-2006 revenues include unbilled revenue accounting adjustments of \$301,000, \$91,000 and \$1,412,000, respectively.

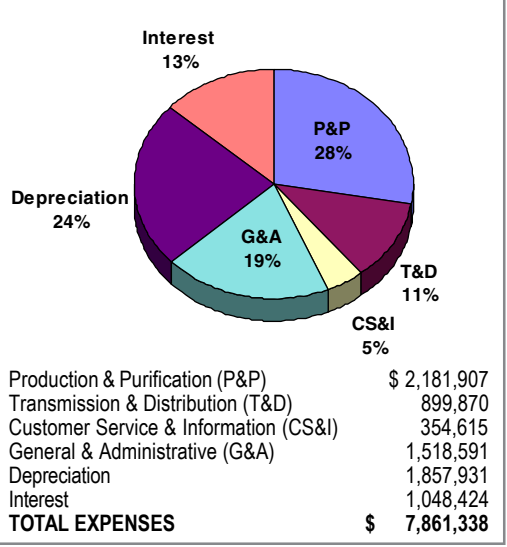
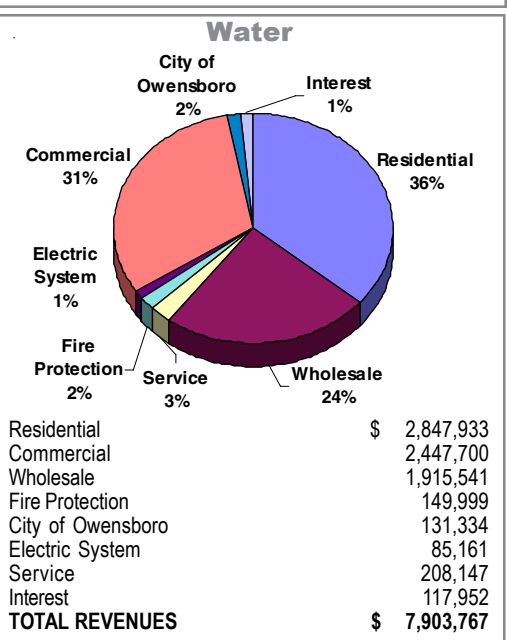
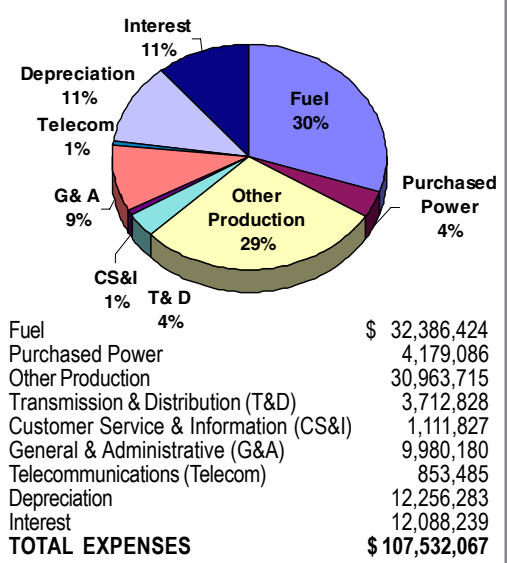
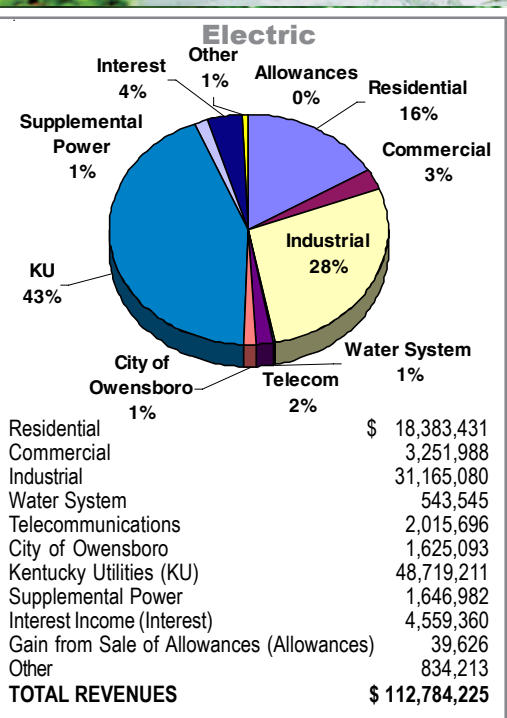
Water System Balance Sheets (Figures in Thousands)

	Management 2008	Audited 2007	Audited 2006	Audited 2005
ASSETS				
Utility Plant, Net	\$ 46,049	\$ 46,228	\$ 46,202	\$ 46,462
Restricted Assets	1,529	1,876	2,321	2,804
Current Assets	2,653	3,147	3,292	2,895
Noncurrent Assets	322	332	386	391
TOTAL ASSETS	\$ 50,553	\$ 51,583	\$ 52,201	\$ 52,552
LIABILITIES & NETASSETS				
Total Net Assets	\$ 29,163	\$ 28,639	\$27,913	\$26,777
Long-Term Debt	18,131	19,580	20,954	22,278
Current Liabilities	2,282	2,184	2,193	2,382
Customers' Advances for Construction	977	1,147	1,141	1,115
Other	-	33	-	-
TOTAL LIABILITIES & NETASSETS	\$ 50,553	\$ 51,583	\$ 52,201	\$ 52,552

Water System Statements of Revenues, Expenses & Changes in Net Assets (Figures in Thousands)

	Management 2008	Audited 2007	Audited 2006	Audited 2005
CUBIC FEET SOLD				
Operating Revenues	\$ 7,786	\$ 7,451	\$ 7,838	\$ 7,405
Operating Expenses	6,813	6,038	5,724	5,396
OPERATING INCOME	\$ 973	\$ 1,413	\$ 2,114	\$ 2,009
Nonoperating Revenues (Expenses)	(931)	(932)	(1,014)	(1,125)
INCOME BEFORE CONTRIBUTIONS & TRANSFERS	\$ 42	\$ 481	\$ 1,100	\$ 884
Capital Contributions	613	365	199	859
Dividend to City	(131)	(120)	(163)	(201)
CHANGE IN NETASSETS	\$ 524	\$ 726	\$ 1,136	\$ 1,542

Fiscal years 2007-2008, 2006-2007 and 2005-2006 revenues include unbilled revenue accounting adjustments of \$31,000, (\$27,000) and \$215,000, respectively.



Public Power Week 2008

For over 20 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 108 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 25,931 electric customers and 24,504 water users, including both residential and commercial accounts.

Electric peak

In 2007, OMU set a new all-time electric peak on August 7, at the hour ending 3 p.m. with 203.4 megawatts. OMU set its 2008 electric usage peak on August 5 at 190.8 megawatts at the hour ending 3 p.m.

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 2008 peak on July 23 when it pumped 16,054,000 gallons.

City of Owensboro

OMU transferred \$7,168,627 in cash and free electric and water service to the City of Owensboro in fiscal year 2007-2008, lowering the tax requirements for the city. This saved each Owensboro resident approximately \$129 in taxes based on an estimated city population of 55,400.

Electric costs*

On average, OMU electric customers paid 6.02 cents per kilowatt hour in fiscal year 2007-2008, which is among the lowest rates in the region and the nation.

OMU, like other utilities and industries across the nation, felt fuel and maintenance cost pressures, prompting the utility to increase its energy cost adjustment (ECA) in April of this year. The ECA allows the utility to adjust for variances in energy costs (fuel, maintenance and back-up power costs) for OMU's Elmer Smith Station.

Water costs**

OMU water customers paid an average of \$1.92 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, 2,571 customers have their monthly bill automatically deducted from their local checking account. Many others choose from two of our monthly budgeting plans: levelized or budget billing. In March 2001, OMU added credit cards to its list of payment options. Customers can use a VISA, Discover or Mastercard debit or credit card to pay their combined services bill.

In addition, OMU launched online bill payment through its website at 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 784,225 tons of fuel in fiscal year 2008 at a cost of \$22,080,387, an average of \$28.16 per ton.

The TDF system consumed a total of 4,463 tons of chipped tires which removed approximately 446,000 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 were \$2,030,379 in fiscal year 2007 and \$2,015,696 in fiscal year 2008.

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.

A message from the General Manager

For over 100 years, Owensboro Municipal Utilities has been serving its community. In fact that's our mission. Whether it be water, electricity or telecommunications, OMU works to bring you quality services at the most economical price.

Each year during the first week in October, we join over 2,000 other publicly owned electric providers in celebrating Public Power Week. It's our opportunity to thank our customers and our community and to remind you of the importance and benefits of being served by a municipal utility.

I want to take this opportunity to thank all of our employees for the dedication, expertise and hard work. They are the backbone and the center of our company. They are the ones who serve you, deliver quality utilities and give freely of themselves to meet all of our challenges and opportunities. I am proud to work along side each of the OMU employees.

Over the past year we have tackled some big projects, battled with rising costs and continued to improve our processes and work even more efficiently. In the upcoming year, we have similar hurdles and decisions to undertake.

This annual report is our opportunity to provide you a glance at OMU over the past year. If you have any questions about this report, please contact us. We feel an obligation to our community to provide you with information about your public utility.

In the upcoming year, I want to remind you that OMU is your community partner. We not only want to deliver water, electricity and telecommunications to you, we want to aid you in using those services wisely and managing your utility bill. If you'd like more information about energy efficiency, please visit our website at www.omu.org, visit our Customer Service Center or call us at 926-3200.

Sincerely,

Stanley K. Conn
General Manager

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