

2010 Annual Report



local local
People Service

Serving Owensboro for over 100 years...

Electric System Balance Sheets

(Figures in Thousands)

	Audited 2010	Audited 2009	Audited 2008	Audited 2007
ASSETS				
Utility Plant, Net	\$188,712	\$198,345	\$208,479	\$214,448
Restricted Assets	66,614	64,892	84,350	86,086
Current Assets	25,012	20,304	25,694	24,564
Noncurrent Assets	6,382	10,102	8,379	2,897
TOTAL ASSETS	\$286,720	\$293,643	\$326,902	\$327,995
LIABILITIES & NET ASSETS				
Total Net Assets	\$112,854	\$110,418	\$115,978	\$117,763
Long-Term Debt	131,640	142,049	151,759	165,282
L-T Payable to KU	-	-	3,182	2,846
Current Liabilities	38,147	37,045	46,926	33,617
Deferred Revenue	4,079	4,131	9,057	8,487
TOTAL LIABILITIES & NET ASSETS	\$286,720	\$293,643	\$326,902	\$327,995

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

(Figures in Thousands)

	Audited 2010	Audited 2009	Audited 2008	Audited 2007
Kilowatt Hours				
OMU	864,276	872,182	919,892	902,185
KU/Other (01)	1,655,320	1,547,422	1,138,906	1,327,167
TOTAL KILOWATT HOURS SOLD	2,519,596	2,419,604	2,058,798	2,229,352
Operating Revenues	\$137,859	\$127,909	\$108,127	\$88,292
Operating Expenses	118,045	114,389	95,444	72,508
OPERATING INCOME	\$ 19,814	\$ 13,520	\$ 12,683	\$ 15,784
Nonoperating Revenues				
(Expenses)	(9,670)	(10,494)	(7,431)	(8,227)
INCOME BEFORE SPECIAL ITEM & TRANSFERS	\$ 10,144	\$ 3,026	\$ 5,252	\$ 7,557
Special Item - Loss on Sale of Business Unit	-	(1,180)	-	-
Dividend to City	(7,708)	(7,406)	(7,037)	(6,431)
CHANGE IN NETASSETS	2,436	\$ (5,560)	\$ (1,785)	\$ 1,126

(01) Includes kWh from SEPA power sales.

Fiscal years 2009-2010, 2008-2009, 2007-2008 and 2006-2007 revenues include unbilled revenue accounting adjustments of (\$202,000), \$365,000, \$301,000, and \$91,000 respectively.

Water System Balance Sheets

(Figures in Thousands)

	Audited 2010	Audited 2009	Audited 2008	Audited 2007
ASSETS				
Utility Plant, Net	\$ 45,288	\$ 45,649	\$ 46,049	\$ 46,228
Restricted Assets	6,854	7,468	1,529	1,876
Current Assets	2,913	2,431	2,653	3,147
Noncurrent Assets	1,008	1,053	322	332
TOTAL ASSETS	\$ 56,063	\$ 56,601	\$ 50,553	\$ 51,583
LIABILITIES & NET ASSETS				
Total Net Assets	\$ 29,091	\$ 29,411	\$ 29,163	\$ 28,639
Long-Term Debt	24,809	25,232	18,131	19,580
Current Liabilities	1,567	1,269	2,282	2,184
Customers' Advances for Construction	596	689	977	1,147
Other	-	-	-	33
TOTAL LIABILITIES & NET ASSETS	\$ 56,063	\$ 56,601	\$ 50,553	\$ 51,583

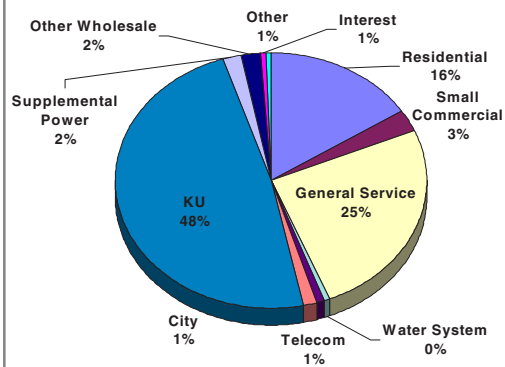
Water System Statements of Revenues, Expenses & Changes in Net Assets

(Figures in Thousands)

	Audited 2010	Audited 2009	Audited 2008	Audited 2007
CUBIC FEET SOLD	530,684	538,898	554,649	542,240
Operating Revenues	\$ 8,373	\$ 7,968	\$ 7,786	\$ 7,451
Operating Expenses	7,409	7,039	6,813	6,038
OPERATING INCOME	\$ 964	\$ 929	\$ 973	\$ 1,413
Nonoperating Revenues				
(Expenses)	(1,391)	(1,074)	(931)	(932)
INCOME BEFORE CONTRIBUTIONS & TRANSFERS	\$ (427)	\$ (145)	\$ 42	\$ 481
Capital Contributions	240	529	613	365
Dividend to City	(133)	(136)	(131)	(120)
CHANGE IN NETASSETS	\$ (320)	\$ 248	\$ 524	\$ 726

Fiscal years 2009-2010, 2008-2009, 2007-2008, and 2006-2007 revenues include unbilled revenue accounting adjustments of (\$17,000), \$36,000, \$31,000, and (\$27,000) respectively.

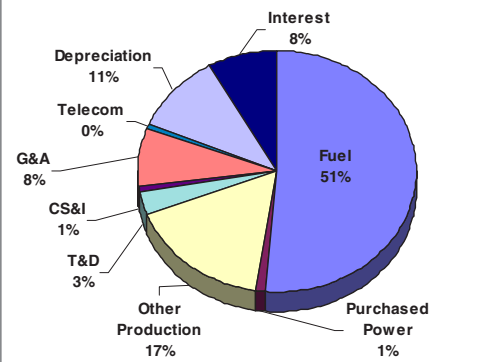
Electric



Where each dollar comes from:

Residential	\$ 21,832,770
Small Commercial	4,056,967
General Service Primary & Secondary	35,028,186
Water System	622,428
Telecommunications (Telecom)	1,135,616
City of Owensboro (City)	1,882,989
Kentucky Utilities Company (KU)	67,302,352
Supplemental Power	2,595,556
Other Wholesale	2,690,797
Interest Income (Interest)	745,625
Gain from Sale of Allowances	14,035
Other	732,897
TOTAL REVENUES	\$138,640,218

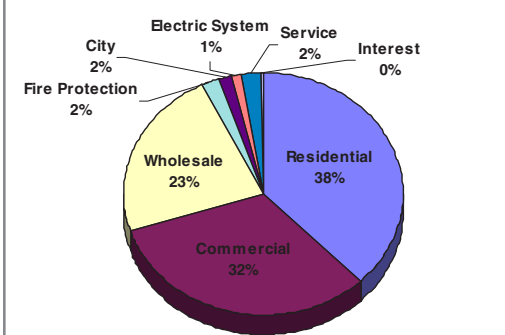
TOTAL REVENUES \$138,640,218



Where each dollar goes:

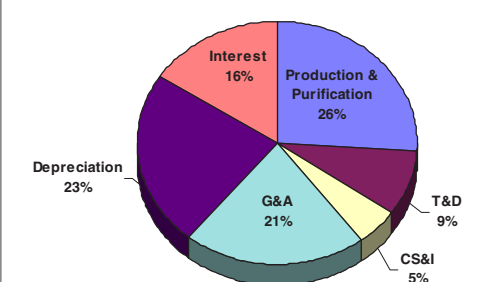
Fuel	\$ 65,982,575
Purchased Power	1,484,307
Other Production	21,517,073
Transmission & Distribution (T&D)	3,927,195
Customer Service & Information (CS&I)	1,140,738
General & Administrative (G&A)	9,897,660
Telecommunications (Telecom)	485,332
Depreciation	13,610,673
Interest	10,451,002
TOTAL EXPENSES	\$128,496,555

Water



Where each dollar comes from:

Residential	\$ 3,161,686
Commercial	2,706,834
Wholesale	1,907,017
Fire Protection	176,480
City of Owensboro (City)	132,834
Electric System	81,435
Service	206,864
Interest	13,508
TOTAL REVENUES	\$ 8,386,658



Where each dollar goes:

Production & Purification	\$ 2,300,195
Transmission & Distribution (T&D)	770,467
Customer Service & Information (CS&I)	418,544
General & Administrative (G&A)	1,868,568
Depreciation	2,051,517
Interest	1,404,691
TOTAL EXPENSES	\$ 8,813,982

Public Power Week 2010

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 110 years. We hope to continue to serve you, our customer and our owner, efficiently and effectively. As your local utility, our mission continues to be “to serve our community by providing quality utility services at the most economical cost.”

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 25,955 electric customers and 24,582 water users, including both residential and commercial accounts. OMU marked an important milestone in the history of its electric utility this year. In an effort to maximize the use of the Elmer Smith Generating Station, OMU began to sell excess power into the market on May 17, 2010.

Electric peak

In 2010, OMU set a new all-time electric peak on August 4, at the hour ending 3 p.m. with 208.0 megawatts. OMU set its 2009 electric usage peak on June 22 at 190.6 megawatts at the hour ending 4 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 2010 peak on July 12 when it pumped 16,808,000 gallons.

City of Owensboro

OMU transferred \$7,840,703 in cash and free electric and water service to the City of Owensboro in fiscal year 2009-2010, lowering the tax requirements for the city. This saved each Owensboro resident approximately \$141 in taxes based on an estimated city population of 55,700.

Electric costs*

On average, OMU electric customers paid 7.5 cents per kilowatt hour in fiscal year 2009-2010, which is among the lowest rates in the region and the nation. OMU sought its first base rate increase in nearly 17 years in 2009. The two-phase adjustment was approved by the Utility and Owensboro City commissions. The first phase became permanent on October 1, 2009 and the second phase was instituted on January 1, 2010.

Water costs**

OMU water customers paid an average of \$2.20 per 1000 gallons, or approximately 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. In addition, a rate increase for water usage was effective March 1, 2010 for retail customers.

Using your utilities wisely

Now more than ever, customers want to save money and lower their personal environmental impact. For information about ways you can lower your water and electric usage, visit www.omu.org and choose the “Using Your Utilities Wisely” tab.

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, 3,223 customers have their monthly bill automatically deducted from their checking account or applied to their credit card. 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.

OMU also offers a telephone payment system. This system allows customers to pay with a credit or debit card or by electronic check by simply calling the Customer Service Center, any time of the day or night and following the touch-tone options. Simply call 926-3200 and listen for the prompts. Customers may also receive approval for a payment extension on a current bill through this system. In addition, OMU offers 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 & Other Fuels

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 1,323,084 tons of fuel in fiscal year 2010 at a cost of \$63,087,087, an average of \$47.68 per ton. The TDF system consumed a total of 2,804 tons of chipped tires which removed approximately 280,400 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 and point-to-point services for commercial and industrial customers. Gross revenues for the telecom division were \$1,678,389 in fiscal year 2009 and \$1,135,616 in fiscal year 2010.

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 start, 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 a number of community events and organizations including, for instance, local blood drives, festivals, and Neighborhood Alliance projects. 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.

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