



2011 Annual Report

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Electric System Balance Sheets (Figures in Thousands)

	Audited 2011	Audited 2010	Audited 2009	Audited 2008
ASSETS				
Utility Plant, Net	\$184,690	\$188,712	\$198,345	\$208,479
Restricted Assets	94,573	66,614	64,892	84,350
Current Assets	34,028	25,012	20,304	25,694
Noncurrent Assets	1,565	6,382	10,102	8,379
TOTAL ASSETS	\$314,856	\$286,720	\$293,643	\$326,902
LIABILITIES & NET ASSETS				
Total Net Assets	\$112,110	\$112,854	\$110,418	\$115,978
Long-Term Debt	163,999	131,640	142,049	151,759
L-T Payable to KU	-	-	-	3,182
Current Liabilities	34,512	38,147	37,045	46,926
Deferred Revenue	4,235	4,079	4,131	9,057
TOTAL LIABILITIES & NET ASSETS	\$314,856	\$286,720	\$293,643	\$326,902

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

	Audited 2011	Audited 2010	Audited 2009	Audited 2008
Kilowatt Hours				
OMU Retail	896,450	864,276	872,182	919,892
Wholesale (01)	1,803,996	1,652,909	1,547,422	1,138,906
TOTAL KILOWATT HOURS SOLD	2,700,446	2,517,185	2,419,604	2,058,798
Operating Revenues	\$138,348	\$137,859	\$127,909	\$108,127
Operating Expenses	121,222	118,045	114,389	95,444
OPERATING INCOME	\$ 17,126	\$ 19,814	\$ 13,520	\$ 12,683
Nonoperating Revenues (Expenses)	(10,058)	(9,670)	(10,494)	(7,431)
INCOME BEFORE SPECIAL ITEM & TRANSFERS	\$ 7,068	\$ 10,144	\$ 3,026	\$ 5,252
Special Item - Loss on Sale of Business Unit	-	-	(1,180)	-
Dividend to City	(7,812)	(7,708)	(7,406)	(7,037)
CHANGE IN NET ASSETS	(744)	2,436	\$ (5,560)	\$ (1,785)

(01) Includes kWh from SEPA power sales.

Fiscal years 2010-2011, 2009-2010, 2008-2009 and 2007-2008 revenues include unbilled revenue accounting adjustments of \$55,000, (\$202,000), \$365,000 and \$301,000, respectively.

Water System Balance Sheets (Figures in Thousands)

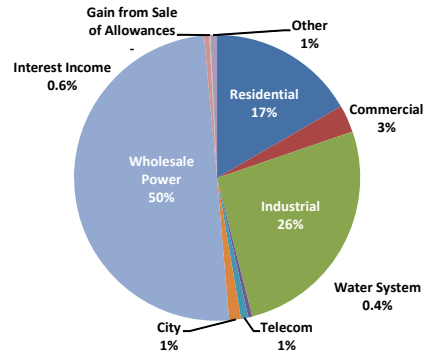
	Audited 2011	Audited 2010	Audited 2009	Audited 2008
ASSETS				
Utility Plant, Net	\$ 44,689	\$ 45,288	\$ 45,649	\$ 46,049
Restricted Assets	6,343	6,854	7,468	1,529
Current Assets	3,596	2,913	2,431	2,653
Noncurrent Assets	971	1,008	1,053	322
TOTAL ASSETS	\$ 55,599	\$ 56,063	\$ 56,601	\$ 50,553
LIABILITIES & NET ASSETS				
Total Net Assets	\$ 29,071	\$ 29,091	\$ 29,411	\$ 29,163
Long-Term Debt	24,367	24,809	25,232	18,131
Current Liabilities	1,455	1,567	1,269	2,282
Other Noncurrent Liabilities	706	596	689	977
TOTAL LIABILITIES & NET ASSETS	\$ 55,599	\$ 56,063	\$ 56,601	\$ 50,553

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

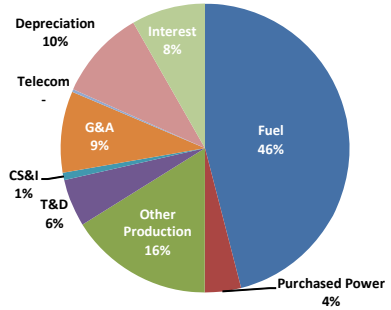
	Audited 2011	Audited 2010	Audited 2009	Audited 2008
CUBIC FEET SOLD	568,045	530,684	538,898	554,649
Operating Revenues	\$ 8,944	\$ 8,373	\$ 7,968	\$ 7,786
Operating Expenses	7,668	7,409	7,039	6,813
OPERATING INCOME	\$ 1,276	\$ 964	\$ 929	\$ 973
Nonoperating Revenues (Expenses)	(1,373)	(1,391)	(1,074)	(931)
INCOME BEFORE CONTRIBUTIONS & TRANSFERS	\$ (97)	\$ (427)	\$ (145)	\$ 42
Capital Contributions	222	240	529	613
Dividend to City	(144)	(133)	(136)	(131)
CHANGE IN NET ASSETS	\$ (19)	\$ (320)	\$ 248	\$ 524

Fiscal years 2010-2011, 2009-2010, 2008-2009, and 2007-2008 revenues include unbilled revenue accounting adjustments of \$1,000, (\$17,000), \$18,000 and \$31,000 respectively.

Electric

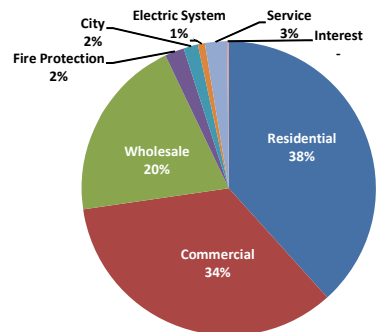


Where each dollar comes from:	
Residential	\$23,179,161
Commercial	4,296,664
Industrial	36,620,443
Water System	647,350
Telecommunications (Telecom)	1,130,053
City of Owensboro (City)	1,841,378
Wholesale Power	69,479,994
Interest Income	826,790
Gain from Sale of Allowances	142,213
Other	1,057,854
TOTAL REVENUES	\$139,221,900

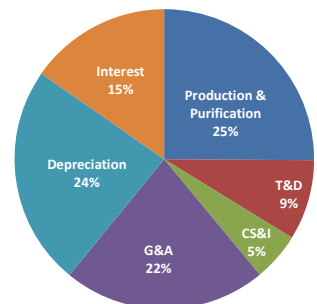


Where each dollar goes:	
Fuel	\$60,777,277
Purchased Power	5,389,804
Other Production	21,204,978
Transmission & Distribution (T&D)	7,002,767
Customer Service & Information (CS&I)	1,143,205
General & Administrative (G&A)	12,015,144
Telecommunications (Telecom)	380,905
Depreciation	13,307,527
Interest	10,932,580
TOTAL EXPENSES	\$132,154,187

Water



Where each dollar comes from:	
Residential	\$ 3,431,913
Commercial	3,080,709
Wholesale	1,812,503
Fire Protection	188,452
City of Owensboro (City)	143,927
Electric System	69,491
Service	216,534
Interest Income	15,856
Other	-
TOTAL REVENUES	\$8,959,385



Where each dollar goes:	
Production & Purification	\$2,274,866
Transmission & Distribution (T&D)	785,219
Customer Service & Information (CS&I)	472,879
General & Administrative (G&A)	1,983,764
Depreciation	2,151,114
Interest	1,389,006
TOTAL EXPENSES	\$9,056,848

Public Power Week 2011

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 local community control and ownership of their utility services. In this annual report, you will get a glimpse of Owensboro Municipal Utilities' performance from June 1, 2010 through May 31, 2011. We have proudly served our community for the past 111 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 owners of a company with \$148.2 million in combined revenues last year. Nearly 111 years ago, Owensboro Municipal Utilities served only a few hundred customers. As Owensboro has grown, OMU has expanded and now provides service to 26,005 electric customers and 24,650 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 wholesale market on May 17, 2010. May 2011 marked the one year anniversary of this event which produced \$69.5 million in revenues during the past fiscal year. Considering that wholesale market prices were down due to the recession, we are pleased with our first fiscal year in the market.

Customer Service

OMU employees take pride in their jobs and are dedicated to serving their customers in a conscientious and professional manner. To learn more about how we can better serve our customers, a formal customer survey will be conducted. Our customers matter – that is what public power is all about.

Human Resources

Over the past few years, OMU has strategically positioned itself to face the many challenges ahead by building a skilled and capable workforce. Our employees, over 250 men and women, are the hearts, hands and minds that have built and maintain an efficient and quality utility system.

Electric usage

OMU set its 2011 electric usage peak on July 12 at 202.75 megawatts at the hour ending 3 p.m. In 2010, OMU set an all-time electric peak with 208 megawatts.

OMU has plenty of capacity to serve this peak with over 400 megawatts of net generation capability. OMU's annual production from the Elmer Smith Station was 2.7 million megawatt hours with 65 percent of that being sold on the wholesale market.

Water usage

OMU set its 2011 peak on August 4 when it pumped 16,767,000 gallons. OMU set an 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 maintains ample water treatment capacity of approximately 30 million gallons per day. OMU sold 4,260 million gallons during the last fiscal year with 32 percent of its output going to neighboring water districts.

City of Owensboro

OMU transferred \$7,955,804 in cash and free electric and water service to the City of Owensboro in fiscal year 2010-2011, lowering the tax requirements for the city. This saved each Owensboro resident approximately \$139 in taxes based on an estimated city population of 57,300.

Electric costs*

On average, OMU electric customers paid 7.6 cents per kilowatt hour in fiscal year 2010-2011, which is still among the lowest rates in the region and the nation.

Water costs**

OMU water customers paid an average of \$2.30 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.

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, 3,340 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. Customers can also use a VISA, Discover or Mastercard debit or credit card to pay their combined services bill.

OMU also offers a telephone payment option. This system allows customers to pay with a credit or debit card or by electronic check by calling the Customer Service Center, any time of the day or night and following the touch-tone options. Customers can simply dial 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 credit card to pay through the Internet.

Telecommunications

OMU added a third utility to its list of services in 1996. OMU's telecommunication division provides dark fiber, point-to-point and internet services for commercial and industrial customers. Gross revenues for the telecom division were \$1,130,053 in fiscal year 2011.

Safety program

At OMU, safety comes first for the community and our employees. In the past year, our employees celebrated several safety milestones. For instance, the Elmer Smith Station's full-time employees have not reported a lost time injury since January 2009 and have achieved in excess of 470,000 hours of safe operation, earning them the Kentucky Governor's Health and Safety Award. The facility previously earned this honor in 1997 and 2002.

Community

Since its start, OMU has maintained a strong commitment to its community. Owensboro Municipal Utilities' employees have remained one of the largest donors to the local United Way annually. Employees also participate in a number of community events and organizations including 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.*