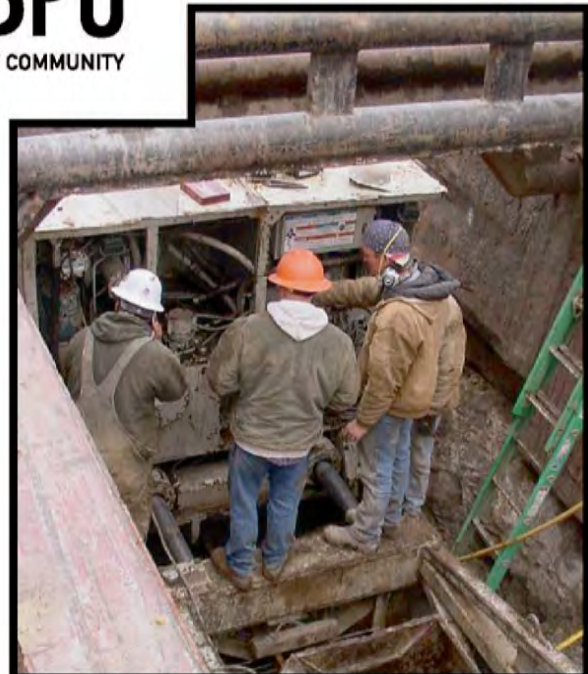


Comprehensive Annual Financial Report

For Year Ended: December 31, 2012



An Enterprise Fund of the:
Unified Government of Wyandotte County, Kansas City, Kansas
Prepared by: Office of Accounting & Office of Corporate Communications

About the Cover

Top Left: Water Operations\Cerneck Pump Station 48 inch Transmission Main\East

Top Right: Electric Operations\Photo by Jeremy Ash

Bottom Left: BPU Meter Reading\Photo by David Mehlhaff

Bottom Right: Water Operations\Cerneck Pump Station 48 inch Transmission Main\East

**Kansas City Board of Public Utilities
Kansas City, Kansas**

**Comprehensive Annual
Financial Report
For Year Ended
December 31, 2012**

2012 Board of Directors

**President – David Alvey
Vice President – Mary L. Gonzales
Secretary – Jeff Bryant**

**Rober L. Milan, Sr.
Loretta M. Colombel
Terry Eidson**

**General Manager
Don L. Gray**



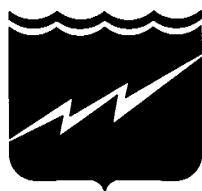
**Kansas City Board of Public Utilities
Comprehensive Annual Financial Report
For the Fiscal Year Ended December 31, 2012**

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INTRODUCTORY SECTION





May 21, 2013

Members of the Board of Directors
Kansas City Board of Public Utilities

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of the Kansas City Board of Public Utilities for the fiscal year ended December 31, 2012. The BPU's financial statements have been audited by KPMG, LLP. The goal of the independent audit was to provide reasonable assurance that the financial statements of the BPU are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amount and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. KPMG concluded, based upon the audit, the financial statements present fairly, in all material respects, the financial position of the BPU as of December 31, 2012 and 2011, and the results of BPU's operations and cash flows for the years then ended in conformity with U. S. generally accepted accounting principles (GAAP). The independent auditor's report is presented as the first component of the financial section of this report.

The report consists of management's representation concerning the finances of the Board of Public Utilities. As a result, responsibility for this report for the fiscal year ended with respect to both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the BPU. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the BPU. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects. To enhance the reader's understanding of these financial statements, note disclosures have been included as an integral part of this document.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The BPU's MD&A can be found immediately following the report of the independent auditors.

Profile

The Utility System is comprised of the electric and water utilities and is, by statute and charter ordinance, under the operational control and administration of the Board of Directors for the BPU. The Unified Government of Wyandotte County/KCK, as authorized by state statutes, reserves the right to incur debt on behalf of the BPU. However, the statutes vest the BPU with exclusive day-to-day control of the utility system. The Utility presently serves approximately 63,000 electric customers and 50,000 water customers.

The Electric Utility has two electric power generating stations and five power purchase agreements to provide the capacity and energy needed by its retail customers. The generating stations are the Nearman Creek Power Station ("Nearman Station") and the Quindaro Power Station ("Quindaro Station").

The Nearman Station has two units. The first is a coal-fired steam electric generating station. Commercial operation of the Nearman coal-fired unit began in 1981. The second unit is a simple cycle combustion turbine which can be fired on either natural-gas or No. 2 fuel oil. The combustion turbine plant, known as the Nearman CT4, functions as a peaking plant and was placed in service during February of 2006.

The Quindaro Station has five units. The coal-fired steam generating facility consists of two units, each having a single coal-fired steam generating boiler and a turbine generation unit. Commercial operation of such units began in 1966 and 1971. In addition, the Quindaro Station also has three combustion turbines, which function as peaking units. The units were placed in commercial operation in 1969, 1974 and 1977, respectively and are designed to burn No. 2 fuel oil. One of the units is also designed to burn natural gas.

In December, 2012, the utility acquired an undivided 17% ownership interest in the assets of the Dogwood Energy Facility (Dogwood), a natural gas-fired combine cycle generating plant. Dogwood has a rated capacity of 630 MW and the utility's share is approximately 110 MW. Generation and operating expenses from Dogwood are allocated to the utility based on the 17% interest. The utility is also required to provide its share of financing any capital additions.

The Utility generating stations are interconnected by a network of 161 kV and 69 kV transmission lines. The Utility's transmission and distribution network includes 61.20 miles of 161 kV line, 60.03 miles of 69 kV line, and 2,681.79 miles of overhead line and 336.95 miles of underground cable. The system has 28 electric distribution substations and four industrial substations. The Utility is interconnected with two other area utilities, Kansas City Power & Light and Westar Energy.

The Utility System is a member of the Southwest Power Pool. Membership in the Southwest Power Pool facilitates emergency transfers and use of the Pool's transmission tariff for transfers of power throughout the south central portion of the United States.

The Utility has contracts with the Southwestern Power Administration (SPA) entitling the Utility to annually purchase 38.6 MW of hydroelectric peaking capacity, and 5 MW of hydroelectric power from the Western Area Power Administration (WAPA). The Utility also has entered into three Renewable Energy Purchase Agreements. BPU's agreement with TradeWind Energy is to receive 25% of the energy output of Phase 1 of the Smoky Hills Wind Farm. The wind farm was built approximately 25 miles west of Salina, Kansas in Lincoln and Ellsworth Counties in Kansas. In 2009, BPU entered into an agreement with Oak Grove Power Producers to provide 1.5 MW of gas from a landfill in Arcadia, Kansas. In November 2010, the BPU entered into a contract with the Bowersock Mills & Power Company ("Bowersock") to purchase the capacity and energy of an existing 2.15 MW run of the river hydroelectric facility on the Kansas River in Lawrence, Kansas and 4.70 MW of capacity from an expansion of Bowersock's existing hydroelectric facilities. Lastly, BPU has an agreement with Tenaska Power Services Company to both purchase and market excess wholesale energy for BPU.

The Water Utility serves approximately 50,000 water customers in the service area of approximately 152 square miles. This service area includes Kansas City, Kansas, Edwardsville, southern Leavenworth County, parts of Bonner Springs and a small section of northern Johnson County. BPU's current average day and maximum day are approximately 30 million gallons per day (MGD) and 49 MGD, respectively. The water utility utilizes the state-of-the-art Nearman Water Treatment Plant to draw water from an aquifer below the Missouri River via two horizontal collector wells. These wells are each capable of supplying over 40 million gallons of

raw water per day. The Nearman Water Treatment Plant is a conventional water treatment facility with a firm capacity of 54 MGD. Through the process of riverbed filtration, the Nearman Water Treatment Plant horizontal collector wells supply water from the aquifer, which is hydraulically connected to the Missouri River. A 24 MGD sand-ballasted sedimentation basin was completed in 2007. A new Polymer feed system was completed in 2010 and helped to optimize the process. Additional projects that were recently completed include a 2 MG elevated tank; 6 MG reservoir pump station and 48 inch transmission main; control system improvements to the Argentine and Parallel pump station as well as the Nearman WTP; cleaning of the lateral screens in Horizontal Collector Well No. 1; current construction of a 4 MG reservoir at the NWTP to be completed in 2013.

The Water distribution system consists of a network of underground mains, reservoirs, and a series of booster district systems. The water transmission network consists of 73.5 miles of primary and trunk lines ranging in size from 24 to 48 inches. From these mains, water is delivered through a system of 900 miles of secondary water mains. The Utility has approximately 20 million gallons of water stored in reservoirs and elevated tanks at various locations in the distribution system. There are three booster-pumping stations, which increase water pressure to higher elevations.

Mission Statement

BPU's mission statement is to focus on the needs of our customers, to improve the quality of life in our community while promoting safe, reliable and sustainable utilities.

Economic Conditions and Outlook

The Unified Government is the government for both Wyandotte County and the City of Kansas City, KS. Wyandotte County accounts for a large number of manufacturing, transportation and distribution, including rail, and health care jobs in the metropolitan area. Many of these jobs are high paying and contribute to the positive statistics regarding gross payroll and gross sales. Development remains an important priority for the Unified Government.

The County of Wyandotte County covers 155.7 square miles. It is located on the eastern border of the State and along with three other Kansas counties and eight Missouri counties, comprise the Kansas City Metropolitan Statistical Area with a population of approximately 2.0 million.

According to the 2011 U. S. Census Bureau, Wyandotte County's population was 158,224. Compared to population trends in the prior decades, the current estimates indicate a more stable population. The median age is 33 versus a national average of 34 years. Approximately, 34.5 percent of the population is greater than 45 years old.

In recent years, efforts have been directed toward the development of a 1,600-acre tract of land located directly northwest of the intersection of Interstate Highways I-70 and I-435. The Unified Government successfully lobbied for special state legislation establishing the boundaries of the Tourism District, now named Village West. State authorized Sales Tax Revenue Bonds (STAR Bonds) were used to fund eligible costs within the district for land acquisition, site improvements, streets, utilities, and landscaping. The Unified Government attracted the Kansas Speedway as the economic catalyst for development of this tract using the STAR Bond financing incentive. The speedway project, totaling more than \$280 million, is a 1.5-mile tri-oval on approximately 1,100 acres of land, with 72 luxury hospitality suites and grandstand seating for 82,000. Joining Kansas Speedway at Village West are major destination retailers and entertainment businesses that

attracted approximately 10 million visitors and shoppers in 2011. The initial anchor businesses and attractions include: Cabela's, Nebraska Furniture Mart, Great Wolf Lodge and Resort Hollywood Casino and Community America Ballpark, home of the Northern League's Kansas City T-Bones, an independent, minor league baseball team.

On March 30, 2011, Kansas City, Kansas was selected from 1,100 other applicants to be the pilot community that will bring ultra high-speed broadband Internet access to the region. BPU staff played a critical role securing this partnership between Google and the Unified Government (UG), helping create a new data superhighway that will help our community grow. Google Fiber will deliver 1 gigabit internet speeds – that's roughly 20,000 times faster than dial-up and more than 100 times faster than a typical broadband connection. Google has begun installing fiber optic cable for its services and is pre-registering homes within the designated "Fiberhoods".

Adjacent to Kansas University Medical Center is a \$39 million mixed-use economic development project. The first phase of this development included approximately 10,000 square feet of first-floor retail space and on the second through fourth floors, an 83-room Holiday Inn Express & Suites which opened in September, 2012. The second phase is currently under construction and will have a healthcare tenant focus. Kansas University Hospital will build a rehabilitation center that will be 100,000 square feet within a 4-story building.

Major Initiatives

The Board of Public Utilities is currently investing in significant capital improvements to update and improve service to our customers. Projects underway include a new 4 million gallon storage reservoir, as well as electric substation and transmission improvements in the Wolcott and Fairfax areas. Also, completing the installation of the smart meters and the Advanced Metering Infrastructure (AMI) system for both electric and water is expected to help reduce operating expenses, improve customer service, and increase energy conservation.

The 161 kV transmission line from the Wolcott substation to the Piper West substation will support new development. These new assets will help ensure reliable service to the Kansas Speedway /Village West Area and existing residential housing surrounding the western portion of the county. Several major developments have recently opened near the area which include; a \$147 million, 18,000 seat capacity soccer stadium for the Kansas City MLS franchise, Sporting Kansas City Soccer Club, Hollywood Casino overlooking Turn 2 at the Kansas Speedway located near soccer stadium. In addition, construction is continuing on an office complex near I-435 and State Avenue that will house an estimated 4,000 employees who will work for the Cerner Corporation, a medical software company.

The electric utility is also working to upgrade the Fiberglass Substation to increase distribution capacity and improve service to the Fairfax industrial customers. In 2011, General Motors (GM) announced plans to build a \$120 million, 400,000 square foot paint shop and related site improvements. GM remains the production facility for the Chevrolet Malibu and the Buick LaCrosse.

The new 4 million gallon water reservoir is underway which will provide additional levels of storage redundancy to meet industry design standards for water treatment plants, community water supply needs, and improve operating efficiency. It will provide additional water storage for summer maximum day and peak hour demands. It also provides a source of supply for BPU's Nearman Power Plant cooling tower and for a black start in the event of a major black out event.

In October, 2010, The Board of Public Utilities' Board approved a proposal to modify electric rates by approximately 7% annually through 2013, and the water rates by approximately 8% in 2010 and 2011 and 7.5% in 2012 and 2013. The increase would result in an overall increase in combined electric and water revenues over 2009 base rates by approximately 7.2% in 2010 and 2011 and 7.1% in 2012 and 2013. The final year of the increases are being put into place in 2013. The rate increases are supporting a 4-year plan to build and revitalize major infrastructure in the service territory. The BPU will be updating the cost of service in 2013 to prepare for a 5-year future look for the needs of the utility.

Internal Control

In evaluating the BPU's accounting system, consideration is given to the adequacy and performance of internal controls. Internal controls were designed for BPU's accounting system to reasonably safeguard its assets against loss from unauthorized use, check the accuracy of accounting data, promote operational efficiency and encourage adherence to approved managerial policies.

Budgetary Control

BPU's budget process provides for input from department managers, executive management, Board of Directors and the public to determine what projects and services will be provided for during the upcoming year. Budgetary control is maintained at the departmental level by comparing budgeted expenses with actual expenses on a periodic and year-to-date basis.

Long Term Financial Planning

BPU's goals for the future include meeting the needs of the community as development continues within the county. BPU utilizes a five-year capital improvement program to prioritize projects, which will be scheduled over a number of years as financial resources are available. The electric capital improvement plan identifies approximately \$515 million in generation, transmission, and distribution projects; of which \$250 million is for environmental upgrades to a coal fired plant. Approximately 100% of the environmental upgrade and 60% of the remaining capital plan is expected to be bond financed. The water capital improvement plan identifies approximately \$76.4 million in projects, of which 60% are projected to be financed.

In 2012, the Board of Public Utilities issued \$110.8 million of Utility System Refunding Revenue Bonds. The issue refunded all of the 1998 System Revenue Bonds and a portion of the 2004B System Revenue Bonds. The aggregate savings had a net present value and economic gain of \$8.7 million. Additionally, the BPU issued \$79.5 million of Utility System Improvement Revenue Bonds. The bond proceeds were used to purchase the 17% undivided interest in the Dogwood Generating Facility and \$20 million for electric distribution upgrades.

GFOA Certificate of Achievement Award

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Kansas City Board of Public Utilities for its comprehensive annual financial report for the year ended December 31, 2011. This was the thirty-first consecutive year that the BPU received this prestigious award.

In order to be awarded a Certificate of Achievement, BPU must publish an easily readable and efficiently organized comprehensive annual financial report. This report satisfied both generally

accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe this 2012 comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for a certificate for the thirty-second consecutive year.

Acknowledgements

In closing, I would like to thank the Accounting staff for their efforts in preparing and providing the financial information. Special thanks to David Mehlhaff, Chief Communications Officer, in coordinating the comments for the President's and General Manager's messages.

Respectfully submitted,

A handwritten signature in cursive script that reads "Lori C. Austin".

Lori C. Austin
Manager of Accounting & Finance/
Chief Financial Officer
May 21, 2013

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Kansas City Board of Public Utilities, Kansas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Christopher P. Mouill

President

Jeffrey R. Emer

Executive Director

PRESIDENT'S MESSAGE

For more than 100 years, the BPU has provided quality utility service to the community and residents of Wyandotte County. While times have changed, BPU's primary mission remains the same as it has always been, offering quality dependable services at the lowest possible price, and being a socially responsible partner within the community.

BPU achieved a number of important initiatives and milestones in 2012 that continued its customer-service focus and ensured that it remains one of the top ranked municipal utilities in the nation. These included, among other things:

- Initiating customer service research efforts to better understand what customers want and need, and how BPU can best provide these services in a timely, efficient, and cost-effective manner.
- Building on overall communications efforts with customers and associates, including a newly designed and more user friendly website, as well as the introduction of social media platforms to provide additional communications and transparency to utility services and processes.
- Developing more convenient opportunities for customers to pay and access their utility bills.
- Monitoring, analyzing, and complying with all short and long-term federal environmental regulations as required.
- Evaluating the Cross State Air Pollution Rule and its major impacts to the organization and community.
- Securing the issuance of revenue bonds to support needed capital improvement projects for the existing power plants and for the procurement of an interest in the Dogwood generation facility.
- Moving forward on several electric and water infrastructure improvement projects, while ensuring timetable and cost control measurements.
- Evaluating and planning for additional base-load generation capabilities and/or purchase power agreements.
- Continuing implementation of Automated Meter Reading Intelligence to centralize control and monitoring of "smart" utility meters.
- Meeting and exceeding all EPA and KDHE Safe Drinking Water Regulations and continue Partnership for Safe Drinking Water programs. Communicate changes on regulatory development and their impacts to the electric and water utilities by keeping our customers, employees, the Unified Government, Legislators and other key stakeholders informed.

In 2012, BPU and its employees continued their on-going efforts to improve internal efficiencies and reduce costs for ratepayers, assist and support community partners and governmental units, meet and prepare for future customer growth, and expand communications and outreach initiatives with BPU customers. Moreover, BPU remained focused on sound financial practices to improve cash flow and day's cash-on-hand, as well as ensuring appropriate debt coverage.

BPU continually strives to remain one of the top-ranked public utilities in the country. Its management, associates, and elected Board remains committed to improving the quality of life in the communities we serve – in 2012 and beyond.

Sincerely,

A handwritten signature in black ink, appearing to read 'D. Alvey', with a stylized flourish at the end.

David Alvey
Board President
May 21, 2013

Board of Directors – 2012

The Board of Directors is composed of six members, three of whom are elected at large and three of whom are elected by district. Every two years three members are elected for four-year terms. The Board chooses a president, vice president, and secretary from its own membership. The Board meets twice a month, on the first and third Wednesdays. Members receive a monthly salary of \$950. The treasurer of the Unified Government of Wyandotte County/Kansas City, Kansas is the ex-officio treasurer of the Board. The Board is charged with the duty to hire a General Manager, who serves as BPU's chief executive officer, and who administers the day-to-day operations of the utility.



David Alvey
President
Member at Large
Elected 2009-2013

David is the fifth generation of his family to live in Wyandotte County. He is the

Assistant Principal for Faculty Formation and Professional Development at Rockhurst High School. Mr. Alvey is the current Board of Public Utilities (BPU) president and has previously served as the BPU vice president and secretary.

He is a member of the American Public Power Association (APPA) and currently serves on the APPA Policy Makers Council.

Mr. Alvey also served on the Planning and Zoning Commission of the Unified Government. He served as the dean of students and also taught U.S. history at Rockhurst High School and served as Program Director of the Student Support Program in Marin County, California. Mr. Alvey is the former National Chair of Dean's of Students of the Jesuit Secondary Education Association.

He graduated from Savior of the World High School and attended Rockhurst College before graduating Summa Cum Laude in Philosophy and Letters from St. Louis University.



Mary L. Gonzales
Vice President
Member at Large
Elected 2001-2005
Re-elected 2005-2009
Re-elected 2009-2013

Ms. Gonzales retired from teaching school in 2006 after a 33-year career. For many of those years she was an eighth-grade language arts teacher at Piper Middle School.

Ms. Gonzales is the current Board of Public Utilities (BPU) vice president. She served as president from 2005 to 2007. She also served previously as vice president and secretary of the BPU Board.

Besides her BPU Board and other community activities, she serves on the Board of Directors of El Centro and City Vision Ministries. She also is a member of the American Public Power Association and the American Water Works Association. A graduate of Leadership 2000, she was also District 5 Coordinator in the successful effort to consolidate the Wyandotte County/city governments, and served on the advisory board of the Wyandotte County Library. In addition, she is past President of Delta Kappa Gamma International Educational Society.

Ms. Gonzales has a Bachelor of Arts degree in Education from the University of Montevallo in Montevallo, Alabama, and a Master's degree in Curriculum and Instruction from Emporia State University.



Jeff Bryant
Secretary
Member, Third
District
Elected 2011-2015

Mr. Bryant is the Estimator and Job Cost Analyst for Plastic Packaging Technologies in Kansas City, Kansas. He has been with the company for nearly 30 years serving in a variety of roles.

He is a member of the Armourdale Renewal Association and the Kansas City Chapter of the NAACP. Mr. Bryant is a graduate of Turner High School and attended Donnelly College.

Board of Directors – 2012 – (continued)



Robert L. Milan, Sr.
Member, First District
Elected 1991-1995
Re-elected 1995-1999
Re-elected 1999-2003
Re-elected 2003-2007
Re-elected 2007-2011
Re-elected 2011-2015

Mr. Milan has served on the BPU Board for 20 years, having been first elected in 1991. He has served as President of the Board three times. In 2007, BPU recognized Mr. Milan's dedication to the utility by naming a new Water Division facility in his honor, the Robert L. Milan, Sr. Pump Station and Reservoir.

Mr. Milan worked at the U.S. Department of Labor for 32 years, retiring as a Federal Representative. He is active in the Northeast Optimist Club and NAACP. In 2001 he served as State President of AARP. In 2010, the Directors of the Heritage Registry of Who's Who announced the inclusion of Mr. Milan. He has received many awards including being selected by the Kansas City Globe as one of the 100 most influential people in 1998.

A native of Kansas City, Kansas, he owned Milan's Roller Arena and Bowling establishment for many years. Mr. Milan is a Sumner High School graduate and attended Kansas City Kansas Community College, the University of Kansas extension, Donnelly College, the University of Colorado, Temple University and Pioneer College.



Terry Eidson
Member, at Large
Elected 2007-2011
Re-Elected 2011-2015

Mr. Eidson is a life-long resident of Wyandotte County and local business leader.

He and his wife Aileen have owned and operated Eidson's Florist and Travel for 43 years.

Mr. Eidson attended Washington High School, Kansas City Kansas Community College and the University of Kansas. He served four years in the Kansas Air National Guard, and worked as an elementary school teacher before taking over the family business in 1970. In 2009, he

was appointed as a member of the American Public Power Association's (APPA) Policy Maker's council. He has served in leadership roles in various industry organizations, and has been on the board of directors of the Wyandotte County Fair, the KCK Chamber of Commerce, the KCK YMCA and Children and Family Services. He has also served on the board of directors of two local banks, Wyandotte County Bank and First Community Bank.



Loretta M. Colombel
Member, Second District
Appointed 1998-1999
Elected 1999-2001
Re-elected 2001-2005
Re-elected 2005-2009
Re-elected 2009-2013

Ms. Colombel served as President of the Board in 2009-2010. In 2002, she was appointed to the Policy Makers' Council of the American Public Power Association's (APPA) and served as the organization's chair in 2007-2008.

In 2001 Ms. Colombel graduated from the FBI's Citizen's Academy. She is past President and co-founder of Wyandotte Countians Against Crime (WCAC), a former neighborhood organizer for the Regional Prevention Center, and was a member of Kansas City Kansas Chamber of Commerce Board of Directors. She owned a small business in downtown Kansas City, Kansas for several years, and also worked for Liveable Neighborhoods Task Force as a neighborhood organizer.

She attended Bishop Ward High School before moving to New Orleans, where she graduated from East Jefferson High School and attended Tulane University.

GENERAL MANAGER'S MESSAGE

The Kansas City Board of Public Utilities (BPU) has been providing quality water and electric utility services to the community and residents of Wyandotte County for more than a century. Today, this nonprofit utility services nearly 63,000 commercial, industrial, and residential customers over a 130 sq. mile area. BPU's primary mission remains the same as it has always been: offering quality dependable services at the lowest possible price.

I'm proud that BPU continues to be recognized as one of the top public utilities in the nation. A recipient of the industry's "Gold" Award for its water system, BPU has also received the Directors Award of Recognition from The Partnership for Safe Water; a national initiative developed by the Environmental Protection Agency (EPA); and was voted as having the Best Tasting Water in the State of Kansas in recent years.

BPU implemented a number of strategic initiatives in 2012, while accomplishing key financial, capital, strategic, and communications goals and objectives. Notable among these was an effort to improve overall customer service, including research to identify areas for improvement, and implementation of initiatives based on this input to improve processes and communications efforts.

These included, among other things:

- We completed a customer satisfaction benchmark study, which included phone surveys and focus groups, to identify improvements to customer service processes, improve stakeholder communications, and to evaluate the awareness of various utility programs. The feedback provided the impetus for expanded communications efforts in 2012 and a review of existing BPU customer service processes.
- BPU launched a redesigned and more user friendly website at www.bpu.com, providing resources and real-time information about the utility to customers. This included online bill viewing and bill pay capabilities, energy efficiency tips, and a learning page for children.
- A new "live" online electrical outage reporting map was also launched in 2012, allowing customers to see if an outage had been reported in their area (down to the street level), a summary of affected/restored customers, and the total number of outages at any given time.
- BPU continued to expand and update its social media efforts, including use of Facebook and Twitter to facilitate communications with customers and other stakeholders.
- Based on feedback received from BPU customers, the utility eliminated the \$3.00 convenience fee previously charged to customers when paying utility bills online or by telephone.

- BPU launched 2 DEGREES 2 SAVE, providing homes and small businesses with a FREE programmable thermostat program that will not only lower heating/cooling costs, but reduce energy usage and protect the environment. Thousands of the new Honeywell thermostats are being installed in homes and businesses over a 24-month period.
- BPU sponsored several energy efficiency workshops, with presentations, displays, and working exhibits throughout the community to educate our customers on the benefits of energy efficiency.
- To meet future energy needs, BPU purchased a 17 percent ownership stake in the Dogwood Energy Facility for approximately \$75 million. A 650 MW combined cycle/natural gas plant located in Cass County, MO, Dogwood will provide BPU with 110 MW of generating capacity and reduce the cost of future environmental upgrades.
- We continue to work with community leaders, the Unified Government (UG), businesses and not-for-profits to promote economic growth and progress throughout Wyandotte County.
- To stimulate new residential home construction in targeted areas, and in coordination with the Unified Government and Wyandotte Development Inc., BPU waived fees for temporary electric service and water system development and tap fees.
- Our management team facilitated the financing and implementation of capital electric and water projects to meet the current and future utility needs of Wyandotte County, while ensuring timetable and cost control measurements. 2012 projects included:
 - The upgrading and construction of a new Fiberglass substation to improve electric service to Fairfax commercial and industrial area customers.
 - We are continuing with the implementation of Automated Meter Reading Intelligence to centralize control and monitoring of “smart” utility meters, allowing for reduced operating expenses, improved customer service capabilities, and increased energy conservation.
 - We continued with the construction of the Wolcott substation and Piper/Wolcott 161 KV transmission line to supply

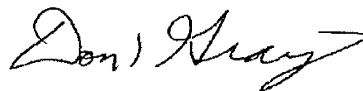
redundant energy to Piper Substation and support growth in the western portion of service area

- Our water department is continuing with the water meter replacement program and beginning construction of a four million gallon storage reservoir at Nearman Water Treatment Plant;
- BPU is making environmental upgrades to our existing power generating facilities, including the installation of Low Nox burners.
- We are overhauling the Quindaro Power Plant Turbine/Generator.
- We're improving operation of our water system by working with the UG on street improvement projects and performing key planned maintenance activities.
- We maintained sound financial practices that produced positive net income, mprovement in cash flow and day's cash on hand and appropriate debt coverage.

BPU is continually recognized nationally as one of the safest and most reliable utilities in the country – receiving the industry's Reliable Public Power Provider (RP3) award. The utility continued working to control spending and focus on internal efficiencies, building up its financial reserves to meet and exceed industry standards in 2012.

BPU and its employees continue looking to the future, working to improve internal efficiencies and reduce costs, assist and support community partners and governmental units, meet and prepare for future customer growth, maintain customer service excellence, and expand communications and customer outreach initiatives.

Sincerely,



Don L. Gray
General Manager

May 21, 2013

Senior Management – 2012

Don L. Gray General Manager

Don Gray has worked at BPU for over 42 years. Before being appointed General Manager of the utility in 2006, he was Manager of Water Operations.

In the late 1990s he led the research, design and construction of the Nearman Water Treatment Plant with its state-of-the-art horizontal collector well, the largest alluvial well of its kind in the U.S. The plant opened in 2000. He has also served on various task forces and committees at the utility, including the Leadership Team for the BPU Strategic Plan.

In 2005, Mr. Gray was awarded the prestigious George Warren Fuller Award from the American Water Works Association (AWWA). The award recognizes Mr. Gray's long career and management of the BPU Water Utility and his leadership role in AWWA. Recently Mr. Gray was the recipient of The Richard Porter Service Award from the Kansas Section of the American Water Works Association.

This prestigious industry award recognized him for his leadership and commitment to the public water profession and the community it serves.

He also serves on the board of the Kansas City Kansas Chamber of Commerce and is Co-Chair of the Chamber's Economic Infrastructure Committee. He is also a member of the American Public Power Association and Kansas Municipal Utilities.

Nineteen years ago Mr. Gray turned his favorite recreational activity into a way to aid local children when he helped establish the BPU Charity Golf Tournament. Since then the tournament has raised over \$400,000 for various children's charities in Wyandotte County.

Mr. Gray has bachelor's degrees in chemistry and microbiology. In 2003 he earned his M.B.A. from the University of St. Mary. Gray lives in Kansas City, Kansas.

**Robert D. Adam, Manager
Electric Supply**

**Lori C. Austin, Manager
Accounting and Finance/CFO**

**James A. Epp, Manager
Water Operations and Acting Chief
Administrative Officer**

**Johnetta M. Hinson, Manager
Customer Services**

**William A. Johnson, Manager
Electric Operations**

**Dong T. Quach, Acting Manager
Electric Production**

**Nanette M. Wolf, Manager
Purchasing and Supply**

**Executive Staff and Department Heads
2012**

Laurie D. Brough, Director
Administrative Services

Patrick J. Cassidy, Director
Environmental Services

William R. Cobb, Acting Director
Electric Production Maintenance

Samuel W. Deleon, Director
Human Resources

John D. Frick, Director
Electric Production Engineering

Stephen E. Green, Director
Water Distribution

Joseph W. Jarsulic, Director
Electric Supply Planning

Durward M. Johnson, Director
Water Processing

Patrick M. Knefel, Director
Electric Production Operations

Brian D. Laverack, Director
Network Operations

David E. Mehlhaff
Chief Communications Officer

Patrick J. Morrill, Director
Electrical Engineering

Philip B. Musser, Director
Electric Transmission & Distribution

Gerald P. Ohmes, Sr., Director
Electric Systems Control

Randal J. Otting, Director
Accounting

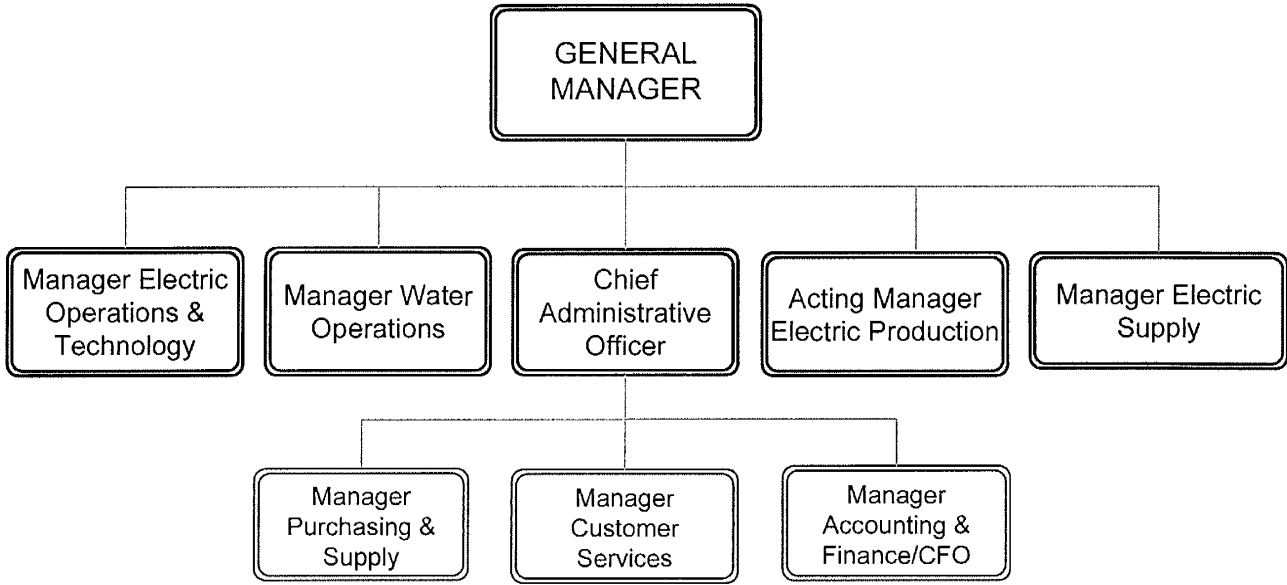
Paul M. Pauesick, Director
Information Technology

Chris D. Stewart, Director
Civil Engineering



Kansas City Board of Public Utilities

2012 Organizational Chart

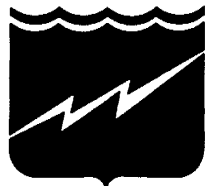


Accounting Civil Engineering Customer Service Electric Metering & Services Electric Production Engineering Electric Production Maintenance Electric Production Operations Electric System Control Electric Transmission & Distribution Electrical Engineering	Employee Relations Employment Environmental Services Grounds Maintenance Information Technology Marketing Operations Network Support OH / UG Lines Planning Production Support Services	Purchasing Radio / Telecom & Cable Stores Street Lights Substations Traffic Signal Transportation Water Distribution Water Processing Water System Support
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FINANCIAL SECTION





KPMG LLP
Suite 1000
1000 Walnut Street
Kansas City, MO 64106-2162

Independent Auditors' Report

The Board of Directors
Board of Public Utilities:

Report on the Financial Statements

We have audited the accompanying financial statements of the Board of Public Utilities of Kansas City, Kansas (the BPU), which comprise the statements of net position as of December 31, 2012 and 2011, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the *Kansas Municipal Audit Guide* (the Guide); and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

As discussed in note 1 to the financial statements, the financial statements present only the BPU enterprise fund and do not purport to, and do not, present fairly the financial position of the Unified Government of Wyandotte County, Kansas City, Kansas as of December 31, 2012 and 2011, and the changes in its financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

KPMG LLP is a Delaware limited liability partnership,
the U.S. member firm of KPMG International Cooperative
("KPMG International"), a Swiss entity.



Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Board of Public Utilities of Kansas City, Kansas as of December 31, 2012 and 2011, and the results of its operations and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that Management Discussion & Analysis on pages 21 to 27, and the Funding Progress schedules on pages 61 and 62 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The additional combining information on pages 63 to 65 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the additional combining information is fairly stated in all material respects in relation to the basic financial statements as a whole.



Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 21, 2013 on our consideration of the BPU's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the BPU's internal control over financial reporting and compliance.

KPMG LLP

Kansas City, Missouri
May 21, 2013



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BOARD OF PUBLIC UTILITIES

Management's Discussion and Analysis

December 31, 2012 and 2011

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Board of Public Utilities of Kansas City, Kansas's (BPU) financial statements. The BPU's financial statements comprise two components: 1) financial statements and 2) notes to the financial statements. The last report contains other supplementary information in addition to the financial statements.

Financial Statements

The financial statements are designed to provide readers with a broad overview of the BPU's finances in a manner similar to a private-sector business.

The statement of net position presents information on BPU's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between these reported as net position. Over time, increases/decreases in net position may serve as a useful indicator of whether the financial position of the BPU is improving/deteriorating.

The statement of revenues, expenses, and changes in net position presents information showing how BPU's net position changed during the most recent fiscal year. All changes in net position are reported as the underlying event giving rise to the change occurs, regardless of the timing of the cash flows. Thus, revenues and expenses reported in this statement for some items will only result in cash flows in future fiscal periods (for example, uncollected taxes and earned but unused vacation leave).

Notes to the Financial Statements

The notes provide additional information essential to a full understanding of the data provided in the financial statements.

Other Information

In addition to the financial statements and accompanying notes, this report also presents certain required supplementary information concerning the BPU's progress in funding its obligation to provide pension and postretirement benefits to its employees.

The combining statements for the BPU's electric and water utilities are presented immediately following the required supplemental information.

The BPU is an administrative agency of the Unified Government of Wyandotte County/Kansas City, Kansas (Unified Government).

The electric and water departments are reflected as an enterprise fund on the Unified Government's financial statements consisting of the statement of net position; statement of revenues, expenses, and changes in net position; and statement of cash flows. This management's discussion and analysis of the BPU's financial report presents the discussion and analysis of the BPU's financial performance for the years ended December 31, 2012, 2011, and 2010. This analysis should be read in conjunction with the financial statements and notes thereto.

BOARD OF PUBLIC UTILITIES

Management's Discussion and Analysis

December 31, 2012 and 2011

The following tables summarize the financial condition and operations of the BPU as of and for the three years ended December 31, 2012:

Statement of Net Position Summary

Assets	2012	2011	2010
Capital assets, net	\$ 823,905,500	706,397,621	678,544,095
Current assets	116,073,229	122,286,370	112,618,650
Other noncurrent assets	59,625,717	90,981,105	46,948,255
	<u>\$ 999,604,446</u>	<u>919,665,096</u>	<u>838,111,000</u>
Liabilities and Net Position			
Noncurrent liabilities	\$ 520,822,001	445,941,840	378,632,840
Current liabilities	66,243,373	67,014,202	52,729,788
Net position:			
Invested in capital assets, net of related debt	351,462,076	336,969,219	331,826,542
Restricted	66,873,587	97,519,802	50,980,822
Unrestricted	(5,796,591)	(27,779,967)	23,941,008
	<u>\$ 999,604,446</u>	<u>919,665,096</u>	<u>838,111,000</u>

Statements of Revenues, Expenses, and Changes in Net Position Summary

	2012	2011	2010
Operating revenues:			
Residential	\$ 86,729,958	79,631,157	72,383,530
Commercial	101,859,200	88,910,745	74,233,899
Industrial	45,902,344	43,860,628	44,277,063
Other	28,121,275	31,057,374	33,932,880
Deferred energy rate component	(1,296,801)	—	12,332,254
Payment-in-lieu of taxes	28,052,962	28,303,139	27,831,160
Total operating revenues	<u>289,368,938</u>	<u>271,763,043</u>	<u>264,990,786</u>
Operating expenses:			
Fuel	51,083,016	55,657,743	46,978,748
Purchased power	29,502,526	21,450,645	17,546,696
Production	53,066,345	43,971,405	39,921,775
Transmission and distribution	41,157,296	41,157,088	37,287,338
General and administrative	29,832,976	30,376,612	29,900,838
Depreciation and amortization	33,107,129	32,380,345	31,705,944
Total operating expenses	<u>237,749,288</u>	<u>224,993,838</u>	<u>203,341,339</u>
Operating income	<u>51,619,650</u>	<u>46,769,205</u>	<u>61,649,447</u>

BOARD OF PUBLIC UTILITIES

Management's Discussion and Analysis

December 31, 2012 and 2011

Statements of Revenues, Expenses, and Changes in Net Position Summary

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Nonoperating income (expense):			
Interest expense	\$ (18,716,600)	(20,032,824)	(18,223,785)
Payment-in-lieu of taxes	(28,052,962)	(28,303,139)	(27,831,160)
Other	849,052	1,468,392	917,068
Total nonoperating expense, net	<u>(45,920,510)</u>	<u>(46,867,571)</u>	<u>(45,137,877)</u>
Contributions and transfers:			
Contributions from developers and others	130,878	59,048	300,888
Change in net position	5,830,018	(39,318)	16,812,458
Net position, beginning of year	<u>406,709,054</u>	<u>406,748,372</u>	<u>389,935,914</u>
Net position, end of year	<u>\$ 412,539,072</u>	<u>406,709,054</u>	<u>406,748,372</u>
Total revenue	\$ 290,217,990	273,231,435	265,907,854
Total expense	\$ 284,518,850	273,329,801	249,396,284

Financial Highlights

2012 Compared to 2011

The board of directors for the BPU approved increases in electric and water rates charged to customers as well as an Environmental Surcharge and revised the Energy Rate Component (ERC) rider. Electric rates were approved for implementation and to be increased 7% in 2012 and 7% in 2013. Water rates were approved for implementation and to be increased 7.5% in 2012 and 7.5% in 2013.

- Net capital assets increased by \$117.5 million in 2012.
- Debt service coverage ratio for 2012 decreased to 1.94 times in comparison with 2.07 for the year ended 2011.
- Other noncurrent assets decreased by \$31.4 million in 2012; this decrease is primarily related to capital projects being completed in 2012, which were funded by the Construction Fund.
- Noncurrent liabilities increased by \$74.9 million during 2012; the increase is primarily related to the issuance of the 2012B Utility System Improvement Revenue Bonds.
- Net position increased by \$5.8 million during 2012.

In 2012, the BPU issued \$110.8 million of Utility System Refunding Revenue bonds. The bond proceeds were used to refund all of the 1998 System Revenue Bonds and a portion of the 2004B System Revenue Bonds. The BPU completed a defeasement of utility systems revenue bonds by placing the proceeds of the new bonds in irrevocable trusts to provide for all future debt service payments on the old 2004B Utility System Revenue Bonds. Accordingly, neither the trust account assets nor the liability for the defeased bonds are included in the BPU's financial statements. The BPU also issued \$79.54 million of 2012B Utility System Improvement Revenue

BOARD OF PUBLIC UTILITIES

Management's Discussion and Analysis

December 31, 2012 and 2011

Bonds. Those bonds proceeds were used to purchase a 17% undivided interest in the Dogwood Generating Facility located in Cass County, Missouri and to finance electric distribution upgrades.

In 2012, the BPU's revenues were approximately \$289.4 million, with the Electric Utility recognizing revenues of \$241.6 million and the Water Utility recognizing revenues of \$47.8 million. The average number of customer accounts remained stable from the prior year.

Electric and water rates were increased in January 2012 to accomplish the following:

- Improve BPU operating reserves and financial metrics needed to maintain BPU's credit rating
- Improve cash flow
- Support capital improvements
- Funding of known environmental mandates

The BPU's total operating revenue increased by approximately \$17.6 million to \$289.4 million in 2012. The Electric Utility experienced increased electric sales of \$13.2 million compared to 2011. The increase can be attributed to the 7% rate increase that was implemented in January. Those increases were slightly offset by a decrease of \$4.5 million in Other Utility Sales from 2011. The Water Utility experienced increased water sales of \$4.4 million compared to 2011. The increase in water sales was principally due to a 7.5% rate increase that was implemented in January. In addition, payment-in-lieu of taxes (PILOT) decreased to 10.9% from 11.9% in 2011. In comparison to the 2012 budgeted revenue, overall, the BPU collected 102% of the projected Energy and Water sales and 99% of total Operating Revenue.

Operating expenses for 2012 and 2011 were approximately \$237.8 million and \$225.0 million, respectively. The Electric Utility represented \$206.0 million and \$194.3 million for 2012 and 2011, respectively, while the Water Utility represented \$31.8 million and \$30.7 million for 2012 and 2011, respectively, in operating expenses. The largest component of operating expenses is production, fuel, and purchased power expense. Overall, in 2012, production, fuel, and purchased power costs increased by \$12.6 million, which was \$4.3 million over the 2012 budget. In 2012, the BPU recognized \$3.7 million of deferred expenses from the 2011 under collection of the Energy Rate Component. The BPU's power supply mix for fiscal years 2012 and 2011 was 56% and 65% coal, 38% and 28% net power purchases, 4% and 5% gas, and 2% and 2% oil, respectively.

2011 Compared to 2010

The board of directors for the BPU approved increases in electric and water rates charged to customers as well as an Environmental Surcharge and revised the Energy Rate Component (ERC) rider. Electric rates were approved for implementation and to be increased 7% in 2011 and 7% in each of the next two years. Water rates were approved for implementation and to be increased 8% in 2011 and 7.5% in each of the next two years.

- Net capital assets increased by \$27.9 million in 2011.
- Debt service coverage ratio for 2011 decreased to 2.07 times in comparison with 2.78 for the year ended 2010.
- Other noncurrent assets increased by \$44.1 million in 2011; this increase is primarily related to the outstanding construction funds related to the 2011 bond issuance.

BOARD OF PUBLIC UTILITIES

Management's Discussion and Analysis

December 31, 2012 and 2011

- Noncurrent liabilities increased by \$67.3 million during 2011; the increase is primarily related to the issuance of the 2011 Revenue Bonds.
- Net position decreased by \$39,318 during 2011.

In 2011, the BPU issued \$90.0 million of Utility System Revenue bonds. The bond proceeds will be used to finance improvements primarily for environmental upgrades to existing power generation stations and installation of automated meter reading (AMR) and Advanced Metering Infrastructure (AMI) for both electric and water utilities.

In 2011, the BPU's operations performed above budget in overall revenues. The BPU's revenues were approximately \$271.8 million, with the Electric Utility recognizing revenues of \$228.4 million and the Water Utility recognizing revenues of \$43.4 million. The average number of customer accounts remained stable from the prior year.

Electric and water rates were revised to be increased in January 2011 to accomplish the following:

- Improve BPU operating reserves and financial metrics needed to maintain BPU's credit rating
- Improve cash flow
- Support capital improvements
- Funding of known environmental mandates

The BPU's total operating revenue increased by approximately \$6.8 million to \$271.8 million in 2011. The Electric Utility experienced increased electric sales of \$2.5 million compared to 2010. The increase can be attributed to the 7% rate increase that was implemented in January. The Water Utility experienced increased water sales of \$4.3 million compared to 2010. The increase in water sales was principally due to seasonably warm summer period and an 8% rate increase that was also implemented in January. In addition, payment-in-lieu of taxes (PILOT) decreased to 11.9% from 12.8% in 2011. In comparison to the 2011 budgeted revenue, overall, the BPU collected 98% of the projected Energy and Water sales and 94% of total Operating Revenue.

Operating expenses for 2011 and 2010 were approximately \$225.0 million and \$203.3 million, respectively. The Electric Utility represented \$194.3 million and \$174.5 million for 2011 and 2010, respectively, while the Water Utility represented \$30.7 million and \$28.8 million for 2011 and 2010, respectively, in operating expenses. The largest component of operating expenses is production, fuel, and purchased power expense. Overall, in 2011, production, fuel, and purchased power costs increased by \$16.6 million, which was \$7.7 million under the 2011 budget. In 2011, the BPU deferred \$3.7 million in expenses due to the under collection of the ERC. In 2010, the BPU deferred \$5.5 million in expenses due to the under collection of the ERC. The BPU's power supply mix for fiscal years 2011 and 2010 was 65% and 67% coal, 28% and 25% net power purchases, 5% and 5% gas, and 2% and 3% oil, respectively.

BOARD OF PUBLIC UTILITIES

Management's Discussion and Analysis

December 31, 2012 and 2011

Capital Assets and Debt Administration

Capital Assets

2012 Compared to 2011

Net capital assets increase by \$117.5 million in 2012. Capital asset additions were offset by approximately \$33.1 million of depreciation and amortization expense.

Refer to note 5 to the financial statements for additional information.

2011 Compared to 2010

Net capital assets increase by \$27.9 million in 2011. Capital asset additions were offset by approximately \$32.4 million of depreciation and amortization expense.

Refer to note 5 to the financial statements for additional information.

Debt Administration

2012 Compared to 2011

Noncurrent liabilities outstanding as of December 31, 2012 and 2011 were \$520.8 million and \$445.9 million, respectively. In 2012, the BPU issued \$110.8 million of Utility System Refunding Revenue bonds. The bond proceeds were used to refund all of the 1998 System Revenue Bonds and a portion of the 2004B System Revenue Bonds. The BPU completed a defeasement of utility systems revenue bonds by placing the proceeds of the new bonds in irrevocable trusts to provide for all future debt service payments on the old 2004B Utility System Revenue Bonds. Accordingly, neither the trust account assets nor the liability for the defeased bonds are included in the BPU's financial statements. The BPU also issued \$79.54 million of Utility System Improvement Revenue Bonds. Those bonds proceeds were used to purchase a 17% undivided interest in the Dogwood Generating Facility located in Cass County, Missouri and to finance electric distribution upgrades.

The BPU maintains a debt ratio that is consistent with the current provisions in the bond indenture document. This debt service ratio is a measure of the adequacy of cash to pay debt service and is the minimum amount necessary to prevent bond default. The BPU must maintain debt coverage of 1.2. The coverage requirement imposed by the bond indenture is that operating revenues be at least 120% of the maximum annual debt service.

The BPU also has a mandatory provision in its bond indentures for a debt service trigger when debt coverage is 1.3 times or below the annual debt service payment amounts.

As of December 31, 2012 and 2011, the BPU had debt coverage of 1.94 times and 2.07 times, respectively.

In 2012, the BPU's utility system bonds for both electric and water debt are rated A+ from both Fitch and Standard & Poor's Rating Services and A2 from Moody's Investors Service. The interest rate on the BPU's outstanding debt ranges from 2% to 5.95%. Interest on debt expense, net of amounts capitalized, for 2012 and 2011 was \$18.7 million and \$20.0 million, respectively.

Refer to note 6 to the financial statements for additional information.

BOARD OF PUBLIC UTILITIES

Management's Discussion and Analysis

December 31, 2012 and 2011

2011 Compared to 2010

Noncurrent liabilities outstanding as of December 31, 2011 and 2010 were \$445.9 million and \$378.6 million, respectively. In 2011, the BPU issued \$90.0 million of Utility System Revenue bonds. The bond proceeds will be used to finance improvements primarily for environmental upgrades to existing power generation stations and installation of automated meter reading (AMR) and Advanced Metering Infrastructure (AMI) for both electric and water utilities.

The BPU maintains a debt ratio that is consistent with the current provisions in the bond indenture document. This debt service ratio is a measure of the adequacy of cash to pay debt service and is the minimum amount necessary to prevent bond default. The BPU must maintain debt coverage of 1.2. The coverage requirement imposed by the bond indenture is that operating revenues be at least 120% of the maximum annual debt service.

The BPU also has a mandatory provision in its bond indentures for a debt service trigger when debt coverage is 1.3 times or below the annual debt service payment amounts.

As of December 31, 2011 and 2010, the BPU had debt coverage of 2.07 times and 2.78 times, respectively.

In 2011, the BPU's utility system bonds for both electric and water debt are rated A+ from both Fitch and Standard & Poor's Rating Services and A2 from Moody's Investors Service. The interest rate on the BPU's outstanding debt ranges from 2.0% to 5.95%. Interest on debt expense, net of amounts capitalized, for 2011 and 2010 was \$20.0 million and \$18.2 million, respectively.

Refer to note 6 to the financial statements for additional information.

BOARD OF PUBLIC UTILITIES

Statements of Net Position

December 31, 2012 and 2011

Assets	2012	2011
Noncurrent assets:		
Capital assets:		
Property, plant, and equipment	\$ 1,403,381,037	1,317,613,369
Less accumulated depreciation	(675,472,360)	(658,891,038)
Plant in service, net	<u>727,908,677</u>	<u>658,722,331</u>
Construction work in progress	<u>95,996,823</u>	<u>47,675,290</u>
Capital assets, net	<u>823,905,500</u>	<u>706,397,621</u>
Restricted assets:		
Cash and cash equivalents	47,495,658	13,861,768
Investments	<u>2,850,901</u>	<u>66,557,487</u>
Total restricted assets	50,346,559	80,419,255
Debt issuance costs, net	6,331,438	7,022,931
System development costs, net	802,444	857,325
Regulatory assets	<u>2,145,276</u>	<u>2,681,594</u>
Total noncurrent assets	<u>883,531,217</u>	<u>797,378,726</u>
Current assets:		
Cash and cash equivalents	18,962,458	26,269,750
Cash and cash equivalents – restricted	5,533,154	7,015,656
Investments – restricted	14,663,689	13,473,707
Accounts receivable – customers and other	27,443,289	27,302,179
Accounts receivable – unbilled	10,018,724	10,234,699
Allowance for doubtful accounts	(912,196)	(3,946,328)
Inventories	36,650,293	36,854,300
Regulatory assets	—	3,653,387
Prepayments and other current assets	<u>3,713,818</u>	<u>1,429,020</u>
Total current assets	<u>116,073,229</u>	<u>122,286,370</u>
Total assets	<u>\$ 999,604,446</u>	<u>919,665,096</u>

BOARD OF PUBLIC UTILITIES

Statements of Net Position

December 31, 2012 and 2011

Liabilities and Net Position	2012	2011
Net position:		
Invested in capital assets, net of related debt	\$ 351,462,076	336,969,219
Restricted – debt service	66,873,587	97,519,802
Unrestricted	<u>(5,796,591)</u>	<u>(27,779,967)</u>
Total net position	<u>412,539,072</u>	<u>406,709,054</u>
Liabilities:		
Noncurrent liabilities:		
Long-term debt – revenue bonds	485,531,363	412,779,001
Government loans	<u>17,633,390</u>	<u>18,701,155</u>
Total long-term debt and capital lease obligations	503,164,753	431,480,156
Postretirement benefit obligation	3,303,724	2,740,484
Reserve for compensated absences	4,774,000	4,610,998
Pension obligation	<u>9,579,524</u>	<u>7,110,202</u>
Total noncurrent liabilities	<u>520,822,001</u>	<u>445,941,840</u>
Current liabilities:		
Current maturities of revenue bonds	16,970,000	15,680,000
Current maturities of government loans	1,155,230	1,112,511
Current maturities of capital lease obligations	—	74,989
Accrued interest	6,747,683	6,954,866
Customer deposits	3,444,816	3,388,815
Accounts payable	24,050,220	27,176,795
Payroll and payroll taxes	2,376,517	2,188,617
Accrued claims payable	5,446,554	5,648,501
Recovery fuel purchased power	1,296,801	—
Other accrued liabilities	3,061,478	2,796,852
Payment-in-lieu of taxes	<u>1,694,074</u>	<u>1,992,256</u>
Total current liabilities	<u>66,243,373</u>	<u>67,014,202</u>
Total liabilities	<u>587,065,374</u>	<u>512,956,042</u>
Total liabilities and net position	<u>\$ 999,604,446</u>	<u>919,665,096</u>

See accompanying notes to financial statements.

BOARD OF PUBLIC UTILITIES

Statements of Revenues, Expenses, and Changes in Net Position

Years ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Operating revenues:		
Residential	\$ 86,729,958	79,631,157
Commercial	101,859,200	88,910,745
Industrial	45,902,344	43,860,628
Other	28,121,275	31,057,374
Deferred energy rate component	(1,296,801)	—
Payment-in-lieu of taxes	28,052,962	28,303,139
Total operating revenues	<u>289,368,938</u>	<u>271,763,043</u>
Operating expenses:		
Fuel	51,083,016	55,657,743
Purchased power	29,502,526	21,450,645
Production	53,066,345	43,971,405
Transmission and distribution	41,157,296	41,157,088
General and administrative	29,832,976	30,376,612
Depreciation and amortization	33,107,129	32,380,345
Total operating expenses	<u>237,749,288</u>	<u>224,993,838</u>
Operating income	<u>51,619,650</u>	<u>46,769,205</u>
Nonoperating income (expense):		
Interest expense	(18,716,600)	(20,032,824)
Payment-in-lieu of taxes	(28,052,962)	(28,303,139)
Other	849,052	1,468,392
Total nonoperating expense, net	<u>(45,920,510)</u>	<u>(46,867,571)</u>
Income (loss) before contributions and transfers	5,699,140	(98,366)
Contributions and transfers:		
Contributions from developers and others	130,878	59,048
Change in net position	5,830,018	(39,318)
Net position, beginning of year	<u>406,709,054</u>	<u>406,748,372</u>
Net position, end of year	<u>\$ 412,539,072</u>	<u>406,709,054</u>

See accompanying notes to financial statements.

BOARD OF PUBLIC UTILITIES

Statements of Cash Flows

Years ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Receipts from customers	\$ 291,708,236	263,361,147
Payments to suppliers	(142,108,650)	(126,588,855)
Payments to employees	(59,658,108)	(58,826,396)
Net cash provided by operating activities	<u>89,941,478</u>	<u>77,945,896</u>
Cash flows used in noncapital financing activities – payment-in-lieu of taxes	(28,351,143)	(28,297,694)
Cash flows from capital and related financing activities:		
Purchases of property, plant, and equipment	(149,976,656)	(58,330,329)
Payments on capital leases	(74,989)	(292,963)
Issuance of revenue bonds	215,197,184	92,784,737
System development costs	(512,536)	(494,459)
Accounts payable related to capital activities	(3,532,654)	10,750,740
Increase in debt issue cost	406,470	(586,191)
Payments on revenue bonds	(140,809,857)	(24,330,000)
Payments on government loans	(1,112,511)	(903,455)
Issuance of government loans	87,465	—
Interest paid on utility system debt	(18,923,782)	(21,342,630)
Net cash used in capital and related financing activities	<u>(99,251,866)</u>	<u>(2,744,550)</u>
Cash flows from investing activities:		
Purchases of investments	(109,613,466)	(165,316,052)
Proceeds from sales and maturities of investments	172,130,069	147,072,442
Interest received	(10,976)	1,868,444
Net cash provided by (used in) investing activities	<u>62,505,627</u>	<u>(16,375,166)</u>
Net increase in cash and cash equivalents	24,844,096	30,528,486
Cash and cash equivalents, beginning of year	47,147,174	16,618,688
Cash and cash equivalents, end of year	\$ <u>71,991,270</u>	<u>47,147,174</u>
Components of cash and cash equivalents at end of fiscal year:		
Restricted	\$ 53,028,812	20,877,424
Unrestricted	18,962,458	26,269,750
	\$ <u>71,991,270</u>	<u>47,147,174</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 51,619,650	46,769,205
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	33,107,129	32,380,345
Changes in noncash assets and noncash liabilities:		
Accounts receivable – customers and other, net	(2,959,267)	(2,319,491)
Inventories	204,008	(4,518,452)
Prepayments and other current assets	(2,284,798)	(237,622)
Customer deposits	56,002	43,093
Accounts payable	406,079	2,316,467
Payroll and payroll-related liabilities	350,900	(87,868)
Accrued claims payable	(201,947)	(400,091)
Other accrued liabilities	264,626	(290,553)
Deferred fuel costs and deferred purchased power	4,950,188	1,821,687
Pension obligation	2,469,322	1,228,383
Other noncurrent assets, net	1,959,586	1,240,793
Net cash provided by operating activities	\$ <u>89,941,478</u>	<u>77,945,896</u>
Supplemental noncash disclosures:		
Contributions of capital assets from developers	\$ 130,878	59,048

See accompanying notes to financial statements.

BOARD OF PUBLIC UTILITIES

Notes to Financial Statements

December 31, 2012 and 2011

(1) Summary of Significant Accounting Policies

(a) Description of Business

The Board of Public Utilities of Kansas City, Kansas (the BPU) consists of the municipal electric and water utility, which provide services to approximately 63,000 electric and 50,000 water customers.

Under Charter Ordinance of the Unified Government of Wyandotte County, Kansas City, Kansas (the Unified Government), the BPU is an administrative agency of the Unified Government and, as such, is a part of the Unified Government's primary government. However, the BPU's operational and administrative control is under a six-member elected board of directors (the Board). The accompanying financial statements represent the combination of only those operations related to the Unified Government's electric and water utility.

(b) Basis of Accounting

The BPU accounts for the water and electric utility as an enterprise fund. Significant interdepartmental accounts, including interdepartmental sales, have been eliminated. BPU uses the accrual basis of accounting under which revenues are recognized when earned and expenses are recorded when liabilities are incurred. The BPU's accounting policies conform to the requirements for regulated operations. In accordance with these rules, certain costs or credits may be recorded as deferred charges or credits when it is probable that future rates established by the Board permit recovery of specific costs or require these credits to be returned to ratepayers. The BPU applies the provisions of GASB Accounting Standards Codification Section Re10, *Regulated Operations*, as appropriate.

The BPU adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, in 2012. The objective of this statement is to provide guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position. The statement was issued retroactively and resulted in a change in the presentation of the balance sheets to what is now referred to as the statements of net position and the term "net assets" is changed to "net position" throughout the financial statements. The adoption of this statement did not impact amounts reported in the financial statements.

Revenues and expenses are classified as either operating or nonoperating. Operating revenues and expenses generally result from providing services in connection with ongoing operations. Operating revenue includes activities that have characteristics of exchange transactions, including charges for services. Nonoperating revenue includes activities that have the characteristics of nonexchange transactions, such as grants, subsidies, and investment income. Operating expenses include the cost of service, payroll, administrative expenses, contractual services, and depreciation. All expenses not meeting the above criteria are classified as nonoperating.

(c) Estimates and Assumptions

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the

BOARD OF PUBLIC UTILITIES

Notes to Financial Statements

December 31, 2012 and 2011

date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant items subject to such estimates and assumptions include the useful lives of capital assets; allowances for doubtful accounts, and inventory; and reserves for employee benefit obligations, environmental liabilities, and other contingencies.

Investments held by the Employee's Retirement Pension Plan of the BPU are reported at estimated fair value. Securities traded on a national or international exchange, which comprise a substantial majority of total investments, are valued at the last reported sales price at current exchange rates. Investments in real estate investment funds are recorded at market values based upon annual appraisals.

(d) Revenue Recognition

Operating revenues are recognized when electric and water services are delivered to customers. Payment-in-lieu of taxes represents amounts billed and collected by the BPU on behalf of the Unified Government. The BPU remits all such amounts to the Unified Government.

Meters are read and bills are rendered on a cycle basis. Unbilled revenue represents services delivered to customers and not billed at the end of a period. Management accrues estimated delivered amounts each period.

As required by GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, operating revenues reported in the statements of revenues, expenses, and changes in net position are shown net of discounts and estimated allowances for doubtful accounts.

In July 2010, base rates for electric and water services were increased by about 7% and 8%, respectively. The Board of Directors also approved electric and water rate increases for 2011, 2012, and 2013. Electric rates were approved to be increased by 7% in each year and water rates were approved to be increased by 7.5% in 2012 and 2013. In addition, the Board of Directors adopted an environmental surcharge and made revisions to the Energy Rate Component (ERC).

(e) Cash and Cash Equivalents

Cash and cash equivalents include all highly liquid investments (including restricted assets) with an original maturity of three months or less when purchased. Current restricted assets are assets that are scheduled to be disbursed within the year.

(f) Capital Assets

Capital assets are stated at cost to acquire or cost to construct. These costs include payroll-related costs, including pensions and other fringe benefits. When capital assets are disposed, the net book value of assets retired plus the cost of removal, less salvage, is charged against accumulated depreciation with no gain or loss recognized. Repairs and maintenance are charged to maintenance expense. Contributions from developers and others are stated at fair market value at the date donated. Currently, BPU has a capitalization threshold of \$5,000 for plant assets.

BOARD OF PUBLIC UTILITIES

Notes to Financial Statements

December 31, 2012 and 2011

(g) Depreciation

The BPU depreciates plant and equipment on a composite basis over their estimated useful lives on a straight-line basis. The following composite depreciation rates were used for 2012 and 2011:

	Composite rates	Useful lives (in years)
Production plant	1.67% – 4.00%	25 – 75
Transmission and distribution	1.67% – 6.67%	15 – 75
General plant	2.27% – 10.00%	10 – 44

(h) Interest Capitalization

Interest costs incurred to finance construction work in progress net of interest income from tax-exempt bonds are capitalized. The BPU capitalized \$3.0 million in 2012 and \$1.2 million in 2011.

(i) Accounts Receivable

An estimate is made for the provision for uncollectible accounts based on an analysis of the aged accounts receivable and historical write-offs, net of recoveries. Additional amounts may be included based upon management’s evaluation of customer credit risks. Allowances for doubtful accounts totaled \$912 thousand and \$3.9 million at December 31, 2012 and 2011, respectively. The decrease in the allowance is the result of the settlement of disputed charges with a customer and the related write-off of the previously reserved customer balance.

(j) Inventories

Inventories are stated at the lower of average cost or market (net realizable value) and consist of the following:

	2012	2011
Fuel	\$ 12,958,201	13,941,445
Material and supplies	23,692,092	22,912,855
Total	\$ <u>36,650,293</u>	<u>36,854,300</u>

(k) Investments

Investments consist of deposits, repurchase agreements, certificates of deposit, money market funds, and U.S. Treasury securities, which are recorded at estimated fair value as determined by market prices. BPU’s investment policies are governed by the BPU’s Charter Ordinance, management policies, and statutes established by the State of Kansas. Securities are held by BPU’s safekeeping agent. Cash deposits are held with banks insured by Federal Deposit Insurance Corporation (FDIC)

BOARD OF PUBLIC UTILITIES

Notes to Financial Statements

December 31, 2012 and 2011

and acceptable collateral is maintained for amounts above FDIC limits, equal to or greater than 102% of the funds deposited at all times.

(l) ***Brushy Creek Coal Company and Liberty Coal Company***

The BPU holds an indirect 50% interest in Brushy Creek Coal Company (BCCC) and a 50% indirect interest in Liberty Coal Company (Liberty). The other 50% interest is indirectly owned by the City of Sikeston, Missouri (Sikeston). BCCC was the owner and operator of a coal mine and related equipment located in Illinois. BCCC discontinued mining operations in 1997. BCCC did not have material operations during the years ended December 31, 2012 and 2011. Upon cessation of operations at BCCC, the BPU became contractually responsible for 50% of asset retirement obligations and for 50% of certain postretirement benefits to mine workers. At December 31, 2012 and 2011, the BPU has recorded an estimated liability of \$2.6 million and \$2.8 million, respectively, within accrued claims payable for its estimated remaining share of these obligations. Funding provided for these obligations was \$240,000 and \$360,000 in 2012 and 2011, respectively.

The amounts recorded for the BPU's portion of the asset retirement obligation and the miners' benefits require significant judgment and involve a number of estimates. The BPU has recorded its estimated obligations for each of these items using information currently available to management. These estimates could change significantly over time.

Liberty, a Colorado limited liability company, was formed in 2002 for the purpose of opening a new mine. Western Fuels Illinois, through its ownership of BCCC, owns the land and coal at the mine and has assigned these interests, along with related equipment through a lease agreement, to Liberty. On July 13, 2006, Liberty indefinitely suspended operations. Liberty filed for bankruptcy protection on November 29, 2006 under Chapter 7 of the bankruptcy code. The bankruptcy plan contemplated a liquidation of assets. The bankruptcy trustee evaluated various strategic options, which included, but were not limited to, pursuing potential buyers for Liberty's assets. There can be no assurances that such a buyer will be identified or a sales transaction will be completed.

Based upon information available to the BPU, management estimated that claims from Liberty's creditors could exceed its assets. BPU, after consultation with outside legal counsel, believed that in the event the liquidation of Liberty's assets did not provide sufficient funds to satisfy Liberty's outstanding obligations, the unpaid creditors had no recourse to seek amounts from the BPU. In May 2008, the bankruptcy trustee filed a complaint against several defendants, including the BPU, seeking \$4 million to pay the remaining unsecured liabilities. The Bankruptcy Court granted a summary judgment in favor of the BPU and the other defendants. In December 2010, all parties entered into a Settlement Agreement.

On January 27, 2011, the United States Bankruptcy Court for the Southern District of Illinois issued an Order approving the settlement in Adv. No. 08-04045, *Frazier v. Sikeston Board of Municipal Utilities, et al.* The BPU continued to monitor the bankruptcy proceedings, which have now been completed without any further BPU liability. Accordingly, management does not believe this matter will materially impact the BPU's financial condition or results of operations.

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Notes to Financial Statements

December 31, 2012 and 2011

(m) Customer Deposits

Customer deposits are moneys that have been collected from customers that are held by the BPU until the customer either terminates their service or the customer is in good credit standing with the BPU for 12 months. The funds are held in an interest-bearing account; after 12 months, the deposit, plus interest, is credited back to the customer.

(n) Debt Issuance Costs

Debt issuance costs are amortized using the effective-interest method over the lives of the related debt. Costs incurred to reacquire and reissue debt are amortized over the term of the new debt issuance and recovered in rates.

(o) Vacation and Sick Leave

Under the terms of the BPU's personnel policy, employees are granted vacation and sick leave. In the event of termination, an employee is paid for accumulated vacation days. Employees may carry over, from year to year, a maximum of 80 hours of vacation hours for bargaining unit employees and 120 hours for Nonbargaining employees. The liability for accumulated vacation of \$1,193,000 and \$1,155,000 includes current vacation of \$236,400 and \$242,800 at December 31, 2012 and 2011, respectively, which are included in reserve for compensated absences and payroll and payroll tax liabilities in the accompanying statements of net position. Sick leave can be accrued up to 1,760 hours. Employees who resign with at least 15 years of service are paid for 75% of accumulated sick leave. All employees are paid for accumulated sick leave upon retirement or death. The liability for accrued sick leave of \$4,763,000 and \$4,670,000 includes current sick leave of \$945,600 and \$971,200 at December 31, 2012 and 2011, respectively, which is included in reserve for compensated absences and payroll and payroll taxes in the accompanying statements of net position.

	2012			
	Beginning balance	Additions	Reductions	Ending balance
Sick leave	\$ 4,670,000	1,038,600	(945,600)	4,763,000
Vacation	1,155,000	274,400	(236,400)	1,193,000

	2011			
	Beginning balance	Additions	Reductions	Ending balance
Sick leave	\$ 4,809,000	832,200	(971,200)	4,670,000
Vacation	1,123,000	274,800	(242,800)	1,155,000

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Notes to Financial Statements

December 31, 2012 and 2011

(p) Net Position

In the financial statements, equity is displayed in three components as follows:

- Invested in capital assets, net of related debt – This consists of capital assets, net of accumulated depreciation, less the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted – This consists of net positions that are legally restricted by outside parties or by law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available for use, it is generally the BPU’s policy to use restricted resources first, then unrestricted resources as they are needed.
- Unrestricted – This consists of net positions that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

(q) New Accounting Pronouncements

In December 2010, GASB issued GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in the Pre-November 30, 1989 FASB and AICPA Pronouncements* (GASB No. 62). GASB No. 62 incorporates into GASB’s authoritative literature certain accounting and financial reporting guidance issued on or before November 30, 1989 included in: FASB Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the AICPA Committee on Accounting Procedure that do not conflict with or contradict GASB pronouncements. The statement also supersedes Statement No. 20, *Accounting and Financial Reporting for Proprietary Fund Accounting*, which eliminates the election for business-type activities to apply post-November 30, 1989 FASB Statements and Interpretations that do not conflict with GASB pronouncements. This statement is in effect for 2012. The adoption of this statement did not have a material impact on the financial statements.

In March 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. GASB No. 65 reclassifies and recognizes certain items currently reported as assets and liabilities as one of four financial statement elements: (i) deferred outflows of resources, (ii) outflows of resources, (iii) deferred inflows of resources, and (iv) inflows of resources. The provisions of this statement become effective for periods beginning after December 15, 2012. The BPU is currently assessing the impact of this statement.

In March 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*. The primary objective of this statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local government employers about financial support for pensions that is provided by other entities. The provisions of this statement are effective for the BPU for the year ending December 31, 2014. The BPU is currently assessing the impact of this statement.

BOARD OF PUBLIC UTILITIES

Notes to Financial Statements

December 31, 2012 and 2011

(2) Cash and Investments

Kansas state statutes authorize the BPU, with certain restrictions, to invest in open accounts, time deposits, certificates of deposit, U.S. Treasury notes, and U.S. agency notes. All deposits with banks are collateralized at 102% of market value, as required by the BPU's Cash and Investment Policy and Kansas state statute, less insured amounts.

The following represents the BPU's total cash and investments at December 31, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Cash and certificates of deposit (CDs)	\$ 713,792	1,037,469
Repurchase agreements	24,841,398	31,552,075
U.S. agency	38,797,661	78,597,093
Money market funds	25,153,009	15,991,731
Total cash and investments	<u>\$ 89,505,860</u>	<u>127,178,368</u>

Cash and investments are included in the following statement of net position accounts at December 31, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Current assets:		
Cash and cash equivalents	\$ 18,962,458	26,269,750
Cash and cash equivalents – restricted	5,533,154	7,015,656
Investments – restricted	14,663,689	13,473,707
Noncurrent restricted assets:		
Cash and cash equivalents	47,495,658	13,861,768
Investments	2,850,901	66,557,487
	<u>\$ 89,505,860</u>	<u>127,178,368</u>

(a) Deposits and Investments

The BPU maintains a cash and investment program to pay for operating and capital requirements as well as for debt service requirements. The investment program consists of deposits, repurchase agreements, certificates of deposit, and U.S. Treasury securities. Other investments using U.S. agency and money market fund securities for the debt service program are managed by the bond trustee. Nearly all maturities of securities were less than one year. At December 31, 2012 and 2011, the bank balance and certificates of deposit were \$713,792 and \$1,037,469, respectively, which were covered by federal depository insurance or collateral held in safekeeping in the BPU's name.

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Notes to Financial Statements

December 31, 2012 and 2011

The fair values, as determined by market prices, of the BPU’s cash and investments at December 31, 2012 are as follows:

Investment type	Fair value	Investment maturities		
		Less than 6 months	6 – 12 months	Greater than 12 months
Cash and CDs	\$ 713,792	713,792	—	—
Repurchase agreements	24,841,398	23,411,075	—	1,430,323
U.S. agency	38,797,661	32,750,693	6,046,968	—
Money market funds	25,153,009	25,153,009	—	—
Total	\$ 89,505,860	82,028,569	6,046,968	1,430,323

The fair values, as determined by market prices, of the BPU’s cash and investments at December 31, 2011 are as follows:

Investment type	Fair value	Investment maturities		
		Less than 6 months	6 – 12 months	Greater than 12 months
Cash and CDs	\$ 1,037,469	1,037,469	—	—
Repurchase agreements	31,552,075	30,121,095	—	1,430,980
U.S. agency	78,597,093	56,093,484	19,647,401	2,856,208
Money market funds	15,991,731	15,991,731	—	—
Total	\$ 127,178,368	103,243,779	19,647,401	4,287,188

Investment Policy

The BPU has an investment policy that regulates investments in securities that have objectives of safety of principal, liquidity with all investments in U.S. dollars, and investment returns optimized within the constraints of safety and liquidity. Eligible securities are specific to Kansas state statutes and the BPU’s bond indenture agreements. All securities owned by the BPU are in conformance with the investment policy.

Credit Risk

Credit risk is the risk that an entity will not be able to honor its commitments in the event of liquidation. The BPU manages credit risk by requiring all investments meet the investment guidelines as established by the State of Kansas as described in K.S.A. 12-1675 and 10-131. This requires all investments be in U.S. Treasury securities, in U.S. agency securities, or in any external investment pools, Money Market Mutual Funds or Repurchase Agreement securities be the highest rated by nationally recognized rating agencies. Any bank deposits & including certificates of deposit are fully collateralized by the FDIC or other qualifying securities. All securities held by the BPU meet the credit quality objective.

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Notes to Financial Statements

December 31, 2012 and 2011

Custody Risk

Custody risk is the risk that, in the event of the failure of the counterparty to a transaction, an entity will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. The BPU believes it has no custodial risk. All securities are registered in the name of the BPU and held by a third-party safekeeping agent. Investments in money market mutual funds are not exposed to custodial risk because their existence is not evidenced by securities that exist in physical or book entry form.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The BPU manages credit risk by requiring all investments meet the investment guidelines as established by the state of Kansas in K.S.A. 12-1675 and 10-131 and diversifying investment holdings to avoid high concentration of any one security issuer. The BPU has a concentration of credit risk where it holds more than 5% of its investment portfolio in any one security issuer other than U.S. Treasury securities and in investment pools. The following U.S. agency securities held in safekeeping by the BPU's bond trustee are in excess of 5% of total investments as of December 31, 2012:

<u>Issuer</u>	<u>Amount</u>	<u>Percentage of total portfolio</u>
Federal Home Loan Bank	\$ 21,925,638	24.50%
Federal National Mortgage Association	14,579,329	16.29

The following U.S. agency securities held in safekeeping by the BPU's bond trustee are in excess of 5% of total investments as of December 31, 2011:

<u>Issuer</u>	<u>Amount</u>	<u>Percentage of total portfolio</u>
Federal National Mortgage Association	\$ 29,862,924	23.48%
Federal Home Loan Bank	28,676,818	22.55
Federal Home Loan Mortgage Corporation	18,203,421	14.31

Interest Rate Risk

Interest rate risk is the risk that the fair value of the BPU's investments will decrease as a result of the increase in interest rates. The BPU investment policy requires the minimization of the risk of market value change. This is accomplished by structuring the investment portfolio so that fixed income securities mature to meet cash requirements for debt service and other disbursement requirements for ongoing operations and by keeping maturities short.

BOARD OF PUBLIC UTILITIES

Notes to Financial Statements

December 31, 2012 and 2011

Derivatives

The BPU has not used derivative instruments historically. Contracts containing derivatives, such as coal procurement and other commodity purchase contracts are routinely evaluated and amounts purchased have been used by the BPU in producing power and qualify as normal purchases.

(b) Nonrestricted Designated Assets

Certain cash and investment amounts have been designated by Board policy for specific purposes as follows:

	<u>2012</u>	<u>2011</u>
Economic development fund	\$ 390,800	393,000
Capital debt reduction	3,540,000	3,540,000
Reserve for liability insurance	2,100,000	2,100,000
Rate stabilization fund	11,906,273	11,906,273
System development reserve	463,674	4,699,747
Total	<u>\$ 18,400,747</u>	<u>22,639,020</u>

(3) Restricted Assets

Restricted assets were held in the following funds at December 31, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Debt service fund	\$ 16,752,027	17,100,548
Customer deposits	3,444,816	3,388,815
Construction funds	48,846,559	78,919,255
Improvement and emergency fund	1,500,000	1,500,000
Total restricted assets	<u>\$ 70,543,402</u>	<u>100,908,618</u>

The BPU is permitted to invest funds in specified types of investments in accordance with its investment policy until the time such funds are required to be disbursed for their designated purposes.

(4) Dogwood Energy Facility (Dogwood)

On December 18, 2012, the BPU acquired an undivided 17% interest in the assets of the Dogwood Energy Facility (Dogwood), a natural gas-fired combined cycle generating plant located in Pleasant Hill, Missouri in Cass County, Missouri, operated by Dogwood Energy, LLC.

The BPU's share of the rated capability of Dogwood is approximately 110 megawatts (MW). The rated capability of Dogwood is 630 MW. The BPU's net utility plant investment, excluding fuel was approximately \$67.8 million as of December 31, 2012. Generation from Dogwood and operating expenses incurred by Dogwood are allocated to the BPU at our 17% ownership interest. The BPU is required to provide its share of financing for any capital additions to Dogwood.

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December 31, 2012 and 2011

The BPU has an operating agreement with Dogwood Energy, LLC, which provides for a management committee comprising one representative and an alternate from each participant. Dogwood Power Management, LLC, the project management company controls the operating and maintenance decisions of Dogwood in its role as operator. The BPU and other participating entities have joint approval rights for the annual business plan, the annual budget, and material changes to the budget.

The BPU applied proportionate consolidation rules to record its undivided ownership interest in this facility. The BPU's investment includes an acquisition adjustment of \$34.8 million, which is presented as property, plant, and equipment and amortized over the estimated remaining life of the plant (29.1 years). The BPU paid 15 years of Payment-in-lieu of taxes (PILOT) to Cass County, Missouri in the amount of \$2.5 million. This was recorded as a prepayment and is being amortized over 15 years.

The BPU Board of Directors has approved the recovery of amounts invested in this facility, including the acquisition adjustments in current rates.

(5) Capital Assets

Capital asset activity for the year ended December 31, 2012 is as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers/ adjustments</u>	<u>Ending balance</u>
Electric:					
Production plant	\$ 561,001,336	75,899,060	—	23,070	636,923,466
Transmission and distribution	318,016,275	14,736,289	(7,611,579)	1,326,473	326,467,458
General plant	119,000,185	1,887,998	(86,084)	(1,143)	120,800,956
Total electric	<u>998,017,796</u>	<u>92,523,347</u>	<u>(7,697,663)</u>	<u>1,348,400</u>	<u>1,084,191,880</u>
Water:					
Production plant	130,509,211	733,175	—	—	131,242,386
Transmission and distribution	145,399,971	5,968,362	(7,853,633)	113,718	143,628,418
General plant	43,686,391	716,857	(84,537)	(358)	44,318,353
Total water	<u>319,595,573</u>	<u>7,418,394</u>	<u>(7,938,170)</u>	<u>113,360</u>	<u>319,189,157</u>
Property, plant, and equipment	1,317,613,369	99,941,741	(15,635,833)	1,461,760	1,403,381,037
Construction work in progress – not depreciable	<u>47,675,290</u>	<u>81,592,315</u>	<u>(33,270,782)</u>	—	<u>95,996,823</u>
Total capital assets	<u>1,365,288,659</u>	<u>181,534,056</u>	<u>(48,906,615)</u>	<u>1,461,760</u>	<u>1,499,377,860</u>

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	<u>Beginning balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers/ adjustments</u>	<u>Ending balance</u>
Less accumulated depreciation:					
Electric:					
Production plant	\$ 316,787,779	12,622,075	—	—	329,409,854
Transmission and distribution	181,905,604	9,161,916	(7,611,938)	—	183,455,582
General plant	<u>59,869,934</u>	<u>4,236,402</u>	<u>(86,084)</u>	<u>—</u>	<u>64,020,252</u>
Total electric	<u>558,563,317</u>	<u>26,020,393</u>	<u>(7,698,022)</u>	<u>—</u>	<u>576,885,688</u>
Water:					
Production plant	40,092,819	2,662,607	—	—	42,755,426
Transmission and distribution	33,423,841	2,465,203	(7,853,634)	—	28,035,410
General plant	<u>26,811,061</u>	<u>1,069,313</u>	<u>(84,538)</u>	<u>—</u>	<u>27,795,836</u>
Total water	<u>100,327,721</u>	<u>6,197,123</u>	<u>(7,938,172)</u>	<u>—</u>	<u>98,586,672</u>
Combined total	<u>658,891,038</u>	<u>32,217,516</u>	<u>(15,636,194)</u>	<u>—</u>	<u>675,472,360</u>
Capital assets, net	\$ <u>706,397,621</u>	<u>149,316,540</u>	<u>(33,270,421)</u>	<u>1,461,760</u>	<u>823,905,500</u>

As discussed in note 4, on December 18, 2012, the BPU acquired an undivided 17% interest in the assets of the Dogwood Energy Facility (Dogwood). The BPU's portion of Dogwood had a net utility plant investment of \$67.8 million. This amount is included in the Electric Production Plant additions in the above table.

Capital asset activity for the year ended December 31, 2011 is as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers/ adjustments</u>	<u>Ending balance</u>
Electric:					
Production plant	\$ 556,039,511	4,967,607	(10,500)	4,718	561,001,336
Transmission and distribution	294,704,972	24,055,445	(744,142)	—	318,016,275
General plant	<u>117,237,489</u>	<u>1,892,067</u>	<u>(203,866)</u>	<u>74,495</u>	<u>119,000,185</u>
Total electric	<u>967,981,972</u>	<u>30,915,119</u>	<u>(958,508)</u>	<u>79,213</u>	<u>998,017,796</u>

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	<u>Beginning balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers/ adjustments</u>	<u>Ending balance</u>
Water:					
Production plant	\$ 130,116,520	397,634	(7,000)	2,057	130,509,211
Transmission and distribution	142,468,991	4,604,683	(1,676,102)	2,399	145,399,971
General plant	<u>42,816,570</u>	<u>957,684</u>	<u>(88,145)</u>	<u>282</u>	<u>43,686,391</u>
Total water	<u>315,402,081</u>	<u>5,960,001</u>	<u>(1,771,247)</u>	<u>4,738</u>	<u>319,595,573</u>
Property, plant, and equipment	1,283,384,053	36,875,120	(2,729,755)	83,951	1,317,613,369
Construction work in progress – not depreciable	<u>25,514,236</u>	<u>58,977,160</u>	<u>—</u>	<u>(36,816,106)</u>	<u>47,675,290</u>
Total capital assets	<u>1,308,898,289</u>	<u>95,852,280</u>	<u>(2,729,755)</u>	<u>(36,732,155)</u>	<u>1,365,288,659</u>
Less accumulated depreciation:					
Electric:					
Production plant	304,277,477	12,520,823	(10,500)	(21)	316,787,779
Transmission and distribution	174,183,632	8,478,130	(756,179)	21	181,905,604
General plant	<u>55,860,880</u>	<u>4,212,920</u>	<u>(203,866)</u>		<u>59,869,934</u>
Total electric	<u>534,321,989</u>	<u>25,211,873</u>	<u>(970,545)</u>	<u>—</u>	<u>558,563,317</u>
Water:					
Production plant	37,445,816	2,654,003	(7,000)	—	40,092,819
Transmission and distribution	32,699,306	2,400,637	(1,676,102)	—	33,423,841
General plant	<u>25,887,083</u>	<u>1,012,123</u>	<u>(88,145)</u>		<u>26,811,061</u>
Total water	<u>96,032,205</u>	<u>6,066,763</u>	<u>(1,771,247)</u>	<u>—</u>	<u>100,327,721</u>
Combined total	<u>630,354,194</u>	<u>31,278,636</u>	<u>(2,741,792)</u>	<u>—</u>	<u>658,891,038</u>
Capital assets, net	\$ <u><u>678,544,095</u></u>	<u><u>64,573,644</u></u>	<u><u>12,037</u></u>	<u><u>(36,732,155)</u></u>	<u><u>706,397,621</u></u>

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(6) Long-Term Debt

The BPU's indebtedness as of December 31, 2012 consists of the following obligations:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Amount due in one year</u>
Revenue bonds:					
1998	\$ 11,425,000	—	(11,425,000)	—	—
2001	11,075,000	—	(860,000)	10,215,000	905,000
2004 refunding	114,945,000	—	(8,930,000)	106,015,000	9,435,000
2004B	108,555,000	—	(105,875,000)	2,680,000	1,310,000
2009A	55,055,000	—	(1,355,000)	53,700,000	1,420,000
2010 refunding	30,045,000	—	(2,265,000)	27,780,000	2,285,000
2011	90,000,000	—	(1,025,000)	88,975,000	—
2012 refunding	—	110,830,000	—	110,830,000	—
2012B	—	79,540,000	—	79,540,000	1,615,000
	<u>421,100,000</u>	<u>190,370,000</u>	<u>(131,735,000)</u>	<u>479,735,000</u>	<u>16,970,000</u>
Less unamortized loss on refunding	(150,553)	—	150,553	—	
Unamortized premium	7,635,602	27,519,260	(3,201,098)	31,953,764	
Unamortized discount	(126,048)	—	13,505	(112,543)	
Unamortized debt expense	—	(9,074,857)	—	(9,074,857)	
Total revenue bonds	428,459,001	208,814,403	(134,772,040)	502,501,364	
Capital leases	74,989	—	(74,989)	—	
Government loans	19,813,666	87,464	(1,112,511)	18,788,619	1,155,230
	<u>\$ 448,347,656</u>	<u>208,901,867</u>	<u>(135,959,540)</u>	<u>521,289,983</u>	<u>18,125,230</u>

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The BPU's indebtedness as of December 31, 2011 consists of the following obligations:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Amount due in one year</u>
Revenue bonds:					
1998	\$ 21,820,000	—	(10,395,000)	11,425,000	—
2001	11,895,000	—	(820,000)	11,075,000	860,000
2004 refunding	123,390,000	—	(8,445,000)	114,945,000	8,930,000
2004B	109,790,000	—	(1,235,000)	108,555,000	1,245,000
2009A	56,345,000	—	(1,290,000)	55,055,000	1,355,000
2010 refunding	32,190,000	—	(2,145,000)	30,045,000	2,265,000
2011	—	90,000,000	—	90,000,000	1,025,000
	<u>355,430,000</u>	<u>90,000,000</u>	<u>(24,330,000)</u>	<u>421,100,000</u>	<u>15,680,000</u>
Less unamortized loss on refunding	(181,141)	—	30,588	(150,553)	
Unamortized premium	5,084,111	2,865,528	(314,037)	7,635,602	
Unamortized discount	<u>(139,553)</u>	<u>—</u>	<u>13,505</u>	<u>(126,048)</u>	
Total revenue bonds	360,193,417	92,865,528	(24,599,944)	428,459,001	
Capital leases	367,952	—	(292,963)	74,989	74,989
Government loans	<u>20,717,121</u>	<u>—</u>	<u>(903,455)</u>	<u>19,813,666</u>	<u>1,112,511</u>
	<u>\$ 381,278,490</u>	<u>92,865,528</u>	<u>(25,796,362)</u>	<u>448,347,656</u>	<u>16,867,500</u>

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Details of utility system revenue bonds outstanding at December 31, 2012 and 2011 are as follows:

Revenue bonds	Interest rate	Original amount	Maturity	2012	2011
1998 Series	4.00 – 5.25	\$ 81,375,000	9-01-2028	\$ —	11,425,000
2001 Series	4.00 – 5.95	17,170,000	5-01-2021	10,215,000	11,075,000
2004 Refunding	5.60 – 5.65	126,005,000	9-01-2023	106,015,000	114,945,000
2004B	3.00 – 5.00	115,535,000	9-01-2032	2,680,000	108,555,000
2009A	4.73 – 5.30	57,575,000	9-01-2034	53,700,000	55,055,000
2010 Refunding	4.40 – 4.72	32,190,000	9-01-2028	27,780,000	30,045,000
2011 Series	2.00 – 5.20	90,000,000	9-01-2036	88,975,000	90,000,000
2012 Refunding	3.12 – 5.00	110,830,000	9-01-2032	110,830,000	—
2012B	2.00 – 5.00	79,540,000	9-01-2037	79,540,000	—
Subtotal				479,735,000	421,100,000
Unamortized loss on refunding				—	(150,553)
Current maturities				(16,970,000)	(15,680,000)
Unamortized premium				31,953,764	7,635,602
Unamortized discount				(112,543)	(126,048)
Unamortized debt expense				(9,074,857)	—
Total utility system revenue bonds, excluding current maturities				<u>\$ 485,531,364</u>	<u>412,779,001</u>

Interest on portions of the outstanding utility system revenue bonds is payable on a semiannual basis. As of December 31, 2012 and 2011, the BPU was in compliance with all required debt covenant ratios.

In 2012, the BPU issued \$110.8 million of Utility System Refunding Revenue Bonds. The bond proceeds were used to refund all of the 1998 System Revenue Bonds (\$9,735,000) and a portion of the 2004B System Revenue Bonds (\$101,095,000). The aggregate savings in debt service between the refunded debt and the refunding debt was \$11.8 million and resulted in a net present value economic gain of \$8.7 million. The Series 2012A refunding bond bears an average interest rate at 4.78% and is payable over 20 years. The BPU recognized \$9.1 million in unamortized debt expense as result of the bond refunding.

The BPU completed a defeasement of utility systems revenue bonds by placing the proceeds of new bonds in irrevocable trusts to provide for all future debt service payments on the old 2004B Utility System Revenue Bonds. Accordingly, neither the trust account assets nor the liability for the defeased bonds are included in the BPU's financial statements. At December 31, 2012, outstanding utility system revenue bonds in the amount of \$114,789,142 are considered substantively defeased.

In addition, the BPU also issued \$79.54 million of Utility System Improvement Revenue Bonds. The bond proceeds were used to purchase a 17% undivided interest in the Dogwood Generating Facility located in Cass County, Missouri and finance electric distribution upgrades. Resulting from favorable market conditions the BPU was also able to recognize \$11.5 million premium on the sale of the bonds. The Series 2012B bond bears an average interest rate at 4.64% and is payable over 25 years.

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The debt service to maturity on the outstanding BPU revenue bonds as of December 31, 2012 is as follows:

	Principal	Interest (including accrued)
Bond year(s) ending December 31:		
2013	\$ 16,970,000	22,353,773
2014	19,030,000	22,600,296
2015	19,865,000	21,663,401
2016	20,755,000	20,714,984
2017	21,405,000	19,818,701
2018 – 2022	118,995,000	82,466,509
2023 – 2027	96,885,000	54,104,485
2028 – 2032	108,900,000	29,711,200
2033 – 2037	56,930,000	7,002,713
	\$ 479,735,000	280,436,062

The utility system revenue bond indebtedness requires special reserves and accounts as follows:

Account	Authorized expenditure
Debt service and reserve	Paying current principal and interest on bonds
Construction	Acquiring, constructing, and installing capital improvements
Improvement and emergency	Financing major renewals, repairs, and replacements, and extraordinary or unforeseen expenditures

The utility system revenue bond debt service and reserve account is held in escrow in a bank acting as trustee for the BPU. The utility system revenue bond indentures also provide for a bond reserve account to be held by the trustee for the future payments of principal and interest in the event that the net revenues of the utility system are less than or equal to 130% of the maximum annual debt service on the bonds. All amounts are reported on the accompanying statements of net position as restricted assets.

The current indentures also require the BPU to establish utility rates and collect fees sufficient to pay the operating, maintenance, and debt service costs of the utilities; to maintain the accounts listed above; and to provide net operating income, before depreciation and payment-in-lieu of taxes, of at least 120% of the maximum annual debt service due on the outstanding bonds. All of the BPU's utility plant facilities are pledged under the terms of the indentures.

Total indebtedness also includes government loans, which represent the amounts borrowed from Kansas Department of Health and Environment for the purpose of Water capital improvements to be repaid in installments over 20 years ending 2027.

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The debt service to maturity on the outstanding BPU government loans as of December 31, 2012 is as follows:

Year(s) ending December 31:	<u>Principal</u>	<u>Interest (including accrued)</u>
2013	\$ 1,155,230	633,178
2014	1,199,592	592,898
2015	1,245,660	551,069
2016	1,293,499	507,630
2017	1,343,179	462,521
2018 – 2022	7,530,601	1,572,839
2023 – 2027	5,020,858	321,257
	<u>\$ 18,788,619</u>	<u>4,641,392</u>

In May 2012, the BPU has entered into a Kansas Public Water Supply loan fund agreement, which the amount is not to exceed \$12.3 million. As of December 31, 2012, the BPU has drawn approximately \$87,000 of the \$12.3 million. The projects funded by this loan consist of a 4MG reservoir at the Nearman Water Treatment Plant and various waterline replacement projects. The projects are schedule to be completed by the end of 2013, with all reimbursements for this loan settled by the end of the first quarter of 2014.

BPU has pledged specific revenue streams to secure the repayment of certain outstanding debt issuances. The corresponding debt issuances are for utility system revenue bonds and the purpose of the debt is for utility improvements. The following table lists those revenues, the amount and term of pledge remaining, the current year principal and interest on the debt, the amount of pledged revenue recognized during the current fiscal year, and the approximate percentage of the revenue stream that has been committed:

<u>Type revenue pledged</u>	<u>Amount of pledge</u>	<u>Term of commitment</u>	<u>Percentage of revenue pledged</u>	<u>Principal and interest for the year ended 2012</u>	<u>Pledged revenue recognized for the year ended 2012</u>
Electric and water operating revenue	\$ 760,171,062	Through 2037	12.5%	\$ 36,295,726	43,554,871

(7) Regulatory Assets and Liabilities

The BPU is subject to the provisions of GASB Codification Section Re10, *Regulated Operations*, and has recorded assets and liabilities on its statements of net position resulting from the effects of the rate-making process, which would not be recorded under U.S. generally accepted accounting principles for nonregulated entities. Regulatory assets represent costs incurred that have been deferred because future recovery in customer rates is probable. Regulatory liabilities generally represent probable future reductions

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in revenue or refunds to customers. Management regularly assesses whether regulatory assets and liabilities are probable of future recovery or refund. If recovery or refund of regulatory assets or liabilities is not approved by the Board, which is authorized to approve rates charged to customers or is no longer deemed probable, these regulatory assets or liabilities are recognized in the current period results of operations. Additionally, these factors could result in an impairment of utility plant assets if the cost of the assets could not be expected to be recovered in customer rates. Regulatory assets as of December 31, 2012 and 2011 are as follows:

	<u>Amortization ending</u>	<u>2012</u>	<u>2011</u>
Regulatory assets:			
Miner benefits and mine reclamation costs	2016	\$ 2,145,276	2,681,594
Fuel and purchased power costs	2013	—	3,653,387
Total regulatory assets		<u>\$ 2,145,276</u>	<u>6,334,981</u>
Regulatory liabilities:			
Recovery fuel purchased power	2013	\$ 1,296,801	—
Total regulatory liabilities		<u>\$ 1,296,801</u>	<u>—</u>

BPU has an energy adjustment rate rider (ERC). Estimated retail tariffs are set to recover estimated fuel costs such as coal, natural gas, and purchased power. The ERC allows differences between these estimates and actual fuel and purchased power costs to be deferred as a regulatory asset or liability depending on the nature of the variance between estimated and actual costs incurred.

(8) Payment-in-Lieu of Taxes (PILOT) and Community Contributions

The BPU is exempt from federal and state income taxes and local property taxes because it is an administrative agency of the Unified Government. However, the BPU is required by a Charter Ordinance to pay a percentage of gross operating revenues to the Unified Government. The Charter Ordinance established a range of 5.0% – 15.0%. The payment-in-lieu of tax was established at 10.09% in 2012 and 11.9% in 2011, which amounted to \$28,052,962 and \$28,303,139 during 2012 and 2011, respectively, of PILOT. The PILOT is billed and collected by the BPU by a supplemental rate rider. Effective January 1, 2012, the PILOT decreased to 10.9% of gross revenues.

In addition to these payments to the Unified Government, the BPU also contributes services to the Unified Government, such as street lighting, fire hydrant services, traffic signals, and collection of the Unified Government sewer and trash charges at no charge. These service contributions approximated \$16,451,481 and \$14,640,310, or 6.3% and 6.0% of total operating revenue, for 2012 and 2011, respectively.

(9) Commitments and Contingencies

(a) Power Purchase & Sales Agreements

In 1982 and 1983, the BPU entered into power agreements with the Kansas Municipal Energy Agency (KMEA) and the City of Columbia, Missouri (Columbia). The agreements entitle KMEA

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and Columbia to purchase 15.86% and 8.51%, respectively, of the net available capacity of the BPU's Nearman power station. The power agreements obligate KMEA and Columbia to pay a demand charge for kilowatts purchased, a fuel charge, operation and maintenance charges, and the PILOT for their respective power purchases. The power sales agreement with KMEA expires in 2022 or the deactivation of Unit No. 1 of the Nearman Station. On April 26, 2012, the city of Columbia, Missouri notified BPU of its intent to terminate the participation Power Sales Agreement at BPU's Nearman Station effective April 26, 2013. In 2012, revenue from Columbia is \$4.8 million. The contracted 20 MW of electrical output will then be available for BPU's service territory. Total revenue from the power sales agreements for the years ended December 31, 2012 and 2011 was \$9,545,384 and \$13,543,828, respectively, and is included in other revenues in the statements of revenues, expenses, and changes in net position.

On November 1, 2006, BPU entered into an agreement with Tenaska Power Services Company (Tenaska) to both purchase and market excess wholesale energy for BPU. The BPU's wholesale purchases and sales through Tenaska for the years ended December 31, 2012 and 2011 are summarized as follows:

	<u>2012</u>	<u>2011</u>
Purchased power	\$ 15,535,872	7,210,270
Wholesale sales	391,257	25,194

On December 21, 2006, the BPU entered into a Renewable Energy Purchase Agreement with TradeWind Energy to receive 25% of the energy output of Phase 1 of the Smoky Hills Wind Farm. This contract is a 20-year fixed price contract for 25% of the output of 100.8 MW of turbines as well as the Renewable Energy Credits associated with the output. The wind farm, which was built approximately 25 miles west of Salina, Kansas in Lincoln and Ellsworth Counties in Kansas, began commercial operation in January 2008. Total power purchased under this agreement was \$3,906,749 and \$4,013,669 in 2012 and 2011, respectively.

On November 3, 2010, the BPU entered into a agreement with Lawrence, Kansas based The Bowersock Mills and Power Company to purchase 7 MW of hydroelectric power over the next 25 years, providing additional renewable energy resources to BPU's existing power generating mix. The agreement became fully operational in 2013.

The BPU has determined these purchase contracts to be excluded from the scope of GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, as these are normal purchase contracts.

(b) Coal Contracts

The BPU purchases coal for the Nearman and Quindaro generating stations through contracts with Western Fuels Association (WFA) and affiliates. WFA, in turn, contracts with coal producers and railroads to meet its coal supply and delivery commitments to the BPU. The BPU is required to pay all costs incurred by WFA in acquiring and delivering the coal as well as a per ton management cost.

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The delivery of the coal to the Nearman Station and Quindaro Station is covered by contracts between WFA and the Union Pacific Railroad. This contract expires December 31, 2014. The cost to deliver the coal is established from a base price and is adjusted by indices set out in the contract.

The coal is purchased through a contract between WFA and the BPU, which continues through December 31, 2017. The purchase price of the coal is based on WFA's cost of acquiring and delivering coal. Contracted coal purchases for the Nearman and Quindaro Stations are approximately \$53,300,000 and \$56,000,000 for 2013 and 2014, respectively. Any additional coal required will be bought on the spot market.

The BPU has determined these coal contracts to be excluded from the scope of GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, as these are normal purchase contracts.

(c) *Employees' Retirement Pension Plan*

Plan Description

The Employees' Retirement Pension Plan (the Plan) of the BPU is a single-employer, contributory, defined benefit pension plan. The Plan issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained from the Board of Pension Trustees of the Plan. The Plan is governed by state statutes, which, in essence, provide for the establishment of a Board of Pension Trustees and provides authorization for the Plan to take control and custody of all assets, property, and funds presently held, controlled, and in the possession of the Plan's Board of Pension Trustees. The BPU's payroll for the years ended December 31, 2012 and 2011 was approximately \$51,357,000 and \$50,254,000, respectively, of which approximately \$50,890,000 and \$49,923,000, respectively, was payroll of plan participants.

BPU employees who retire at or after age 55 are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 2.2% of their average compensation multiplied by the years of credited service through December 31, 2003 and 1.8% of their average compensation multiplied by the years of credited service after December 31, 2003 (Tier 1). Average annual compensation is defined as actual compensation paid, including overtime, but excluding workers' compensation, severance pay, and bonuses, averaged over the three 12-month periods (not necessarily consecutive periods) out of the last 120 months that produce the highest average. On January 1 of each year after retirement, the monthly benefit is increased by 3.0%, prorated for the number of months in the first retirement year. The Plan also provides death benefits. It is a governmental plan and, therefore, not subject to the Employee Retirement Income Security Act of 1974. Because the Plan has established a Board of Pension Trustees in accordance with Kansas state statutes, neither the BPU nor the Unified Government act in a fiduciary or trustee capacity for the Plan, and as such, the Plan's financial activities are not reported in the BPU's financial statements.

The Pension Board adopted a new plan design (Tier 2) for members hired on or after January 1, 2010. The new plan design is a career average defined benefit plan. As of January 1, 2012, there were 76 members in Tier 2. For Tier 2 employees, normal retirement is defined as age 65 with completion of 5 years of creditable service, or age 60 with 30 years of creditable service. The pension is equal to 1.5% of the sum of the member's pensionable wages during each year. Before

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Notes to Financial Statements

December 31, 2012 and 2011

attaining age 65 with 5 years of creditable service or age 60 with 30 years of creditable service, a member can receive an early retirement benefit at age 55 with 10 years of creditable service.

Funding Policy

Funding is provided by contributions from plan members and the BPU based on rates established by the Board of Pension Trustees.

Total contributions were \$8,652,008 for the year ended December 31, 2012. Of the total contributions in 2012, the BPU contributed \$4,326,004 (8.5% of current covered payroll in 2012) and the plan participants contributed \$4,326,004 (8.5% of current covered payroll for 2012). The annual pension cost is net of employee contributions.

There were 740 retirees and beneficiaries currently receiving benefits as of January 1, 2012. The Plan uses the accrual basis of accounting. Investments are reported at fair value. Securities traded on a national or international exchange, which comprise a substantial majority of total investments, are valued at the last reported sales price at current exchange rates.

	Three-year trend information		
	Annual pension cost	Percentage of annual pension cost contributed	Net pension obligation
Fiscal year ended:			
December 31, 2010	\$ 5,465,187	76.02%	\$ 5,881,819
December 31, 2011	5,475,506	77.47	7,110,202
December 31, 2012	6,795,326	63.66	9,579,524

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Notes to Financial Statements

December 31, 2012 and 2011

The information presented in the required supplementary information was determined as part of the actuarial valuations as of the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	January 1, 2012
Actuarial cost method	Entry Age Normal
Tier 1:	
Amortization method	Level percent of pay (closed)
Remaining amortization period	27 years
Tier 2:	
Amortization method	Level percent of pay (open)
Amortization period	29 years
Asset valuation method	Average adjusted asset method
Actuarial assumptions:	
Investment rate of return	8.00%
Inflation rate assumption	3.25

Projected salary increase based on age as follows:

<u>Age</u>	<u>Salary scale</u>
25	6.5%
70	4.5

The annual pension cost and net pension obligation as of December 31, 2012, 2011 and 2010 are as follows:

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Annual required contribution	\$ 6,643,775	5,342,906	5,351,899
Interest on net pension obligation	568,816	470,156	365,712
Adjustment to annual required contribution	<u>(417,265)</u>	<u>(337,557)</u>	<u>(257,282)</u>
Annual pension cost	6,795,326	5,475,505	5,460,329
Contributions made	<u>4,326,004</u>	<u>4,242,264</u>	<u>4,154,763</u>
Increase in net pension obligation	(2,469,322)	(1,233,241)	(1,305,566)
Net pension obligation, beginning of year	<u>(7,110,202)</u>	<u>(5,876,961)</u>	<u>(4,571,395)</u>
Net pension obligation, end of year	<u><u>\$ (9,579,524)</u></u>	<u><u>(7,110,202)</u></u>	<u><u>(5,876,961)</u></u>

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Notes to Financial Statements

December 31, 2012 and 2011

Funding Status and Funding Progress

The funding progress schedule as of January 1, 2012, 2011, and 2010 is as follows (dollars in millions):

Actuarial valuation date, January 1	Actuarial asset value	Actuarial accrued liability (AAL)	Funded ratio	Unfunded (overfunded) AAL (UAAL)	Covered payroll	UAAL as a percentage of covered payroll
2010	\$ 427.6	448.6	95.3	\$ 21.0	49.4	42.5
2011	443.2	471.6	94.0	28.4	47.6	59.7
2012	442.3	496.7	89.0	54.4	50.3	108.2

Actuarial Methods and Assumptions

An asset-smoothing method is used in the actuarial valuation process. Gains/losses on the market value of assets are recognized equally over an eight-year period. Gains and losses are calculated based on the excess (shortfall) of the actual market value of assets compared to the expected value of assets had the actuarial assumed rate been met exactly.

The Plan is funded through equal BPU and member contributions for future service benefits.

The balance of the actuarial present value of service retirement pensions, plus death benefits and termination benefits to the level of employee contributions, plus an allowance for expenses is funded through future BPU and member contributions related to annual compensation. The actuarial contribution rate for these benefits is funded by the entry-age method.

In addition to depending upon the actuarial method used, actuarial cost estimates depend to an important degree on the assumptions made relative to various occurrences, such as rate of expected investment earnings by the fund, rates of mortality among active and retired employees, and rates of termination from employment.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

(d) Postretirement Healthcare Benefits

Plan Description

The BPU provides certain postemployment healthcare and life insurance benefits to eligible retirees and their dependents in accordance with provisions established by the BPU's Board. The plan is a single-employer defined benefit healthcare plan administered by the BPU. The plan does not issue separate financial statements. Employees are given a 90-day window to retire with medical coverage at ages 55 and above with 7 consecutive years of service. The retiree plan is a comprehensive major medical plan with a \$100 deductible per individual or \$200 per family. For individuals, the plan pays 80% of the next \$12,500 of allowable charges and 100% thereafter for the remainder of that calendar year. For families, the plan pays 80% of the next \$25,000 of allowable charges and 100% thereafter.

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Notes to Financial Statements

December 31, 2012 and 2011

for the remainder of that calendar year. The plan has a lifetime maximum of \$750,000. Benefits cease at the first of the month that the retired employee attains age 65 or death. Spouse benefits end at the first of the month that the retired employee attains age 65, the end of the month of the retiree's death, or on the date of the spouse's death. Retirees are not required to contribute toward the cost of the postretirement benefits. There were 400 participants eligible to receive benefits under this plan as of December 31, 2012.

Funding Policy

The contribution requirements of plan members and the BPU are established and can be amended by the BPU's Board. Contributions are made to the plan based on a pay-as-you-go basis. For the years ended December 31, 2012 and 2011, the BPU paid \$3,819,000 and \$3,356,329, respectively, for retirees.

The BPU's annual Other Postemployment Benefits (OPEB) expense is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The BPU's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2010 – 2012 are as follows:

	<u>Annual OPEB expense</u>	<u>Annual OPEB contributed</u>	<u>Net OPEB</u>
Fiscal year ended:			
December 31, 2010	\$ 3,486,959	93%	\$ 2,538,871
December 31, 2011	3,557,942	106	2,740,484
December 31, 2012	4,382,240	115	3,303,724

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Notes to Financial Statements

December 31, 2012 and 2011

The following table shows the components of BPU's annual OPEB expense for the year, the amount actually contributed to the plan, and changes in the BPU's net OPEB obligation:

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Normal costs	\$ 1,782,996	1,430,180	1,678,567
Amortization payment	2,636,630	2,165,609	1,812,126
Annual required contribution (ARC)	4,419,626	3,595,789	3,490,693
Amortization of net OPEB obligation	(156,514)	(158,443)	(95,101)
Interest on net OPEB obligation	119,128	120,596	91,367
Total OPEB expense	4,382,240	3,557,942	3,486,959
Annual employer contribution	3,819,000	3,356,329	3,232,258
Change in OPEB obligation	563,240	201,613	254,701
Net OPEB obligation – beginning of year	2,740,484	2,538,871	2,284,170
Net OPEB obligation – end of year	\$ <u>3,303,724</u>	<u>2,740,484</u>	<u>2,538,871</u>

Funded Status and Funding Progress

The funded status of the plan as of December 31, 2012 and 2011 is as follows:

	<u>2012</u>	<u>2011</u>
Actuarial accrued liability (AAL)	\$ 44,737,371	45,974,980
Actuarial value of plan assets	—	—
Unfunded actuarial accrued liability (UAAL)	44,737,371	45,974,980
Funded ratio	—%	—%
Covered payroll	\$ 50,800,000	49,923,000
UAAL as a percentage of covered payroll	88.07%	92.10%

Actuarial Methods and Assumptions

Actuarial valuations for an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

BOARD OF PUBLIC UTILITIES

Notes to Financial Statements

December 31, 2012 and 2011

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan member to that point. The actuarial methods used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of plan assets, consistent with the long-term perspective of the calculations. The valuation of the liabilities is based on a closed group. In the actuarial valuation as of December 31, 2012, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4.75% discount rate, which includes a 2% inflation rate, and an annual healthcare cost trend of 8.0% in 2012, reduced by decrements to an ultimate rate of 5.0% in 2018. The projected salary increase is 2.5%. The unfunded actuarial accrued liability is being amortized over 20 years as a level percentage of payrolls.

(e) Risk Management

The BPU is exposed to various risks of loss related to tort claims; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The BPU is self-insured for workers' compensation, healthcare, certain general liability claims, and a portion of the automobile and small vehicle fleet. The BPU is responsible for the first \$350,000 of a workers' compensation claim per employee/per occurrence, and workers' compensation claims greater than \$350,000 and up to \$35,000,000 per employee/per occurrence are fully insured. The BPU is essentially 100% self-insured for healthcare claims and is responsible for the first \$500,000 of general liability and automobile insurance claims. In addition, any general liability or automobile claims greater than \$35,000,000 are the responsibility of BPU. Settlements did not exceed insurance coverage for the past three years. At December 31, 2012 and 2011, the BPU has established a liability of \$2,858,000 and \$2,820,000, respectively, which is based on estimates of the amounts needed to pay prior and current year claims. The liability is based on the requirement that a liability for claims incurred prior to the statement of net position date be recorded if information related to such claims is available prior to the issuance of the financial statements and the amount of loss can be reasonably estimated. The total amount of claims and judgments is expected to become due within one year. Changes in the claims liability for 2012 and 2011 are as follows:

	<u>2012</u>	<u>2011</u>
Beginning accruals	\$ 2,820,000	2,860,000
Additional accruals	11,863,000	11,079,429
Charges for claim payments	<u>(11,825,000)</u>	<u>(11,119,429)</u>
Ending accruals	<u>\$ 2,858,000</u>	<u>2,820,000</u>

(f) Environmental Compliance

The BPU is subject to substantial regulation of air emissions and control equipment under federal, state, and county environmental laws and regulations. Nationwide, utilities with coal-fired generating units have been under heavy scrutiny and enforcement by the U.S. Environmental Protection Agency (EPA) and Department of Justice for matters related to permitting of modifications to those coal-fired units. This is referred to as "new source review permitting."

BOARD OF PUBLIC UTILITIES

Notes to Financial Statements

December 31, 2012 and 2011

In 2007, the BPU received from the EPA a Clean Air Act section 114 information request seeking information about the types of projects that have been the subject of new source review permitting investigations. BPU responded to the information request. On November 25, 2008, the BPU received a Notice of Violation of certain Clean Air Act regulations with respect to new source review permitting matters. On December 19, 2008, the BPU received a supplemental Clean Air Act Section 114 information request to the 2007 information request. BPU has responded to the supplemental information request. The BPU has evaluated the EPA findings and has had preliminary discussions with the EPA regarding the Notice of Violation. At this time, the EPA has not filed a lawsuit. Management does not know the impact that these alleged violations of the Clean Air Act regulations will have on the BPU; however, the BPU could be subject to fines and/or penalties and the amounts of any such fines and/or penalties could be material. The Notice of Violation states such fines and/or penalties could be as much as \$25,000 to \$32,500 per day (depending upon when the violation occurred) commencing from date of the violation. The EPA alleges that such Clean Air Act violations at the Nearman Station commenced in 1994 and at the Quindaro Station in 2001. The BPU could also be required to make material capital expenditures for air pollution control equipment as a result of resolution of the alleged violations, which could cost hundreds of millions of dollars. The EPA has issued notices to many utilities alleging violation of new source review permitting. To date, the settlements of those notices have included penalties much less than \$25,000 to \$32,500 per day but have included requirements for significant capital expenditures for air pollution control equipment. BPU is not presently able to evaluate what, if any, liability might be imposed and has not accrued anything for this possible obligation.

The federal Clean Air Act makes provision for citizens to file suit against regulated entities for failure to comply with certain provision of the Clean Air Act or with permits issued under the Clean Air Act. Citizen suits are filed with some regularity against utilities with coal-fired generating units by various national and local groups.

By letter dated July 16, 2012, the Utility and the Unified Government of Wyandotte County/Kansas City, Kansas received from legal counsel for the Sierra Club notice of intent to sue under the citizen suit provisions of the federal Clean Air Act, 42 U.S.C. 7604. The letter alleges that since July 1, 2007, there have been violations of the opacity emissions limits for the Quindaro plant and Nearman plant boilers set forth in the Class I Air Operating Permit for each plant and the letter states that the Sierra Club intends to sue the Utility to enjoin the alleged violations and to seek civil penalties. The Clean Air Act, 42 U.S.C. § 7604(a)(1) provides that any person may commence a civil action in the appropriate United States District Court against any person alleged to have violated or to be in violation of an emission standard or limitation established under the Clean Air Act. The Class I Operating Permits are issued under authority of the Clean Air Act. The Clean Air Act further provides that the district courts may enforce the emission standard or limitation and apply any appropriate civil penalty. The Clean Air Act precludes citizens from filing suit until 60 days after proper notice to the alleged violator and to state and federal authorities. The Sierra Club has not filed suit and instead has made an offer of settlement of the allegations. The Sierra Club and the Utility are in active good-faith settlement negotiations. It is not possible to estimate what, if any, settlement amounts may be negotiated.

BOARD OF PUBLIC UTILITIES

Notes to Financial Statements

December 31, 2012 and 2011

(g) Other Legal Matters

In the normal course of business, the BPU is subject to various lawsuits, actions, proceedings, claims, and other matters asserted under laws and regulations. Management believes the amounts provided in the financial statements, as prescribed by generally accepted accounting principles, are adequate in light of the probable and estimable contingencies. However, there can be no assurances that the actual amounts required to satisfy alleged liabilities from various legal proceedings, claims, and other matters, and to comply with applicable laws and regulations, will not exceed the amounts reflected in the BPU's financial statements. As such, costs, if any, that may be incurred in excess of those amounts provided as of December 31, 2012 cannot be reasonably determined.

(10) Principal Customers

Electric and water charges to the BPU's five largest retail customers and three largest wholesale customers expressed as a percentage of total operating revenues for the years ended December 31, 2012 and 2011 were as follows:

	<u>2012</u>	<u>2011</u>
Principal retail customers:		
General Motors Corporation	4.2%	4.1%
Waterone of Johnson County	2.5	1.9
Certain Teed Corporation	2.3	2.8
Owens Corning	2.2	2.2
Griffin Wheel	2.1	2.1
	<u>13.3</u>	<u>13.1</u>
Total principal retail customers		
Principal wholesale customers:		
Kansas Municipal Energy Authority	1.6	2.8
City of Columbia, Missouri	1.6	2.7
Southwest Power Pool	1.6	2.4
	<u>4.8</u>	<u>7.9</u>
Total principal wholesale customers		
Principal customers	<u>18.1%</u>	<u>21.0%</u>

BOARD OF PUBLIC UTILITIES
 Required Supplementary Information
 Schedule of Funding Progress – Pension
 December 31, 2012
 (Dollars in millions)

(Unaudited – See accompanying independent auditors' report)

<u>Actuarial valuation date, January 1</u>	<u>Actuarial value of assets</u>	<u>Actuarial accrued liability (AAL)</u>	<u>Funded ratio</u>	<u>Unfunded (overfunded) AAL (UAAL)</u>	<u>Covered payroll</u>	<u>UAAL as a percentage of covered payroll</u>
2009	\$ 410.9	432.8	94.9	\$ 21.9	50.1	43.7
2010	427.6	448.6	95.3	21.0	49.4	42.5
2011	443.2	471.6	94.0	28.4	47.6	59.7
2012	442.3	496.7	89.0	54.4	50.3	108.2

The information presented in the required supplementary information was determined as part of the actuarial valuations as of the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	January 1, 2012
Actuarial cost method	Entry age
Amortization method	Level percent of pay
Remaining amortization period	Tier 1 – 27 years (closed), Tier 2 – 29 years (open)
Asset valuation method	Average adjusted asset method

Actuarial assumptions:
 Investment rate of return
 Inflation rate assumption

Projected salary increase based on age as follows:

<u>Age (in years)</u>	<u>Salary scale</u>
25	6.5%
70	4.5

See accompanying independent auditors' report.

BOARD OF PUBLIC UTILITIES
 Required Supplementary Information
 Schedule of Funding Progress – Postretirement

December 31, 2012

(Dollars in millions)

(Unaudited – See accompanying independent auditors' report)

Actuarial valuation date, January 1	Actuarial value of assets	Actuarial accrued liability (AAL)	Funded ratio	Unfunded AAL	Covered payroll	UAAL as a percentage of covered payroll
2011	\$ —	42.1	—	42.1	48.9	86.1
2012	—	46.0	—	46.0	49.9	92.2
2013	—	44.7	—	44.7	50.8	88.0

The actuarial assumptions included a 4.75% discount rate, which includes a 2% inflation rate, and an annual healthcare cost trend of 8.0% initially, reduced by decrements to an ultimate rate of 5.0% in 2018. The projected salary increase is 2.5%. The unfunded actuarial accrued liability is being amortized over 20 years as a level percent of payroll.

See accompanying independent auditors' report.



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BOARD OF PUBLIC UTILITIES

Combining Statements of Net Position

December 31, 2012 and 2011

	Electric		Water		Total utility	
	2012	2011	2012	2011	2012	2011
Noncurrent assets:						
Capital assets:						
Property, plant, and equipment	\$ 1,084,191,880	998,017,796	319,189,157	319,595,573	1,403,381,037	1,317,613,369
Less accumulated depreciation	(576,885,686)	(558,563,317)	(98,586,674)	(100,327,721)	(675,472,360)	(658,891,038)
Plant in service, net	507,306,194	439,454,479	220,602,483	219,267,852	727,908,677	658,722,331
Construction work in progress	69,103,038	33,475,941	26,893,785	14,199,349	95,996,823	47,675,290
Capital assets, net	576,409,232	472,930,420	247,496,268	233,467,201	823,905,500	706,397,621
Restricted assets:						
Cash and cash equivalents	44,975,809	12,036,562	2,519,849	1,825,206	47,495,658	13,861,768
Investments	2,530,491	56,371,531	320,410	10,185,956	2,850,901	66,557,487
Total restricted assets	47,506,300	68,408,093	2,840,259	12,011,162	50,346,559	80,419,255
Debt issue costs	5,211,578	5,527,003	1,119,860	1,495,928	6,331,438	7,022,931
System development costs	580,039	661,000	222,405	196,325	802,444	857,325
Regulatory assets	2,145,276	2,681,594	—	—	2,145,276	2,681,594
Total noncurrent assets	631,852,425	550,208,110	251,678,792	247,170,616	883,531,217	797,378,726
Current assets:						
Cash and cash equivalents	10,889,623	13,965,430	8,072,835	12,304,320	18,962,458	26,269,750
Cash and cash equivalents – restricted	4,599,229	5,592,810	933,925	1,422,846	5,533,154	7,015,656
Investments – restricted	11,201,900	10,254,920	3,461,789	3,218,787	14,663,689	13,473,707
Accounts receivable – customers and other	23,363,339	23,330,086	4,079,950	3,972,093	27,443,289	27,302,179
Accounts receivable – unbilled	8,198,834	8,440,200	1,819,890	1,794,499	10,018,724	10,234,699
Allowance for doubtful accounts	(757,255)	(3,440,185)	(154,941)	(506,143)	(912,196)	(3,946,328)
Inventories	35,057,195	34,945,910	1,593,098	1,908,390	36,650,293	36,854,300
Regulatory assets	—	3,653,387	—	—	—	3,653,387
Prepayments and other current assets	3,581,848	1,287,885	131,970	141,135	3,713,818	1,429,020
Total current assets	96,134,713	98,030,443	19,938,516	24,255,927	116,073,229	122,286,370
Total assets	\$ 727,987,138	648,238,553	271,617,308	271,426,543	999,604,446	919,665,096

BOARD OF PUBLIC UTILITIES

Combining Statements of Net Position

December 31, 2012 and 2011

	Electric		Water		Total utility	
	2012	2011	2012	2011	2012	2011
Net position:						
Invested in capital assets, net of related debt	\$ 221,223,059	217,167,055	130,239,017	119,802,164	351,462,076	336,969,219
Restricted – debt service	60,148,311	81,364,833	6,725,276	16,154,969	66,873,587	97,519,802
Unrestricted	16,549,299	28,804	(22,345,890)	(27,808,771)	(5,796,591)	(27,779,967)
Total net position	297,920,669	298,560,692	114,618,403	108,148,362	412,539,072	406,709,054
Liabilities:						
Noncurrent liabilities:						
Long-term debt – revcnuc bonds	388,352,260	311,230,760	97,179,103	101,548,241	485,531,363	412,779,001
Government loans	—	—	17,633,390	18,701,155	17,633,390	18,701,155
Total long-term debt and capital lease obligations	388,352,260	311,230,760	114,812,493	120,249,396	503,164,753	431,480,156
Postretirement benefit obligation	2,532,662	2,082,070	771,062	658,414	3,303,724	2,740,484
Reserve for compensated absences	4,153,380	4,011,569	620,620	599,429	4,774,000	4,610,998
Pension obligation	8,337,974	6,189,664	1,241,550	920,538	9,579,524	7,110,202
Noncurrent liabilities	403,376,276	323,514,063	117,445,725	122,427,777	520,822,001	445,941,840
Current liabilities:						
Current maturities of revenue bonds	12,990,212	11,548,703	3,979,788	4,131,297	16,970,000	15,680,000
Current maturities of government loans	—	—	1,155,230	1,112,511	1,155,230	1,112,511
Current maturities of capital lease obligations	—	41,994	—	32,995	—	74,989
Accrued interest	5,164,806	5,272,727	1,582,877	1,682,139	6,747,683	6,954,866
Customer deposits	2,934,118	2,890,990	510,698	497,825	3,444,816	3,388,815
Accounts payable	19,376,694	23,522,146	4,673,526	3,654,649	24,050,220	27,176,795
Payroll and payroll taxes	1,694,446	1,150,385	682,071	1,038,232	2,376,517	2,188,617
Accrued claims payable	5,213,015	5,413,496	233,539	235,005	5,446,554	5,648,501
Recovery Fuel/Purchased Power	1,296,801	—	—	—	1,296,801	—
Other accrued liabilities	2,991,980	2,735,004	69,498	61,848	3,061,478	2,796,852
Payment-in-lieu of taxes	1,400,283	1,688,255	293,791	304,001	1,694,074	1,992,256
Interdepartmental balances	(26,372,162)	(28,099,902)	26,372,162	28,099,902	—	—
Total current liabilities	26,690,193	26,163,798	39,553,180	40,850,404	66,243,373	67,014,202
Total liabilities	430,066,469	349,677,861	156,998,905	163,278,181	587,065,374	512,956,042
Total liabilities and net position	\$ 727,987,138	648,238,553	271,617,308	271,426,543	999,604,446	919,665,096

See accompanying independent auditors' report.

BOARD OF PUBLIC UTILITIES

Combining Schedule of Revenues, Expenses, and Changes in Net Position
Years ended December 31, 2012 and 2011

	Electric		Water		Total utility	
	2012	2011	2012	2011	2012	2011
Operating revenues:						
Residential	\$ 63,637,856	58,399,854	23,092,102	21,231,303	86,729,958	79,631,157
Commercial	90,921,884	79,123,112	10,937,316	9,787,633	101,859,200	88,910,745
Industrial	41,183,223	39,556,941	4,719,121	4,303,687	45,902,344	43,860,628
Other	23,690,861	27,524,859	4,430,414	3,532,515	28,121,275	31,057,374
Deferred Energy Rate Component	(1,296,801)	—	—	—	(1,296,801)	—
Payment-in-lieu of taxes	23,452,890	23,761,662	4,600,072	4,541,477	28,052,962	28,303,139
Total operating revenues	<u>241,589,913</u>	<u>228,366,428</u>	<u>47,779,025</u>	<u>43,396,615</u>	<u>289,368,938</u>	<u>271,763,043</u>
Operating expenses:						
Fuel	51,083,016	55,657,743	—	—	51,083,016	55,657,743
Purchased power	29,502,526	21,450,645	—	—	29,502,526	21,450,645
Production	47,755,298	38,754,009	5,311,047	5,217,396	53,066,345	43,971,405
Transmission and distribution	28,466,236	29,027,540	12,691,060	12,129,548	41,157,296	41,157,088
General and administrative	22,620,632	23,606,442	7,212,344	6,770,170	29,832,976	30,376,612
Depreciation and amortization	26,509,971	25,798,226	6,597,158	6,582,119	33,107,129	32,380,345
Total operating expenses	<u>205,937,679</u>	<u>194,294,605</u>	<u>31,811,609</u>	<u>30,699,233</u>	<u>237,749,288</u>	<u>224,993,838</u>
Operating income	<u>35,652,234</u>	<u>34,071,823</u>	<u>15,967,416</u>	<u>12,697,382</u>	<u>51,619,650</u>	<u>46,769,205</u>
Nonoperating income (expense):						
Interest expense	(13,745,188)	(14,466,894)	(4,971,412)	(5,565,930)	(18,716,600)	(20,032,824)
Payment-in-lieu of taxes	(23,452,890)	(23,761,662)	(4,600,072)	(4,541,477)	(28,052,962)	(28,303,139)
Other	905,821	1,247,077	(56,769)	221,315	849,052	1,468,392
Total nonoperating expense, net	<u>(36,292,257)</u>	<u>(36,981,479)</u>	<u>(9,628,253)</u>	<u>(9,886,092)</u>	<u>(45,920,510)</u>	<u>(46,867,571)</u>
Income (loss) before contributions and transfers	<u>(640,023)</u>	<u>(2,909,656)</u>	<u>6,339,163</u>	<u>2,811,290</u>	<u>5,699,140</u>	<u>(98,366)</u>
Contributions and transfers:						
Contributions from developers and others	—	—	130,878	59,048	130,878	59,048
Change in net position	<u>(640,023)</u>	<u>(2,909,656)</u>	<u>6,470,041</u>	<u>2,870,338</u>	<u>5,830,018</u>	<u>(39,318)</u>
Net position, beginning of year	<u>298,560,692</u>	<u>301,470,348</u>	<u>108,148,362</u>	<u>105,278,024</u>	<u>406,709,054</u>	<u>406,748,372</u>
Net position, end of year	<u>\$ 297,920,669</u>	<u>298,560,692</u>	<u>114,618,403</u>	<u>108,148,362</u>	<u>412,539,072</u>	<u>406,709,054</u>

See accompanying independent auditors' report.



KPMG LLP
Suite 1000
1000 Walnut Street
Kansas City, MO 64106-2162

Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

The Board of Directors
Board of Public Utilities:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Board of Public Utilities of Kansas City, Kansas (the BPU), which comprise the statements of net position as of December 31, 2012 and 2011, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated May 21, 2013.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the BPU's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the BPU's internal control. Accordingly, we do not express an opinion on the effectiveness of the BPU's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the BPU's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The

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results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the BPU's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Example Entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

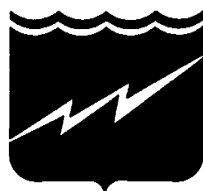
KPMG LLP

Kansas City, Missouri
May 21, 2013

STATISTICAL SECTION

(Unaudited)

Financial Trends
Revenue Capacity
Debt Capacity
Demographic and Economic Information
Operating Information





Statistical Section (Unaudited)

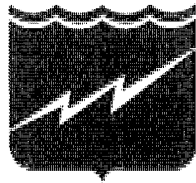
This part of the comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the utility's overall financial health.

<i>Contents</i>	Page
<u>Financial Trends</u>	69
These schedules contain trend information to help the reader understand how the utility's financial performance and well-being have changed over time.	
<u>Revenue Capacity</u>	71
These schedules contain information to help the reader assess the utility's most significant local revenue source.	
<u>Debt Capacity</u>	73
These schedules present information to help the reader assess the affordability of the utility's current levels of outstanding debt and the utility's ability to issue additional debt in the future.	
<u>Demographic and Economic Information</u>	78
These schedules offer demographic and economic indicators to help the reader understand how the information in the utility's financial activities take place.	
<u>Operating Information</u>	83
These schedules contain service and infrastructure data to help the readers understand how the information in the utility's financial report relates to the services the utility provides and the activities it performs.	



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Financial Trends





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Net Position By Component

Last Ten Fiscal Years

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Net Position invested in Capital Assets, net of related Debt:										
Capital assets, net of depreciation	\$ 563,037,948	\$ 601,673,285	\$ 662,002,748	\$ 691,579,477	\$ 693,985,594	\$ 694,016,598	\$ 689,463,474	\$ 678,544,095	\$ 706,397,621	\$ 823,905,500
Bonds and notes payable:										
Principal, long term	(229,933,073)	(355,025,906)	(334,704,196)	(324,102,885)	(314,495,795)	(308,110,760)	(321,601,392)	(311,697,479)	(333,859,746)	(456,684,804)
Government Loans	-	-	(15,930,490)	(19,666,793)	(22,713,285)	(21,693,505)	(20,657,540)	(19,645,748)	(18,701,155)	(17,633,390)
Capital Leases	(3,682,429)	(7,057,539)	(4,869,869)	(1,637,046)	(187,671)	(650,043)	(367,952)	(74,989)	-	-
Principal, current	(10,049,266)	(12,955,205)	(10,825,592)	(10,952,986)	(9,938,765)	(6,736,709)	(7,951,515)	(13,935,000)	(15,680,000)	(16,970,000)
Government Loans, current	-	-	(1,145,592)	(804,415)	(976,882)	(1,014,400)	(1,053,360)	(1,071,373)	(1,112,511)	(1,155,230)
Capital Leases, current	(1,534,509)	(3,169,641)	(3,095,489)	(1,704,964)	(1,550,395)	(368,879)	(282,091)	(292,964)	(74,989)	-
Bond proceeds for construction (unspent) (B)	9,375,000	99,503,451	60,732,997	19,609,783	-	-	-	-	-	-
Net Position invested in Capital Assets, net of Debt:	\$ 327,193,671	\$ 322,968,445	\$ 352,164,517	\$ 352,320,171	\$ 344,102,801	\$ 355,442,301	\$ 337,549,623	\$ 331,826,542	\$ 336,969,220	\$ 351,462,076
Restricted Net Position (A)										
Bond covenant requirements	\$ 17,426,577	\$ 115,468,360	\$ 78,532,304	\$ 37,190,172	\$ 4,546,604	\$ 15,508,357	\$ 55,170,663	\$ 50,980,822	\$ 97,519,802	\$ 66,873,587
Bond proceeds designated for project construction (B)	-	-	-	-	-	-	37,936,865	34,560,938	78,919,255	48,846,559
Bond proceeds designated for project construction (B)	-	(99,343,514)	(60,732,997)	(19,609,783)	-	-	(37,936,865)	(34,560,938)	(78,919,255)	(48,846,559)
Funds segregated under City Ordinances due to	2,348,361	2,396,176	2,894,830	3,219,427	3,442,049	3,446,669	3,270,411	3,345,722	3,388,815	3,444,816
Liability for customer deposits	(2,348,361)	(2,396,176)	(2,894,830)	(3,219,427)	(3,442,049)	(3,446,669)	(3,270,411)	(3,345,722)	(3,388,815)	(3,444,816)
Total Restricted Net Position	\$ 17,426,577	\$ 16,124,846	\$ 17,799,307	\$ 17,800,389	\$ 4,546,604	\$ 15,508,357	\$ 55,170,663	\$ 50,980,822	\$ 97,519,802	\$ 66,873,587
Unrestricted Net Position										
Other designated funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Reserve funds	-	-	-	-	-	-	-	-	-	-
Funds held for future improvements	-	-	-	-	-	-	-	-	-	-
Project construction accounts	-	-	-	-	-	-	-	-	-	-
Unrestricted - Other	30,267,213	35,547,989	(335,638)	13,831,492	61,896,774	43,426,745	(2,784,373)	23,941,008	(27,779,967)	(5,796,591)
Total Unrestricted Net Position	\$ 30,267,213	\$ 35,547,989	\$ (335,638)	\$ 13,831,492	\$ 61,896,774	\$ 43,426,745	\$ (2,784,373)	\$ 23,941,008	\$ (27,779,967)	\$ (5,796,591)
Total Net Position	\$ 374,887,461	\$ 374,641,280	\$ 369,628,186	\$ 383,732,052	\$ 410,546,179	\$ 414,377,403	\$ 389,935,914	\$ 406,748,372	\$ 406,709,054	\$ 412,539,072

Footnote A

Per Question 95 of "Guide to Implementation of GASB Statement 34 on Basic Financial Statements - and Management's Discussion and Analysis - For State and Local Governments" (Implementation Guide), restricted Net Position should be reported when constraints placed on net asset use are either:

- Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments.
- Imposed by law through constitutional provisions or enabling legislation.

The basic concept is that restrictions are not unilaterally established by the reporting government itself, and cannot be removed without the consent of those imposing the restrictions or through formal due process.

Footnote B

Per the Implementation Guide, if there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds should not be included in the "calculation of invested in capital assets, net of debt".... The unspent portion of the debt would be included in the calculation of Net Position restricted for capital projects.

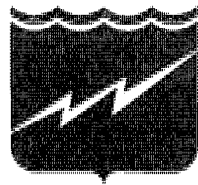
Combined Operating Statements
Last Ten Fiscal Years

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Operating Revenues										
Residential	\$ 57,348,480	\$ 56,004,311	\$ 61,506,345	\$ 71,900,832	\$ 69,103,742	\$ 69,179,353	\$ 67,889,344	\$ 72,383,530	\$ 79,631,157	\$ 86,729,958
Commercial	58,249,726	59,862,702	63,594,092	79,590,974	75,088,103	77,719,820	76,989,419	74,233,899	88,910,745	101,859,200
Industrial	35,871,154	39,962,991	44,366,530	55,822,224	44,340,186	46,366,895	45,520,902	44,277,063	43,860,628	45,902,344
Other	36,149,276	36,904,391	36,153,183	33,221,762	40,250,336	45,392,688	32,001,538	33,932,880	31,057,374	28,121,275
Deferred Energy Rate Component	-	-	-	-	-	-	(12,332,254)	12,332,254	-	(1,296,801)
Payment-in-lieu of taxes	13,916,680	14,673,298	16,325,334	18,374,439	17,230,192	17,562,272	21,540,269	27,831,160	28,303,139	28,052,962
Total Operating Revenues	201,535,316	207,407,693	221,945,484	258,910,231	246,012,559	256,221,028	231,609,218	264,990,786	271,763,043	289,368,938
Operating Expenses										
Production	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Transmission & Distribution	74,595,079	85,103,214	92,375,693	118,999,005	108,022,193	124,590,074	116,062,263	104,447,219	121,079,793	129,998,500
General and Administrative	28,687,267	28,456,949	29,926,086	31,680,256	36,188,822	34,655,585	34,548,626	37,287,338	41,157,088	41,157,296
Depreciation & Amortization	33,467,227	34,398,271	40,942,490	31,056,425	36,197,159	30,965,312	34,518,980	29,900,838	30,376,612	29,832,976
Purchased Power Amortization	24,472,383	23,369,264	28,545,254	30,550,474	31,703,397	31,291,634	31,986,166	31,705,944	32,380,345	33,107,129
Interest Income/(Expense)	8,676,326	6,275,808	-	-	-	-	-	-	-	3,653,387
Payment-in-lieu of taxes	169,898,282	177,603,506	191,789,523	212,286,160	212,111,571	221,502,605	217,116,035	203,341,339	224,993,838	237,749,288
Total Operating Expense	31,637,034	29,804,187	30,155,961	46,624,071	33,900,988	34,718,423	14,493,183	61,649,447	46,769,205	51,619,650
Nonoperating Income/(Expense)	(15,304,953)	(15,812,321)	(19,965,452)	(15,549,762)	(15,663,027)	(14,791,096)	(17,604,368)	(17,306,717)	(18,564,432)	(17,867,548)
Income/Loss	(13,916,680)	(14,673,298)	(16,325,334)	(18,374,439)	(17,230,192)	(17,562,272)	(21,540,269)	(27,831,160)	(28,303,139)	(28,052,962)
Contributions	(29,221,633)	(30,485,619)	(36,290,786)	(33,924,201)	(32,893,219)	(32,353,368)	(39,144,637)	(45,137,877)	(46,867,571)	(45,920,510)
Change In Net Position	2,415,401	(681,432)	(6,134,825)	12,699,870	1,007,769	2,365,055	(24,651,454)	16,511,570	(98,366)	5,699,140
Total	\$ 1,166,323	\$ 275,314	\$ 1,281,668	\$ 1,403,996	\$ 880,873	\$ 1,466,171	\$ 209,965	\$ 300,888	\$ 59,048	\$ 130,878
	\$ 3,581,724	\$ (406,118)	\$ (4,853,157)	\$ 14,103,866	\$ 1,888,642	\$ 3,831,226	\$ (24,441,489)	\$ 16,812,458	\$ (39,318)	\$ 5,830,018

Footnotes:

- (1) Includes fuel, purchased power and production.
- (2) Purchased power costs amortization added beginning in 2002.
- (3) Includes other non operating income.
- (4) 2005 - Recognized Loss on Disposal of Assets.

Revenue Capacity





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ELECTRIC UTILITY SYSTEMS SALES

LAST TEN FISCAL YEARS

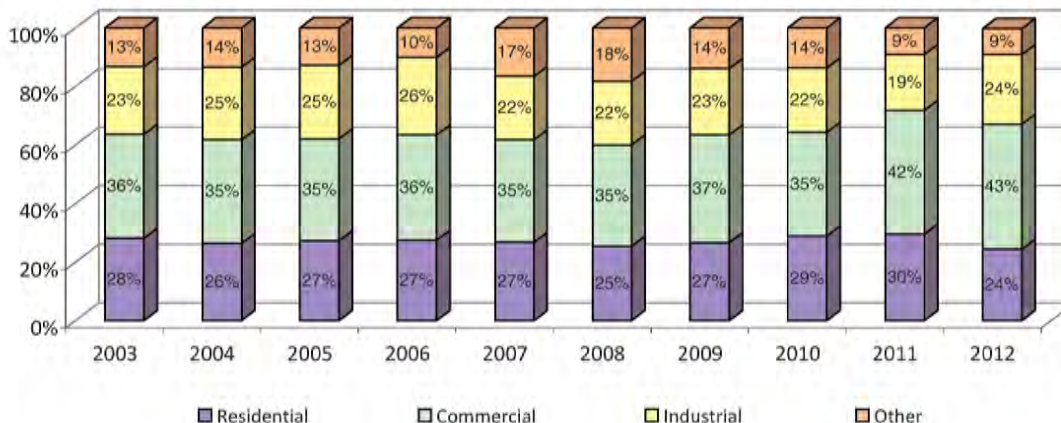
Residential					Commercial						
	Dollars/\$'s	(Kwh)	Customers	Average kWh	Average Sales /\$'s		Dollars/\$'s	(Kwh)	Customers	Average kWh	Average Sales /\$'s
2003	\$ 39,717,885	525,368,930	60,523	8,680	\$ 656.24	\$ 50,243,742	814,699,133	7,870	103,520	\$ 6,384.21	
2004	\$ 38,679,186	521,556,432	57,563	9,061	\$ 671.95	\$ 52,158,752	834,722,758	6,651	125,503	\$ 7,842.24	
2005	\$ 44,116,173	549,989,717	57,486	9,567	\$ 767.42	\$ 56,254,173	846,528,035	6,672	126,878	\$ 8,431.38	
2006	\$ 54,131,458	562,349,076	57,500	9,780	\$ 941.42	\$ 71,126,503	910,094,493	6,733	135,169	\$ 10,563.86	
2007	\$ 50,728,377	569,938,677	57,267	9,952	\$ 885.82	\$ 66,484,533	896,367,753	6,799	131,838	\$ 9,778.58	
2008	\$ 50,853,676	544,166,628	57,187	9,516	\$ 889.25	\$ 69,292,240	856,957,838	6,905	124,107	\$ 10,035.08	
2009	\$ 49,968,396	536,644,287	56,907	9,430	\$ 878.07	\$ 69,038,969	864,936,202	6,952	124,415	\$ 9,930.81	
2010	\$ 53,468,956	609,507,300	56,357	10,815	\$ 948.75	\$ 65,639,995	880,896,928	6,905	127,574	\$ 9,506.15	
2011	\$ 58,399,854	593,262,827	56,297	10,538	\$ 1,037.35	\$ 79,123,112	947,700,453	6,782	139,738	\$ 11,666.63	
2012	\$ 63,637,856	575,632,270	56,161	10,250	\$ 1,133.13	\$ 90,921,884	1,002,859,658	6,824	146,961	\$ 13,323.84	

Industrial					Other						
	Dollars/\$'s	(Kwh)	Customers	Average kWh	Average Sales /\$'s		Dollars/\$'s	(Kwh)	Customers	Average kWh	Average Sales /\$'s
2003	\$ 32,624,899	814,756,414	106	7,686,381	\$ 307,782.07	\$ 18,797,472	520,060,228	250	2,080,241	\$ 75,189.89	
2004	\$ 36,365,066	904,499,429	98	9,229,586	\$ 371,072.10	\$ 19,858,369	585,014,156	223	2,623,382	\$ 89,050.98	
2005	\$ 40,788,506	920,894,297	99	9,301,963	\$ 412,005.11	\$ 20,708,393	572,925,408	224	2,557,703	\$ 92,448.18	
2006	\$ 52,357,554	897,258,438	94	9,545,303	\$ 556,995.26	\$ 19,978,877	457,359,735	242	1,889,916	\$ 82,557.34	
2007	\$ 41,001,666	759,651,447	94	8,081,398	\$ 436,187.94	\$ 31,468,641	502,448,866	225	2,233,106	\$ 139,860.63	
2008	\$ 43,507,292	742,247,845	94	7,896,254	\$ 462,843.53	\$ 36,760,714	482,736,551	222	2,174,489	\$ 165,588.80	
2009	\$ 42,666,801	689,322,900	94	7,333,222	\$ 453,902.14	\$ 26,074,666	419,910,237	232	1,809,958	\$ 112,390.80	
2010	\$ 40,758,341	751,421,546	94	7,993,846	\$ 433,599.38	\$ 25,318,233	417,673,813	233	1,792,591	\$ 108,661.94	
2011	\$ 39,556,941	617,010,984	94	6,563,947	\$ 420,818.52	\$ 24,325,345	375,029,948	203	1,847,438	\$ 119,829.29	
2012	\$ 41,183,223	558,120,634	93	6,001,297	\$ 442,830.35	\$ 19,663,998	209,451,130	203	1,031,779	\$ 96,866.99	

*Other includes Schools, Wholesale Sales, Highway Lighting and Public Authorities

Total					
	Dollars/\$'s	(Kwh)	Customers	Average kWh	Average Sales /\$'s
2003	\$ 141,383,998	2,674,884,705	68,749	38,908	\$ 2,056.52
2004	\$ 147,061,373	2,845,792,775	64,535	44,097	\$ 2,278.78
2005	\$ 161,867,245	2,890,337,457	64,481	44,825	\$ 2,510.31
2006	\$ 197,594,392	2,827,061,742	64,569	43,784	\$ 3,060.21
2007	\$ 189,683,217	2,728,406,743	64,385	42,376	\$ 2,946.08
2008	\$ 200,413,922	2,626,108,862	64,408	40,773	\$ 3,111.63
2009	\$ 187,748,832	2,510,813,626	64,185	39,118	\$ 2,925.12
2010	\$ 185,185,525	2,659,499,587	63,589	41,823	\$ 2,912.23
2011	\$ 201,405,252	2,533,004,212	63,376	39,968	\$ 3,177.94
2012	\$ 215,406,961	2,346,063,692	63,281	37,074	\$ 3,403.98

Percentage of Electric Utility Sales

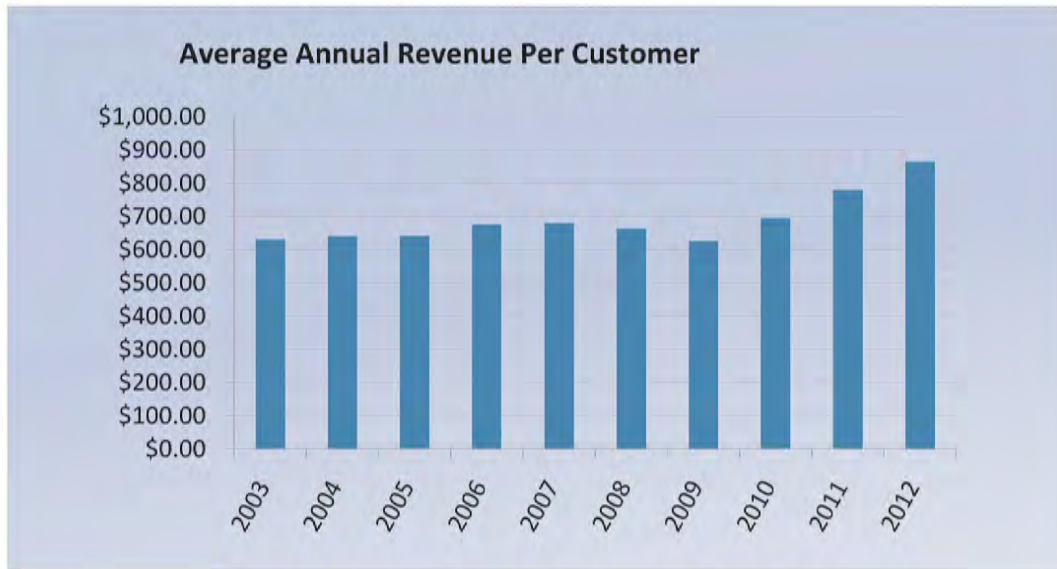


**BPU
Water Sales**

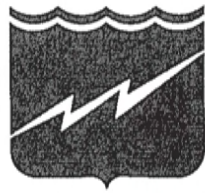
Last Ten Fiscal Years

Fiscal Year	Gallons Pumped	Gallons Sold	Operating Revenue	Average Number of Customers	Average Revenue Per Customer
2003	11,755,190,000	7,156,918,604	\$ 32,081,858	50,900	\$630.29
2004	12,513,350,000	7,088,525,972	\$ 32,281,307	50,451	\$639.85
2005	13,179,970,000	7,314,650,112	\$ 32,672,356	50,988	\$640.79
2006	12,754,110,000	7,317,225,371	\$ 34,270,444	50,765	\$675.08
2007	11,387,530,000	7,000,978,000	\$ 34,445,314	50,691	\$679.52
2008	11,703,670,000	6,260,264,000	\$ 33,488,102	50,530	\$662.74
2009	10,867,240,000	6,015,566,000	\$ 31,545,660	50,483	\$624.88
2010	11,088,290,000	6,422,126,000	\$ 34,731,824	49,987	\$694.82
2011	11,435,840,000	6,662,349,000	\$ 38,855,138	49,833	\$779.71
2012	12,373,150,000	6,848,172,000	\$ 43,178,953	49,982	\$863.89

NOTE: Gallons sold excludes internal BPU department use and water services provided to the Unified Government of Wyandotte County/Kansas City, Kansas.



Debt Capacity





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BPU
Utility System Revenue Bonded Indebtedness

Last Ten Fiscal Years

Fiscal Year	Gross Revenue (1)	Operating Expenses (2)	Current Year Net Revenue Available for Debt Service	Maximum Outstanding Annual Debt Service (3)	Debt Service			Coverage (4)
					Principal (3)	Interest (3)	Total (3)	
2003	\$ 202,691,757	\$ 145,425,897	\$ 57,265,860	\$ 27,127,411	243,417,749	204,317,279	447,735,028	2.11
2004	\$ 212,478,539	\$ 154,234,239	\$ 58,244,300	\$ 32,509,058	354,939,934	236,670,413	591,610,347	1.79
2005	\$ 229,794,624	\$ 163,244,271	\$ 66,550,353	\$ 34,463,496	360,731,614	284,858,425	645,590,039	1.93
2006	\$ 262,047,645	\$ 181,735,688	\$ 80,311,957	\$ 34,463,496	354,426,183	265,065,016	619,491,199	2.33
2007	\$ 249,572,589	\$ 180,408,175	\$ 69,164,414	\$ 33,557,926	346,692,157	242,696,750	589,388,907	2.06
2008	\$ 259,099,083	\$ 191,646,089	\$ 67,452,994	\$ 33,557,926	335,751,130	220,158,825	555,909,955	2.01
2009	\$ 233,062,328	\$ 185,129,869	\$ 47,932,459	\$ 34,270,503	385,592,415	243,196,901	628,789,316	1.39
2010	\$ 265,907,854	\$ 171,635,396	\$ 94,272,458	\$ 33,934,990	376,147,121	214,362,010	590,509,131	2.78
2011	\$ 273,231,435	\$ 192,613,493	\$ 80,617,942	\$ 38,594,328	440,913,666	255,860,571	696,774,237	2.07
2012	\$ 290,217,989	\$ 204,642,159	\$ 85,575,830	\$ 44,144,619	498,523,619	285,077,454	783,601,073	1.94

NOTE: The most restrictive bond ordinance provides for historical net revenue coverage at 120 percent of the Maximum Outstanding Annual Debt Service.

- (1) Total operating revenues, interest on investments, other interest and income (excluding Construction Fund) and other.
- (2) Total operating expenses exclusive of depreciation and amortization.
- (3) Beginning in 2004 the maximum outstanding annual debt service and debt service includes the payments required for the government loans.
- (4) Current Year Net Revenue Available for Debt Service divided by Maximum Outstanding Annual Debt Service

BPU
Debt per Customer

Year	Total Electric				
	Principal	Interest	Total	Customers	Debt / Customer
2012	11,548,703	16,048,952	27,597,655	63,281	436
2013	12,990,212	17,556,873	30,547,085	63,281	483
2014	14,540,464	17,999,338	32,539,802	63,281	514
2015	14,701,151	17,294,160	31,995,311	63,281	506
2016	15,341,996	16,593,797	31,935,793	63,281	505
2017	15,987,834	15,924,277	31,912,111	63,281	504
2018	16,729,565	15,180,135	31,909,700	63,281	504
2019	18,095,839	14,357,696	32,453,535	63,281	513
2020	18,995,913	13,444,236	32,440,149	63,281	513
2021	19,949,273	12,484,537	32,433,810	63,281	513
2022	17,368,733	11,506,281	28,875,014	63,281	456
2023	18,269,979	10,585,752	28,855,731	63,281	456
2024	13,389,018	9,621,641	23,010,659	63,281	364
2025	14,581,100	8,960,711	23,541,811	63,281	372
2026	15,303,675	8,234,220	23,537,895	63,281	372
2027	16,239,843	7,521,484	23,761,327	63,281	375
2028	17,216,154	6,763,364	23,979,518	63,281	379
2029	18,438,501	5,958,012	24,396,513	63,281	386
2030	19,336,234	5,060,079	24,396,313	63,281	386
2031	16,906,053	4,110,962	21,017,015	63,281	332
2032	17,742,408	3,275,803	21,018,211	63,281	332
2033	13,080,049	2,395,961	15,476,010	63,281	245
2034	13,725,026	1,750,024	15,475,050	63,281	245
2035	8,314,000	1,072,313	9,386,313	63,281	148
2036	8,822,600	675,363	9,497,963	63,281	150
2037	5,600,000	259,375	5,859,375	63,281	93
Total	393,214,323	244,635,344	637,849,667	63,281	10,080

Year	Total Water				
	Principal	Interest	Total	Customers	Debt / Customer
2012	5,243,808	5,238,741	10,482,548	49,982	210
2013	5,135,018	5,430,078	10,565,096	49,982	211
2014	6,178,471	5,426,347	11,604,818	49,982	232
2015	6,910,023	5,143,351	12,053,374	49,982	241
2016	7,218,444	4,842,194	12,060,638	49,982	241
2017	7,283,972	4,560,438	11,844,410	49,982	237
2018	7,585,786	4,266,171	11,851,957	49,982	237
2019	7,375,313	3,935,603	11,310,916	49,982	226
2020	7,728,380	3,599,457	11,327,837	49,982	227
2021	8,085,587	3,246,505	11,332,092	49,982	227
2022	7,414,209	2,879,830	10,294,039	49,982	206
2023	7,493,652	2,537,041	10,030,693	49,982	201
2024	5,403,004	2,192,224	7,595,228	49,982	152
2025	4,630,375	1,983,618	6,613,993	49,982	132
2026	4,833,340	1,784,414	6,617,754	49,982	132
2027	4,812,297	1,582,484	6,394,781	49,982	128
2028	4,795,051	1,381,780	6,176,831	49,982	124
2029	4,898,027	1,171,622	6,069,649	49,982	121
2030	5,115,966	956,348	6,072,315	49,982	121
2031	3,897,178	730,694	4,627,872	49,982	93
2032	4,067,219	563,285	4,630,504	49,982	93
2033	3,036,349	386,692	3,423,040	49,982	68
2034	2,399,974	261,126	2,661,100	49,982	53
2035	1,371,000	140,625	1,511,625	49,982	30
2036	1,332,400	72,075	1,404,475	49,982	28
2037					
Total	134,244,843	64,312,741	198,557,584	49,982	3,973

Year	Total Combined				
	Principal	Interest	Total	Customers	Debt / Customer
2012	16,792,511	21,287,693	38,080,203	113,263	646
2013	18,125,230	22,986,951	41,112,181	113,263	694
2014	20,718,935	23,425,684	44,144,619	113,263	746
2015	21,611,174	22,437,511	44,048,685	113,263	747
2016	22,560,440	21,435,991	43,996,431	113,263	746
2017	23,271,806	20,484,714	43,756,521	113,263	741
2018	24,315,351	19,446,307	43,761,657	113,263	741
2019	25,471,152	18,293,298	43,764,450	113,263	739
2020	26,724,293	17,043,693	43,767,986	113,263	739
2021	28,034,860	15,731,042	43,765,902	113,263	739
2022	24,782,942	14,386,111	39,169,053	113,263	662
2023	25,763,631	13,122,793	38,886,424	113,263	657
2024	18,792,022	11,813,865	30,605,887	113,263	516
2025	19,211,475	10,944,329	30,155,804	113,263	504
2026	20,137,015	10,018,634	30,155,650	113,263	504
2027	21,052,140	9,103,967	30,156,108	113,263	503
2028	22,011,205	8,145,144	30,156,349	113,263	503
2029	23,336,528	7,129,634	30,466,161	113,263	507
2030	24,452,200	6,016,427	30,468,628	113,263	507
2031	20,803,231	4,841,656	25,644,887	113,263	425
2032	21,809,627	3,839,088	25,648,715	113,263	425
2033	16,116,398	2,782,653	18,899,051	113,263	313
2034	16,125,000	2,011,150	18,136,150	113,263	298
2035	9,885,000	1,212,938	10,897,938	113,263	179
2036	10,155,000	747,438	10,902,438	113,263	178
2037	5,600,000	259,375	5,859,375	63,281	93
Total	527,459,166	308,948,085	836,407,251	111,341	14,052

Notes:
2012 customer count

BPU
Debt Maturity Schedules - Unaudited
Combined

Year	2001 Issue Industrial Revenue Bonds		2004 Issue - Refunding Debt Service Bonds		2004B Issue - Revenue Debt Service Bonds		2009A Issue - Revenue Debt Service Bonds		2010 Issue Refunding Bond		2011 Issue Bond	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2012	860,000	552,000	8,930,000	6,488,388	1,245,000	5,375,419	1,355,000	2,763,475	2,265,000	1,223,451	1,025,000	4,212,994
2013	905,000	507,875	9,435,000	5,983,843	1,310,000	98,788	1,420,000	2,695,725	2,285,000	1,178,150		4,192,494
2014	960,000	456,450	9,955,000	5,450,765	1,370,000	49,663	1,490,000	2,624,725	2,410,000	1,063,900	975,000	4,163,244
2015	1,015,000	397,200	7,245,000	4,888,308			1,535,000	2,583,750	3,330,000	943,400	3,110,000	4,069,944
2016	1,075,000	339,875	7,655,000	4,478,965			1,610,000	2,507,000	3,510,000	776,900	3,190,000	3,958,294
2017	1,130,000	284,750	8,635,000	4,046,458			1,690,000	2,426,500	2,875,000	671,600	3,255,000	3,860,644
2018	1,190,000	226,750	9,130,000	3,558,580			1,775,000	2,342,000	2,980,000	570,975	3,365,000	3,709,219
2019	1,250,000	165,750	9,640,000	3,042,735			1,865,000	2,253,250	825,000	451,775	5,780,000	3,420,219
2020	1,310,000	101,750	10,180,000	2,498,075			1,955,000	2,160,000	890,000	418,775	6,060,000	3,117,219
2021	1,380,000	34,500	10,765,000	1,922,905			2,055,000	2,062,250	925,000	383,175	6,360,000	2,799,219
2022			11,365,000	1,314,683			2,155,000	1,959,500	960,000	343,863	4,870,000	2,555,719
2023			12,010,000	672,560			2,265,000	1,851,750	995,000	303,063	2,220,000	2,444,719
2024							2,380,000	1,738,500	1,055,000	260,775	1,785,000	2,314,425
2025							2,500,000	1,619,500	1,115,000	213,300	1,870,000	2,220,925
2026							2,625,000	1,494,500	1,170,000	163,125	2,300,000	2,105,925
2027							2,755,000	1,363,250	1,200,000	110,475	2,735,000	1,969,175
2028							2,890,000	1,225,500	1,255,000	56,475	6,415,000	1,678,475
2029							3,035,000	1,081,000			1,895,000	1,585,375
2030							3,190,000	929,250			1,990,000	1,483,750
2031							3,355,000	761,775			6,980,000	1,385,250
2032							3,530,000	585,638			4,570,000	1,283,750
2033							3,715,000	400,313			4,805,000	240,250
2034							3,910,000	205,275				
2035												
2036												
2037												
Total	11,075,000	3,066,900	114,945,000	44,346,263	3,925,000	5,523,869	55,055,000	39,634,425	30,045,000	9,133,176	90,000,000	64,775,031

Year	2012A Refunding Issue		2012B Issue		KDHE Loan #1			KDHE Loan #2		
	Principal	Interest	Principal	Interest	Principal	Interest	Service Fee	Principal	Interest	Service Fee
2012					524,962	305,095	29,995	220,155	127,064	12,563
2013		5,163,426	1,615,000	2,533,474	545,689	286,224	28,140	228,802	119,195	11,785
2014		5,236,150	1,870,000	3,526,150	567,234	266,608	26,211	237,789	111,017	10,976
2015	1,785,000	5,236,150	1,845,000	3,451,350	589,629	246,217	24,207	247,129	102,517	10,136
2016	1,845,000	5,164,750	1,870,000	3,377,550	612,909	225,021	22,123	256,836	93,684	9,263
2017	2,155,000	5,090,950	1,665,000	3,340,150	637,108	202,988	19,957	266,924	84,503	8,355
2018	2,210,000	5,004,750	1,735,000	3,273,550	662,263	180,085	17,705	277,408	74,962	7,412
2019	2,310,000	4,916,350	1,805,000	3,204,150	688,410	156,278	15,364	288,304	65,046	6,431
2020	2,390,000	4,823,950	1,875,000	3,131,950	715,590	131,531	12,931	299,629	54,741	5,412
2021	2,465,000	4,728,350	1,950,000	3,056,950	743,843	105,807	10,402	311,397	44,031	4,353
2022	1,195,000	4,629,750	2,030,000	2,978,950	773,212	79,067	7,773	323,629	32,900	3,253
2023	3,860,000	4,570,000	2,130,000	2,877,450	803,740	51,272	5,041	336,340	21,333	2,109
2024	8,915,000	4,377,000	3,085,000	2,770,950	835,473	22,379	2,200	349,551	9,310	921
2025	9,360,000	3,931,250	3,240,000	2,616,700						
2026	9,820,000	3,463,250	3,405,000	2,454,700						
2027	10,285,000	3,000,375	3,545,000	2,312,550						
2028	10,770,000	2,512,375	3,690,000	2,166,200						
2029	9,650,000	1,998,250	3,845,000	2,015,500						
2030	10,110,000	1,533,000	4,035,000	1,823,250						
2031	10,600,000	1,045,725	4,235,000	1,621,500						
2032	11,105,000	534,925	4,450,000	1,409,750						
2033			4,670,000	1,187,250						
2034			4,885,000	970,625						
2035			5,115,000	744,188						
2036			5,350,000	507,188						
2037			5,600,000	259,375						
Total	110,830,000	76,960,726	79,540,000	57,611,399	8,700,061	2,258,571	222,050	3,643,894	940,304	92,968

Year	KDHE Loan #3			KDHE Loan #4			Total	Total P&I		
	Principal	Interest	Service Fee	Principal	Interest	Service Fee		Principal	Interest	Total
2012	367,394	239,807	25,825				68,384	16,792,511	21,287,693	38,080,203
2013	380,739	227,759	24,528				64,453	18,125,230	22,986,951	41,112,181
2014	394,569	215,274	23,183	489,343	232,490	42,381	102,752	20,718,935	23,425,684	44,144,619
2015	408,901	202,335	21,790	500,514	223,041	40,659	96,791	21,611,174	22,437,511	44,048,685
2016	423,754	188,926	20,346	511,941	213,377	38,897	90,628	22,560,440	21,435,991	43,996,431
2017	439,147	175,030	18,849	523,628	203,492	37,095	84,256	23,271,806	20,484,714	43,756,521
2018	455,098	160,630	17,299	535,581	193,381	35,252	77,667	24,315,351	19,446,307	43,761,657
2019	471,629	145,706	15,691	547,808	183,040	33,367	70,854	25,471,152	18,293,298	43,764,450
2020	488,761	130,240	14,026	560,314	172,462	31,438	63,808	26,724,293	17,043,693	43,767,986
2021	506,514	114,212	12,300	573,105	161,643	29,466	56,522	28,034,860	15,731,042	43,765,902
2022	524,913	97,602	10,511	586,189	150,577	27,449	48,986	24,782,942	14,386,111	39,169,053
2023	543,980	80,389	8,657	599,571	139,258	25,386	41,193	25,763,631	13,122,793	38,886,424
2024	563,740	62,551	6,736	613,258	127,681	23,275	33,132	18,792,022	11,813,865	30,605,887
2025	584,217	44,064	4,745	627,258	115,840	21,117	25,862	19,211,475	10,944,329	30,155,804
2026	605,438	24,906	2,682	641,578	103,728	18,909	21,591	20,137,015	10,018,634	30,155,650
2027	310,916	5,052	544	656,224	91,340	16,650	17,195	21,052,140	9,103,967	30,156,108
2028				671,205	78,669	14,341	14,341	22,011,205	8,145,144	30,156,349
2029				686,528	65,709	11,978	11,978	23,336,528	7,129,634	30,466,161
2030				702,200	52,452	9,562	9,562	24,452,200	6,016,427	30,468,628
2031				718,231	38,894	7,090	7,090	20,803,231	4,841,656	25,644,887
2032				734,627	25,025	4,562	4,562	21,809,627	3,839,088	25,648,715
2033				751,398	10,840	1,976	1,976	16,116,398	2,782,653	18,899,051
2034								16,125,000	2,011,150	18,136,150
2035								9,685,000	1,212,938	10,897,938
2036								10,155,000	747,438	10,902,438
2037								5,600,000	259,375	5,859,375
Total	7,469,710	2,114,484	227,714	12,230,500	2,582,939	470,848	1,013,580	527,459,166	308,948,085	836,407,251

BPU
Debt Maturity Schedules - Unaudited
Electric System

Year	2001 Issue Industrial Revenue Bonds		2004 Issue - Refunding Debt Service Bonds		2004B Issue - Revenue Debt Service Bonds		2009A Issue - Revenue Debt Service Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2012	748,200	480,240	6,697,500	4,866,291	1,058,250	4,569,106	1,285,353	2,621,432
2013	787,350	441,851	7,076,250	4,487,882	1,113,500	83,969	1,347,012	2,557,165
2014	835,200	397,112	7,466,250	4,088,074	1,164,500	42,213	1,413,414	2,489,814
2015	883,050	345,564	5,433,750	3,666,231			1,456,101	2,450,945
2016	935,250	295,691	5,741,250	3,359,224			1,527,246	2,378,140
2017	983,100	247,733	6,476,250	3,034,843			1,603,134	2,301,778
2018	1,035,300	197,273	6,847,500	2,668,935			1,683,765	2,221,621
2019	1,087,500	144,203	7,230,000	2,282,051			1,769,139	2,137,433
2020	1,139,700	88,523	7,635,000	1,873,556			1,854,513	2,048,976
2021	1,200,600	30,015	8,073,750	1,442,179			1,949,373	1,956,250
2022			8,523,750	986,012			2,044,233	1,858,782
2023			9,007,500	504,420			2,148,579	1,756,570
2024							2,257,668	1,649,141
2025							2,371,500	1,536,258
2026							2,490,075	1,417,683
2027							2,613,393	1,293,179
2028							2,741,454	1,162,509
2029							2,879,001	1,025,437
2030							3,026,034	881,487
2031							3,182,553	722,620
2032							3,348,558	555,536
2033							3,524,049	379,736
2034							3,709,026	194,724
2035								
2036								
2037								
Total	9,635,250	2,668,203	86,208,750	33,259,697	3,336,250	4,695,288	52,225,173	37,597,216

Year	2010 Issue Refunding Bond		2012A Refunding Issue		2012B Issue		2011 Issue Bond	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2012	1,041,900	562,787					717,500	2,949,096
2013	1,051,100	541,949		3,975,838	1,615,000	2,533,474		2,934,746
2014	1,108,600	489,394		4,031,836	1,870,000	3,526,150	682,500	2,934,746
2015	1,531,800	433,964	1,374,450	4,031,836	1,845,000	3,451,350	2,177,000	2,914,271
2016	1,614,600	357,374	1,420,650	3,976,858	1,870,000	3,377,550	2,233,000	2,848,961
2017	1,322,500	308,936	1,659,350	3,920,032	1,665,000	3,340,150	2,278,500	2,770,806
2018	1,370,800	262,649	1,701,700	3,853,658	1,735,000	3,273,550	2,355,500	2,702,451
2019	379,500	207,817	1,778,700	3,785,590	1,805,000	3,204,150	4,046,000	2,596,453
2020	409,400	192,637	1,840,300	3,714,442	1,875,000	3,131,950	4,242,000	2,394,153
2021	425,500	176,261	1,898,050	3,640,830	1,950,000	3,056,950	4,452,000	2,182,053
2022	441,600	158,177	920,150	3,564,808	2,030,000	2,978,950	3,409,000	1,959,593
2023	457,700	139,409	2,972,200	3,518,900	2,130,000	2,877,450	1,554,000	1,789,003
2024	485,300	119,957	6,864,550	3,370,290	3,085,000	2,770,950	696,500	1,711,303
2025	512,900	98,118	7,207,200	3,027,063	3,240,000	2,616,700	1,249,500	1,662,573
2026	538,200	75,038	7,561,400	2,666,703	3,405,000	2,454,700	1,309,000	1,620,098
2027	552,000	50,819	7,919,450	2,310,289	3,545,000	2,312,550	1,610,000	1,554,648
2028	577,300	25,979	8,292,900	1,934,529	3,690,000	2,166,200	1,914,500	1,474,148
2029			7,430,500	1,538,653	3,845,000	2,015,500	4,284,000	1,378,423
2030			7,784,700	1,180,410	4,035,000	1,823,250	4,490,500	1,174,933
2031			8,162,000	805,208	4,235,000	1,621,500	1,326,500	961,634
2032			8,550,850	411,892	4,450,000	1,409,750	1,393,000	896,625
2033					4,670,000	1,187,250	4,886,000	828,975
2034					4,885,000	970,625	5,131,000	584,675
2035					5,115,000	744,188	3,199,000	328,125
2036					5,350,000	507,188	3,472,600	168,175
2037					5,600,000	259,375		
Total	13,820,700	4,201,261	85,339,100	59,259,759	79,540,000	57,611,399	63,109,100	45,342,522

Year	Total P&I		
	Principal	Interest	Total
2012	11,548,703	16,048,952	27,597,655
2013	12,990,212	17,556,873	30,547,085
2014	14,540,464	17,999,338	32,539,802
2015	14,701,151	17,294,160	31,995,311
2016	15,341,996	16,593,797	31,935,793
2017	15,987,834	15,924,277	31,912,111
2018	16,729,565	15,180,135	31,909,700
2019	18,095,839	14,357,696	32,453,535
2020	18,995,913	13,444,236	32,440,149
2021	19,949,273	12,484,537	32,433,810
2022	17,368,733	11,506,281	28,875,014
2023	18,269,979	10,585,752	28,855,731
2024	13,389,018	9,621,641	23,010,659
2025	14,581,100	8,960,711	23,541,811
2026	15,303,675	8,234,220	23,537,895
2027	16,239,843	7,521,484	23,761,327
2028	17,216,154	6,763,364	23,979,518
2029	18,438,501	5,958,012	24,396,513
2030	19,336,234	5,060,079	24,396,313
2031	16,906,053	4,110,962	21,017,015
2032	17,742,408	3,275,803	21,018,211
2033	13,080,049	2,395,961	15,476,010
2034	13,725,026	1,750,024	15,475,050
2035	8,314,000	1,072,313	9,386,313
2036	8,822,600	675,363	9,497,963
2037	5,600,000	259,375	5,859,375
Total	393,214,323	244,635,344	637,849,667

BPU
Debt Maturity Schedules - Unaudited
Water System

Year	2001 Issue Industrial Revenue Bonds		2004 Issue - Refunding Debt Service Bonds		2004B Issue - Revenue Debt Service Bonds		2009A Issue - Revenue Debt Service Bonds		2010 Issue Refunding Bond	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2012	111,800	71,760	2,232,500	1,622,097	186,750	806,313	69,647	142,043	1,223,100	660,664
2013	117,650	66,024	2,358,750	1,495,961	196,500	14,818	72,988	138,560	1,233,900	636,201
2014	124,800	59,339	2,488,750	1,362,691	205,500	7,449	76,586	134,911	1,301,400	574,506
2015	131,950	51,636	1,811,250	1,222,077			78,899	132,805	1,798,200	509,436
2016	139,750	44,184	1,913,750	1,119,741			82,754	128,860	1,895,400	419,526
2017	146,900	37,018	2,158,750	1,011,614			86,866	124,722	1,552,500	362,664
2018	154,700	29,478	2,282,500	889,645			91,235	120,379	1,609,200	308,327
2019	162,500	21,548	2,410,000	760,684			95,861	115,817	445,500	243,959
2020	170,300	13,228	2,545,000	624,519			100,487	111,024	480,600	226,139
2021	179,400	4,485	2,691,250	480,726			105,627	106,000	499,500	206,915
2022			2,841,250	328,671			110,767	100,718	518,400	185,686
2023			3,002,500	168,140			116,421	95,180	537,300	163,654
2024							122,332	89,359	569,700	140,819
2025							128,500	83,242	602,100	115,182
2026							134,925	76,817	631,800	88,088
2027							141,607	70,071	648,000	59,657
2028							148,546	62,991	677,700	30,497
2029							155,999	55,563		
2030							163,966	47,763		
2031							172,447	39,155		
2032							181,442	30,102		
2033							190,951	20,576		
2034							200,974	10,551		
2035										
2036										
2037										
Total	1,439,750	398,697	28,736,250	11,086,566	588,750	828,580	2,829,827	2,037,209	16,224,300	4,931,915

Year	2011 Issue Bond		2012A Refunding Issue		KDHE Loan #1			KDHE Loan #2		
	Principal	Interest	Principal	Interest	Principal	Interest	Service Fee	Principal	Interest	Service Fee
2012	307,500	1,263,898			524,962	305,095	29,995	220,155	127,064	12,563
2013		1,257,748		1,187,588	545,689	286,224	28,140	228,802	119,195	11,785
2014	292,500	1,257,748		1,204,315	567,234	266,608	26,211	237,789	111,017	10,976
2015	933,000	1,248,973	410,550	1,204,315	589,629	246,217	24,207	247,129	102,517	10,136
2016	957,000	1,220,983	424,350	1,187,893	612,909	225,021	22,123	256,836	93,684	9,263
2017	976,500	1,187,488	495,650	1,170,919	637,108	202,988	19,957	266,924	84,503	8,355
2018	1,009,500	1,158,193	508,300	1,151,093	662,263	180,085	17,705	277,408	74,962	7,412
2019	1,734,000	1,112,766	531,300	1,130,761	688,410	156,278	15,364	288,304	65,046	6,431
2020	1,818,000	1,026,066	549,700	1,109,509	715,590	131,531	12,931	299,629	54,741	5,412
2021	1,908,000	935,166	566,950	1,087,521	743,843	105,807	10,402	311,397	44,031	4,353
2022	1,461,000	839,766	274,850	1,064,843	773,212	79,067	7,773	323,629	32,900	3,253
2023	666,000	766,716	887,800	1,051,100	803,740	51,272	5,041	336,340	21,333	2,109
2024	298,500	733,416	2,050,450	1,006,710	835,473	22,379	2,200	349,551	9,310	921
2025	535,500	721,103	2,152,800	904,188						
2026	561,000	694,328	2,258,600	796,548						
2027	690,000	666,278	2,365,550	690,086						
2028	820,500	631,778	2,477,100	577,846						
2029	1,836,000	590,753	2,219,500	459,598						
2030	1,924,500	503,543	2,325,300	352,590						
2031	568,500	412,129	2,438,000	240,517						
2032	597,000	385,125	2,554,150	123,033						
2033	2,094,000	355,275								
2034	2,199,000	250,575								
2035	1,371,000	140,625								
2036	1,332,400	72,075								
2037										
Total	26,890,900	19,432,509	25,490,900	17,700,967	8,700,061	2,258,571	222,050	3,643,894	940,304	92,968

Year	KDHE Loan #3			KDHE Loan #4			Total	Total P&I		
	Principal	Interest	Service Fee	Principal	Interest	Service Fee	Service Fee	Principal	Interest	Total
2012	367,394	239,807	25,825				68,384	5,243,808	5,238,741	10,482,548
2013	380,739	227,759	24,528				64,453	5,135,018	5,430,078	10,565,096
2014	394,569	215,274	23,183	489,343	232,490	42,381	102,752	6,178,471	5,426,347	11,604,818
2015	408,901	202,335	21,790	500,514	223,041	40,659	96,791	6,910,023	5,143,351	12,053,374
2016	423,754	188,926	20,346	511,941	213,377	38,897	90,628	7,218,444	4,842,194	12,060,638
2017	439,147	175,030	18,849	523,628	203,492	37,095	84,256	7,283,972	4,560,438	11,844,410
2018	455,098	160,630	17,299	535,581	193,381	35,252	77,667	7,585,786	4,266,171	11,851,957
2019	471,629	145,706	15,691	547,808	183,040	33,367	70,854	7,375,313	3,935,603	11,310,916
2020	488,761	130,240	14,026	560,314	172,462	31,438	63,808	7,728,380	3,599,457	11,327,837
2021	506,514	114,212	12,300	573,105	161,643	29,466	56,522	8,085,587	3,246,505	11,332,092
2022	524,913	97,602	10,511	586,189	150,577	27,449	48,986	7,414,209	2,879,830	10,294,039
2023	543,980	80,389	8,657	599,571	139,258	25,386	41,193	7,493,652	2,537,041	10,030,693
2024	563,740	62,551	6,736	613,258	127,681	23,275	33,132	5,403,004	2,192,224	7,595,228
2025	584,217	44,064	4,745	627,258	115,840	21,117	25,862	4,630,375	1,983,618	6,613,993
2026	605,438	24,906	2,682	641,578	103,728	18,909	21,591	4,833,340	1,784,414	6,617,754
2027	310,916	5,052	544	656,224	91,340	16,650	17,195	4,812,297	1,582,484	6,394,781
2028				671,205	78,669	14,341	14,341	4,795,051	1,381,780	6,176,831
2029				686,528	65,709	11,978	11,978	4,898,027	1,171,622	6,069,649
2030				702,200	52,452	9,562	9,562	5,115,966	956,348	6,072,315
2031				718,231	38,894	7,090	7,090	3,897,178	730,694	4,627,872
2032				734,627	25,025	4,562	4,562	4,067,219	563,285	4,630,504
2033				751,398	10,840	1,976	1,976	3,036,349	386,692	3,423,040
2034								2,399,974	261,126	2,661,100
2035								1,371,000	140,625	1,511,625
2036								1,332,400	72,075	1,404,475
2037										
Total	7,469,710	2,114,484	227,714	12,230,500	2,582,939	470,848	1,013,580	134,244,843	64,312,741	198,557,584



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Demographic and Economic Information





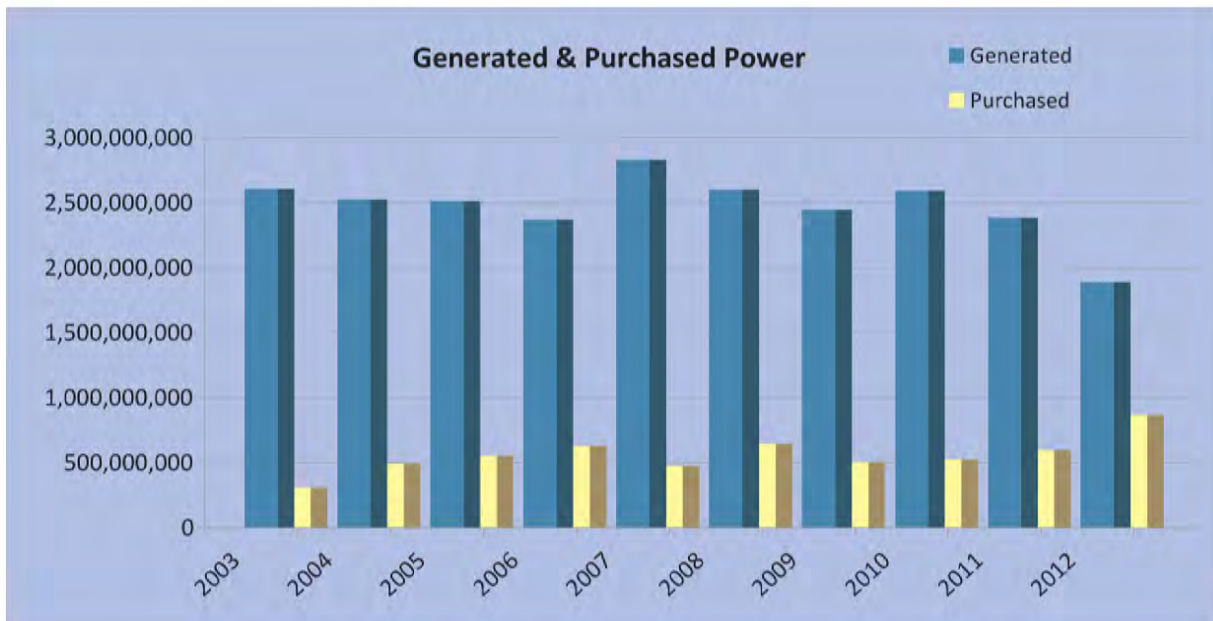
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Electric Load Statistics in Kilowatts

Last Ten Fiscal Years

Fiscal Year	Generated	Purchased	Interchanged	Total Kilowatts Available	Maximum System Gross Demand kW	Maximum Net Capability
2003	2,604,283,000	307,766,300	-441,378,000	2,470,671,300	520,000	606,000
2004	2,524,179,000	493,322,600	-515,878,000	2,501,623,600	490,000	619,000
2005	2,511,552,000	555,384,500	-455,827,000	2,611,109,500	501,000	553,000
2006	2,368,434,000	627,907,900	-357,109,000	2,639,232,900	529,000	579,000
2007	2,830,038,000	476,192,000	-719,077,000	2,587,153,000	512,000	611,000
2008	2,599,420,000	646,850,000	-733,169,000	2,513,101,000	492,000	611,000
2009	2,444,808,000	505,584,800	-575,205,000	2,375,187,800	471,000	593,500
2010	2,590,447,000	525,043,000	-585,246,000	2,530,244,000	501,000	632,500
2011	2,382,961,000	596,205,000	-513,891,000	2,465,275,000	502,000	599,300
2012	1,887,972,000	867,055,000	-329,983,000	2,425,044,000	495,000	747,000

NOTES: Generated amounts are net of system usage.
Purchased amounts are net of borderline.
Interchanged amounts include sales for resale which reduces total kilowatts available.



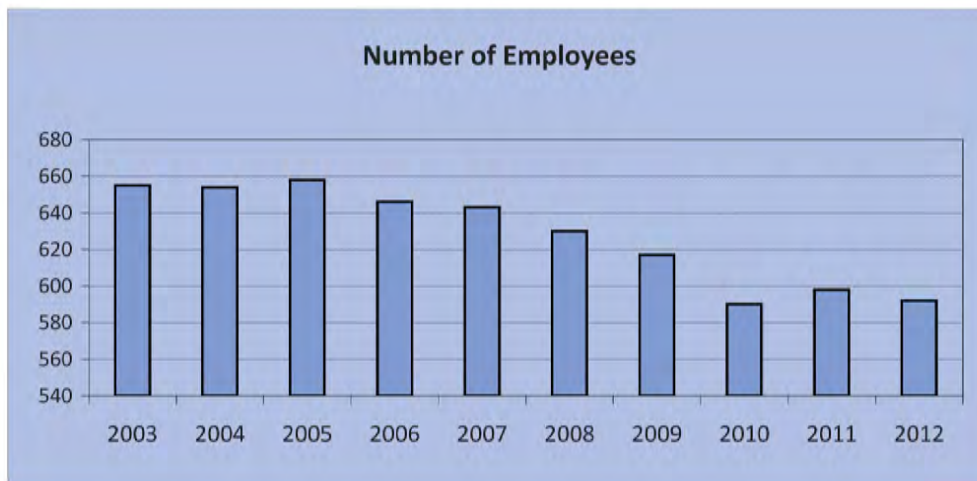
PRINCIPAL CUSTOMERS (Ten year history)				
2003		Revenue	2004	Revenue
CertainTeed Corp. (Insulation)	\$	6,486,700	Owens Corning Fiberglass (Insulation)	\$ 7,199,000
General Motors Corp. (Auto Production)		5,141,900	General Motors Corp. (Auto Production)	6,494,700
Owens Corning Fiberglass (Insulation)		4,886,900	CertainTeed Corp. (Insulation)	6,342,700
WaterOne of Johnson County (Water Utility)		4,431,800	Procter & Gamble Co. (Cleaning Products)	4,126,000
Procter & Gamble Co. (Cleaning Products)		4,033,600	WaterOne of Johnson County (Water Utility)	4,074,200
Univ. of Kansas Medical Ctr. (Hospital)		3,840,500	Univ. of Kansas Medical Ctr. (Hospital)	3,986,900
USD#500 KCK (Public School Dist.)		3,776,100	USD#500 KCK (Public School Dist.)	3,731,400
Griffin Wheel (Railroad Wheels)		2,835,300	Griffin Wheel (Railroad Wheels)	2,945,400
ConAgra (Food Manufacturer)		1,642,400	Colgate Palmolive Co. (Soap Manufacturer)	1,575,200
Colgate Palmolive Co. (Soap Manufacturer)		1,619,500	ConAgra (Food Manufacturer)	1,541,000
2005		Revenue	2006	Revenue
Owens Corning Fiberglass (Insulation)	\$	8,633,600	Owens Corning Fiberglass (Insulation)	\$ 9,651,500
CertainTeed Corp. (Insulation)		7,670,300	General Motors Corp. (Auto Production)	9,347,800
General Motors Corp. (Auto Production)		6,995,100	CertainTeed Corp. (Insulation)	9,283,300
WaterOne of Johnson County (Water Utility)		4,916,900	WaterOne of Johnson County (Water Utility)	7,236,500
Procter & Gamble Co. (Cleaning Products)		4,486,100	Griffin Wheel (Railroad Wheels)	5,468,500
Univ. of Kansas Medical Ctr. (Hospital)		4,333,900	Univ. of Kansas Medical Ctr. (Hospital)	4,860,400
USD#500 KCK (Public School Dist.)		3,926,300	USD#500 KCK (Public School Dist.)	4,649,700
Griffin Wheel (Railroad Wheels)		3,745,100	Procter & Gamble Co. (Cleaning Products)	4,648,100
Colgate Palmolive Co. (Soap Manufacturer)		1,630,200	Magellan Pipeline Company (Petroleum Pipeline)	1,879,354
ConAgra (Food Manufacturer)		1,511,900	Constar Plastics (Plastic Containers)	1,862,998
2007		Revenue	2008	Revenue
General Motors (Auto Production)	\$	8,013,000	General Motors (Auto Production)	\$ 8,636,200
Owens Corning Fiberglass (Insulation)		6,713,100	Owens Corning Fiberglass (Insulation)	8,114,700
CertainTeed Corp. (Insulation)		6,227,200	Univ. of Kansas Medical Ctr. (Hospital)	6,577,700
WaterOne of Johnson County (Water Utility)		4,928,200	CertainTeed Corp. (Insulation)	5,120,500
Univ. of Kansas Medical Ctr. (Hospital)		4,493,400	Griffin Wheel (Railroad Wheels)	4,819,500
Griffin Wheel (Railroad Wheels)		4,344,100	WaterOne of Johnson County (Water Utility)	4,557,700
Procter & Gamble Co. (Cleaning Products)		4,246,200	Procter & Gamble Co. (Cleaning Products)	4,539,400
Constar Plastics (Plastic Containers)		1,694,200	Sunshine Biscuit (Food Manufacturer)	1,798,000
GNB Battery (Battery Manufacturer)		1,679,300	Burlington Northern/Sante Fe (Railroad)	1,785,000
Burlington Northern/Sante Fe (Railroad)		1,663,400	GNB Battery (Battery Manufacturer)	1,649,300
2009		Revenue	2010	Revenue
Owens Corning Fiberglass (Insulation)	\$	8,411,448	General Motors (Auto Production)	\$ 9,175,537
General Motors (Auto Production)		7,775,949	Owens Corning Fiberglass (Insulation)	7,616,293
CertainTeed Corp. (Insulation)		4,980,249	CertainTeed Corp. (Insulation)	4,839,908
Procter & Gamble Co. (Cleaning Products)		4,678,197	Griffin Wheel (Railroad Wheels)	3,987,251
Griffin Wheel (Railroad Wheels)		4,131,327	Procter & Gamble Co. (Cleaning Products)	3,720,138
Univ. of Kansas Medical Ctr. (Hospital)		3,849,712	WaterOne of Johnson County (Water Utility)	3,643,474
WaterOne of Johnson County (Water Utility)		3,394,275	Univ. of Kansas Hospital Authority (Hospital)	3,455,220
Univ. of Kansas Hospital Authority (Hospital)		3,224,570	Univ. of Kansas Medical Center (Hospital)	2,679,192
Magellan Pipeline Company (Petroleum Pipeline)		1,866,769	Constar Plastics (Plastic Containers)	1,666,777
Burlington Northern/Sante Fe (Railroad)		1,855,297	Magellan Pipeline Company (Petroleum Pipeline)	1,642,803
2011		Revenue	2012	Revenue
General Motors (Auto Production)	\$	10,095,840	General Motors (Auto Production)	\$ 11,109,840
CertainTeed Corp. (Insulation)	\$	6,959,810	WaterOne of Johnson County (Water Utility)	\$ 6,403,823
Owens Corning Fiberglass (Insulation)	\$	5,345,680	CertainTeed Corp. (Insulation)	\$ 5,991,417
Griffin Wheel (Railroad Wheels)	\$	5,183,123	Owens Corning Fiberglass (Insulation)	\$ 5,880,369
WaterOne of Johnson County (Water Utility)	\$	4,744,739	Griffin Wheel (Railroad Wheels)	\$ 5,568,105
Univ. of Kansas Hospital Authority (Hospital)	\$	3,979,728	Univ. of Kansas Hospital Authority (Hospital)	\$ 4,786,604
Procter & Gamble Co. (Cleaning Products)	\$	3,912,967	Procter & Gamble Co. (Cleaning Products)	\$ 4,584,365
Univ. of Kansas Medical Center (Hospital)	\$	3,406,181	Univ. of Kansas Medical Center (Hospital)	\$ 4,060,018
Sara Lee Foods Corporation (Packaged Foods)	\$	1,770,958	Sara Lee Foods Corporation (Packaged Foods)	\$ 2,303,146
Magellan Pipeline Company (Petroleum Pipeline)	\$	1,731,142	Keebler Company (Food Manufacturer)	\$ 2,024,924

Employee Data

Last Ten Fiscal Year

Fiscal Year	Salaries	Employee Benefits and Payroll Taxes (1)	Total Salary And Benefits (2)	Number of Employees As of December 31, (3)
2003	\$ 40,973,315	\$ 22,986,055	\$ 57,383,705	655
2004	\$ 42,828,183	\$ 23,675,917	\$ 59,620,450	654
2005	\$ 44,713,512	\$ 25,027,720	\$ 62,554,049	658
2006	\$ 46,424,254	\$ 27,000,469	\$ 65,114,208	646
2007	\$ 48,138,161	\$ 27,744,880	\$ 67,634,617	643
2008	\$ 50,389,000	\$ 27,197,277	\$ 68,694,751	630
2009	\$ 50,111,000	\$ 29,879,099	\$ 70,923,124	617
2010	\$ 49,253,884	\$ 28,047,842	\$ 68,758,964	590
2011	\$ 50,254,375	\$ 29,605,619	\$ 71,778,420	598
2012	\$ 51,356,748	\$ 39,509,248	\$ 82,877,013	592

- (1) Includes compensated absences that are also included in salaries
- (2) Excludes paid time not worked.
- (3) Excludes temporary employees and employees on long-term disability.



UNIFIED GOVERNMENT OF WYANDOTTE COUNTY / KANSAS CITY, KANSAS
DEMOGRAPHIC AND ECONOMIC STATISTICS
Last Ten Fiscal Years

Year	Population		Personal Income <i>(thousands of dollars)</i>		Per Capita Personal Income		Public School Enrollment		Unemployment Rate
2003	155,942	(1)	\$ 3,568,120	(3)	\$ 22,832	(3)	28,823		11.0%
2004	154,376	(1)	\$ 3,627,486	(3)	\$ 23,422	(3)	28,571		9.3%
2005	153,700	(1)	\$ 3,742,504	(3)	\$ 24,246	(3)	28,059		8.8%
2006	152,900	(1)	\$ 3,970,858	(3)	\$ 25,837	(3)	27,970		7.6%
2007	153,454	(1)	\$ 4,223,792	(3)	\$ 27,380	(3)	27,877		7.4%
2008	154,233	(1)	\$ 4,415,768	(3)	\$ 28,472	(3)	27,867		7.8%
2009	155,499	(1)	\$ 4,310,940	(3)	\$ 27,561	(3)	28,538		11.2%
2010	157,505	(2)	\$ 4,420,281	(3)	\$ 28,010	(3)	28,455		10.4%
2011	157,974	(1)	\$ 4,562,495	(3)	\$ 28,836	(3)	28,462		9.7%
2012	159,129	(1)	\$ 4,703,932	(4)	\$ 29,701	(4)	29,284		8.6%

Includes Kansas City Kansas #500, Turner #202, Piper #203, Bonner Springs #204 and the Parochial schools within Wyandotte County.

Notes:

¹ U.S. Dept of Commerce, Bureau of Census, Local Population Estimates, revisions post-2010 Census data release.

² 2010 U.S. Census Counts

³ Bureau of Economic Analysis

⁴ Estimates based on trends

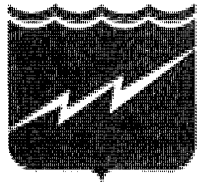
UNIFIED GOVERNMENT OF WYANDOTTE COUNTY / KANSAS CITY, KANSAS
PRINCIPAL EMPLOYERS
Current Year and Nine Years Ago

	Fiscal Year 2012			Fiscal Year 2003	
	Employees in County (Employment Range)	Rank	Percentage of Total County Employment	Employees in County (Employment Range)	Rank
Kansas University Hospital	4500-5000	1	5.35%	2500-3600	4
General Motors Corporation	3500-4000	2	4.30%	2500-3600	2
University of Kansas Medical Center	3500-4000	3	4.24%	2500-3600	5
Kansas City, KS School District #500	3500-4000	4	4.18%	2500-3600	3
Unified Government of Wyandotte Co/KCK	1000-2499	5	2.38%	1000-2500	7
Burlington Northern/Santa Fe Railroad	1000-2499	6	1.81%	2500-3600	1
Nebraska Furniture Mart	1000-2499	7	1.29%	750-1000	8
Associated Grocers	1000-2499	8	1.28%	400-499	19
Providence Medical Center	750-999	9	1.10%	1000-2500	6
Hollywood Casino	750-999	10	0.85%	-	-
United Parcel Service	-	-	-	750-999	9
Conagra Foods	-	-	-	500-749	10
	23,613		26.77%	-	



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Operating Information





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**Electric Rates
2006 thru 2012**

	May-06		Jan-07		Jul-10		Jan-11		Jan-12	
	Summer	Winter	Summer	Winter	Summer	Winter	Summer	Winter	Summer	Winter
Residential										
Rate Code 100										
Customer Charge	\$ 6.43	\$ 6.43	\$ 6.60	\$ 6.60	\$ 7.06	\$ 7.06	\$ 13.00	\$ 13.00	\$ 14.50	\$ 14.50
Energy Charge:										
First 1,000 kWh	0.0548	0.0548	0.0563	0.0563	0.0602	0.0602	0.0640	0.0495	0.0679	0.0526
Next 1,000 kWh	0.0655	0.0259	0.0672	0.0266	0.0719	0.0285	0.0750	0.0480	0.0796	0.0510
All Additional kWh	0.0966	0.0259	0.0992	0.0266	0.1061	0.0285	0.0940	0.0480	0.0998	0.0510
Residential Electric Heating										
Rate Code 101 (Started Jan-2011)										
Customer Charge							13.00	13.00	14.50	14.50
Energy Charge:										
First 1,000 kWh							0.0640	0.0495	0.0679	0.0526
Next 1,000 kWh							0.0750	0.0350	0.0796	0.0372
All Additional kWh							0.0940	0.0300	0.0998	0.0319
Small General Service										
Rate Code 200										
Customer Charge	16.07	16.07	16.50	16.50	17.66	17.66	25.00	25.00	27.50	27.50
Energy Charge:										
First 3,500 kWh	0.0690	0.0690	0.0708	0.0708	0.0758	0.0758	0.0760	0.0660	0.0808	0.0702
All Additional kWh	0.0109	0.0109	0.0112	0.0112	0.0120	0.0120	0.0320	0.0220	0.0340	0.0234
Facilities Charge:										
Secondary Service	2.41	2.41	2.47	2.47	2.64	2.64	2.40	2.40	2.55	2.55
Primary Service	1.26	1.26	1.29	1.29	1.38	1.38	1.90	1.90	2.02	2.02
Demand Charge:										
First 10 kW	No Charge	No Charge	No Charge	No Charge	No Charge	No Charge	No Charge	No Charge	No Charge	No Charge
All Additional kW	5.89	5.89	6.05	6.05	6.47	6.47	6.50	6.50	6.91	6.91
Metering Adjustment:										
Primary	-2.30%	-2.30%	-2.30%	-2.30%	-2.30%	-2.30%	-2.00%	-2.00%	-2.00%	-2.00%
Secondary	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Customers without Demand Meters										
All kWh	0.0762	0.0762	0.0762	0.0762	0.0815	0.0815	0.0910	0.0840	0.0967	0.0893
Medium General Service Rate										
Rate Code 250 (Started Jan-2011)										
Customer Charge							55.00	55.00	60.00	60.00
Energy Charge:										
First 300 kWh per kW							0.0450	0.0350	0.0473	0.0368
All Additional kWh							0.0150	0.0130	0.0158	0.0137
Facilities Charge:										
Secondary Service							2.96	2.96	3.11	3.11
Primary Service							2.34	2.34	2.46	2.46
Demand Charge:										
All Additional kW							6.55	6.55	6.88	6.88
Metering Adjustment:										
Primary							NA	NA	NA	NA
Secondary							2.0%	2.0%	2.0%	2.0%

** Rate Component Information Available for 2006-2012

**Electric Rates
2006 thru 2012**

	May-06		Jan-07		Jul-10		Jan-11		Jan-12	
	Summer	Winter	Summer	Winter	Summer	Winter	Summer	Winter	Summer	Winter
Large General Service Rate										
Rate Code 300										
Customer Charge	37.49	37.49	38.48	38.48	41.17	41.17	120.00	120.00	130.00	130.00
Energy Charge:										
First 300 kWh per kW	0.0338	0.0338	0.0347	0.0347	0.0371	0.0371	0.0390	0.0390	0.0413	0.0317
All Additional kWh	0.0099	0.0099	0.0102	0.0102	0.0109	0.0109	0.0130	0.0130	0.0138	0.0138
Facilities Charge:										
Secondary Service	2.36	2.36	2.42	2.42	2.59	2.59	2.96	2.96	3.13	3.13
Primary Service	1.23	1.23	1.26	1.26	1.35	1.35	2.34	2.34	2.48	2.48
Demand Charge:										
All Additional kW	5.62	5.62	5.77	5.77	6.17	6.17	7.55	7.55	7.99	7.99
Metering Adjustment:										
Secondary	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%	2.0%	2.0%	2.0%	2.0%
Primary	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Large Power Service Rate										
Rate Code 400										
Customer Charge	107.10	107.10	109.94	109.94	117.64	117.64	250.00	250.00	275.00	275.00
Energy Charge:										
First 300 kWh per kW	0.0198	0.0198	0.0203	0.0203	0.0217	0.0217	0.0214	0.0214	0.0231	0.0210
All Additional kWh	0.0098	0.0098	0.0101	0.0101	0.0108	0.0108	0.0102	0.0102	0.0110	0.0100
Facilities Charge:										
Secondary Service	2.36	2.36	2.42	2.42	2.59	2.59	2.42	2.42	2.62	2.62
Primary Service	1.23	1.23	1.26	1.26	1.35	1.35	1.93	1.93	2.09	2.09
Substation Service	0.37	0.37	0.38	0.38	0.41	0.41	0.73	0.73	0.79	0.79
Demand Charge:										
All Additional kW	6.64	6.64	6.82	6.82	7.30	7.30	7.94	7.94	8.59	8.59
Metering Adjustment:										
Primary	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Secondary	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Substation Service	-3.8%	-3.8%	-3.8%	-3.8%	-3.8%	-3.8%	-2.8%	-2.8%	-2.8%	-2.8%
Transmission	-4.3%	-4.3%	-4.3%	-4.3%	-4.3%	-4.3%	-3.3%	-3.3%	-3.3%	-3.3%
Average Energy Rate Component (ERC)	2006	2007	2008	2009	2010	2011	2012			
	0.03256	0.02445	0.02896	0.03102	0.02370	0.02761	0.03445			
Environmental Surcharge (ESC)	2006	2007	2008	2009	2010	2011	2012			
Rate Code 100 (kWh)	NA	NA	NA	NA	NA	0.00068	0.00094			
Rate Code 200 (kWh)	NA	NA	NA	NA	NA	0.00101	0.00140			
Rate Code 250 (kW)	NA	NA	NA	NA	NA	0.20896	0.38985			
Rate Code 300 (kW)	NA	NA	NA	NA	NA	0.20896	0.38985			
Rate Code 400 (kW)	NA	NA	NA	NA	NA	0.20033	0.40618			
Rate Code USD500 (kWh)	NA	NA	NA	NA	NA	0.00090	0.00136			

Metering Adjustment for years 2006-2010:
When a meter is installed which does not compensate for transformer losses, the customer's total bill, including any adjustments, will be adjusted according to the percentages.

Metering Adjustment for years after 2010:
When a meter is installed which does not compensate for transformer losses, the customer's metered kWh and kW shall be adjusted according to the percentages.

** Rate Component Information Available for 2006-2012

**WATER OPERATING INDICATORS
LAST 10 FISCAL YEARS**

Water System:	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Miles of Water Mains	933.58	945.59	956.83	962.63	964.33	965.39	963.18	964.75	966.56	965.55
Number of New Service Taps	473	581	593	554	398	280	129	117	123	117
Max. Day Pumped (Gallons)	44,660,000	45,920,000	48,650,000	47,870,000	45,470,000	43,640,000	39,050,000	40,250,000	45,860,000	49,270,000
Min. Day Pumped (Gallons)	24,020,000	20,200,000	26,220,000	26,420,000	24,220,000	24,220,000	24,620,000	24,620,000	24,220,000	24,290,000
Max. Rate (MGD)	54	54	54	54	54	54	54	54	54	54
Water Main Breaks	681	560	504	599	633	505	457	570	637	736
Avg daily consumption (gallons)	28,320,000	31,840,000	34,450,000	34,880,000	33,130,000	32,040,000	29,770,000	30,350,000	31,320,000	35,046,600

Staffing By Division
2007 - 2012 Budget

Department	2007 Approved	2008 Approved	2009 Approved	2010 Approved	2011 Approved	2012 Approved
1000 ES Administration	1	6	6	6	5	4
1100 EP Administration	11	9	9	9	7	6
1101 Maintenance and Planning	6	3	3	3	3	3
1103 EP Engineers Common	3	3	4	4	4	4
1200 KAW Plant Common	1	1	1	1	1	1
1301 EP Maintenance-Quindaro	23	23	21	21	20	21
1302 EP Operations-Quindaro	38	38	38	38	38	38
1303 EP Engineering - Quindaro	3	3	3	3	3	3
1401 EP Maintenance-Nearman	22	22	20	20	17	16
1402 EP Operations-Nearman	35	35	35	35	35	35
1403 EP Engineering - Nearman	3	2	3	3	3	3
1500 Common Plant Maintenance	47	46	41	41	45	45
1600 Electric System Control	23	22	22	22	22	26
1700 Environmental Services	6	5	5	5	7	6
1701 Environmental Air Quality	0	0	0	0	0	3
Total Electric Production & Supply	222	218	211	211	210	214
1900 EO Administration	2	2	2	2	3	3
2100 EO Transmission	89	87	86	87	87	87
2200 EO Substation / Relay	12	12	12	12	12	12
2300 Telecommunications	7	7	7	7	7	7
2410 IT Administration	1	1	1	1	1	1
2420 Desktop	2	2	2	2	4	6
2430 Applications	8	8	8	8	12	12
2500 EO Grounds / Claims	1	1	1	1	2	2
2600 EO Fleet Maintenance	26	26	24	24	23	23
2700 EO Electrical Engineering	23	23	24	24	24	24
2800 EO Elec Meters & Services	25	24	23	23	21	19
2810 Meter Reading	0	0	0	0	0	16
2820 Revenue Protection	0	0	0	0	0	4
2900 EO Traffic Signal	6	6	6	5	5	5
Total Electric Operations & Technology	202	199	196	196	201	221
3700 Water Meters/Services	31	31	25	26	26	23
3900 Maintenance Nearman	7	7	7	7	6	7
4000 Process Administration	3	2	2	3	3	3
4100 Laboratory	10	10	10	9	9	9
4200 WO Mains	27	27	33	33	33	39
4400 WP Support Services	6	6	6	6	6	6
4500 Water Administration	2	2	2	1	1	1
4600 Water Civil Engineering	16	16	15	15	15	15
4800 Operations Nearman	9	9	8	8	9	8
Total Water	111	110	108	108	108	111
5000 Customer Relations	13	13	13	12	12	15
5100 Cash Operations	8	8	8	8	8	8
5200 Collections	19	19	19	19	19	19
5300 Meter Reading - Moved to Electric Ops	28	28	28	27	22	0
5600 Revenue Protection - Moved to Electric Ops	6	5	5	5	4	0
5800 CS Administration	6	6	6	6	6	5
6200 Customer Accounting	8	8	8	8	8	8
7900 Utility Svcs	3	3	2	2	3	3
	91	90	89	87	82	58
6100 Accounting	18	18	18	18	18	18
6300 Purchasing	5	5	5	5	4	4
6400 Stores	27	27	26	26	24	24
7000 General Managers Office	5	5	5	7	5	5
7100 Public Affairs	1	1	1	1	2	2
7200 HR Administration	1	2	1	0	0	0
7300 Internal Audit	3	3	0	0	0	0
7400 Employee Relations	6	6	7	5	5	6
7500 Employment Wage/Salary	4	1	1	1	1	1
7600 Safety & Security	1	2	2	2	2	2
7700 Training & Career Development	2	2	1	1	1	1
8600 Administrative Services	3	3	3	3	3	3
8700 Image Processing	5	5	5	5	5	5
8800 Central Mail	2	2	2	2	2	2
Total Administrative	83	82	77	76	72	73
Overall Total Number Of Approved Positions	709	699	681	678	673	677

** Staffing Information Available for 2007-2012



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