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KIUC Files Formal Rate Case Application with PUC

Līhu`e, Kaua`i, HI - 6/30/09 – Today, KIUC filed its formal rate case application with the Hawaii Public Utilities Commission. In March, KIUC gave notice of its intention to make this filing, then held public meetings and conducted a public information program. On Tuesday, June 23rd at a Special Board meeting, KIUC's board approved a resolution to proceed with the filing.

“We have listened carefully to the comments made at the public meetings that we held, what members have said to our directors, and discussion throughout the community prior to moving forward with this filing,” said Randy Hee, KIUC President and CEO.

“We know that any rate increase is tough for our members, especially in the current economy,” said Hee. “Nevertheless, it is necessary so we can assure the cooperative's financial stability and lay the financial foundation for a clean energy future that is not so vulnerable to high oil prices.”

Hee said that, through its application, the cooperative is requesting PUC approval of the following key items:

- Raising rates by 10.5% across all rate classes to collect an additional \$12,991,518 in revenues over the cooperative's current projected 2010 revenues at current rates.
- Change the cooperative's rate structure to be more open and transparent by showing the cost of fuel and purchased power separately from the cooperative's other rates, and to eliminate the efficiency incentives in the ERAC (Energy Rate Adjustment Clause) so that it only allows for recovery of actual costs of fuel and purchased power.

(more)

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“The current ERAC was approved with the last rate case in 1996,” said Hee. “The ERAC adjusts as fuel and purchased power costs fluctuate from the base amount established during that last rate case. The ERAC also provides an economic incentive to produce power efficiently. That incentive provides additional revenues to KIUC when it can operate more efficiently than the target set forth during the last rate case. These additional revenues are linked to the price of oil.

“The good news is, this ERAC incentive provided the means to self-fund virtually all of our capital projects since becoming a cooperative, even while approximately \$20 million has been returned to our members through patronage capital and other refunds.

“The bad news is, ERAC is tied to the price of oil. As the price of oil falls, so do our financial margins. Today's lower oil prices leave us without enough revenue to remain financially stable. We have been concerned for some time that this could happen, and we had planned on filing for a rate adjustment later this year but the recent economic downturn has also reduced our revenues and has required us to address this now.

“I want to emphasize that KIUC is committed to keep our members informed at every step along the way,” said Hee. “Our long term goal is to give the members a financially stable cooperative and provide Kauai a sustainable energy future.”

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