

Public Utilities Commission Docket No. 2022-0208

Kaua'i Island Utility Cooperative
Application for Rate Changes and Increases, Revised Rate
Schedules and Rules, and Other Matters

March 28, 2023

The slide features a background of various light blue icons related to energy and utilities, including suns, light bulbs, solar panels, gears, and dollar signs. A solid blue horizontal bar is positioned below the title.

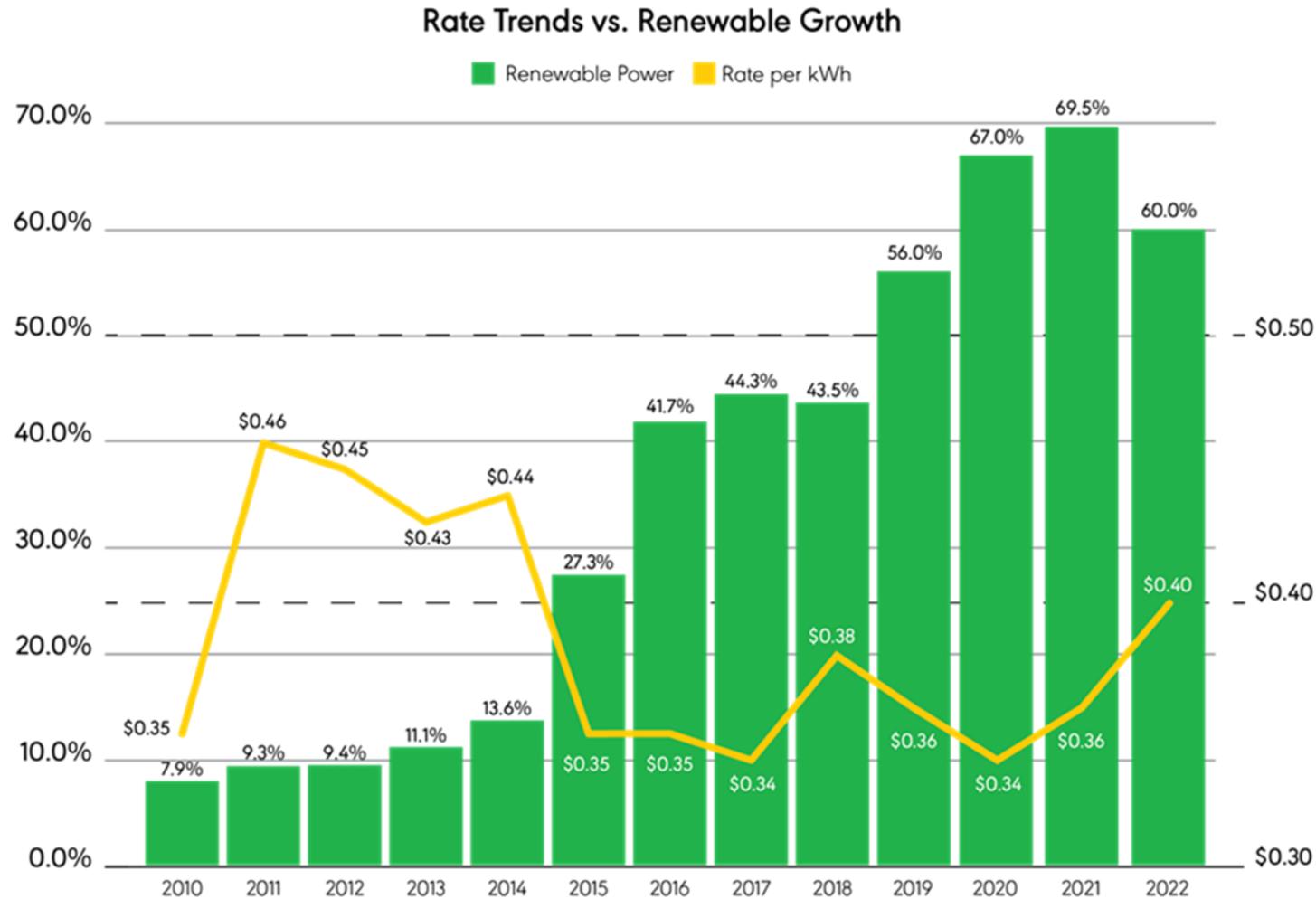
KIUC Background

- ❖ Cooperative versus Investor-Owned Utility (IOU)
- ❖ Patronage capital allocation and retirement process and its impact in ratemaking
- ❖ KIUC governance and role of the Board of Directors

Accomplishments since 2010

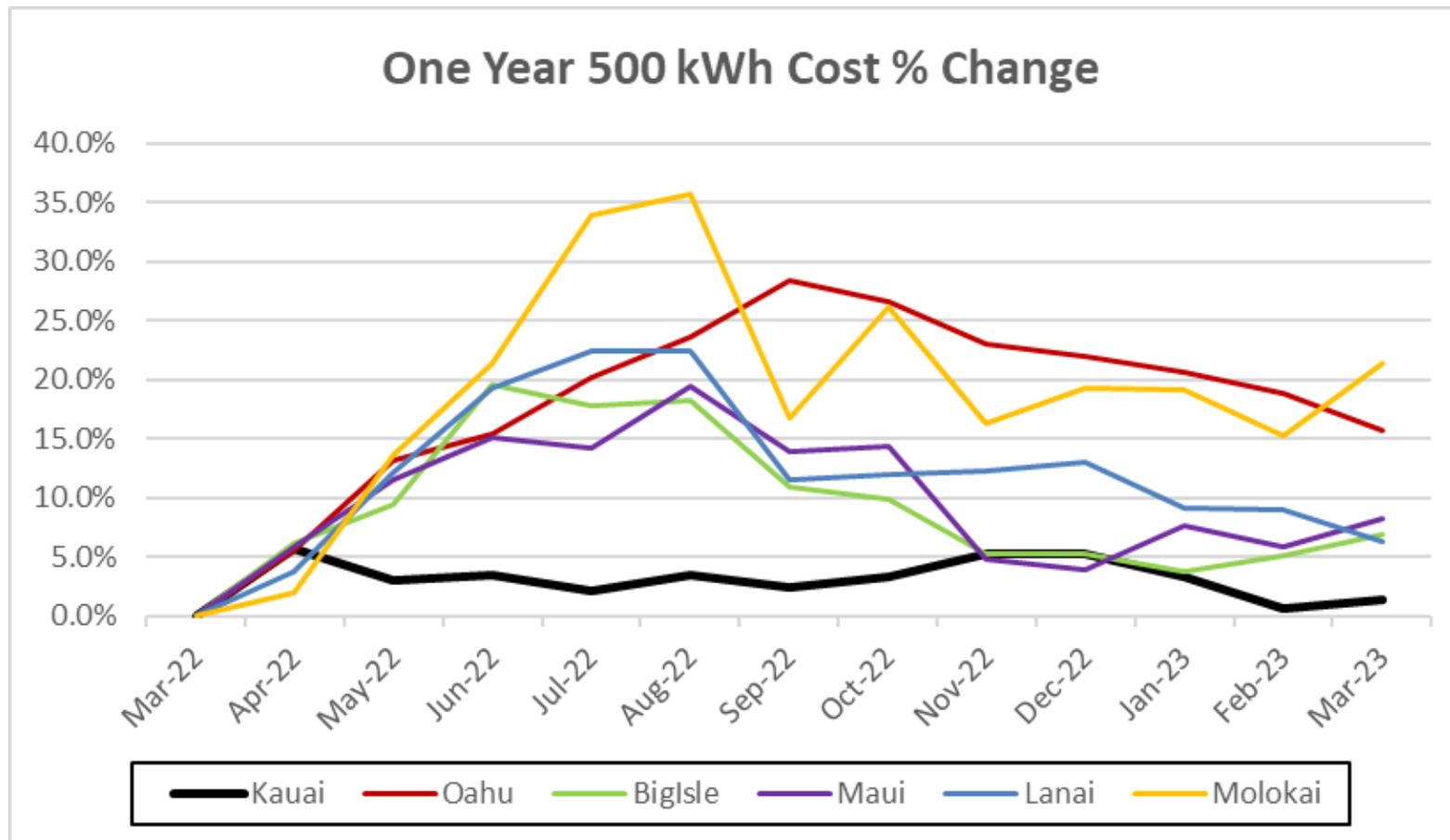
- ❖ Leads Hawai‘i in renewable generation reaching 70% in 2021
 - ❖ 2022 renewable level about 60%, saving \$40 million vs. 100% oil
 - ❖ In 2010 KIUC was 7.9% renewable
- ❖ Lowest electric rates in Hawai‘i for almost a year
- ❖ Reliability best in state for last two years
- ❖ Recognized through-out industry as leader in renewable energy
- ❖ Over \$20 million refunded to members in patronage capital retirements since 2010 and \$37.2 million since formation
 - ❖ Refunded \$1.5 million in 2020 and \$1.3 million in 2021 during midst of Covid restrictions

Renewable and Rate Stabilization



Residential Rate Trends

Renewable development protects us from oil price spikes



What Revenue Increase is KIUC Requesting?

- ❖ First base rate increase request since 2010
- ❖ Net increase in revenues of \$16.7 million
- ❖ The request represents approximately a 9.42% increase in electric revenue of \$177 million at current rates for the Test Year ($\$16.7 \text{ million} / \177 million)
- ❖ Under the proposal, revenues from most rate classes would increase approximately 9.4% compared to the Test Year

Why is a Rate Increase Needed?

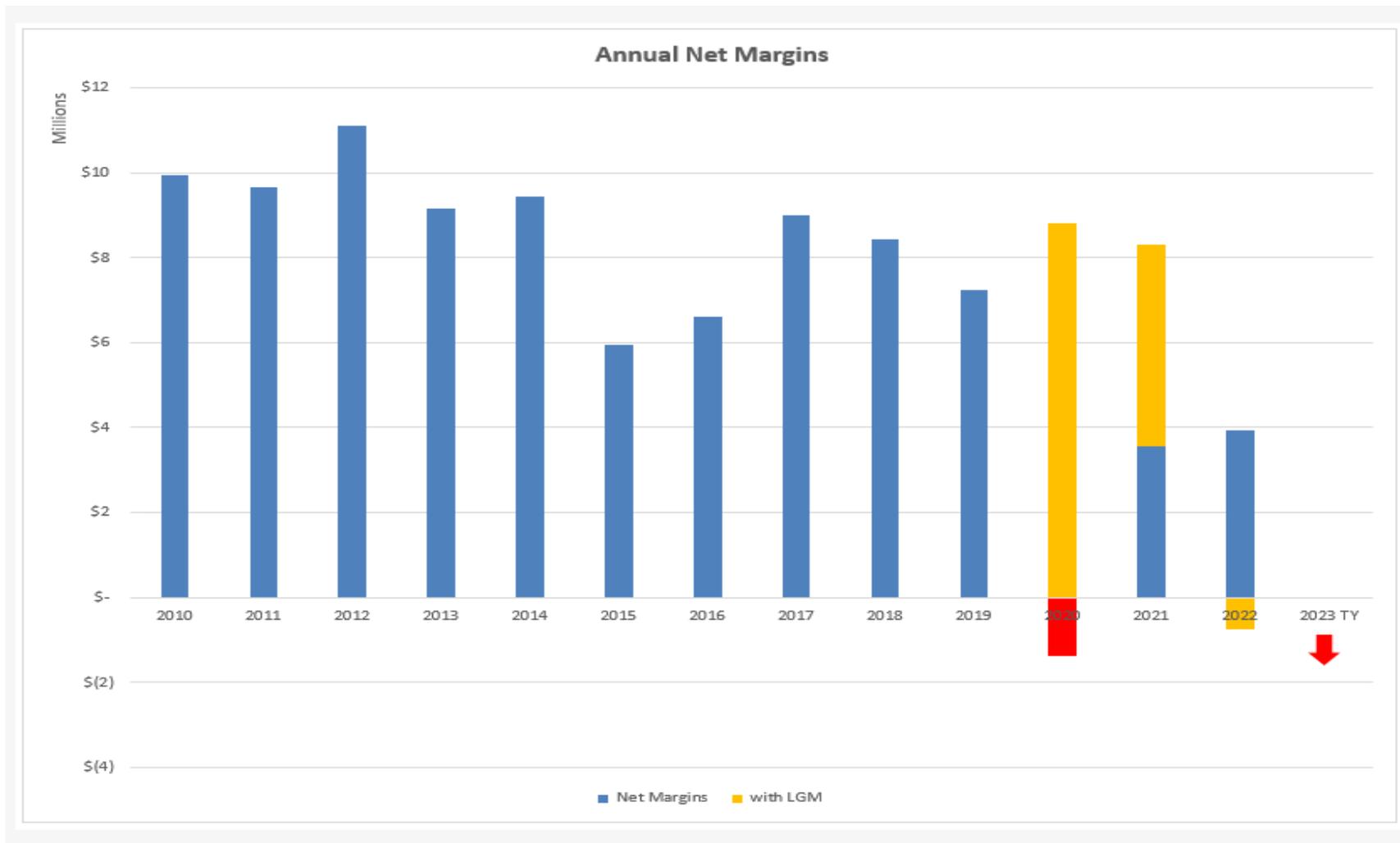
- ❖ Between 2010 and 2023
 - ❖ Sales have been essentially flat
 - ❖ 4.9% increase overall or 0.37% yearly
 - ❖ 37% increase in inflation
- ❖ Operations and maintenance costs have increased \$10.8 million*
 - ❖ Endangered species costs have increased by \$3 million (\$4.9 million total)
- ❖ Recovery of previously deferred items
 - ❖ Lost Gross Margin \$12.8 million over 10 years or \$1.28 million yearly
 - ❖ Pension costs \$9.5 million over 10 years or \$.95 million yearly
- ❖ Depreciation rate study increased depreciation expense \$2 million
- ❖ Energy Rate Adjustment Clause (ERAC) modification needed to reflect impact of increased renewable generation
- ❖ Projected net margin of negative \$7.1 million without rate increase

*Excluding fuel and purchase power, habitat conservation plan, rate case, and pension regulatory asset

How has KIUC avoided an increase for so long?

- ❖ Cost control- KIUC has held cost increase to inflation
 - ❖ Reduced staffing from 163 to 143 since 2010
- ❖ Debt restructuring and interest rate reduction
 - ❖ Annual interest expense on long term debt has declined from \$9.1 million to \$6.7 million
 - ❖ Loan term modifications reduce debt service payments by \$5.5 million per year
- ❖ Paycheck Protection Program- received \$2.8 million
- ❖ Lost Gross Margin-deferred recovery of \$12.8 million

Annual Net Margins



What would happen if rate increase denied?

- ❖ Lender requirement for financial performance likely not met
 - ❖ Projected net margin of negative \$7.1 million
 - ❖ Debt Service Coverage Ratio of .98 (lenders requires 1.25)
 - ❖ Loss of ability to obtain capital to fund system improvements and respond to emergencies such as a hurricane
- ❖ Reduction in service levels and staffing, reduced equipment maintenance, tree-trimming, etc. Overall reliability decline
- ❖ Renewable transition restricted or prevented, and more fossil fuel would be burned
- ❖ Challenge to comply with endangered species protection requirements

Schedule "D" - Residential

RATE ELEMENT	DESCRIPTION	PRESENT RATES	PROPOSED RATES	\$ CHANGE	% CHANGE
Non-Fuel Energy Charge	per kWh (all kWh)	\$ 0.15600	\$ 0.21019	\$ 0.05419	34.74%
Fuel and Purchased Power Energy					
Base Fuel Charge	per kWh (all kWh)	\$ 0.19143	\$ 0.20188	\$ 0.01045	5.46%
Energy Rate Adjustment Clause	per kWh (all kWh)	\$ 0.03261	\$ -	\$ (0.03261)	-100.00%
Customer Charge	per customer per month	\$ 10.58	\$ 13.50	\$ 2.92	27.60%

AVERAGE CUSTOMER BILL	DESCRIPTION	PRESENT RATES	PROPOSED RATES	\$ CHANGE	% CHANGE
Monthly Usage	in kWh	500	500		
Non-Fuel Energy Charge	per kWh (all kWh)	\$ 78.00	\$ 105.10		
Fuel and Purchased Power Energy Charge					
Base Fuel Charge	per kWh (all kWh)	\$ 95.72	\$ 100.94		
Energy Rate Adjustment Clause	per kWh (all kWh)	\$ 16.31	\$ -		
Customer Charge	per customer per month	\$ 10.58	\$ 13.50		
Schedule "D" - Impact to Average Customer Bill		\$ 200.60	\$ 219.54	\$ 18.93	9.4%

Schedule "G" – General Light and Power Service

RATE ELEMENT	DESCRIPTION	PRESENT RATES	PROPOSED RATES	\$ CHANGE	% CHANGE
Non-Fuel Energy Charge	per kWh (all kWh)	\$ 0.16626	\$ 0.22599	\$ 0.05973	35.93%
Fuel and Purchased Power Energy					
Base Fuel Charge	per kWh (all kWh)	\$ 0.19143	\$ 0.20188	\$ 0.01045	5.46%
Energy Rate Adjustment Clause	per kWh (all kWh)	\$ 0.03260	\$ -	\$ (0.03260)	-100.00%
Customer Charge	per customer per month	\$ 23.82	\$ 25.00	\$ 1.18	4.95%

AVERAGE CUSTOMER BILL	DESCRIPTION	PRESENT RATES	PROPOSED RATES	\$ CHANGE	% CHANGE
Monthly Usage	in kWh	1,130	1,130		
Non-Fuel Energy Charge	per kWh (all kWh)	\$ 187.87	\$ 255.37		
Fuel and Purchased Power Energy Charge					
Base Fuel Charge	per kWh (all kWh)	\$ 216.32	\$ 228.12		
Energy Rate Adjustment Clause	per kWh (all kWh)	\$ 36.84	\$ -		
Customer Charge	per customer per month	\$ 23.82	\$ 25.00		
Schedule "G" - Impact to Average Customer Bill		\$ 464.85	\$ 508.49	\$ 43.64	9.4%

Schedule "J" – General Light and Power Service

RATE ELEMENT	DESCRIPTION	PRESENT RATES	PROPOSED RATES	\$ CHANGE	% CHANGE
Non-Fuel Energy Charge	per kWh (all kWh)	\$ 0.13247	\$ 0.18456	\$ 0.05209	39.32%
Fuel and Purchased Power Energy					
Base Fuel Charge	per kWh (all kWh)	\$ 0.19143	\$ 0.20188	\$ 0.01045	5.46%
Energy Rate Adjustment Clause	per kWh (all kWh)	\$ 0.03256	\$ -	\$ (0.03256)	-100.00%
Customer Charge	per customer per month	\$ 39.69	\$ 40.00	\$ 0.31000	0.78%
kW Demand Charge	per kW of monthly demand	\$ 6.62	\$ 8.28	\$ 1.66000	25.08%

AVERAGE CUSTOMER BILL	DESCRIPTION	PRESENT RATES	PROPOSED RATES	\$ CHANGE	% CHANGE
Monthly Usage	in kWh	13,489	13,489		
Demand Factor	in kW	49	49		
Non-Fuel Energy Charge	per kWh (all kWh)	\$ 1,786.84	\$ 2,489.46		
Fuel and Purchased Power Energy					
Base Fuel Charge	per kWh (all kWh)	\$ 2,582.13	\$ 2,723.08		
Energy Rate Adjustment Clause	per kWh (all kWh)	\$ 439.18	\$ -		
Customer Charge	per customer per month	\$ 39.69	\$ 40.00		
kW Demand Charge	per kW of monthly demand	\$ 323.50	\$ 404.62		
Schedule "J" - Impact to Average Customer Bill		\$ 5,171.34	\$ 5,657.16	\$ 485.82	9.4%

Schedule "LP" – Large Power Service*

SCHEDULE "L"

RATE ELEMENT	DESCRIPTION	PRESENT RATES	PROPOSED RATES	\$ CHANGE	% CHANGE
Non-Fuel Energy Charge	per kWh (all kWh)	\$ 0.10807	\$ 0.16549	\$ 0.05742	53.13%
Fuel and Purchased Power Energy					
Base Fuel Charge	per kWh (all kWh)	\$ 0.19143	\$ 0.20188	\$ 0.01045	5.46%
Energy Rate Adjustment Clause	per kWh (all kWh)	\$ 0.03371	\$ -	\$ (0.03371)	-100.00%
Customer Charge	per customer per month	\$ 355.08	\$ 355.00	\$ (0.08000)	-0.02%
kW Demand Charge	per kW of monthly demand	\$ 13.94	\$ 14.90	\$ 0.96000	6.89%

SCHEDULE "P"

RATE ELEMENT	DESCRIPTION	PRESENT RATES	PROPOSED RATES	\$ CHANGE	% CHANGE
Non-Fuel Energy Charge	per kWh (all kWh)	\$ 0.11792	\$ 0.16549	\$ 0.04757	40.34%
Fuel and Purchased Power Energy					
Base Fuel Charge	per kWh (all kWh)	\$ 0.19143	\$ 0.20188	\$ 0.01045	5.46%
Energy Rate Adjustment Clause	per kWh (all kWh)	\$ 0.03356	\$ -	\$ (0.03356)	-100.00%
Customer Charge	per customer per month	\$ 369.38	\$ 355.00	\$ (14.38000)	-3.89%
kW Demand Charge	per kW of monthly demand	\$ 11.14	\$ 14.90	\$ 3.76000	33.75%

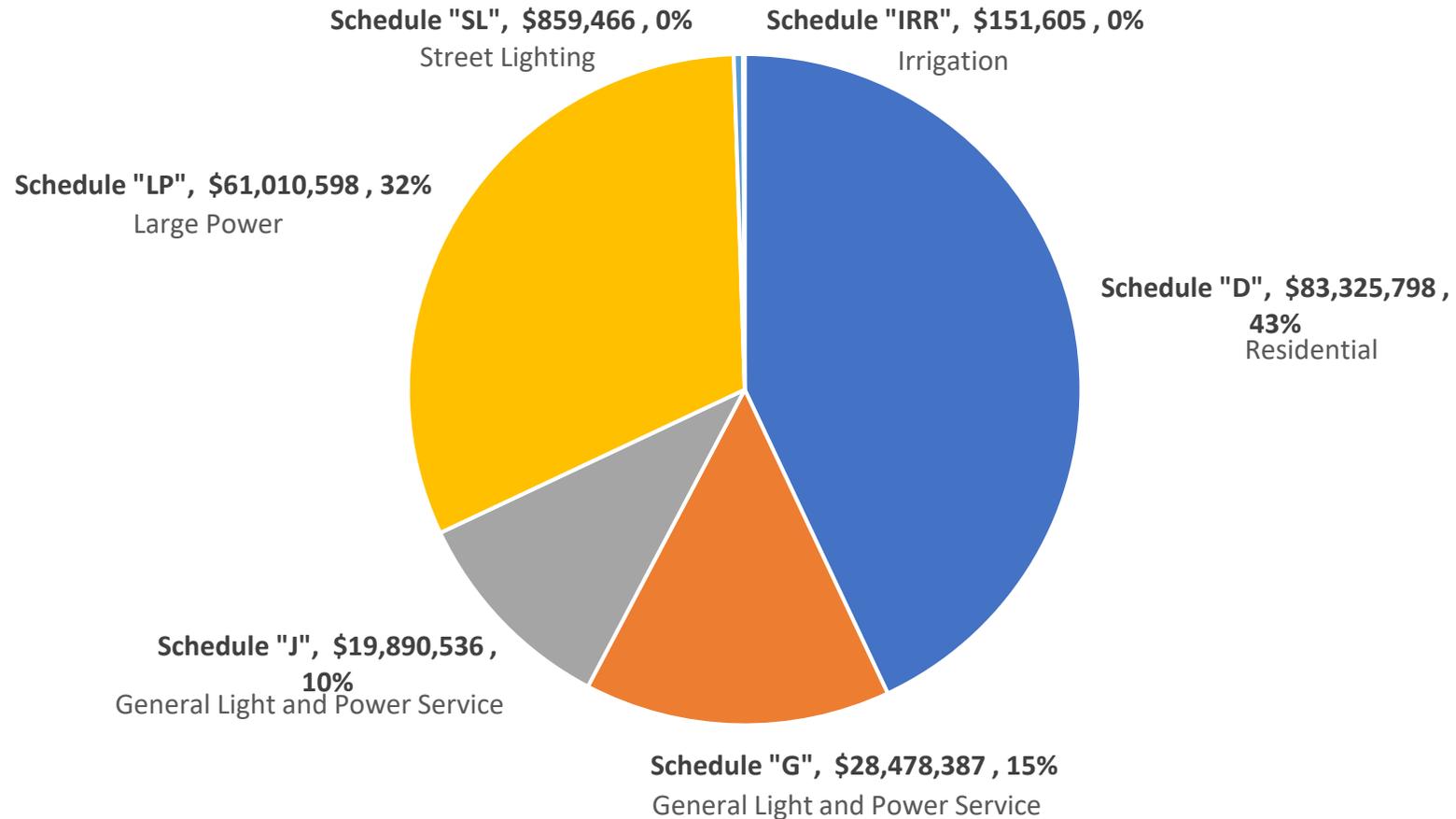
* KIUC proposes to combine Schedules "L" and "P" into a new Schedule "LP" and removed tiered rates.

Schedule "SL" – Street Lighting

RATE ELEMENT	DESCRIPTION	PRESENT RATES	PROPOSED RATES	\$ CHANGE	% CHANGE
Fixture Charge					
Standard incandescent fixtures <= 4,000 lumens	per fixture per month	\$ 3.63	\$ 4.54	\$ 0.91000	25.07%
Standard mercury vapor fixtures <= 21,000 lumens	per fixture per month	\$ 6.25	\$ 7.81	\$ 1.56000	24.96%
Standard high pressure sodium vapor fixtures					
<= 100 watt	per fixture per month	\$ 6.25	\$ 7.81	\$ 1.56000	24.96%
101-150 watt	per fixture per month	\$ 6.25	\$ 7.81	\$ 1.56000	24.96%
151-200 watt	per fixture per month	\$ 6.47	\$ 8.09	\$ 1.62000	25.04%
201-250 watt	per fixture per month	\$ 6.47	\$ 8.09	\$ 1.62000	25.04%
251-400 watt	per fixture per month	\$ 6.75	\$ 8.44	\$ 1.69000	25.04%
Standard light emitting diode (LED) fixtures					
<= 45 watt	per fixture per month	\$ 8.18	\$ 10.23	\$ 2.05000	25.06%
46-98 watt	per fixture per month	\$ 8.48	\$ 10.60	\$ 2.12000	25.00%
99-130 watt	per fixture per month	\$ 8.57	\$ 10.71	\$ 2.14000	24.97%
Energy Charge					
		per kWh	per kWh		
Non-Fuel Energy Charge	per kWh (all kWh)	\$ 0.22387	\$ 0.31166	\$ 0.08779	39.21%
Base Fuel Charge	per kWh (all kWh)	\$ 0.19143	\$ 0.20188	\$ 0.01045	5.46%
Energy Rate Adjustment Clause	per kWh (all kWh)	\$ 0.03255	\$ -	\$ (0.03255)	-100.00%

2023 Revenues at Proposed Rates by Class

Sales by Class





Summary

- ❖ KIUC has only increased base rates once in 20 years
- ❖ Must maintain compliance with lender requirements regarding financial stability
- ❖ Inflation and higher interest rates will likely continue to increase costs
- ❖ Endangered species compliance costs continue to rise
- ❖ Sales growth projected at low to modest
- ❖ Additional renewables should continue to stabilize rates

Mahalo!

For further information see KIUC's rate case website address:
(<https://www.kiuc.coop/ratecase>)

For rate case questions:
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