

Outline of Authorization of Electricity Rate Increase

April 2013



1 Outline of Applying for Electricity Rate Increase

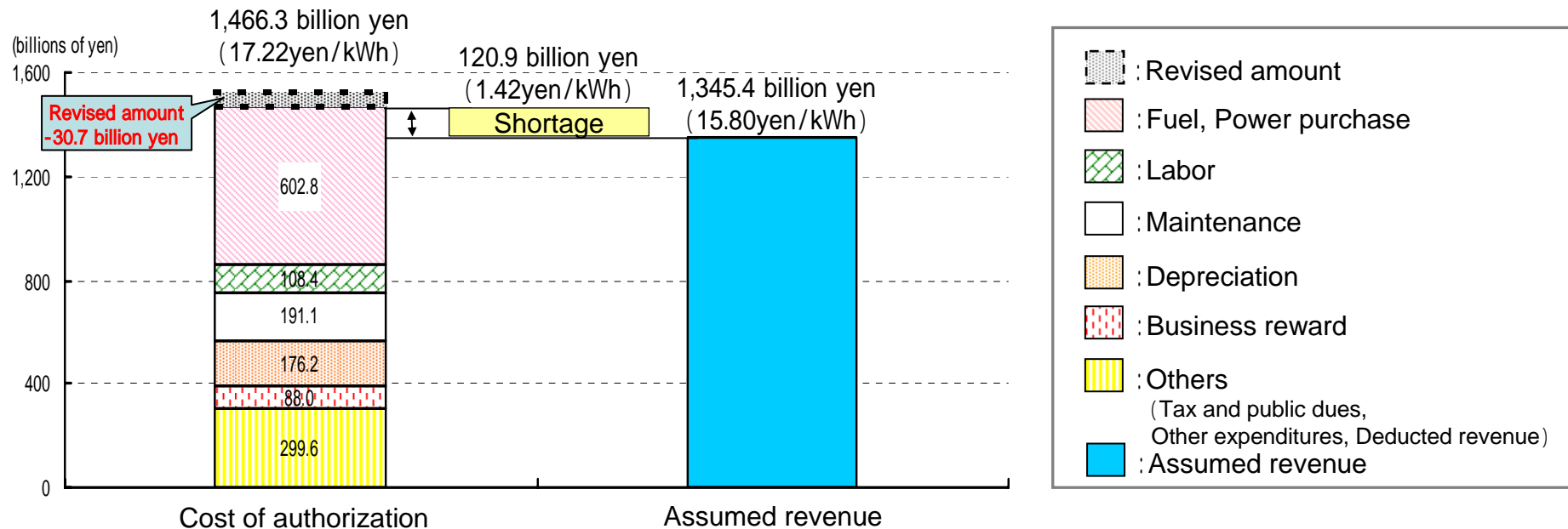
We have applied for the authorization of an average raise rate of 8.51% in the regulated section on November 27, 2012. (an average raise rate of 14.22% in the deregulated section, and 11.26% in total)

The Ministry of Economy, Trade and Industry indicated the assessment guideline regarding application of our company and suggested correction to cost of application on March 29, 2013 through the following deliberation.

- Judging commission on electricity rate of METI
- Deliberation at investigation committees about applying for authorization of electricity rate increase for general households is established newly under The Consumer Commission
- Conference between METI and Consumer agency
- Meeting of relevant cabinet ministers in accordance with price stabilization policy

We have reapplied for the revised rate cost which reflected the suggestion for correction to the METI on April 2, and received authorization of an average raise rate of 6.23% in the regulated section, effective May 1, 2013 on the same day. (an average raise rate of 11.94% in the deregulated section, and 8.98% in total)

(Difference between cost of authorization and assumed revenue)



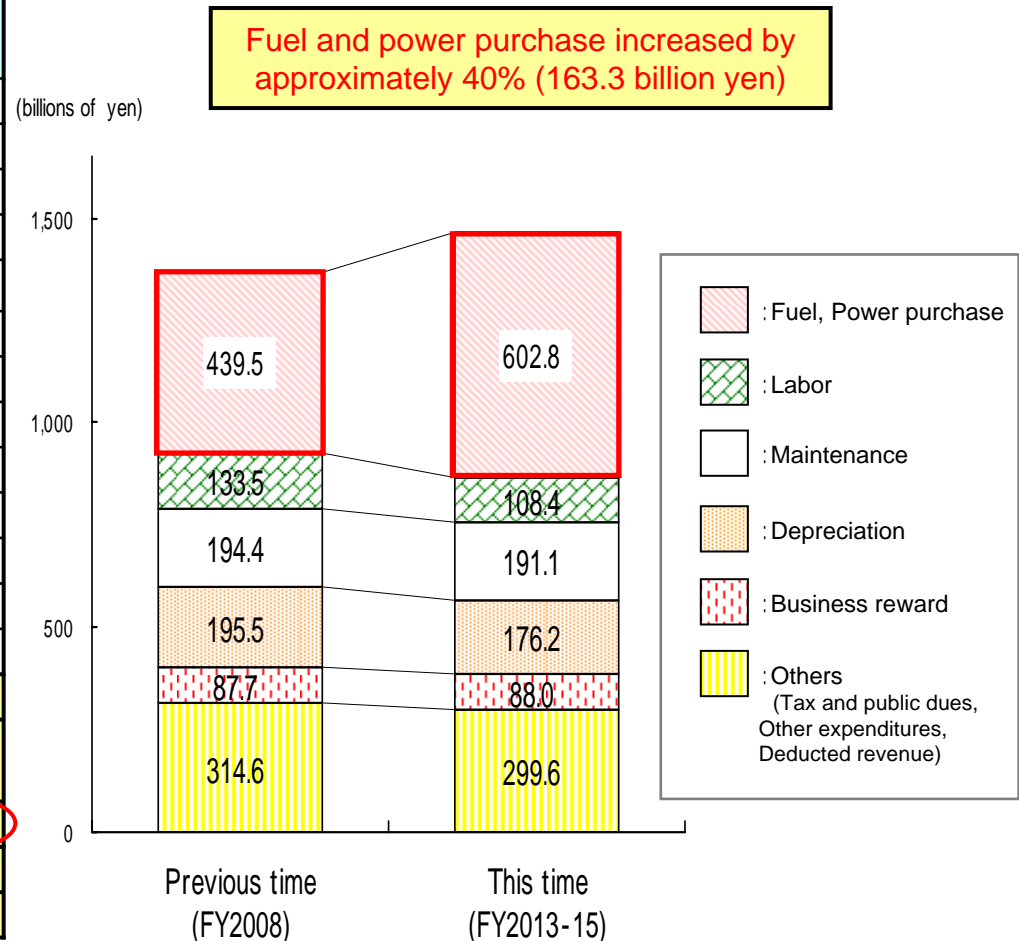
2 Outline of Cost Accounting (Compared with previous electricity rate revision(FY2008))

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The average annual total cost in cost accounting period from FY2013 to 2015 will increase by 101.0 billion yen (approx. 7%) compared with previous electricity rate revision (FY2008) because it was impossible to make up for the increase of fuel cost and power purchase cost due to the deferred resumption of the operations of reactors of our nuclear power stations while the effort of efficiency improvement (-113.0 billion yen) and the suggestion for correction to cost of application (-30.7 billion yen) are reflected.

(billions of yen)

		Previous time:A (FY2008)	This time:B (FY2013-15)	Difference :B-A	
Operating Expenses	Labor	133.5	108.4	-25.0	
	Fuel	316.2	471.4	155.2	
	Maintenance	194.4	191.1	-3.3	
	Capital cost	Depreciation	195.5	176.2	-19.3
		Business reward	87.7	88.0	0.3
	Sub total	283.3	264.3	-19.0	
	Power purchase	123.3	131.5	8.1	
	Tax and public dues	104.1	100.6	-3.5	
	Nuclear back-end	39.0	27.2	-11.8	
	Other expenditures	198.0	201.5	3.5	
	Overhead expenses	168.2	158.7	-9.6	
	Total	1,391.8	1,496.0	104.2	
	Deducted revenue	-24.4	-27.4	-2.9	
Total cost	1,367.4	1,468.6	101.2		
Wheeling Transportation Service revenue	-2.0	-2.3	-0.3		
Retail cost = +	1,365.3	1,466.3	101.0		
Assumed revenue	1,365.3	1,345.4	-19.9		
Shortage cost		120.9			



The annual average electricity sales volume is set to 85.3 billion kWh decreased by 2.6 billion kWh compared with previous revision.

Crude price and exchange rate increased by 13 \$/b and 28 yen/\$, compared with previous revision.

It is assumed that the operations of Units 1 and 2 of Sendai Nuclear Power Station will be resumed from July 2013, Units 4 of Genkai from December 2013, and Units 3 of Genkai from January 2014.

[Change of preconditions]

		Previous time:A (FY2008)	This time:B (FY2013-15)	Difference :B-A	Change of year-on-year		
					FY2013	FY2014	FY2015
Electricity Sales Volume	billion kWh	87.9	85.3	-2.6	84.8	85.2	85.8
Crude price	\$/b	93.0	105.9	12.9	105.9		
Exchange rate	yen/\$	107	79	-28	79		
Utilization rate of nuclear	%	83	55	-28	36	62	66
Business reward rate	%	3.0	2.9	-0.1	2.9		
Personnel number		12,234	12,007	-227	12,123	12,014	11,883

(Reference) Outline of Efficiency Improvement in Management

Cost of application in this time is reflected -113.0 billion yen (-8%), the effort of efficiency improvement, while costs increased by 245.0 billion yen (+18%) compared with previous time due to the increase of fuel.

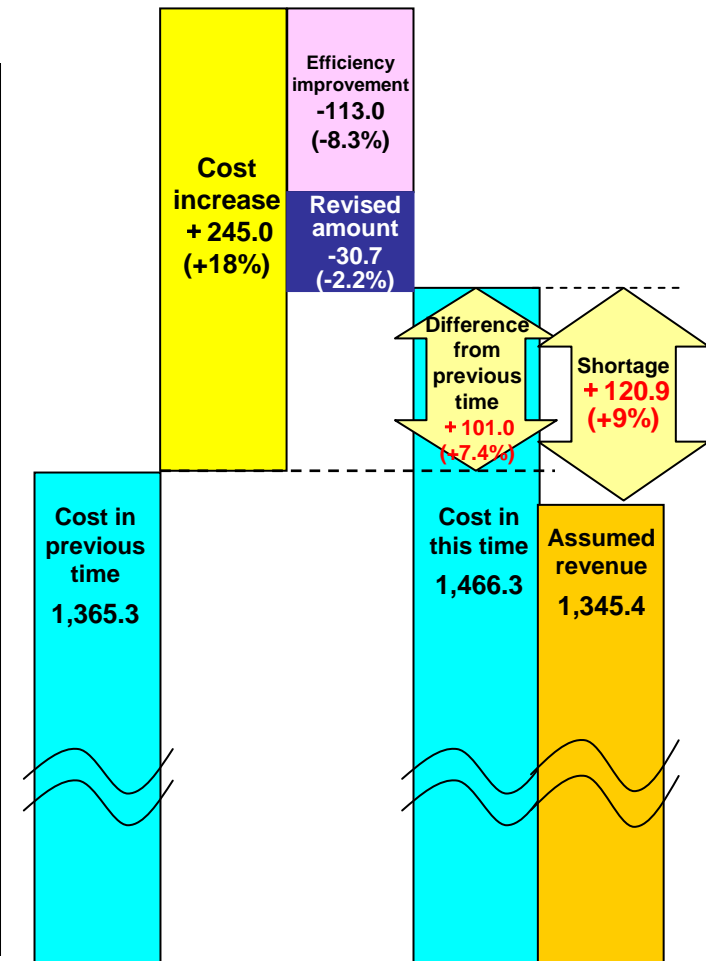
In light of the substance of the suggestion for correction to cost of application, we will make an effort to further reduce cost.

[Breakdown of the cost after reflecting the effort of efficiency improvement]

[Image of cost accounting]

(billions of yen)

	Average (FY2013-2015)	Major efforts
Labor	-40.0	<ul style="list-style-type: none"> • reduction of executive compensation • annual salary cut, review of benefit package • curbing employment
Supply and demand-related (Fuel, etc.)	-4.0	<ul style="list-style-type: none"> • reduction of fuel due to diversification of the procurement method
Maintenance	-29.0	<ul style="list-style-type: none"> • extension of inspection cycle • discontinuance, postponement, and a reduced scale of construction for maintenance
Depreciation (Equipment investment)	-22.0	<ul style="list-style-type: none"> • review of design basis and specific • discontinuance, postponement, and a reduced scale of construction
Other expenditures (Overhead expenses, etc.)	-18.0	<ul style="list-style-type: none"> • review of range and substance for subcontracting
Total	-113.0	



3 Comparison between Cost of Authorization and Cost of Application

As a result of reflecting the suggestion for correction based on the assessment guidelines, cost of authorization decreased by 30.7 billion yen to 1,466.3 billion yen compared with the cost of application. Breakdown of revised amount is as follows.

Breakdown of Revised amount

(billions of yen)

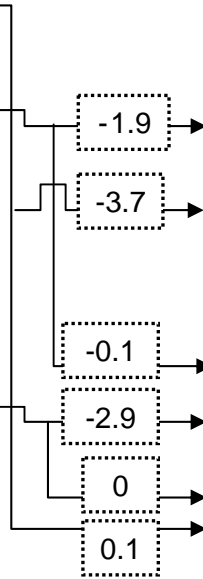
Labor	-8.2
Fuel	-10.4
Power purchase and Electricity sales volume	-3.5
equipment investment -related expenses (Depreciation · Business reward · Disposal of property, plant and equipment)	-2.0
Maintenance	-3.0
Tax and public dues	-0.4
Nuclear back-end	-0.3
Other expenditures and Deducted revenue	-2.9
Yardstick method evaluation (comparative evaluation)	0
Total	-30.7

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Promotion of business efficiency	-5.5
Smart meter-related expenses	-0.7

(billions of yen)

		Cost of application A	Cost of authorization B	Difference (Revised amount) B-A	
Operating Expenses	Labor	116.7	108.4	-8.2	
	Fuel	481.8	471.4	-10.4	
	Maintenance	194.1	191.1	-3.0	
	Capital cost	Depreciation	177.3	176.2	-1.1
		Business reward	88.9	88.0	-0.8
	Sub total	266.2	264.3	-1.9	
	Power purchase	135.1	131.5	-3.7	
	Tax and public dues	101.0	100.6	-0.4	
	Nuclear back-end	27.4	27.2	-0.3	
	Other expenditures	204.6	201.5	-3.0	
	Overhead expenses	161.5	158.7	-2.8	
	Total	1,526.8	1,496.0	-30.9	
	Deducted revenue	-27.5	-27.4	0.1	
Total cost	1,499.3	1,468.6	-30.7		
Wheeling Transportation Service revenue	-2.4	-2.3	0.1		
Retail cost = +	1,497.0	1,466.3	-30.7		
Assumed revenue	1,345.4	1,345.4	0		
Shortage cost	151.6	120.9			



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