

Press Release
21 December 2007

HK Electric Announces Tariff Review for 2008

HK Electric today announced a tariff increase of 6% for 2008 reflecting higher fuel costs and freight charges.

The Managing Director of HK Electric, Mr. Tso Kai-sum, said in the Legislative Council today that the average tariff would be increased from 120.2 cents per unit of electricity to 127.4 cents, effective 1 January 2008.

Mr. Tso explained that the tariff adjustment included an increase in the Fuel Clause Surcharge by 4.6 cents per unit of electricity. “In the first 11 months of 2007, coal prices have increased by 65%, while freight charges for coal have jumped by 80%,” Mr. Tso said, noting that 85% of HK Electric’s electricity output comes from coal-fired generation.

“We have been able to offset in part the higher coal and freight charges through various sourcing and term contract arrangements, as well as through fuel clause account transfers,” Mr. Tso said.

The average basic tariff will increase by 2.6 cents per unit. This is the first adjustment in three years as the basic tariff had been frozen since 2005 and reflects the Company’s continuous investments in power generation, transmission and distribution as well as environmental work.

Following the adjustment, 70% of HK Electric’s domestic customers who use 500 units of electricity or below monthly will have their tariff increased by approximately \$30 or less a month, while for 70% of non-domestic customers who use 1,700 units or below monthly, the increase will be approximately \$125 or less a month.

HK Electric will continue to provide assistance to those in need through its Concessionary Tariff Schemes, which offer up to 60% discount on tariffs for the first 200 units of electricity for eligible applicants, including the elderly, disabled, unemployed and single-parent families with deposit and minimum charge payments continuing to be waived.

“The tariff increase has been contained to the lowest possible level with a view to balancing the interests of customers and shareholders,” Mr. Tso said, adding that shortfalls in the Company’s permitted returns have been recorded since 2003.

“HK Electric remains firmly committed to providing our customers with safe and reliable electricity while contributing to air quality improvement efforts through various emission reduction initiatives,” Mr. Tso stressed.

Average Tariff for 2008
(Cents/ kWh)

Components	2008	2007	Increase
Average Basic Tariff	116.9	114.3	2.6
Fuel Clause Surcharge	10.5	5.9	4.6
Average Tariff	127.4	120.2	7.2 (6%)

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