



KORPORATA ENERGETIKE E KOSOVËS Sh.a.  
KOSOVO ENERGY CORPORATION J.S.C.  
ENERGETSKA KORPORACIJA KOSOVA D.D.

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KOSOVO ENERGY CORPORATION J.S.C.  
KOSOVSKA ENERGETSKA KORPORACIJA d.d.

Nr. 2297 Dt. 25/04/07  
PRISHTINE 25 April 2007

**From : Pranvera Dobruna Kryeziu-Managing Director KEK**

**To: Ali Hamiti [ali.hamiti@eumik.org](mailto:ali.hamiti@eumik.org)- Chairman of the Energy Regulatory Office**

Dear Ali,

I write further to the email sent by Tom Smith last Friday 20 April 2007.

Please treat this letter as a formal request, on behalf of KEK, to review its Allowed Revenues for 2007 with a view to maintaining retail tariffs at their current levels. In this context, KEK has developed a schedule of potential reductions to the Allowed Revenues and these are outlined in the enclosed worksheet for your consideration.

In summary, the worksheet contains the following proposed revisions:

1. Removal of Kosovo A1 and A2 Refurbishment from 2007 Capital Expenditures. An amount of EURO 76 million was provided by the Generation Division and KEK has reviewed the logic in the tariff model and computed the depreciation and return on investment.
2. The effect of a 1% point reduction in Non-Technical losses was quantified based on the assumptions in the tariff model.
3. A 5% reduction in the TUOS should be achievable. That is reflected in the enclosed schedule; however, KEK will have to meet with KOSTT to work out the details.

The above revisions produce an estimated reduction in Allowed Costs of approximately EURO 7 million Euros.

I look forward to receiving ERO's position on this issue and if you have any questions or require clarification please let me know.

Yours sincerely

**Pranvera Dobruna Kryeziu**  
**Managing Director - Kosovo Energy Corporation J.S.C.**



Enc.

Copy by email only to:

Naim Bejtullahu ([naim.bejtullahu@eumik.org](mailto:naim.bejtullahu@eumik.org))

Theranda Beqiri ([theranda.beqiri@eumik.org](mailto:theranda.beqiri@eumik.org))

**Potential Revisions to Allowed Costs**

(amounts in millions of Euros)

**I. Removal of Kosovo A1 and A2 Refurbishment**

Reduction in 2007 CAPEX (millions of Euros)	76.46		
Average Asset Base (half-year convention)	38.23		
Rate of Return on Investment	10.80%		
Return on Investment		4.13	
Depreciation Rate (30 year life)	3.33%		
2007 Depreciation Expense		1.27	
			<b>5.40</b>

**II. Reduction of Commercial Losses (each 1%)**

Energy Available to Distribution Network (GWh)	4,013		
Percent Reduction in Non-Technical Losses	1%		
Energy Saved (GWh)		40	
Unit Price Applied to Losses (€/MWh)		26.80	
Reduction in Allowed Revenue for a 1% reduction in Commercial Losses			<b>1.08</b>

**III. Reduction in payment to KOSTT for Transmission Use of System**

Assume a 5% reduction of the € 9.598 mil. TUOS charge  
(to be firmed up based on KEK and KOSTT discussions) **0.48**

**TOTAL REVISIONS**

**6.96**

Yours sincerely

Phantera Debruna Kocani  
Managing Director - Kosovo Energy Corporation J.S.C.

Copy to send only to  
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Tirane, Kosovo