



Prishtinë, 02 May 2007

To: **Ali HAMITI, Chairman of ERO Board**

From: **Fadil ISMAILI, Managing Director of KOSTT JSC.**

Subject: **Request for revision of Allowed revenues for KOSTT for the year 2007**

Dear Mr. Hamiti,

Taking into account the situation that is created with regards to tariffs, KOSTT has revised the possibility of correction too. And in this case KOSTT parallel with other operators especially with KEK JSC, expresses its willingness to participate in reduction.

In this case KOSTT, System Operator, Transmission and Market JSC, presents the **Request for revision of Allowed revenues for the year 2007** with the intention to keep the tariffs for sale in its actual levels.

In this context KOSTT has elaborated the plan of potential reduction in the allowed revenues as follows:

Personnel expenses	130,000 €
Ancillary services	104,000 €
Return on Assets (RoA)	220,000 €
Maintenance	26,000 €

	480,000 €

KOSTT has decided to reduce its expenses, and at the same time it should put maximum efforts to optimize the operation of Energetic System, and reduce deviation towards Interconnectivity System by reducing expenses for ancillary services .

A minimal reduction has been done in the position of maintenance; it includes a value which is considered not have any negative effect for the stability of the system.

We have reduced position of return on assets (220,000 €), since it is part of allowed revenues for the year 2007, and according to KOSTT forecast, it does not expect to finance assets through any loan which would be part of Regulative Basis of Assets for this year.

KOSTT is aware that this reduction requires a special staff engagement and it will present incapability to perform the plan of employment for the year 2007. Only the regular pay of tariffs of KOSTT, and especially from KEK's side would be a guarantee to carry out the foreseen obligations.

We hope for the understanding and approval of this request.

Sincerely,
Managing Director
Fadil ISMAILI