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ANNEX

REGULATORY REPORT
Tariff setting for District Heating GJAKOVA JSC
Heating Season 2006- 2007

Prishtina, 9 November 2006

Referring to page 23 of the ANNEX of Decision D_18_2006 – REGULATORY REPORT from ERO “Determination of Allowed Revenues for District Heating GJAKOVA JSC Heating Season 2006 - 2007”, issued on 26th October 2006; the ERO public session held on 30 October 2006 and afterwards the unanimous approval by ERO Board on those allowed revenues; and its decision ERO Code: D_18_2006 of 30 October 2006, **the Allowed Revenues for DH GJAKOVA JSC are defined on €877,758, of which the Fixed Part is €168,103 and the Variable Part is €709,655.**

For setting the tariffs for DH GJAKOVA for DH season 2006 - 2007, we refer to Annex 2 of “Temporary Instruction I_03_2006 On the Principles of Calculation of Tariffs and Prices in the District Heating Sector in Kosovo for the Heating Season 2006 - 2007”. All formulas explained in Annex 2 of Instruction I_03_2006 are calculated for DH GJAKOVA on the next page, with as starting point the above ERO approved total adjusted allowed revenues for DH season 2006 - 2007 of **€877,758.**

In its tariff proposal - Letter No. 729 dd. 06 November 2006, DH GJAKOVA proposes to deduct 8 €cents from the tariff for residential customers, and to increase at the same time the tariff for Commercial & Institutional customers by 5 €cents. The reason for this is to envisage the poor condition of the residents and to compensate it with a slightly higher tariff for Commercial & Institutional customers, who have turnover and higher standard than residents. ERO accepts the stated reason with the remark that the proposed values to be deducted / added to respective customer groups are not exactly in proportion of the heating spaces / heat demands and with Allowed Revenues of respective customer groups.

As for above ERO has adjusted the tariffs accordingly to the exact proportion of heating spaces / heat demand, and to the Allowed Revenues of respective customer groups, by deducting 6 €cents from the variable component of the tariff for residential customers and adding 5 €cents to the variable component of the tariff for Commercial & Residential Customers; which adjustment is included in the variable component of the tariff “after adjustment”.

TARIFF SETTING DH GJAKOVA JSC - SEASON 2006/2007

Formulas according to Temporary Instruction I_03_2006 - Annex 2	Description	Unit	Residential customers	Commercial & Institutional customers	Total customers
R _f	Fixed Part of Allowed Revenues	€	67,906	100,197	168,103
R _v	Variable Part of Allowed Revenues	€	286,670	422,985	709,655
R	Total Allowed Revenues	€	354,577	523,181	877,758

A. TARIFF FOR NON-METERED CUSTOMERS

A.2	$HD_i = (CD_{spi} \times Si \times LHi) : 10^6$					
	CD_{spi} Si	Specific capacity demand of particular customer group Total heating space of particular customer group	w/m ² m ²	100 63,700	120 72,300	136,000
	LHi HD_i i HD_T	Nominal full load hours of particular customer group Season heat demand of particular customer group Customer group Total heat demand of all customers	h MWh MWh	1,200 7,644	1,300 11,279	18,923
A.4	$HD_{iR} = HD_i : HD_T$	Ratio heat demand for each customer group	€	40.40%	59.60%	
A.5	$R_i = R \times HD_{iR}$	Allowed revenues for particular customer group	€	354,577	523,181	877,758
A.6	$R_{iF} = R_F \times HD_{iR}$	Allowed fixed revenues for particular customer group	€	67,906	100,197	168,103
	$R_{iV} = R_V \times HD_{iR}$	Allowed variable revenues for particular customer group	€	286,670	422,985	709,655
A.8	$Ty_{HC} = R_{iF} : Si$	Season tariff of heat capacity contracted (fixed component) for particular customer group	€/m ²	1.07	1.39	
A.9	$Ty_{HD} = R_{iV} : Si$	Season tariff of heat delivered (variable component) for particular customer group	€/m ²	4.50	5.85	
A.10						
a)	$Tm_{iHC} = Ty_{HC} : 6$	Monthly tariff of heat capacity contracted (fixed component) for particular customer group	€/m ²	0.18	0.23	
b)	$Tm_{iHD} = Ty_{HD} : 6$	Monthly tariff of heat delivered (variable component) for particular customer group	€/m ²	0.75	0.98	
		Monthly tariff of heat delivered (variable component) for particular customer group after adjustment following letter from DH Gjakova Nr.729 dd. 6 November 2006	€/m ²	0.69	1.03	

B. TARIFF FOR METERED CUSTOMERS

		Total contracted heat capacity	kW		15,046
		Season heat delivered to customers' substations	MWh		14,165
B.2	$Ty_{HC} = R_F : N$	Season tariff of heat capacity contracted	€/kW		11.17
B.4	$Tm_{HC} = Ty_{HC} : 6$	Monthly tariff of heat capacity (fix component)	€/kW		1.86
B.3	$Ty_{HD} = R_V : Q$	Tariff of heat delivered (variable component)	€/MWh		50.10