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ANNEX

REGULATORY REPORT
Tariff Setting for District Heating TERMOKOS JSC
Heating Season 2006-2007

Prishtina, 14 November 2006

Referring to page 22 of ANNEX of Decision D_17_2006 – REGULATORY REPORT from ERO “Determination of Allowed Revenues for District Heating TERMOKOS JSC Heating Season 2006 - 2007”, issued on 26 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_17_2006 of 30 October 2006, **the Allowed Revenues for DH TERMOKOS JSC are defined on €5,540,175, of which the Fixed Part is €643,037 and the Variable Part is €4,897,138.**

In the tariff proposal – details for calculation of tariffs No.869 dd. 14 November 2006 – submitted by DH TERMOKOS are noted several mistakes in calculation of the tariffs. More specifically, ERO’s review of the details for calculation of tariffs shows mistakes in calculation of the points from A4 – A10 and from B2 – B4. As the consequence of the above mentioned mistakes, the final result of the tariffs is wrongly calculated.

For setting the tariffs for DH TERMOKOS 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 TERMOKOS JSC on the next page, with as starting point the above ERO approved total adjusted allowed revenues for DH season 2006 - 2007 of **€5,540,175.**

TARIFF SETTING DH TERMOKOS JSC- SEASON 2006/2007

Formulas according to Temporary Instruction I _03_2006 - Annex 2	Description	Unit	Residential customers	Commercial & Institutional customers	Total customers
Rf	Fixed Part of Allowed Revenues	€	388,649	254,388	643,037
Rv	Variable Part of Allowed Revenues	€	2,959,809	1,937,329	4,897,138
R	Total Allowed Revenues	€	3,348,457	2,191,718	5,540,175

A. TARIFF FOR NON-METERED CUSTOMERS

A.2	$HD_i = (CD_{spi} \times Si \times LHi) : 10^6$				
	CD_{spi}	Specific capacity demand of particular customer group	w/m2	100	140
	Si	Total heating space of particular customer group	m2	704,000	384,000
	LHi	Nominal full load hours of particular customer group	h	1,400	1,200
	HD_i	Season heat demand of particular customer group	MWh	98,560	64,512
	i	Customer group			
	HD_T	Total heat demand of all customers	MWh		
A.4	$HD_{iR} = HD_i : HD_T$	Ratio heat demand for each customer group	€	60.44%	39.56%
A.5	$Ri = R \times HD_{iR}$	Allowed revenues for particular customer group	€	3,348,457	2,191,718
A.6	$R_{iF} = R_F \times HD_{iR}$	Allowed fixed revenues for particular customer group	€	388,649	254,388
	$R_{iV} = R_V \times HD_{iR}$	Allowed variable revenues for particular customer group	€	2,959,809	1,937,329
A.8	$Ty_{iHC} = R_{iF} : Si$	Season tariff of heat capacity contracted (fixed component) for particular customer group	€m ²	0.55	0.66
A.9	$Ty_{iHD} = R_{iV} : Si$	Season tariff of heat delivered (variable component) for particular customer group	€m ²	4.20	5.05
A.10					
a)	$Tmi_{HC} = Ty_{iHC} : 6$	Monthly tariff of heat capacity contracted (fixed component) for particular customer group	€m ²	0.09	0.11
b)	$Tmi_{HD} = Ty_{iHD} : 6$	Monthly tariff of heat delivered (variable component) for particular customer group	€m ²	0.70	0.84

B. TARIFF FOR METERED CUSTOMERS

		Total contracted heat capacity	kW		124,160
		Season heat delivered to customers' substations	MWh		109,544
B.2	$Ty_{HC} = R_F : N$	Season tariff of heat capacity contracted	€kW		5.18
B.4	$Tm_{HC} = Ty_{HC} : 6$	Monthly tariff of heat capacity (fix component)	€kW		0.86
B.3	$Ty_{HD} = R_V : Q$	Tariff of heat delivered (variable component)	€MWh		44.70