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ANNEX

REGULATORY REPORT
Tariff Setting for District Heating GJAKOVA JSC
Heating Season 2007 - 2008

Prishtina, 12 November 2007

SUMMARY

Referring to page 24 of the ANNEX of Decision D_71_2007 – REGULATORY REPORT from ERO “Determination of Allowed Revenues for District Heating GJAKOVA JSC Heating Season 2007 - 2008”; the ERO Board session held on 01 November 2007 and afterwards the unanimous approval by ERO Board on those allowed revenues; and its decision ERO Code: D_71_2007 of 01 November 2007, **the Allowed Revenues for DH GJAKOVA JSC are defined on €883,044, of which the Fixed Part is €172,141 and the Variable Part is €710,903.**

For setting the tariffs for DH GJAKOVA for DH season 2007 - 2008, ERO refers to Annex 2 of “Temporary Instruction I_05_2007 on the “Principles of Calculation of Tariffs and Prices in the District Heating Sector in Kosovo for the Heating Season 2007 - 2008”. All formulas explained in Annex 2 of Instruction I_05_2007 are calculated for DH GJAKOVA, which are based on the total adjusted allowed revenues for DH season 2007 - 2008 of **€883,044.**

In the tariff proposal – details for calculation of tariffs submitted by DH GJAKOVA on 5th of November 2007, is noted a small difference in calculation of tariffs which does not correspond with ERO’s calculation. More specifically, ERO’s review of the details of tariff calculation shows that this difference results from the point A.2; where DH Gjakova adopted 1,200 hours instead of 1300 hours of Nominal Full Load Hours (LHi) for calculation of the Heat Demand (HDi) for Commercial & Institutional Customer Group. As the consequence of final result of DH Gjakova tariff calculation by ERO slightly differs from the proposal of as shown on the table.

Further, in its tariff proposal, DH GJAKOVA proposes to deduct 12 €cents from the tariff for residential customers, and to increase at the same time the tariff for Commercial & Institutional customers by 19 €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.

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 their Allowed Revenues.

Therefore, 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 8 €cents from the variable component of the tariff for residential customers and adding 12 €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 2007/2008

Formulas according to Temporary Instruction I_05_2007 - Annex 2	Description	Unit	Residential customers	Commercial & Institutional customers	Total customers
Rf	Fixed Part of Allowed Revenues	€	74,703	97,438	172,141
Rv	Variable Part of Allowed Revenues	€	308,505	402,398	710,903
R	Total Allowed Revenues	€	383,208	499,836	883,044

A. TARIFF FOR NON-METERED CUSTOMERS

A.2	$HD_i = (CD_{spi} \times Si \times LHi) : 10^9$					
	CD_{spi}	Specific capacity demand of particular customer group	w/m ²	100	120	
	Si	Total heating space of particular customer group	m ²	69,000	75,000	144,000
	LHi	Nominal full load hours of particular customer group	h	1,300	1,300	
	HD_i	Season heat demand of particular customer group	MWh	8,970	11,700	
	HD_T	Total heat demand of all customers	MWh			$HD_T = \sum_{i=1}^n HD_i$
A.4	$HD_{iR} = HD_i : HD_T$	Ratio heat demand for each customer group	€	43.40%	56.60%	20,670
A.5	$RI = R \times HD_{iR}$	Allowed revenues for particular customer group	€	383,208	499,836	883,044
A.6	$RI_F = R_F \times HD_{iR}$	Allowed fixed revenues for particular customer group	€	74,703	97,438	172,141
	$RI_V = R_V \times HD_{iR}$	Allowed variable revenues for particular customer group	€	308,505	402,398	710,903
A.8	$Ty_{HC} = RI_F : Si$	Season tariff of heat capacity contracted (fixed component) for particular customer group	€/m ²	1.08	1.30	
A.9	$Ty_{HD} = RI_V : Si$	Season tariff of heat delivered (variable component) for particular customer group	€/m ²	4.47	5.37	
A.10						
a)	$Tm_{HC} = Ty_{HC} : 6$	Monthly tariff of heat capacity contracted (fixed component) for particular customer group	€/m ²	0.18	0.22	
b)	$Tm_{HD} = Ty_{HD} : 6$	Monthly tariff of heat delivered (variable component) for particular customer group	€/m ²	0.75	0.89	
		Monthly tariff of heat delivered (variable component) for particular customer group after adjustment following tariff proposal from DH Gjakova of 5 November 2007	€/m ²	0.67	1.01	

B. TARIFF FOR METERED CUSTOMERS

B.2	N	Total contracted heat capacity	kW			15,900
B.3	Q	Season heat delivered to customers' substations	MWh			15,491
B.2	$Ty_{HC} = R_F : N$	Season tariff of heat capacity contracted	€/kW			10.83
B.4	$Tm_{HC} = Ty_{HC} : 6$	Monthly tariff of heat capacity (fix component)	€/kW			1.80
B.3	$Ty_{HD} = R_V : Q$	Tariff of heat delivered (variable component)	€/MWh			45.89

* All abbreviations can be found on the temporary Instruction I_05_07.