


Private Companies Rate Issues

National Agency for Energy
Regulation


October, 2002



Main problems in the process of tariff review for UF companies

- **Value of existing fixed assets**
 - US\$ 139.26 mln – value of the existing fixed assets pursuant to Sale-Purchase Agreement
 - US\$ 53.7 mln – fixed assets book value
- **Normative distribution losses**

	2000	2001	2002
According to Methodology, %	23,87	20,22	17,72
Proposed by UF, %	33,61	27,66	23,79
Provided in the agreed tariff of transition period, cents/kWh, (%)	0,66 (19,2)	0,66 (19,2)	





Main problems in the process of tariff review for UF companies (continued)

■ *Billing*

- Company calculated the electricity distribution tariff taking into consideration the electricity actually supplied according to invoices (calculated based on distribution losses actually incurred)

■ *Bad debts*

- Company included in the tariff bad debts at amount of US\$ 4.3 mln (cca 19.0% of all costs)

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Main problems in the process of tariff review for UF companies (continued)

■ *Investments*

- a considerable part of investments did not comply with the categories they were included in,
- not proved investments in know-how,
- not substantiation of economic efficiency of investments

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