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WATER AND WASTE REGULATORY OFFICE (“WWRO”)

RULE

FOR SERVICE TARIFFS SETTING

BY

**WATER AND WASTEWATER SERVICES PROVIDERS AND
BULK WATER SUPPLIERS IN KOSOVO**

26 January 2005

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PART I: GENERAL PROVISIONS

Chapter 1: General Provisions

Section 1: Authority for this Rule

The Regulator issues this Rule under authority of the UNMIK Regulation No. 2004/49 On The Activities of Water and Waste Services Providers, dated 26 November 2004.

Section 2: Scope

All currently operating Publicly Owned Enterprises providing Water and Wastewater Services or Bulk Water Services in Kosovo shall follow this Rule and procedures for developing, obtaining approval, and requesting a change to tariffs charged for services provided.

Section 3: Purpose

The purpose of this Rule is to establish the rules and procedures under which tariffs can be established and applied for water supply and for wastewater collection, treatment, and disposal.

Section 4: Definitions

The terms and expressions used in these Rules shall bear the following meanings:

Accounts Receivable means a current asset representing money due for services rendered or performed or merchandise sold on credit;

Administrative Costs means the management and support costs related to rendering Water and Wastewater and Bulk Water Services;

Asset Management Plan means a written plan of capital projects and their estimated costs;

Bulk Water means water that has not been treated in order to be suitable for human consumption;

Bulk Water Supplier means any Person that supplies Bulk Water to a Water and Wastewater Service Provider;

Bulk Water Tariff means any rates, charges or fees of a Bulk Water Supplier in relation to the supply of Bulk Water to a Water and Wastewater Service Provider;

Business Day means any day except Saturday, Sunday, or day, which is a public holiday in Kosovo;

Capital Expenditures (abbreviated "CAPEX") means expenditures incurred in connection with investments in fixed assets with a life in excess of one year, including, without limitation expenditures that are accounted for to be amortized and depreciated over the life of any given fixed asset, classified as property, plant or equipment;

Customer means a Person that has entered into a Water and Wastewater Services Contract or Bulk Water Supply contract with a Services Provider or lawfully has received Water Services supplied by a Service Provider;

- i. **Domestic Customers** means any Customer classified by the Service Provider as a person using the Services at his or her residence or household.
- ii. **Commercial/Industrial Customer** means any person, legal entity or business organization classified by the Service Provider as a Customer using the Services for or in connection with the exercise of a commercial or industrial activity of any sort.
- iii. **Institutional Customer** means any legal entity classified by the Service Provider as a governmental authority, local authority, international organization or institution that carries out activities of common or public interest and that it is not registered as a business organization in accordance with the UNMIK Regulation On the Registration of Business Organizations in Kosovo.

Depreciation means a measure of the consumption, use or wearing out of an asset over the period of its useful economic life

Invoice means written notice to pay for Water or Wastewater Services, which specifies the amount due and owing, the period for which the service was provided, and other relevant information, issued by the Water and Wastewater Service Provider to a Customer in Albanian, English, and Serbian languages;

Operating Expenditures (abbreviated “OPEX”) means the day-to-day running expenditures, such as administrative support costs, salaries, wages, transport, fuel, chemicals, power, spare parts and regular maintenance expenditures necessary for managing and maintaining facilities in order to achieve the capacity and performance for which it was designed and constructed and that are accounted for during a term of only one year or less;

- i. **Fixed Operating Expenditure**, also known as “Fixed Cost” means costs that do not vary with the level of output, for example Depreciation, maintaining customer accounts, and providing infrastructure common to all Customers;
- ii. **Volume Related Expenditure**, also known as “Variable Cost” means costs that vary with the level of output, for example power and chemicals;

Person means an individual, legal or public entity including a corporation, a partnership, a trust, an unincorporated organisation, a government or any agency or subdivision thereof;

Regulator means the authority responsible for the economic regulation of Water and Wastewater Services Providers. Also referred to as “The Water and Waste Regulatory Office (“WWRO”) created under the UNMIK Regulation NO. 2004/49 On The Activities of Water and Waste Services Providers.

Required Revenues from Operations means money needed to cover the costs for providing Water and Wastewater Services or to supply Bulk Water calculated in accordance with the provisions of chapter 6 of Part III of this Rule.

Residual Value (also known as “Salvage Value”) means the value of a fixed asset at the end of its Useful Life

Revenues from Operations means money received from providing water and wastewater services, e.g. sale of water. It does not include interest earned or gains and losses from disposition of property;

Review Committee means the committee that may review the decisions of the Regulator pursuant to the UNMIK Regulation NO. 2004/49 On The Activities of Water and Waste Services Providers, dated 26 November 2004.

Sensitivity Analysis means a test to determine how results of a calculation change if one or more of the assumptions on which the calculation is based were to change.

Service Contract means an agreement between a Service Provider and its Customer or, if there is no such agreement, the Service Provider's terms of supply;

Service Provider means any Water and Wastewater Service Provider, or a Bulk Water Supplier, together the "Service Providers";

Service Tariff means any rates, charges or fees of a Service Provider in relation to the provision of its Services to Customers;

Service Tariff Application means the document submitted by Service Providers to the Regulator in a format specified by the Regulator;

Service Tariff Order means the written document issued by the Regulator listing all applicable Service Tariffs for a Service Area by service type, location, and Customer class and charges for Water and Wastewater Services provided to Customers;

Service Tariff Schedule means all applicable Service Tariffs for a Service Area including Tariffs by service type, location, and Customer class and charges for Water and Wastewater Services provided to Customers that have been approved by the Regulator;

Socially Owned Enterprise means the same as the definition in UNMIK Regulation 2002/12 (13 June 2002) "On the Establishment of the Kosovo Trust Agency", to wit: an Enterprise that was created as socially-owned under the Law on Enterprises, the Law on Associated Labour of the Federal Republic of Yugoslavia or any other applicable law;

Trade Effluent means the discharge from a non-Domestic Customer to the Wastewater Collection System;

Useful Life means the period of time expressed in years that a fixed asset can adequately fulfil its purpose before needing replacement;

Variable Costs means operating costs for wages, power, chemicals, materials, and other items that vary with the volume of water produced and distributed and with the volume of wastewater collected and treated;

Wastewater Collection System all assets used for and/or in connection with the provision and/or receipt of Wastewater Services either belonging to the public domain or to the Water and Wastewater Service Providers;

Wastewater Services means collecting, disposing, and treating wastewater and sewage, and operating networks and facilities for such purpose.

Water and Waste Regulatory Office (also abbreviated to the "WWRO") means the Economic Regulator created under the UNMIK Regulation No. 2004/49 On The Activities of Water and Waste Services Providers

Water and Wastewater Services Provider means a Person providing or intending to provide Water and Wastewater Services;

Water Network means assets used for and/or in connection with the provision and/or receipt of Water Services either belonging to the public domain or to the Water and Wastewater Service Providers;

Water Services means abstracting, treating, and distributing water for human consumption and operating networks and facilities for such purpose;

Wholesale Customer means an individual and/or a legal person or entity that purchases Bulk Water from a Service Provider for the purpose of its resale to any third parties.

Section 5: Rules of Interpretation

In this Rule:

- a) Any terms and expressions used in this Rule, not specifically defined herein and that might be in question, shall bear the meanings as defined in the legal acts referred to in the Preamble of these Rules and/or in any other law applicable in Kosovo; and
- b) References to a Rule shall be construed as meaning any Rule issued, modified, amended, supplemented, and/or replaced by the Regulator from time to time as per the powers that have been granted to the Regulator; and
- c) The singular includes the plural and vice versa;
- d) Words of any gender used shall include any other gender; and
- e) References to Parts, Chapters, and Sections are, unless otherwise expressly stated, references to Parts, Chapters and Sections of these Rules.

Section 6: Applicability

All Publicly Owned Enterprises in Kosovo currently providing Water or Wastewater Services or Bulk Water Supply are required to submit to the Regulator for approval the water and wastewater prices for different uses as per their tariff structure calculated as per this Rule unless specifically exempted from and informed in writing to do so by the Regulator.

PART II: GENERAL PRINCIPLES FOR TARIFF SETTING

Chapter 2: General Principles

Section 7: General Principles for Service Tariffs

- 7.1 **No Discrimination**: A Service Provider shall not act in any discriminatory manner against any Person on any grounds with respect to tariffs it charges.
- 7.2 **Balance**: Tariffs are balanced among minimum standards of service, Service Provider's financial viability, and customer affordability.

- 7.3 Cost Recovery: Tariffs must generate the financial resources needed by the service provider, operating under efficient conditions, to recover its operating and maintenance expenditures, reasonable overhead costs, and the surplus required for funding capital expenditures.
- 7.4 User Pay (Customer Equity): Each customer will be charged for the full-cost of being supplied. Customers make payments in full and when due. Failure to pay results in financial penalties and ultimately disconnection of water service in accordance with the WWRO Rule for Disconnection of Water Services.
- 7.5 Social Equity: The tariff structure shall reflect equity and fairness of service and pricing. The government of Kosovo can subsidize low-income users through direct payments to the Service Provider on behalf of the designated user for services provided.
- 7.6 Resources Conservation: The tariff structure shall set higher variable tariffs for higher consumption levels to encourage conservation.
- 7.7 Harmonization within Service Area: For services supplied to domestic users in an area with population not exceeding five hundred (500) people, the tariffs shall be harmonized with those applied to the more populous areas in the same Service Area.
- 7.8 Service Provider Performance: Service Providers shall not be compensated through tariffs for inefficient and ineffective performance of their duties.

Section 8: Applicability of Service Tariffs Within the Service Area

- 8.1. Except when otherwise authorized by the Regulator, Service Providers shall use the same Service Tariff throughout their Service Area.
- 8.2. The Service Provider may request in writing to the Regulator authorization for the use of different Service Tariffs within the Service Areas explaining the justified reasons to proceed this way and the Regulator shall respond in writing within twenty (20) Business Days from the date of receipt of such request either agreeing or refusing to do so and providing reasons.

Section 9: Categories of Customers for Service Tariffs Setting

Service Tariff for Water and Wastewater Services shall include no more than three Customer categories:

- a) Residential;
- b) Commercial/Industrial;
- c) Institutional;

Wholesale Customer shall be the only Customer Category for Bulk Water Supply.

Chapter 3: Methods for the Computation of Service Tariffs

Section 10: Service Tariffs Computation Methods

- 10.1 Until such time as the Service Provider is in a position to use the Long-Run Marginal Cost (LRMC) method, the Cost Recovery method can be used to determine its Service Tariffs for providing Water and Wastewater Services or Bulk Water Supply.
- 10.2 The Cost Recovery method estimates the cash requirements needed by the Service Provider to cover its annual expenditures.
- 10.3 If any Service Provider would prefer to use another method to calculate Service Tariffs, or to modify any of the procedures specified in this Rule, it shall write a letter to the Regulator explaining its request and the Regulator shall respond in writing within twenty (20) Business Days from the date of receipt of the communication referred to above, either agreeing or refusing to do so and providing reasons.
- 10.4 The Regulator may reject the Cost Recovery method or any other method and require use of the LRMC method as soon as practical.

Chapter 4: Service Tariff Setting

Section 11: Service Tariff Setting

Service Tariffs can be set either:

- a) by the Regulator through review and approval of a Service Tariff Application submitted by the Service Provider as per Section 29; or
- b) through a Service Tariffs Agreement that can be entered into and between the Regulator and the Service Provider as per the provisions of PART VII of this Rule.

PART III: SERVICE TARIFF CALCULATION BY COST RECOVERY METHOD FOR WATER SERVICES

Chapter 5: Steps for the Calculation of Service Tariff

Section 12: Steps for the Calculation for Water Service Tariffs

Service Tariffs shall be calculated through the following steps:

- a) Step 1: estimate Total Costs of Providing Services as determined in Chapter 6;
- b) Step 2: estimate Required Revenues from Operations as determined in Chapter 7;
- c) Step 3: estimate volume of water to be sold as determined in Chapter 8;
- d) Step 4: calculate price per cubic meter of water sold as determined in Chapter 8; and
- e) Step 5: confirm Required Revenues from Operation are sufficient to pay estimated total Costs of Providing Services.

Chapter 6: Calculation of Costs of Providing Services

Section 13: Calculation of Costs of Providing Services

- 13.1 Water and Wastewater Service Providers shall use data of historic costs obtained from accounting records organized and maintained as per Kosovo Accounting Standards and bids for similar supplies, services, and works to estimate annual:
- a) Operating Expenditures;
 - b) Debt Service;
 - c) Un-collectable Accounts Receivable;
 - d) Capital Expenditures that it will pay for projects that
 - i. maintain or improve the quality, reliability, or safety of service;
 - ii. replace fixed assets that have reached the term of their useful or economic lives;
 - iii. proceed to major rehabilitation and/or extraordinary maintenance works in fixed assets pertaining to the Water Network or to the Wastewater Collection System;
 - iv. reduce Operating Expenditures;
 - v. expand service in the Service Area and increase the number of Customers.
- 13.2 Total Costs of Providing Services listed in sub-section 13.1 shall be calculated in accordance with the provisions of the remainder sections of this Chapter.

Section 14: Calculation of Operating Expenditures

- 14.1 Operating Expenditures allowed for purposes of computation of Service Tariffs will include, without limitation, costs related to:
- a) wages and social insurance contributions and related payroll expenditures;
 - b) rents due for any leased property or assets;
 - c) purchase of water;
 - d) electrical power;
 - e) chemicals;

- f) materials;
 - g) repairs and maintenance;
 - h) fuel;
 - i) payments to the Regulator; and
 - j) other costs as applicable to the rendering of Water and Wastewater Services and to the supply of Bulk Water as required as per the appendices to this Rule or as may be deemed from time to time by the Regulator as reasonably incurred Operating Expenditures.
- 14.2 Operating Expenditures shall be based on historic cost data obtained from an Accrual Cost Accounting System construed in accordance with Kosovo Accounting Standards and bids for similar supplies, services, and works. Where such accounting system is not yet in place, costs shall be estimated from existing accounts or from regional data.
- 14.3 Fixed Operating Expenditures shall be calculated based on actual costs of the individual service components and as a percentage of gross assets.
- 14.4 Volume Related Expenditures shall be calculated from the actual costs of power, chemicals, inventories, personnel, transport, etc, used in providing and delivering the potable water to the consumers and taking away and treating the wastewater to acceptable standards.

Section 15: Costs Excluded from Computation of Operating Expenditures

- 15.1. Operating Expenditures shall not include any forecast for price inflation for the Service Tariffs years` under consideration, but shall deal with inflation as per Chapter 15.
- 15.2. For the purposes of tariff setting, depreciation expense is not included in Operating Expenditures.
- 15.3. All cost calculations shall exclude the Value Added Tax as may be applicable in Kosovo except whenever any amount of such tax borne is legally not deductible from the amount of such tax that the Service Provider is required to pay to the relevant tax administration authorities from time to time.
- 15.4. All cost calculations shall exclude any other indirect taxes that can legally be re-charged to the Customers or that are legally deductible against the amount of taxes that the Service Provider is required to pay to the relevant tax administration authorities from time to time.
- 15.5. Fines due and payable by the Service Provider for violations of laws or regulations or rules or orders issued by the Regulator or any other public authority of Kosovo shall not be included as Operating Expenditures.

- 15.6 The Regulator may also determine that costs not acceptable for purposes of computation of profit taxes and/or any income taxes in accordance with the tax laws in force in Kosovo from time to time be also excluded from the computation of Operating Expenditures.

Section 16: Costs of Debt Service

When applicable, Water and Wastewater Service Provider shall include costs of funding and other financial expenditures for debt service.

Section 17: Un-collectable Accounts Receivable

- 17.1 For the purpose of Service Tariff setting for any given year, the Water and Wastewater Service Provider shall allow a value equivalent to a certain percentage of the Accounts Receivable balance at the end of the fiscal year previous to the one for which Service Tariffs are being set.
- 17.2 Within the Accounts Receivable balance this percentage shall be applied only to those items directly related to the delivery of Water and Wastewater Services for which the Water and Wastewater Service Provider is licensed.
- 17.3 The amount of the percentage to be allowed shall be proposed by the Service Provider in the Service Tariff Application and shall be approved by the Regulator.

Section 18: Capital Expenditures

- 18.1. Each Service Provider shall prepare an Asset Management Plan according to the format in an Appendix to this Rule.
- 18.2. The Asset Management Plan shall list capital projects intended to reduce costs, maintain facilities and equipment, improve service, and expand service.
- 18.3. The Asset Management Plan shall be for a ten-year period and shall be updated annually.
- 18.4. Capital Expenditures for the Service Tariff calculation shall be the sum of estimated costs for capital projects listed in the Asset Management Plan for the relevant year.
- 18.5. Any Capital Expenditures paid by donor grants will not be included in the Service Tariff calculation but can be used as reference data for costs.

Section 19: Summary of Costs

Each Service Providers shall summarize costs used in the Calculation of Service Tariffs according to the format in an appendix to this Rule.

Chapter 7: Estimate of Required Revenues From Operations

Section 20: Estimate of Required Revenues From Operations

Water and Wastewater Service Providers shall determine Required Revenues from Operations by adding Operating Expenditures plus costs for debt service plus allowance for Un-collectable Accounts Receivable plus Capital Expenditures.

Chapter 8: Calculation of the Costs of Water to be Sold

Section 21: Estimate of Volume of Water To Be Sold

- 21.1 In the third step of the Service Tariff Calculation the Water and Wastewater Service Provider shall estimate volume of water to be sold on the basis of:
- a) available historical data on water consumption registered in the previous years;
 - b) forecast of the evolution of the consumption of water per Customer on the basis of available studies and surveys.
- 21.2 The Water and Wastewater Service Provides shall estimate the total volume of water to be sold for each of the Customer Categories listed in sub-section

Section 22: Calculation of the Cost per Cubic Meter of Water Sold

In the fourth step of the Service Tariff calculation the Service Provider shall calculate the cost per cubic meter of water by dividing the Required Revenues from Operations determined in Section 20 by the estimated volume of water to be sold.

Chapter 9: Calculation of Estimated Revenues from Operations

Section 23: Calculation of Estimated Revenues from Operations

- 23.1 Water and Wastewater Service Providers shall calculate estimated Revenues from Operations for each Customer Category based on estimated volume of water sold from Section 21 and on cost per cubic meter of water from Section 22.
- 23.1 Bulk Water Supplier shall do a similar calculation as determined in sub-section 23.1 for the single category of Wholesale Customer.

Section 24: Sensitivity Analysis of Estimated Revenues from Operations

Service Providers shall do a Sensitivity Analysis of the calculation of estimated revenues and include this as an attachment to their Service Tariff Application.

Chapter 10: Calculation and Structure of Service Tariffs to Propose to the Regulator

Section 25: Calculation and Structure of Service Tariffs to Propose to the Regulator

- 25.1. In the fifth step Water and Wastewater Service Provider shall confirm that Required Revenues from Operation expected from the total Service Tariffs to be proposed to the Regulator will be greater than or equal to the sum of the Total Cash Expenditures calculated in accordance with Section 14, Section 16, Section 17, and Section 18.
- 25.2. Water and Wastewater Service Provider shall present to the Regulator in its Service Tariffs Application a proposed Service Tariffs scheduled with the amount of Service Tariffs that it proposes to charge to each Customer Category as defined in Section 26 below.

Section 26: Amounts Invoiced Customers

- 26.1. The amount invoiced to the Customer will consist of two charges:
- a) A service charge to recover Customer-related expenditures for meter reading, invoicing, and collecting;
 - b) A volume charge for water used by the Customer.
- 26.2. The service charge in subsection 26.1 (a) above shall be:
- a) invoiced even if the Customer has used no water in the period to which the Invoice refers to;
 - b) based on actual costs when available but in any event shall not be fixed in an amount of less than two (2) euros during the first year following the year where this Rule has entered into force;
 - c) In subsequent years the amount will be based on actual costs as recorded by the Service Provider in their audited accounting records.
- 26.3. Volume charge in subsection 26.1 shall be calculated by multiplying the volume of water used by the cost per cubic meter multiplied by the factors in an Appendix to this Rule that are based on volume of consumption and Customer category.

Volume Charge = Volume Used x Euro/m³ x Factor
(where Factor is a function of Customer category and Quantity Block)

PART IV: SERVICE TARIFF CALCULATION BY COST RECOVERY
METHOD FOR WASTEWATER SERVICES

Chapter 11: Steps for the Calculation of Wastewater Service Tariff

Section 27: Steps for the Calculation for Wastewater Service Tariffs

- 27.1. The costs related to the provision of Wastewater Services shall not be calculated separately but added to the costs related to the provision of the Water Services calculated in accordance with the rules set forth in Part III above of this Rule.
- 27.2. The allocation of the portion of the total costs incurred in connection with the provision of both Water and Wastewater Services specifically to the provision of Wastewater Services shall be made on the basis of the volume of wastewater collected for each Customer.
- 27.3. The volume of wastewater collected for each Customer shall be the same one measured on the Customers water meter for drinking water.
- 27.4. For dischargers of Trade Effluent a wastewater surcharge fee shall be added based on volume and loading as measured by parameters of Biochemical Oxygen Demand (BOD) and Chemical Oxygen Demand (COD) and Suspended Solids (SS) that exceed amounts specified in an Appendix to this Rule.
- 27.5. Charge to the Customers of wastewater collected shall be made on the basis of the different Customer categories listed under sub-section above.
- 27.6. Customers shall be charged for the provision of Wastewater Services only on the basis of wastewater collected and on a surcharge for discharges of Trade Effluent, when applicable, and shall not be charged any fixed fee for their connection to the Wastewater Collection System.

PART V: SERVICE TARIFF CALCULATION BY COST RECOVERY
METHOD FOR BULK WATER

Chapter 12: Steps for the Calculation of Bulk Water Service Tariff

Section 28: Bulk Water Tariff Calculations

- 28.1 The Bulk Water Tariff shall be calculated by application of the same rules set forth in Part III above for the calculation of Service Tariffs for Water and Wastewater Services with the necessary adaptations.

- 28.2 The Bulk Water Tariff shall include a Return on Fixed Assets for the Bulk Water Supplier as specified in an appendix to this Rule and shall be amended from time to time.
- 28.3 The Service Tariff calculation of a Bulk Water Supplier shall include only those Fixed Assets used for the collection, storage, and conveyance of Bulk Water to a Water and Wastewater Service Provider.
- 28.4 Fixed Assets shall be valued at the total historical acquisition cost minus accumulated depreciation.
- 28.5 Where such Fixed Assets serve multiple uses (e.g. a dam that stores water used by agriculture and hydro-electric power and industrial customers and water service provider), then the value of the Fixed Asset used in tariff calculation shall be in proportion to the percent of total water used as bulk water supply.
- 28.6 The Service Providers shall propose in the Service Tariff Application the Rate of Return on Assets for approval to the Regulator.
- 28.7 Bulk Water Suppliers shall have no allowance for Un-collectable Accounts Receivable.
- 28.8 The Invoice for Bulk Water shall be calculated on the basis of:
- a) Cost per cubic meter of Bulk Water supplied; and
 - b) An amount equivalent to the Rate of Return on Assets calculated in accordance with the provisions of this Section calculated also per cubic meter of Bulk Water sold.
- 28.9 The Invoice to Customers supplied with Bulk Water shall include the price per cubic meter of Bulk Water sold without discrimination of the two components for the calculation of such price considered in accordance with sub-section 28.8 above and shall not include any charge for the connection of the Customers to the Water Network.

PART VI: REVIEW AND APPROVAL OF SERVICE TARIFF APPLICATIONS

Chapter 13: Service Tariff Application, Review, and Approval

Section 29: Service Tariff Application

- 29.1 The Service Provider will submit a Service Tariff Application with attachments using the format shown in an appendix to this Rule or as otherwise provided by the Regulator from time to time.

- 29.2 The Service Tariff Application must be approved by the Service Provider's Supervisory Board as evidenced by a letter of transmittal signed by the relevant authority.
- 29.3 In the absence of a Service Tariff Application, or failure to provide data requested, then the Regulator shall establish the Service Tariff based on assuming costs and levels of performance on the provision of Water and Wastewater Services similar to other Service Providers in Kosovo.

Section 30: Regulator Review of Service Tariff Application

- 30.1 The Regulator shall confirm that the Application complies with the terms of this Rule and appraise the Service Tariff Application and respond according to the schedule in an appendix to this Rule.
- 30.2 The Regulator shall appraise the Service Tariff Application in the following steps:
- a) Verify the proposed Service Tariffs are compliant with the General Principles listed in Section 6;
 - b) Verify the proposed Service Tariffs were calculated as per the requirements of this Rule;
 - c) Establish whether or not technical and financial performance targets have been met or are likely to be met within the deadlines as established or agreed by the Regulator for the achievement of minimum Service Standards and Key Performance Indicators specified in Rules as issued, amended and/or supplemented by the Regulator from time to time.
- 30.3 In the appraisal of the request for Service Tariffs setting filed by the Service Providers the Regulator can also consider the economic and financial performance of the applicants by benchmarking it against the performance of other Service Providers in and/or without Kosovo which size, degree of development, resources, number of Customers and/or any other relevant figures makes their performance comparable with the one showed by the Service Provider applying for a Service Tariffs setting.

Section 31: Approval of Service Tariff

- 31.1 On the basis of the appraisal criteria determined in this Section the Regulator shall approve with or without modifications the Application for Service Tariff in writing by the issue of a Tariff Order.
- 31.2 Approved Service Tariffs will remain unchanged for one year, however adjustments to Service Tariff shall be exceptionally considered when:
- a) certain specified economic conditions occur; or

- b) Service Provider requests an adjustment according to Section 33.

Chapter 14: Duration of Service Tariffs

Section 32: Service Tariffs Duration

- 32.1. The Regulator shall approve the Service Tariffs for a minimum period of duration of one (1) calendar year and a maximum period of five (5) calendar years.
- 32.2. The Regulator shall notify in writing all Service Providers of their duty to file a Service Tariffs Application indicating the period of duration of the Service Tariffs as determined.
- 32.3. The Service Tariffs to be set for the first period after entry into force of this Rule shall be set for one (1) calendar year.

PART VII: SERVICE TARIFFS ADJUSTMENTS AND REVIEW

Chapter 15: Service Tariff Adjustments

Section 33: Request for a Service Tariff Adjustment

- 33.1. Given extraordinary circumstances that could not be reasonably anticipated upon submitting the Service Tariff Application, a Service Provider can submit at anytime to the Regulator a written request to adjust the Service Tariff before the end of the period for which Service Tariffs have been set following the procedures determined in an appendix to this Rule.
- 33.2. The Service Provider shall provide technical and financial data that summarizes performance, including the level of performance improvement targets agreed with the Regulator through the period covered by the Service Tariffs in force, and which provides a justification for the requested Service Tariffs adjustment in the form approved, amended and/or supplemented by the Regulator from time to time.
- 33.3. The Service Provider shall provide a summary of the proposed adjusted tariff structure in a form specified by the Regulator from time to time.
- 33.4. The Service Provider shall provide a clear rationale for the proposed Service Tariff adjustment.

Section 34: Approval Procedures for Service Tariff Adjustments

- 34.1. The Regulator shall confirm that the Request for Service Tariff Adjustment complies with the Service Tariff Rule and appraise and respond within forty-five

(45) Business Days from the date at which the Regulator has received such application.

- 34.2. The Regulator shall appraise the Request for Service Tariff Adjustment by the following steps:
- a) Verify that the terms, conditions, and circumstances justifying Service Tariff Modifications have been fulfilled;
 - b) Verify that as a result of the proposed adjustment the Service Tariffs are still compliant with the General Principles enumerated in Section 7;
 - c) Verify the proposed adjustments to Service Tariffs were calculated as per the requirements of this Rule;
 - d) Ascertain whether or not the performance improvement targets, including without limitation, the performance related to targets set for improvement of Service Standards have been met or are likely to be met within the deadlines as established or agreed by the Regulator from time to time.
- 34.3. Should the Request for Service Tariff Adjustment fail to meet these appraisal criteria, it shall be returned to the Service Provider with the reasons for non-approval.
- 34.4. On satisfying the appraisal criteria the Regulator shall approve the Request for Service Tariff Adjustment in writing by the issue of a Service Tariff Order.

Section 35: Refusal of a Service Tariff Adjustment

The Regulator may refuse to approve a request for Service Tariff adjustment based on:

- a) failure of Applicant to provide required information within specified time limits;
- b) evaluation that Applicant's request is exorbitant relative to services provided;
- c) determination that Applicant has failed to achieve minimum service standards;
- d) failure of Applicant to control operating costs or water losses or both.

Chapter 16: Review of Service Tariffs

Section 36: Review of Service Tariffs

- 36.1. When the Service Tariffs are set for a period of duration exceeding one (1) calendar year, the Regulator shall clarify in the Service Tariffs Order approving the Service Tariffs the criteria to be followed and the procedures for the annual review of the Service Tariffs.

- 36.2. The criteria to be followed by the Regulator for the review of the Service Tariffs approved for a period of duration exceeding one (1) calendar year shall include, without limitation, the following:
- a) Impacts of inflation in the first year of application of the approved Service Tariffs using a relevant official index of inflation as published by the competent public authorities of Kosovo;
 - b) Potential impacts of estimated inflation for subsequent years using a relevant official index of inflation as published by the competent public authorities of Kosovo;
 - c) Progress made by the Service Provider in the achievement and enhancement of Service Standards;
 - d) Other aspects of the technical, economic, and financial performance of the Service Provider such as the reduction of non-revenue water, rehabilitation of assets used for the provision of service, major expansions of the population covered by the service, increases in the number of Customers, increase in the ratio of billings and collection of Invoices and other relevant criteria, including the ones set forth in the Rule on Key Performance Indicators;
 - e) Relevant costs for enhanced public health, environmental protection, and/or spatial planning standards;
 - f) Variation on the level of satisfaction of the Customers as surveyed by the Regulator and/or by other entities conducting Customers' satisfaction studies or surveys;
 - g) Variation of costs related with measures taken to ensure the availability of water supply such as costs on prospecting new water sources;
 - h) Any other facts or indicators of an objective nature such as related performance of the Service Provider as measured by the Regulator through benchmarking with other Service Providers with comparable characteristics in or outside Kosovo.

PART VIII: TARIFF AGREEMENTS

Chapter 17: Negotiating and Entering into a Service Tariffs Agreement

Section 37: Service Tariff Agreement

- 37.1. The Regulator may enter into a written agreement with any Service Provider for the purposes of amending, altering or supplementing any Service Tariff established under this Rule.
- 37.2. Service Tariff Agreements may be entered given any conditions precedent as determined by the Regulator and proposed to the Service Provider, including, without limitation, the entering into of other binding agreements with the Service Provider on:

- a) Issue, renewal, extension, amendment, alteration and supplement to a Service Standard;
- b) Issue, renewal, extension, amendment, alteration and supplement to a Service License;
- c) Extension of the territorial scope of the Service Area;
- d) Expansion, major rehabilitation or overhaul of Water Networks;
- e) Establishment, alteration, extension, modification and/or supplement to any Customer-related provisions as outlined in the Rule on Customers' Charter as issued, amended, modified and/or supplemented by the Regulator from time to time.

37.3. For the avoidance of doubt, Service Providers have the right but not the obligation to propose to the Regulator to enter into a Service Tariff Agreement as per the provisions of Section 38.

Section 38: Negotiation of a Service Tariff Agreement

- 38.1. Service Providers wishing to enter into a Service Tariff Agreement shall submit a written request to the Regulator requesting the opening of negotiations to enter into such an agreement justifying the reasons why they deem that both public interest and their legitimate rights and legal expectations would be best served if the Regulator would accept to enter into a Service Tariff Agreement.
- 38.2. The Regulator shall respond in writing within five (5) Business Days from the date of receipt of the communication referred to above, either agreeing to enter into negotiations for a Service Tariff Agreement or refusing to do so.
- 38.3. If the Regulator decides to refuse to start negotiations to enter into a Service Tariff Agreement, it shall provide its reasons for such a refusal.
- 38.4. If the Regulator agrees to start negotiations to enter into a Service Tariff Agreement, it shall grant to the Service Provider a reasonable period of time, in any event of no less than thirty (30) Business Days, to allow the Services Provider to submit to the Regulator a draft Service Tariff Agreement.
- 38.5. Within ten (10) Business Days of receiving the draft Service Tariff Agreement, the Regulator shall notify in writing the Service Provider of the scheduling of a first meeting to start negotiate such an agreement.
- 38.6. The Regulator may determine a maximum period of time for the conclusion of the negotiations to enter into a Service Tariff Agreement that cannot be less of twenty (20) Business Days from the date of the first negotiation meeting scheduled as per sub-section 38.5.

- 38.7. For the avoidance of doubt, the Regulator has the right but not the obligation to enter into a Service Tariff Agreement and, therefore, either his refusal to enter into negotiations to enter into such an agreement or any failure to successfully complete the said negotiations are deemed as contractual decisions and not as administrative acts or decisions subject to any administrative or judicial review.

Section 39: Entering Into a Service Tariff Agreement

- 39.1. In case of successful conclusion of the negotiations conducted as per Section 38, the Regulator and the Service Provider shall enter into the Service Tariff Agreement in writing.
- 39.2. Service Tariff Agreement shall be signed in three versions in each of the following official languages in use in Kosovo:
- a) Albanian;
 - b) Serbian; and
 - c) English.
- 39.3. In case of any discrepancies between any of the versions in which the Service Tariff Agreement is signed the English version shall prevail.
- 39.4. Except insofar as any fact, information and/or document could be deemed to contain any privileged or confidential information as the Regulator may justify in a written decision, the Service Tariff Agreement, its Appendices and all information used for the negotiation and entering of such agreement shall be available to the public by the means the Regulator may determine from time to time.
- 39.5. Any amendments, alterations, modifications or supplementary provisions pertaining to Service Tariff Agreements shall require the consent of both the Regulator and the signatory Service Provider and must be entered into in writing, published and made public as per the provisions of the sub-sections above of this Section.

Chapter 18: Legal Nature and Enforceability of Service Tariffs Agreement

Section 40: Legal Nature and Enforceability of Service Tariff Agreement

- 40.1. Service Tariff Agreement is deemed as an administrative contract for all intended legal purposes being the Regulator obliged to negotiate, enter and execute such an agreement with strict observance of the general legal principles, rules and procedures governing the exercise of the prerogatives and duties of a public authority.
- 40.2. Service Tariff Agreement, as a bilateral legal act, is legally binding, enforceable and executable as per its terms for both parties and can only be amended, extended, modified, supplemented, reviewed, or terminated in light of its own provisions and the law applicable in Kosovo.

Section 41: Compliance With Service Tariff Agreement

The Service Providers are obliged to respect and to comply with the Service Tariff established in general terms in this Rule:

- a) While the negotiations for entering into a Service Tariff Agreement are pending until the date of the entering into force of such agreement;
- b) Immediately upon the termination, cancellation, revocation, or expiration of the Service Tariff Agreement insofar as any rights and obligations contained in the Service Tariff Agreement are not agreed upon to survive when it ceases to be in full force and effect for whatever legal cause;
- c) In all respects where the Service Tariff Agreement does not otherwise stipulated or in all respects not specifically contemplated in such an agreement.

PART IX: PUBLICATION OF SERVICE TARIFFS

Chapter 19: Presentation and Publication of Service Tariffs

Section 42: Presentation of the Service Tariffs

The Service Provider shall summarize the Service Tariffs as approved, adjusted and/or reviewed by the Regulator from time to time in a Service Tariff Schedule to be prepared as determined by the Regulator from time to time.

Section 43: Publication and Dissemination of the Service Tariff Schedule

- 43.1. The Service Provider shall distribute the Service Tariff Schedule, as approved by the Regulator, to each Customer as applicable at the time that a Customer completed a Service Contract or once per year as an attachment to an Invoice.
- 43.2. The Service Tariffs as approved by the Regulator shall be published by the Service Provider:
 - a) in a newspaper of wide circulation in the Service Area to which such Service Tariffs shall apply; and
 - b) such publication shall be repeated at least once in the week following the week of the first publication.
- 43.3. The Service Provider shall be solely responsible for the publication and public information of the Service Tariffs.

PART X: ENFORCEMENT, PENALTIES, AND APPEALS

Chapter 20: Enforcement of Service Tariff Conditions

Section 44: Enforcement of Service Tariff Conditions

The Regulator shall monitor compliance with Service Tariff Conditions established in this Rule on the basis of:

- a) reports sent by Service Providers as per Chapter 21; and
- b) inspections and surveys and from reports sent by other entities and public authorities.

Chapter 21: Records and Reports on Service Tariff Conditions

Section 45: Location and Availability of Records

All records shall be kept at the main office of the Service Provider in a safe and secure environment and shall be available during regular business hours for examination by the Regulator.

Section 46: Reports

- 46.1. Each Service Provider shall prepare and file reports to the Regulator in prescribed form and within the intervals specified by the Regulator from time to time.
- 46.2. Each Service Provider shall file to the Regulator, no later than 31 March of the calendar year further to the closing of the previous calendar year, an Annual Report in the format that the Regulator may specify from time to time.
- 46.3. Quarterly non-audited Accounts shall be submitted by 15th day of the month following the end of months March, June, September, and December in the format compatible with the generally accepted accounting standards and accounting rules in force in Kosovo.

Section 47: Records and Reports Retention Period

All records and reports foreseen in this Section must be organized and kept by the Service Provider for at least three (3) calendar years from the date where they were first prepared or became due unless any other applicable law determines they should be kept for any longer period of time in which case the latter retention period shall apply.

Chapter 22: Offenses and Penalties

Section 48: Offenses and Penalties

- 48.1. Failure to comply with any of the Service Tariffs dispositions under this Rule and any charge to Customers of any amounts not as per the Service Tariffs approved by the Regulator shall constitute an offence which subject the defaulting Service Provider to be to a penalty or fine levied as per the UNMIK Regulation No. 2004/49 On The Activities of Water and Waste Services Providers in Kosovo.
- 48.2. Fines for the breach of any Service Tariff Conditions shall be calculated and levied as per the procedures established under the Rules on levying of fines and with any other procedural Rules as determined by the Regulator from time to time.

Chapter 23: Appeals

Section 49: Appeals

- 49.1. Service Providers may appeal to the Review Committee established pursuant to the UNMIK Regulation No. 2004/49 On The Activities of Water and Waste Services Providers in Kosovo, on any formal and concrete decisions of the Regulator taken on any relevant issues, including, without limitation, on any of the:
- a) issue, alteration, modification, amendment, supplement, renewal, extension or modification on a Service Tariff;
 - b) revocation, declaration of termination or cancellation of any Service Tariff determined by the Regulator under this Rule;
 - c) establishment or enforcement of any Service Tariff Condition foreseen under this Rule;
 - d) levy of any fines for any breach of Service Tariff Conditions or for the breach of any other provisions of this Rule.
- 49.2. The Service Providers may appeal to the courts of Kosovo from any decision of the Review Committee taken on any concrete decisions as to the enforcement of this Rule as per the UNMIK Regulation referred to in subsection 49.1.
- 49.3. Upon the issue of any concrete decision on the enforcement of this Rule the Regulator shall inform the Service Provider to which such an enforcement decision is addressed of his rights of appeal pursuant to this Section.

PART XI: MISCELLANEOUS

Section 50: Official Language of the Rule

- 50.1. This Rule is issued and published in three (3) versions written in the official languages in use in Kosovo:
- a) English;
 - b) Albanian; and
 - c) Serbian.
- 50.2. In case of any discrepancy between any of the versions in which this Rule has been issued, the English version shall prevail.

Section 51: Entry into Force

- 51.1. This Rule shall enter into force thirty (30) days, from the date of issuance.
- 51.2. Service Providers shall have six (6) months from the date of its entry into force determined in sub-section 51.1 to comply to the dispositions or to apply for an exemption from or any modification of any Service Tariffs established pursuant to this Rule.

Paulino Brilhante Santos
Director

Afrim Lajci
Deputy Director

Ramiz Kokollari
Head of Finance & Tariff Section

Water and Waste Regulatory Office

APPENDICES

APPENDIX 1

APPLICATION FORM FOR SERVICE TARIFF FOR WATER and WASTEWATER SERVICES AND BULK WATER SUPPLY

APPLICATION FOR SERVICE TARIFF	
	Date: _____
Name of Water & Wastewater Service Provider	_____
Service License Number	_____
Contact Address	_____
City	_____
Municipality	_____
Telephone Number	_____ ; _____
Point-of-Contact	_____

APPENDIX 2

REQUIRED ATTACHMENTS FROM APPLICANTS FOR SERVICE TARIFFS AND INSTRUCTIONS

Application Form for Service Tariff for Water and Wastewater Services and Bulk Water Supply and the respective calculation worksheets as presented in Appendices hereunder must be accompanied by the following documents:

1. Letter from the Supervisory Board signed and stamped to WWRO applying for a Service Tariff
2. Current Water and Wastewater Services Tariff Schedule and Fees applicable and date established;
3. A copy of the most recent set of financial statements certified by the KTA and, when available, by any independent auditor issued in or by reference to the year to which the financial statements to be attached refer and/or to the Service Tariff Application the latest available financial audit report.

Original and one copy of the Tariff Application legibly completed and signed are required. One copy should be maintained in the Submitter's files.

Both the original and the required copies of the Tariff Application must be certified and signed by the Managing Director of Service Provider

**APPENDIX 3
TARIFF CALCULATION WORKSHEET**

TARIFF CALCULATION WORKSHEET (# 1)						
Water & Wastewater Service Provider: 						
Areas Served: 						
Line Number	Item	units	Last Year	This Year	Next Year	% Change
			2004	2005	2006	<u>(next year - this year)</u> (this year)
1	Operating Expenditures (worksheet #3)	EUR				
2	Debt (worksheet #4)	EUR				
3	Un-Collectable Accounts Receivable (Worksheet #5)	EUR				
4	Capital Expenditures (Worksheet #8)	EUR				
5	Required Revenue from Operations (sum of Line Numbers 1-4)	EUR				
6	Volume of Water Sold (Worksheet #9)	m3				
7	Cost per Cubic Meter Sold (Line 5 / Line 6)	EUR/m3				
8	Cost of Production = Line 1 / Line 6	EUR/ m3				

OPERATING DATA SHEET FOR WATER (#. 2)

	units	Last Year	This Year	Next Year	% Change	REMARKS
		2004	2005	2006	$\frac{\text{(next year - this year)}}{\text{(this year)}}$	
NUMBER OF SERVICE CONNECTIONS	number					from Service Area Data
WATER UTILITY STAFF						
Water Production	number					
Water Distribution	number					
Wastewater Collection	number					
Administration	number					
Management	number					
TOTAL						
Part -Time Employees						
WATER PRODUCED						
Total Water Produced	m3					
Electricity Used	kWh					for water source, treatment, and distribution
Chemicals Used						
Aluminum Sulfate	kg					
Chlorine	kg					
Other Chemicals	kg					
Name _____	kg					
WATER SOLD						
Total Water Invoiced	m3					
Total Euros Invoiced for Water	EUR					
Revenue Received for Water Sold	EUR					
Average Received for Water Sold	EUR / m ³					= (Revenue Received) / (Volume of Water Billed)
WATER LOST						
Non-Revenue Water	m3					= (Water Produced) - (Water Invoiced)
% Non-Revenue Water	%					= (Non-Revenue Water) / (Water Produced)
Monetary Value of Non-Revenue Water	EUR					= (Euros / m ³ sold) x (volume in m ³ of Non-Revenue Water)

OPERATING EXPENDITURE WORKSHEET (# 3)

Purpose of this Worksheet is to summarize operating expenditures in an orderly manner for Service Tariff calculation

This worksheet combines water source, treatment, and distribution. If records are adequate, O&M expenditures can be sorted among these activities

Use of Account Codes at this time is optional, but later should be required because it is useful for recording costs and auditing records.

Bad Debt is reported on another worksheet

Line Numbers are a convenience to assist utility staff calculate and transfer results to other worksheets

			Last Year	This Year	Next Year	% Change
Line No.	Account Code	Item	2004	2005	2006	(next year - this year) (this year)
WATER OPERATION AND MAINTENANCE EXPENDITURES						
1		Salaries and wages – employees				
2		Employee pensions and benefits (including Social Insurance)				
3		Rents Paid or Due				
4		Purchased Water and Payments to MESP for Water Abstracted				
5		Purchased Electrical Power				
6		Fuel for power production (for generators)				
7		Chemicals for water treatment and disinfection (alum, chlorine, etc.)				
8		Materials and supplies				
9		WWRO expenses – Service License Maintenance Fee				
10		Miscellaneous O&M expenses				
11		Total water operation and maintenance expenditures				
Alternatively, Distribution System Network O&M Expenses can be separated						
12		Repair and Maintenance of Distribution Network				
13		Labor (wages, benefits, social insurance)				
14		Other Distribution Network O&M Expenses				
15		Total Distribution Network O&M Expenditures				

DEBT WORKSHEET (# 4)

Purpose of this work sheet is to identify the components of Control Accounts for the Balance Sheet.

Part 1 of this worksheet is for Control Account of “Long-Term Loans”, for Control Account of (Non-Current Assets) and for Control Account of “Short Term Assets” for the Balance Sheet. Part 2 of this worksheet is for Control Account of “Customer Deposits”.

Short Term Debt is due within one year. Long Term Debt is longer than one year.

[SHORT or LONG]					Amount of Euros (as of 31 December 200X)				
No.	Type of Loan	Lender	Date of Loan	Maturity Date	Interest Rate	Original Loan Amount	Current Amount Outstanding	Interest Paid this Year	Principal Paid this Year
1									
2									
3									
4									
5									
6									
7									
8									
9									
10									
					Totals=				
					(as of 31 Dec. 200X)				
CUSTOMER DEPOSITS					Amount of Euros				
Customer Deposits Received During the Year									
Customer Deposits Refunded During the Year									
Customer Deposits Held At End of the year									
Customer Deposits Held for More Than 12 Months									

UNCOLLECTABLE ACCOUNTS RECEIVABLE (# 5)							
Line Nr	Customer Category	Item	Units	Last Year 2004	This Year 2005	Next Year 2006	% Change (next year - this year)/ (this year)
1	Domestic	Total Customers	Nr				
2		Amount Invoiced	EUR				
3		Amount Collected	EUR				
4		Amount Un-collected	EUR				
5		% of Invoiced Collected	%				
6	Commercial-Industrial	Total Customers	Nr				
7		Amount Invoiced	EUR				
8		Amount Collected	EUR				
9		Amount Un-collected	EUR				
10		% of Invoiced Collected	%				
11	Institutional	Total Customers	Nr				
12		Amount Invoiced	EUR				
13		Amount Collected	EUR				
14		Amount Un-collected	EUR				
15		% of Invoiced Collected	%				
21	Summary of Un-collected Accounts Receivable	Domestic (line 4)	EUR				
22		Commercial-Industrial (line 9)	EUR				
23		Institutional (line 14)	EUR				
24		Wholesale (line 24)	EUR				
25	TOTAL =		EUR				
26	% Allowed for Tariff Calculation		%				
27	Amount for Tariff Calculation		EUR				

ASSET MANAGEMENT PLAN 1 (# 6)

Works listed are REPAIR or REPLACE of existing assets that will reduce costs or improve reliability or meet new standards

		Estimated EUR									
		2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Block Allocation	Project Name and Details	1	2	3	4	5	6	7	8	9	10
Water Source Development & Protection											
	Project No. 1										
	Project No. 2										
	Project No. 3										
Water Transmission [Pipelines & Pumping]											
	Project No. 1										
	Project No. 2										
	Project No. 3										
Water Treatment											
	Project No. 1										
	Project No. 2										
	Project No. 3										
Treated Water Distribution Pumping											
	Project No. 1										
	Project No. 2										
	Project No. 3										
Treated Water Storage											
	Project No. 1										
	Project No. 2										
	Project No. 3										
Treated Water Distribution Network											
	Project No. 1										
	Project No. 2										
	Project No. 3										
Wastewater Collection Network											
	Project No. 1										
	Project No. 2										
	Project No. 3										

ASSET MANAGEMENT PLAN 2 (# 6)

Works listed are REPAIR or REPLACE of EXISTING ASSETS that will reduce costs or improve reliability or meet new standards

Block Allocation	Project Name & Details	Estimated EUR									
		2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
		1	2	3	4	5	6	7	8	9	10
Wastewater Treatment System											
Project No. 1											
Project No. 2											
Project No. 3											
Treated Wastewater Disposal System											
Project No. 1											
Project No. 2											
Project No. 3											
Wastewater Bio-Solid Handling and Disposal											
Project No. 1											
Project No. 2											
Project No. 3											
Information Technology											
IT hardware and software											
Transport											
Cars											
Vans/light trucks											
Lorries											
Excavators											
Offices and Office Equipment											
Painting, Repair, Refurbishment											
Furniture and fittings											
Telephone and IT network											
MISCELLANEOUS											
Notes											
The lists are guidelines; Number of Projects may be less than or more than 3. Service Provider to add items as needed											
Year 1 needs FULL Project details, location, costs, and Supervisory Board approval											
Year 2 will have about 75% of the detail; and Years 3 through 5 about 50%											
Gradually the detail declines as the years progress to simple block allocations in year 5 through 10, but details will be added later as the Plan moves forward											
WWRO will use this plan as a basis for approval of CAPEX Projects and inclusion in the Tariff calculation and adjustments											

CAPITAL IMPROVEMENT WORKSHEET 1 (# 7)

Works listed are NEW or EXPANSIONS that will extend service or reduce costs or improve service or improve reliability or meet new standards

		Estimated EUR									
		2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Block Allocation	Project Name	1	2	3	4	5	6	7	8	9	10
Water Source Development & Protection											
Project No. 1											
Project No. 2											
Project No. 3											
Source Water Transmission [Pipes & Pumps]											
Project No. 1											
Project No. 2											
Project No. 3											
Water Treatment											
Project No. 1											
Project No. 2											
Project No. 3											
Treated Water Distribution Pumping											
Project No. 1											
Project No. 2											
Project No. 3											
Treated Water Storage											
Project No. 1											
Project No. 2											
Project No. 3											
Treated Water Distribution Network											
Project No. 1											
Project No. 2											
Project No. 3											
Wastewater Collection Network											
Project No. 1											
Project No. 2											
Wastewater Treatment System											
Project No. 1											

CAPITAL IMPROVEMENT WORKSHEET 2 (# 7)

Works listed are NEW or EXPANSIONS that will extend service or reduce costs or improve service or improve reliability or meet new standards

Block Allocation	Project Name & Details	Estimated EUR									
		2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
		1	2	3	4	5	6	7	8	9	10
Wastewater Bio-solids Handling & Disposal											
Project No. 1											
Project No. 2											
Project No. 3											
Information Technology											
IT (computers and printers)											
IT software											
Customer Database & Billing System											
Maintenance Management Systems											
Geographical Info. Systems											
Asset Management Systems											
Management Info. System											
Transport											
Cars											
Vans/light trucks											
Lorries											
Excavators											
Offices and Office Equipment											
New office accommodation											
Furniture and fittings											
Phone and IT network											
Miscellaneous											
Notes											

The lists are guidelines; Number of Projects may be less than or more than 3. Service Provider to add items as needed

Year 1 needs FULL Project details, location, costs, and Supervisory Board approval

Year 2 will have about 75% of the detail; and Years 3 through 5 about 50%

Gradually the detail declines as the years progress to simple block allocations in year 5 through 10, but details will be added later as the Plan moves forward

WWRO will use this plan as a basis for approval of CAPEX Projects and inclusion in the Tariff calculation and adjustments

CAPITAL EXPENDITURE WORKSHEET (# 8)

This worksheet summarizes Capital Projects from the **Asset Management Plan** (Repair or Replace) and the **Capital Improvement Plan** (for New Works and Equipment)

The lists are guidelines; Number of Projects may be less than or more than 3. Service Provider to add items as needed

YEAR 2005 (this year)

CAPITAL PROJECT	ASSET MANAGEMENT PLAN	CAPITAL IMPROVEMENT PLAN	TOTAL
	EUR	EUR	EUR
WATER SOURCE DEVELOPMENT and PROTECTION			
Project No. 1			
Project No. 2			
Project No. 3			
SOURCE WATER TRANSMISSION [Pipes and Pumps]			
Project No. 1			
Project No. 2			
Project No. 3			
WATER TREATMENT			
Project No. 1			
Project No. 2			
Project No. 3			
TREATED WATER DISTRIBUTION PUMPING			
Project No. 1			
Project No. 2			
Project No. 3			
TREATED WATER STORAGE			
Project No. 1			
Project No. 2			
Project No. 3			
TREATED WATER DISTRIBUTION NETWORK			
Project No. 1			
Project No. 2			
Project No. 3			
WASTEWATER COLLECTION NETWORK			
Project No. 1			
Project No. 2			
Project No. 3			

CAPITAL EXPENDITURE WORKSHEET (# 8)

This worksheet summarizes Capital Projects from the Asset Management Plan and the Capital Improvement Plan

The lists are guidelines; Number of Projects may be less than or more than 3. Service Provider to add items as needed

	YEAR 2005 (this year)		
	Asset Management Plan (EUR)	Capital Improvement Plan (EUR)	
CAPITAL PROJECT			
WASTEWATER TREATMENT SYSTEM			
Project No. 1			
Project No. 2			
TREATED WASTEWATER DISPOSAL SYSTEM			
Project No. 1			
Project No. 2			
WASTEWATER BIO-SOLIDS HANDLING&DISPOSAL			
Project No. 1			
Project No. 2			
Project No. 3			
INFORMATION TECHNOLOGY (IT)			
IT hardware (computers and printers)			
IT software			
Customer Database and Billing Systems			
Maintenance Management Systems			
Geographical Information Systems			
Asset Management Systems			
Management Information System			
TRANSPORT			
Cars			
Vans/light trucks			
Lorries			
Excavators			
OFFICES AND OFFICE EQUIPMENT			
New office accommodation			
Furniture and fittings			
Telephone and computer network			
MISCELLANEOUS			
TOTAL COST (IN EUR)			

WATER SALES WORKSHEET (# 9)

Purpose of this Worksheet is for the Water Service Provider to summarize their estimates of volume of water sold for each Customer Category

The Account Code is a convenience to link with estimated revenues in another worksheet.

Line Numbers are a convenience to assist utility staff calculate and transfer results to other worksheets

Cubic Meters Sold for Year 2004 is calculated by multiplying Number of Customers (Year 2004) by Average Volume Per Customer (Year 2003)

Line No.	Account Code	VOLUME OF WATER SOLD	This Year			Next Year		% Change of Cubic Meters Sold (next year - this year) (this year)
			2005			2006		
			Number of Customers	Cubic Meters Sold	Average volume per customer	Number of Customers	Cubic Meters Sold	
1		Un-metered water						
2		Domestic (Residential) including Multi-Unit Dwellings						
3		Commercial-Industrial						
4		Institutional (Government Ministries, municipalities, hospitals, schools, KEK, PTK)						
5		International Organizations (KFOR, NGO, OSCE, UNMIK)						
6		Sales to irrigation customers						
8		Total Volume of water sold (= sum of lines 1 through 7)						

REQUIRED REVENUES WORKSHEET (# 10)

1	2	3	4	5	6	7	8
CUSTOMER CATEGORY	Service Charge	Volume Charge	Number of Customers	Revenue from Service Charge	Estimated Volume of Water Sold	Revenue from Water Sold	TOTAL REVENUE
	(EUR)	(EUR / m3)	(number)	(EUR)	(m3)	(EUR)	(EUR)
Domestic							
Commercial-Industrial							
Institutional							
				TOTALS =			
NOTES:							

For Year 1 and possibly Year 2, this estimate does NOT take into consideration Quantity Blocks for each Customer Category due to lack of data. This will most likely result in total revenues being underestimated.

Column 2 (Service Charge) covers actual costs for Customer-related expenditures for meter reading, invoicing, and collecting. During year 1 of the Service Tariff Rule, it shall NOT be less than 2 euros per month.

Column 3 (Volume Charge) comes from Worksheet #1

Column 5 = column 2 x column 4

Column 7 = column 3 x column 6

Column 8 = column 5 + column 7

APPENDIX 4

BULK WATER TARIFF CALCULATION WORKSHEET

OPERATING EXPENDITURE WORKSHEET (# 1)						
Purpose of this Worksheet is to summarize operating expenditures in an orderly manner for Service Tariff calculation						
This worksheet combines water source, treatment, and distribution. If records are adequate, O&M expenditures can be sorted among these activities						
Use of Account Codes at this time is optional, but later should be required because it is useful for recording costs and auditing records.						
			Last Year	This Year	Next Year	% Change
Line No.	Account Code	Item	2004	2005	2006	(next year - this year) (this year)
WATER OPERATION AND MAINTENANCE EXPENDITURES						
1		Salaries and wages – employees				
2		Employee pensions and benefits (including Social Insurance)				
3		Rents Paid or Due				
4		Purchased Water and Payments to MESP for Water Abstracted				
5		Purchased Electrical Power				
6		Fuel for power production (for generators)				
7		Chemicals for water treatment and disinfection (alum, chlorine, etc.)				
8		Materials and supplies				
9		WWRO expenses – Service License Maintenance Fee				
10		Miscellaneous O&M expenses				
11		TOTAL WATER OPERATION AND MAINTENANCE EXPENDITURES				

DEBT WORKSHEET (# 2)

Purpose of this work sheet is to identify the components of Control Accounts for the Balance Sheet.

Part 1 of this worksheet is for Control Accounts of “Long-Term Loans” (Non-Current Assets) and Control Accounts of “Short Term Assets” for the Balance Sheet. Part 2 of this worksheet is for Control Accounts of “Customer Deposits”.

Short Term Debt is due within one year. Long Term Debt is longer than one year.

[SHORT or LONG]					Amount of EUR (as of 31 December 200X)				
No.	Type of Loan	Lender	Date of Loan	Maturity Date	Interest Rate	Original Loan Amount	Current Amount Outstanding	Interest Paid this Year	Principal Paid this Year
1									
2									
3									
4									
5									
6									
7									
8									
9									
10									
					Totals=				
					(as of 31 Dec. 200X)				
CUSTOMER DEPOSITS					Amount of EUR				
Customer Deposits Received During the Year									
Customer Deposits Refunded During the Year									
Customer Deposits Held At End of the year									
Customer Deposits Held for More Than 12 Months									

ASSET MANAGEMENT PLAN (# 3)

Works listed are repair or replace of existing assets that will reduce costs or improve reliability or meet new standards

		Estimated EUR									
		2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Block Allocation	Project Name & Details	1	2	3	4	5	6	7	8	9	10
WATER SOURCE & PROTECTION											
Project No. 1											
Project No. 2											
Project No. 3											
PUMPING PLANT											
Project No. 1											
Project No. 2											
Project No. 3											
WATER TRANSMISSION & DISTRIBUTION											
Project No. 1											
Project No. 2											
Project No. 3											
GENERAL PLANT											
IT hardware and software											
Transport											
Cars, Vans/light trucks											
Lorries & Excavators											
OFFICES AND OFFICE EQUIPMENT											
Painting, Repair											
Furniture and fittings											
Telephone and IT network											
MISCELLANEOUS											

Notes: The lists are guidelines; Number of Projects may be less than or more than 3. Service Provider to add items as needed

Year 1 needs FULL Project details, location, costs, and Supervisory Board approval. Year 2 will have about 75% of the detail; and Years 3 through 5 about 50%

Gradually the detail declines as the years progress to simple block allocations in year 5 through 10, but details will be added later as the Plan moves forward

WWRO will use this plan as a basis for approval of CAPEX Projects and inclusion in the Tariff calculation and adjustments

CAPITAL IMPROVEMENT WORKSHEET (# 4)

Works listed are NEW or EXPANSIONS that will extend service or reduce costs or improve service or improve reliability or meet new standards

		Estimated EUR									
Block Allocation	Project Name	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
		1	2	3	4	5	6	7	8	9	10
WATER SOURCE DEVELOPMENT & PROTECTION											
Project No. 1											
Project No. 2											
Project No. 3											
PUMPING PLANT											
Project No. 1											
Project No. 2											
Project No. 3											
WATER TRANSMISSION & DISTRIBUTION											
Project No. 1											
Project No. 2											
Project No. 3											
GENERAL PLANT											
IT hardware and software											
TRANSPORT											
Cars, Vans/light trucks											
Lorries & Excavators											
OFFICES AND OFFICE EQUIPMENT											
Painting, Repair											
Furniture and fittings											
Telephone and IT network											
MISCELLANEOUS											

Notes: The lists are guidelines; Number of Projects may be less than or more than 3. Service Provider to add items as needed

Year 1 needs FULL Project details, location, costs, and Supervisory Board approval. Year 2 will have about 75% of the detail; and Years 3 through 5 about 50%

Gradually the detail declines as the years progress to simple block allocations in year 5 through 10, but details will be added later as the Plan moves forward

WWRO will use this plan as a basis for approval of CAPEX Projects and inclusion in the Tariff calculation and adjustments

CAPITAL EXPENDITURE WORKSHEET (# 5)

This worksheet summarizes Capital Projects from the Asset Management Plan and the Capital Improvement Plan

The lists are guidelines; Number of Projects may be less than or more than 3. Service Provider to add items as needed

Capital Project	YEAR 2005 (this year)		TOTAL (EUR)
	Asset Management Plan (EUR)	Capital Improvement Plan (EUR)	
WATER SOURCE DEVELOPMENT & PROTECTION			
Project No. 1			
Project No. 2			
Project No. 3			
PUMPING PLANT			
Project No. 1			
Project No. 2			
Project No. 3			
WATER TRANSMISSION & DISTRIBUTION			
Project No. 1			
Project No. 2			
Project No. 3			
GENERAL PLANT			
IT hardware and software			
Transport			
Cars, Vans/light trucks			
Lorries & Excavators			
OFFICES AND OFFICE EQUIPMENT			
Painting, Repair			
Furniture and fittings			
Telephone and IT network			
MISCELLANEOUS			
TOTAL COST (IN EURO)			

WATER SALES WORKSHEET (# 6)

Purpose of this Worksheet is for the Water Service Provider to summarize their estimates of volume of water sold.

The Account Code is a convenience to link with estimated revenues in another worksheet.

Line Numbers are a convenience to assist utility staff calculate and transfer results to other worksheets

			This Year		Next Year		% Change of Cubic Meters Sold
Line No.	Account Code	VOLUME OF WATER SOLD	2005		2006		<u>(next year - this year)</u> (this year)
			Number of Customers	Cubic Meters Sold	Number of Customers	Cubic Meters Sold	
1		Bulk Water Sales					
2		Sales to irrigation customers					
3		Total Volume of water sold (= sum of lines 1 and 2)					

BULK WATER FIXED ASSET WORKSHEET (WORKSHEET # 7)

Bulk Water Service Provider

Delivering Water to the following Service Providers or users

This worksheet lists the Fixed Assets used for the collection, storage, and conveyance of Bulk Water. Where a fixed Asset has multiple uses, then the Historic Cost listed below shall be in proportion to the percent of total water used as bulk water supply. If more space is needed, continue onto other pages.

Depreciation is calculated by straight-line method using the rates and life in the attached table

Accumulated Depreciation = (Historic Cost) x (Years in Service) x (Annual Depreciation Rate)

Current Value = Historic Cost - Current Value (can = 0 but not a negative number)

When Historic Cost or Depreciation Rate is not available, contact Regulator to discuss

RETURN ON FIXED ASSETS = (sum of Current Value) x Rate Proposed by Service Provider and Approved by the Regulator

No.	Type of Asset	Location and Description	Year Installed	Historic Cost (EUR)	Years in Service	Depreciation Rate	Accumulated Depreciation (EUR)	Current Value (EUR)
1								
2								
3								
4								
5								
6								
7								
8								
9								
10								
11								
12								
13								
14								
15								
16								
17								
18								
19								
20								
						TOTAL CURRENT VALUE =		
						Rate Proposed by Service Provider:		
						RETURN ON FIXED ASSETS =		

DEPRECIATION RATES FOR BULK WATER SUPPLY STRUCTURES AND EQUIPMENT (WORKSHEET # 8)			
Account Number	Account Title	Useful Service Life	Financial Reporting Depreciation Rate
Land			
SOURCE OF SUPPLY PLANT			
	Structures and Improvements	50	2%
	Collecting and Impounding Reservoirs	100	1%
	Lake, River and Other Intakes	50	2%
	Wells and Springs	40	3%
	Infiltration Galleries & Tunnels	50	2%
	Supply Mains	50	2%
PUMPING PLANT			
	Structures and Improvements	50	2%
	Power Generation Equipment	15	7%
	Electric Pumping Equipment	15	7%
	Diesel Pumping Equipment	15	7%
	Other Pumping Equipment	15	7%
	Controls	15	7%
	Traveling Crane	15	7%
WATER TRANSMISSION AND DISTRIBUTION			
	Structures and Improvements	50	2%
	Distribution Reservoirs and Standpipes	75	1%
	Transmission and Distribution Mains	50	2%
	Valves	20	5%
GENERAL PLANT			
	Structures and Improvements	50	2%
	Site Fences and Gates	10	10%
	Office Furniture and Equipment	5	20%
	Computer Equipment	5	20%
	Transportation Equipment	8	13%
	Stores Equipment	10	10%
	Tools, Shop and Garage Equipment	10	10%
	Laboratory Equipment	10	10%
	Power Operated Equipment	10	10%
	Communication Equipment	5	20%
	Communication Equipment - SCADA	10	10%
	Miscellaneous Equipment	5	20%
FOR FACILITIES AND EQUIPMENT NOT LISTED			
	Structural Works	50	2%
	Mechanical and Electrical Equipment	15	7%
	Controls and Measuring Equipment	8	13%
NOTES:			
1/ Useful Service Life agreed per meeting 16 November of Alan Brown (EAR), Richard Lacy (KTA), and Sher Singh			
2/ Financial Accounting Depreciation Rate = 1 / Useful Service Life			

BULK WATER TARIFF WORKSHEET (# 9)

Bulk Water Service Provider

Areas Served

Delivering Water to the following Service Providers

			Last Year	This Year	Next Year	% Change
Line No	Item	units	2004	2005	2005	<u>(next year - this year)</u> (this year)
1	Operating Expenditures (Worksheet #1)	EUR				
2	Debt Service (worksheet #2)	EUR				
3	Capital Expenditures (Worksheet #5)	EUR				
4	Return on Fixed Assets (Worksheet # 7)	EUR				
5	Required Revenue from Operations (sum of Line Numbers 1-4)	EUR				
6	Volume of Water Sold (Worksheet #6)	m3				
7	Cost per Cubic Meter Sold (Line 5 / Line 6)	EUR / m3				

APPENDIX 5

METHOD FOR ESTABLISHING QUANTITY BLOCKS

1. For Domestic Customers, use these three (3) Quantity Blocks
0—20 cubic meters per month;
20—40 cubic meters per month
>40 cubic meters per month.
2. Customers in categories Commercial-Industrial, Institutional with water usage similar to Domestic Customers will have same (3) Quantity Blocks.
3. For Customers in categories Commercial-Industrial, Institutional, whose average monthly water use exceeds 150 cubic meters per month, each Service Provider will develop three (3) Quantity Blocks based on analysis of water consumption by Customers within each category

Note:

Quantity Block #1 for Domestic is intended to:

- (a) provide a lifeline service (and thus avoid any decisions about who is or is not entitled to “special needs”), and
- (b) encourage water conservation.

Point (a) is not of concern to non-domestic customers and Point (b) cannot be applied until a history of water consumption is developed.

Quantity Block Factors

The amount invoiced to the Customer will be the cost per cubic meter multiplied by factors based on volume of consumption and user category.

Quantity Block	Factors	
	Domestic	Non-Residential
I	0.9	Not Applicable
II	1.0	1.0
III	1.5	1.2

APPENDIX 6

VALUES OF PARAMETERS TO BE USED BY WATER AND WASTEWATER SERVICE PROVIDERS CALCULATING SERVICE TARIFF

Wastewater

- a) Every cubic meter of drinking water that has been measured by water meter and invoiced to the Customers result in one cubic meter of wastewater.
- b) A wastewater surcharge fee shall be added to dischargers of Trade Effluent. The fee shall be based on volume and loading as measured by parameters of Biochemical Oxygen Demand (BOD) and Chemical Oxygen Demand (COD) and Suspended Solids (SS) that exceed the following amounts

Parameter	Amount	Units
Biochemical Oxygen Demand (BOD)	500	Milligrams per Liter (mg/L)
Chemical Oxygen Demand (COD)	1000	mg/L
Suspended Solids (SS)	500	mg/L

APPENDIX 7

REQUEST FOR TARIFF ADJUSTMENT

JUSTIFICATION FOR SERVICE TARIFF ADJUSTMENT

Complete the following statements in support of your rate request.

_____ (the "Service Provider") requests an adjustment in the existing rates charged. The information contained in this application is based upon a twelve-month Test Year ending _____(mm/dd/yy). The Company had total operating revenues of EUR_____, served _____ metered and _____ un-metered customers, and **sold** _____ cubic meters of water during the Test Year.

The Company is requesting a(n) increase/decrease in revenues in the amount of EUR _____.

Total annual operating revenues, if the Company is granted the rate adjustment, will be EUR _____.

Service Provider is current on all property taxes – YES/ NO

Service Provider is current on all Value Added Tax Payments – YES/ NO

Service Provider is current on Utility Bills for electricity, district heating, and solid waste – YES/ NO

Please provide the reasons for your requested rate adjustment by completing the relevant lines below. If desired, the Company may also attach a written narrative regarding its reasons for the requested rate adjustment. Your narrative may also include efforts made by the utility to control costs and expenses and to mitigate the amount of rate adjustment.

Please explain changes in current operations compared to past operations, which necessitate the rate adjustment

Please describe adjustments made to amounts that are included in this application that are different than amounts recorded in your books/ledgers (pro forma adjustments)

Please explain significant factors influencing your revenues and expenses

Please discuss anticipated growth or decline in customers expected in the next two years, the amount of anticipated construction to serve those customers, and how financed; the type of customers served by the utility, e.g. residential, small retail businesses, large commercial, etc.

Please describe anticipated construction or attach copy of Asset Management Plan

Please describe your efforts to encourage conservation of water through the proposed rate design or through other means

Please explain any other factors influencing or affecting your tariff that require adjustment

Attach additional pages as necessary.