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UKRAINE LEGAL AND POLICY SUPPORT
FINANCIAL RECOVERY PLAN ACTION MONITORING REPORTS
(TASK B 3)
NIS Institutional Based Services Under the Energy Efficiency
and Market Reform Project
Contract No CCN-Q-00-93-00152-00

Ukraine Power Sector Reform
Delivery Order No 18

Final Report

Prepared for

U S Agency for International Development
Bureau for Europe and NIS
Office of Environment, Energy and Urban Development
Energy and Infrastructure Division

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EXECUTIVE SUMMARY

The Scope of Work for this project includes assisting in the development and implementation of the Financial Recovery Plan (FRP) for the Power Sector of Ukraine. Specifically Task IV B (3) states

‘ Monitor the implementation of the Plan, including financial and action indicators, prepare periodic reports for USAID, the World Bank and the FRC on the status of Plan implementation and impact’

The Financial Recovery Plan for the Power Sector of Ukraine (FRP) was approved by the Cabinet of Ministers Resolution #508 on 18 April 1998. Hagler Bailly played a key role in the development of the plan itself and the tools used to monitor progress once the plan was adopted by the Government of Ukraine. The documents were provided and discussed in another report provided as a deliverable under Task IV B (1) of this Delivery Order. The purpose of this report is to provide the monitoring reports which Hagler Bailly has been preparing monthly since the FRP was approved.

Each month beginning in May 1998, Hagler Bailly prepared a monthly FRP Monitoring Report which contained the recent status and progress measures for each of the 23 Actions contained in the FRP and a Key Financial Indicators and Benchmarks Table with updates on performance indicators. Also included for background information were attachments containing government resolutions, laws, letters outlining new procedures, and tables containing detailed monitoring information. The report was compiled based on input from many advisors to the Power Sector of Ukraine and the purpose was to give the reader a candid assessment of the recent progress (or lack thereof) on each of the 23 Actions.

By the 25th of each month, a draft of the report and attachments was provided to USAID and the World Bank for their comments. On the last day of the month, a final report was issued to USAID, the World Bank, other donors, and advisors. Beginning with the June report, a Ukrainian translation of the report, made by the advisor to the World Bank, was provided to the Government of Ukraine.

The Attachments contain the May through September FRP Monitoring Reports with all attachments and tables.

APPENDIX A

**MAY 1998 FINANCIAL RECOVERY PLAN ACTION
MONITORING REPORT**

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FINANCIAL RECOVERY PLAN
ACTION MONITORING PROGRAM
REPORT NO 1 - MAY 1998

Actions	Recent Status / Progress Measures
1 Require that all noncash financial settlements, including offsets be executed by or on behalf of, electricity companies using NBU bank offset mechanism	◆ A draft Resolution of the Cabinet of Ministers and National Bank of Ukraine was prepared in May to establish the bank offset mechanism
2 For each generation Company, apply all financial resources which remain available after payment of wages repairs and taxes, to cash fuel procurement 3 Generation Companies conduct all cash purchases of all types of fuel from suppliers based on competition	Joint Reports for Actions 2 and 3 ◆ Minimal information (25% of amount requested) was provided by Minenergo to monitor these two actions however other information we have indicates that ◆ No cash was available at the GENCO level (after payment of wages and taxes) to procure fuel ◆ No coal was procured on a competitive tender
4 Identify as of 1 January 1998 accounts payable of electricity supply and generating companies and provide for this debt to be rescheduled for payment over 5 years in accordance with the effective law	◆ The Cabinet of Ministers issued Resolution No 582 dated 28 April 1998 which rescheduled the generating companies fuel debts from 1 October 1997 to the following four years (See Attachment M4) ◆ No advisor currently available to assist on this task

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FINANCIAL RECOVERY PLAN
ACTION MONITORING PROGRAM
REPORT NO 1 - MAY 1998

Actions	Recent Status / Progress Measures
<p>5 Transit to market-based retail tariffs according to the Electricity Law and the NERC issued licenses while providing for a single tariff for the population in the entire territory of Ukraine</p>	<ul style="list-style-type: none">◆ The National Electricity Regulatory Commission (NERC) issued Order No 420 on April 10 1998 increasing residential electricity prices effective May 1 1998 Residential electricity prices had last changed January 1 1998 The price increases May 1 ranged from 22-35% for various categories of residential customers See Attachment M5A showing the price changes and Attachment M5B a translation of NERC Order No 420◆ NERC issued Order No 658 on May 22 1998 increasing industrial and commercial electricity prices effective June 1, 1998 The new prices are not determined by the retail pricing formula contained in the Regulated Tariff Supplier licenses, but the order did for the first time create voltage class pricing as will be undertaken under the licenses once NERC complies with Article 5 in full The price increases June 1 will range from 1-9 percent for various categories of industrial and commercial customers See Attachment M5C, a table showing the price changes and Attachment M5D, a translation of NERC Order No 658 including in Ukrainian, the table of new prices issued by the order◆ First Vice Prime Minister Golubchenko on April 28, 1998 sent telegrams to the Heads of various Oblast State Administrations requiring them to ensure that sales of electricity to 76 specified enterprises be made by particular suppliers Each of the 76 listed enterprises is required to buy from specified suppliers in specified proportions Thus, for example the Krivorozhsky metallurgical plant must buy 62% of its supplies from the gas supplier, 33% from the nuclear fuel supplier and 5% from the reconstruction supplier The telegrams do not specify who these suppliers are but reportedly the three suppliers are Intergaz Energoatom and Dobrobud The telegrams state that this program is intended to ensure sufficient fuel and repairs See Attachment M5E a translation of one of the telegrams and of a table showing the enterprises and their specified purchase proportions◆ The Cabinet of Ministers issued Resolution No 580 on April 28 1998 ordering that the Zaporizhia Aluminum Plant be sold electricity at a price of 1.2 cents/kWh for purchases from Energomarket apparently including local distribution costs for five years beginning May 1 1998 All payments by the plant for electricity must be in cash The losses from such below-cost sales are to be borne by other customers See Attachment M5F a translation of Resolution No 580

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ACTION MONITORING PROGRAM
REPORT NO 1 - MAY 1998

Actions	Recent Status / Progress Measures
<p>6 Determine amounts due from all electricity suppliers and to all generators according to the Wholesale Market Rules Enforce provisions for all payments received by Wholesale Market Members to be distributed according to Market Funds Administration Procedure</p>	<ul style="list-style-type: none">◆ Prices paid to the four thermal generation companies (gencos) since April 1 1998 have been determined according to the Energomarket rules replacing the earlier system of NERC-specified ex post wholesale price adjustments NERC issued Order No 524 dated April 30, 1998 ordering the National Dispatch Center (NDC) to pay the gencos prices specified by the order The prices specified by the order however were the prices determined by the Energomarket rules Reportedly the sole purpose of issuing this order is to satisfy the taxation authorities Prior to April, NERC issued a monthly order requiring that the generating companies be paid prices unrelated to the prices determined by the Energomarket rules See Attachment M6A a translation of a letter from NDC stating that these April prices are market-determined and in Ukrainian NDC's underlying calculations, and Attachment M6B a translation of NERC Order No 524 ◆ On March 1, 1998, the Market Funds Procedure was changed The primary changes were to use the debt owed to each generating company and the cash and non-cash payments made to the generating company in the prior month, in addition to, as before the amount owed to generating companies and oblenergos on the day of operations to determine the amount of cash to be paid to each entity for the day One beneficial effect of the consideration of the prior month's payments was to provide a disincentive missing from the prior version of the MFP, to generating companies engage in non-cash transactions Cash disbursements appear to generally comply with the market funds procedure but no independent verification is yet available

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REPORT NO 1 - MAY 1998

Actions	Recent Status / Progress Measures
7 Draft and submit for consideration in line with the established procedure law to cancel privileged electricity tariffs based on the occupational principle and to set and enforce consumption limits for all remaining classes of privileged customers	♦ Revisions to the legal acts dealing with privileged tariffs have been drafted by Minenergo and were submitted to the Cabinet of Ministers in May
8 Oblenergos to promptly terminate service to all defaulters except as provided by the Law of Ukraine and local administrations interfering with this process are to be prosecuted	♦ A Cash Collections Improvement Conference, jointly sponsored by Minenergo and USAID was held on 19 & 20 May and attended by representatives of the Oblenergos Minister of Energy Sheberstov spoke at the conference and strongly supported the cash collection improvement principles being addressed at the conference and in the Financial Recovery Plan ♦ On 21 May Mr Sheberstov addressed the Cabinet of Ministers setting out the crisis situation in the sector He stressed that the non-payment problem would not be solved by cutting off major debtors since it is "connected with a tense social situation" He also stated that at present 18 700 customers representing 1 450 MW capacity had either been disconnected or reduced to emergency levels of supply In addition he reminded the audience that many customers are not subject to disconnection pursuant to decrees of the Cabinet of Ministers

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Actions	Recent Status / Progress Measures
9 Limit supply of electricity to budget-funded customers to no more than the actual amount provided for in cost estimates for this purpose	<ul style="list-style-type: none">◆ Line item budgeting was instituted effective 1 January 1998 Electricity was established as a separate line item◆ Protocol Decision # 5 of 9 February 1998 addressed the funding to pay for fuels by budget organizations However this resolution has not been implemented Mr Sheberstov in his 21 May presentation to the Cabinet of Ministers, stated that Ministries and Departments financed from the State Budget have not informed the dependent enterprises and organizations of the estimated costs of electric and heat energy Shortage of funds for electricity and heating for local budget organizations is 244 million UAH
10 Transfer the Market Funds Administrator from NDC to a new NERC-licensed Energomarket Enterprise	<ul style="list-style-type: none">◆ On 15 April 1998 Minenergo issued Order N54 (Attachment M10) requiring that, within one month NDC prepare a plan for creation of Energomarket State Enterprise◆ No apparent progress made to date Delays in mobilizing an advisor and resistance from Minenergo may delay the completion
11 Formalize and enforce compulsory use of clearing accounts for all oblenergos' receipts specified in the Wholesale Market Funds Administration Procedure	<ul style="list-style-type: none">◆ All oblenergos (excluding Kiev Gore) have established clearing accounts, however there is a lack of consistency as to which receipts are paid into these accounts Minenergo has not issued a clarifying order

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Actions	Recent Status / Progress Measures
12 Prepare propositions to the Rada to renew responsibility for non-timely electricity payments by budget organizations and residential customers	◆ Minenergo legal staff is in the process of drafting revisions to the legal acts
13 For all defaulted state and local budget-funded institutions and organizations identify and execute offsets with the electricity supply companies For all defaulted state-controlled enterprises identify and execute offsets with the electricity supply companies using the NBU bank offset mechanism	◆ Information was not provided from Minenergo however, the advisors have contacted Minenergo to coordinate assistance and were told that a work plan is in preparation
14 For major nonbudget customers who are receiving electricity service identify arrears over 3 months and reschedule them as legally enforceable interest bearing saleable debt instruments	◆ Mr Sheberstov in his 21 May address to the Cabinet of Ministers emphasized that, during the first four months of 1998 accounts receivable from electric customers had risen by 643.7 million UAH to 3,857 million UAH primarily in the housing & public service agriculture, and water utility sectors

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Actions	Recent Status / Progress Measures
15 Establish collection departments with litigation staffs at all oblenergos to take vigorous systematic legal actions in the court against all defaulters	◆ Most oblenergos have the required organization for systematic follow-up of debts but they have not been allowed to employ legal staff to take further action Several oblenergos are currently working with local prosecutor offices to take legal action against defaulters
16 Assure financing to pay budget arrears for electricity and heat within 5 years by means including Treasury promissory note program and promissory notes of local state administrations	◆ The draft of the Supplemental Budget contains 90 million UAH in the second half of 1998 for arrears to the electricity sector The draft of the IMF Extended Funds Facility requires 180 million UAH to be included in the 1999 budget
17 Transfer to winners of competitions and tenders management of state owned blocks of shares in the Electricity Companies to be privatized using Section 104 of the State Privatization Program providing for the control interest to be held by investors	◆ The clause that the tender winner will get the possibility to receive management rights over the State share package has been included in the conditions of the commercial tenders for Kiev, Sumy Chernigiv, Prikarpatie Odessa and Kharkiv oblenergos ◆ The existing form of the management contract used by the State Property Fund is now recognized as unacceptable by prospective bidders The new draft is to be developed by the working group of representatives of the responsible agencies and advisors

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Actions	Recent Status / Progress Measures
18 For all Oblenergos sell by open tenders or competitions against investment commitments on a schedule specified by the SPF and Minenergo at least 25% of the shares plus one share providing for a possibility of transferring management of state shares to the winner Provide by the terms of tenders and competitions for an amount not less than the initial selling price to go for companies' development For efficient sale of shares divide oblenergos into two groups	◆ Attachment M18 provides information on the Share Allocation Plans (SAP) and sales of stock of the four thermal generating companies and the 27 oblenergos in Ukraine The state share was decreased from 51% to 25% for 14 of the Oblenergos on 14 April 1998
19 Sell at least 24% of 4 fossil generators against investment commitments by tenders and competitions Provide by the terms of tenders and competitions for an amount not less than 50% of the initial selling price for companies' development	◆ Negotiations with Credit Anstaldt the advisor selected over three months ago for Donbassenergo have not yet led to a signed agreement ◆ Tender for Tsenterenergo privatization advisor has been conducted Negotiations on the terms of the contract between the State Property Fund and the tender winner (UBS) are being conducted ◆ Tender for Zakhidenergo is being prepared but not yet announced ◆ Attachment M18 provides information on the Share Allocation Plans (SAP) and sales of stock of the four thermal generating companies and the 27 oblenergos in Ukraine

12.

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ACTION MONITORING PROGRAM
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Actions	Recent Status / Progress Measures
20 Review the results of items 17-19 of this Plan's implementation and prepare draft electricity company privatization plan for 1999 for consideration by CoM	◆ No action required at this time
21 Financial Recovery Commission ("FRC") to control implementation of the Financial Recovery Plan and report quarterly to the CoM on the process of its implementation	◆ The Financial Recovery Commission has not met since the Financial Recovery Plan was issued. However in a 23 May meeting with the World Bank mission First Vice-Prime Minister Golubchenko agreed to take Financial Recovery Plan management under his control and to hold weekly meetings of the Financial Recovery Commission ◆ First quarterly report not due until July
22 Prepare financial performance indicators of the industry's financial recovery process as set forth in the Appendix	◆ Indicators are being prepared monthly by World Bank advisors, pending transfer of responsibility to Minenergo. The 21 May 1998 (rev) table is attached (Attachment M22)

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FINANCIAL RECOVERY PLAN
ACTION MONITORING PROGRAM
REPORT NO 1 - MAY 1998

Actions	Recent Status / Progress Measures
23 Draft appeal to the World Bank to reinstate EMDP loan based on initial performance of this Financial Recovery Plan including a request for reallocation of loan proceeds for acquisition of metering and communications technology required to implement hourly tariffs and voluntary demand curtailment	♦ No action necessary at this time On 20 May, Minister of Energy Sheberstov agreed with the World Bank mission to make a final decision to reinstate or cancel the EMDP loan by 15 August 1998

UKRAINE POWER SECTOR
FINANCIAL RECOVERY PLAN

ATTACHMENT M22

KEY FINANCIAL INDICATORS AND BENCHMARKS
May 21 1998 (rev)

Performance Indicators	97Q3 Actual	Dec 1997 Actual	97Q4 Actual	Jan 1998 Actual	Feb 1998 Actual	March 1998 Actual	98Q1 Actual	April 1998 Actual	May 1998 Target	June 1998 Target	98Q2 Target	July 1998 Target	Aug 1998 Target	Sept 1998 Target	98Q3 Target	98Q4 Target	99Q1 Target	99Q2 Target
1 Oblenergo electricity collection rate to transit accounts excl Kievenergo [% of amount billed]	93.9	108.7	100.4	43.7	84.0	7.9	66.1	88.4	100	100	100	107	107	107	10	104	106	106
1.1 Total	10.7	17.6	10.6	9.4	11.6	10.3	10.4	12.3	15	16	15	17	18	19	18	22	25	30
1.2 Cash																		
2 Energoatom collection rate [% of amount billed]	106.5	111	87.7	43.9	65.1	79.1	79.1	110	100	100	100	107	107	10	10	104	106	106
2.1 Total	9.3	7.5	7.7	5.8	5.7	7.9	7.9	8.4	15	16	15	17	18	19	18		5	30
2.2 Cash																		
3 Four fossil generators collection rate [% of amount billed]	87.9	111	88	61	138.3	78.7	90.6	116.1	100	100	100	107	107	10	10	104	106	106
3.1 Total	7.9	8.7	8	7	5.6	6.3	6.3	7.7	15	16	15	17	18	19	18		5	30
3.2 Cash																		
4 Retail tariff adherence [actual tariff as % of market tariff]	84	84	84	84	84	84	84	84	84	92	87	9	9	100	95	100	100	100
5 Fuel Cost 4 Fossil Generators [1997\$/MWh sold]	[78]	[8]	[8]	[78]	[78]	[78]	[8]	[8]	77	77	27	26	26	25	6	4	4	7
6 After tax profit of 4 fossil generators [1997\$/quarter million]	5		7								10							
7 Oblenergo debt to Energomarket [1997\$ million]	1368	1347	1347	1450	1484	1580	1580	1604			1353				1303	145	144	1040
8 Oblenergo debt to Energomarket [days annual]		170	10	129	132	141	141	143			121				116	111	107	93
9 Energomarket debt to generators [1997\$ million]	1371	1338	1338	1438	1416	1498	1498	1463			1442				1390	1379	16	110
Information Indicators																		
10 Wholesale Purchase Price (from Fossil Generators) [US cents/kWh]	3.22	3.15	3.18	3.15	3.00	3.24	3.13	3.21										
11 Energoatom Sale Price [US cents/kWh]	2.4	2.4	2.4	2.7	2.7	2.7	2.7	2.7										
12 Hydro Sale Price [US cents/kWh]	0.96	0.96	0.96	0.96	0.96	0.96	0.96	0.96										
13 Wholesale Price (to Suppliers) [US cents/kWh]	93	93	93	7.89	89	7.96	7.90	91										
14 Average retail tariff [US cents/kWh]	3.76	3.76	3.76	3.95	3.95	3.95	3.95	3.95										

Note: The payments collection benchmarks for Energoatom are to be finalized following I BRD's Operation Commission review of the proposed Khmelnytsky 2 / Rovno 4 nuclear completion project

Resolution

of 28 April 1998 No 582

Kyiv

On Carrying Out Mutual Debt Offsets of Budgetary Institutions and Organizations, and Enterprises of the Energy, Gas and Public Service Sectors for Electricity, Heat, Natural Gas and Services on Water Supply and Water Discharge

With view to liquidate the debt of budgetary institutions and organizations for electricity and heat the debt of energy and public service enterprises for the natural gas and the debt of gas sector enterprises to the budget Ukraine's Cabinet of Ministers resolves

- 1 The Ministry of Energy, the State Committee for Construction Architecture and Housing Policy Ukrgas State Joint Stock Holding Company and Ukrgasprom Joint Stock Company jointly with the Ministry of Finance Central Department of the State Treasury and other central executive bodies which have subordinate institutions and organizations funded from the state budget, within a month, and within the limits of total underpayment (without accounting underpayment of wages and wage charges) shall carry out the debt offset as at October 1 1997 of these institutions and organizations for electricity and heat, natural gas and water supply and discharge services and the debt connected with difference in prices due to the state regulation of natural gas prices for residential customers to the account of the debt of the Ministry of Energy and public service enterprises to Ukrgas and Ukrgasprom and Ukrgasprom to the budget including the debt payment for the natural gas supplied from Russia in 1994 through the offset under the relative statement
- 2 Ukrgasprom Joint Stock Company shall reduce the natural gas debt by the amount accumulated as at October 1 1997 by the Energy Ministry enterprises - Hr128 million public service enterprises - Hr185 million and Ukrgas Hr74.3 million

The Ministry of Energy shall reduce the debt of budgetary institutions and organizations for electricity and heat by Hr128 million within the public service sector the debt of budgetary institutions and organizations for heat water supply and discharge by Hr185 million the debt of Ukrgas for the natural gas consumed by these institutions and organizations by Hr60.7 million and the debt connected with difference in prices for the natural gas consumed by residential customers by Hr13.6 million
- 3 The Ministry of Finance shall reduce the debt of Ukrgasprom Joint Stock Company for the natural gas supplied from Russia in 1994 to the state budget by Hr387.3 million
- 4 The Ministry of Finance according to reports on checking data on the outstanding debt of budgetary institutions and organizations executed by the Ministry of Energy, Ukrgas State Joint Stock Holding Company Ukrgasprom JSC the State Committee for Construction Architecture and Housing Policy within a month shall carry out offsets within the mutual debt repayment among the above institutions and organizations enterprises of power natural gas and public service sectors for the electricity heat natural gas and services in water supply and discharge
- 5 The Council of Ministers of the Autonomous Republic of Crimea oblast Kyiv and Sevastopol city administrations shall approve before May 15 1998 the 1998-2002 debt repayment schedules for fuels consumed by institutions and organizations funded from local budgets and subsidy compensation to residential customers as at October 1 1998 with following submission to the Ministry of Finance
- 6 Ukrgas SJSH Company Ukrgasprom JSC the State Committee for Material Reserves and the Ministry of Finance

shall ensure the payment under the schedule according to the debt added for 7.5 billion cu m of natural gas supplied from the state reserve to meet the needs of residential public service customers and budgetary organizations based on Ukraine's COM Resolutions No 130 of February 20 1996 No 771 (771-96) of December 2 1996 and 302 (302-97) of June 9 1997

7 The First Vice Prime Minister of Ukraine A. K. Holubchenko shall be charged with overseeing the enforcement of this Resolution

V. Pustovottenko

Prime Minister of Ukraine

Debt Repayment Schedule
for Natural Gas Supplied from the State Reserve

Hr million

Debt as at October 1 1997	To be repaid during			
	1998	1999	2000	2001
1101.5	200	412.5	412.4	76.6

A Tolstoukhov

Minister
Cabinet of Ministers of Ukraine

ATTACHMENT M5A

	<u>Jan 1, 1998</u>	<u>May 1, 1998</u>	<u>% Increase</u>
Urban customers	9 0	11 0	22%
Rural customers	8 0	10 0	25%
Customers with electric stoves	6 0	8 0	33%
Urban residential settlements	8 7	10 7	23%
Rural residential settlements	7 7	9 7	26%
Residential settlements with electric	5 7	7 7	35%

ATTACHMENT M5B

THE NATIONAL ELECTRICITY REGULATORY COMMISSION OF UKRAINE
RESOLUTION

No 420 of April 10 1998

Kyiv

On tariffs for electricity supplied
to residential customers and residential settlements

Registered with the Ministry of
Law on April 15, 1998
Registration No 244/2684

In accordance with the Decree of the President of Ukraine No 213 of March 14 1995 On Measures to Ensure the Activity of the National Electricity Regulatory Commission of Ukraine the Electricity Law of Ukraine the Resolution of the Cabinet of Ministers of Ukraine No 1548 of December 25 1996 On Determining the Authorities of Executive Bodies and of Local Executive Bodies Related to Prices (Tariffs) Regulation and with the aim to implement the Resolution of the Cabinet of Ministers of Ukraine No 333 of March 17 1998 On Measures to Reduce Barter Operations in Ukraine's Commodity Circulation (re updating electricity tariffs) as well as with the aim to raise profitability level to replenish current assets and to gradually update electricity charges for residential sector to the actual costs level the National Electricity Regulatory Commission (NERC)

RESOLVES

- 1 To approve the tariffs for electricity that is supplied to residential customers and residential settlements (attached)
- 2 To approve the Procedure of introducing the tariffs for electricity supplied to residential customers and residential settlements (attached)
- 3 To establish that the present Resolution shall become effective from May 1 1998
- 4 To establish that the NERC's Resolution No 1133 of December 9 1997 shall become ineffective

Chairman of the Commission

Z Butsko

C:\Common\Shevchenko\ERC\Orders Resolution No 420\May 6 1998

APPROVED

The Resolution of the National Electricity

Regulatory Commission of Ukraine No 420

of April 10 1998

TARIFFS
for electricity supplied to
residential customers and residential settlements

Customers class	kop /kWh
1 Electricity supplied to	
1.1 Residential customers	110
1.2 Rural residential customers	100

1 3 Households with electric stoves electric heating (incl rural households)	8 0
2 Electricity supplied to	
2 1 Residential settlements	10 7
2 2 Rural residential settlements	9 7
2 3 Residential settlements with households having electric stoves electric heating (incl rural settlements)	7 7

Approved
The Resolution of the National Electricity
Regulatory Commission of Ukraine
No 420 of April 10 1998

**The Procedure
for introducing tariffs for electricity that is supplied
to residential customers and residential settlements**

1 Residential customers

- 1.1 Electricity supply to residential customers shall be provided at the tariff of 11 kop per kWh
- 1.2 The tariff mentioned above shall be paid by residential customers which use electricity for various household needs at apartment houses flats, hostels, for needs of personal plots private gardens and vegetable patches summer cottages for lighting in garages and boxes for private cars and boats lighting in painters and sculptors studios
- 1.3 Electricity supply to residential customers in rural areas shall be provided at the tariff of 10.0 kop per 1 kWh
- 1.4 Electricity supply to residential customers which live in apartment houses (including hostel type apartment houses and hostels) which are equipped with electric stoves and electric heating according to the established order (including customers in rural areas) is provided at the tariff of 8.0 kop per 1 kWh
The tariff of 8.0 kop per 1 kWh shall not be applicable to the apartment houses equipped with electric stoves and electric heating with violations of the established order
- 1.5 Electricity supply to residential customers living within 30 km zone of nuclear plants is provided at the tariff of 70 per cents of current tariff for the corresponding customer class
- 1.6 Electricity supply to agro industrial complex employees which live in urban type settlements employees of agricultural (farming) units radgosp (derzhgosp) collective and other agricultural enterprises which reside in towns within oblast and region administration as well as to pensioners which worked in the field of agriculture for not less than 15 years before retirement and which have a personal account for accommodation is provided at the tariff of 10.0 kop per 1 kWh (except the houses equipped with electric stoves and electric heating) and at the tariff of 8.0 kop per 1 kWh for the households having electric stoves electric heating
- 1.7 Electricity payment privileges envisaged for different citizen groups by continuing legislation are granted only at the place of permanent residence
If a customer is entitled to several privileges at the same time he shall be granted only one at his choice
- 1.8 In case if small businesses or other enterprises are founded or rent their premises in dwelling houses electricity payment shall be made at the tariff of 15 kop per kWh
- 1.9 If a separate electricity consumption metering according to hours of day is done charges for residential customers are quoted as follows
 - 1.9.1 According to two-rate time-of-day tariff
0.7 of the tariff during the period of minimal system load (from 11 p.m. to 7 a.m.)
full tariff during other hours of day

- 1.9.2 According to three rate time-of day tariff
of the tariff during hours of maximal system load (from 8 a.m. to 11 a.m. and from 8 p.m. to 10 p.m.)
full tariff during half peak period (from 7 a.m. to 8 a.m. from 11 a.m. to 8 p.m. from 10 p.m. to 11 p.m.)
0.4 of tariff during night minimal system load (from 11 p.m. to 7 a.m.)

2 Residential settlements

- 2.1 Electricity supply to residential settlements, penitentiary institutions, alcohol preventive clinics and pre-trial investigation institutions, summer cottages, summer cottage building companies, gardeners, associations, garage building companies, apartment building companies, youth apartment blocks, condominiums, house management organizations and to separate apartment houses (including hostel type apartment houses and hostels) which share one common billing meter for electricity payment to a supplier is provided at the tariff of 10.7 kop per 1 kWh
- 2.2 Electricity supply to residential settlements, penitentiary institutions, alcohol preventive clinics and pre-trial investigation institutions, summer cottages, summer cottage building companies, gardeners, associations, garage building companies, apartment building companies, youth apartment blocks, condominiums, house management organizations and to separate apartment houses (including hostel type apartment houses and hostels) which share one common billing meter for electricity payment to a supplier and which are situated in rural areas is provided at the tariff of 9.7 kop per 1 kWh
- 2.3 Electricity supply to residential settlements, penitentiary institutions, alcohol preventive clinics and pre-trial investigation institutions, summer cottages, summer cottage building companies, gardeners, associations, garage building companies, apartment building companies, youth apartment blocks, condominiums, house management organizations and to separate apartment houses (including hostel type apartment houses and hostels) which are equipped with electric stoves, electric heating according to the established order and which share one common billing meter for electricity payment to a supplier is provided at the tariff of 7.7 kWh
- 2.4 If separate electricity consumption metering according to hours of day is done, charges for residential settlements are quoted as follows

2.4.1 According to two-rate time-of-day tariff

- ◆ 0.7 of the tariff during the period of minimal system load (from 11 p.m. to 7 a.m.)
- ◆ full tariff during other hours of day

2.4.2 According to three rate time-of day tariff

- ◆ 0.7 of the tariff during hours of maximal system load (from 8 a.m. to 11 a.m. and from 8 p.m. to 10 p.m.)
- ◆ full tariff during half-peak period (from 7 a.m. to 8 a.m. from 11 a.m. to 8 p.m. from 10 p.m. to 11 p.m.)
- ◆ 0.4 of the tariff during night minimal system load (from 11 p.m. to 7 a.m.)

Comment Electricity used by residential settlements, penitentiary institutions, alcohol preventive clinics and pre-trial investigation institutions, garage building companies, apartment building companies, youth apartment blocks, condominiums, house management organizations and by separate apartment houses (including hostel

type apartment houses and hostels) for technical purposes (operation of elevators pumps etc) and for lighting yards staircases and house number signs shall be paid for at the tariff of 11 0 kop per 1 kWh

Electricity used by residential settlements penitentiary institutions alcohol preventive clinics and pre trial investigation institutions garage building companies apartment building companies youth apartment blocks condominiums house management organizations and by separate apartment houses (including hostel type apartment houses and hostels) which are situated in rural areas for technical purposes (operation of elevators pumps etc) and for lighting yards staircases and house number signs shall be paid for at the tariff of 10 0 kop per 1 kWh

ATTACHMENT M5C

	Largest Increase	Smallest Increase	Average Increase
Customers at 35-154 kV			
>=750 Industrial	3.1%	2.9%	3.0%
<750 Industrial	5.6%	2.9%	3.1%
Electric Railway	3.0%	3.0%	3.0%
Electric Urban Transport	2.1%	1.8%	2.0%
Non-Industrial	3.3%	3.0%	3.1%
Agricultural	6.6%	0.9%	1.3%
Customers at <35 kV			
>=750 Industrial	7.1%	6.0%	6.1%
<750 Industrial	8.7%	5.9%	6.1%
Electric Railway	6.0%	6.0%	6.0%
Electric Urban Transport	7.4%	3.9%	4.1%
Non-Industrial	8.7%	5.9%	6.1%
Agricultural	8.9%	1.4%	3.2%

NATIONAL ENERGY REGULATORY COMMISSION OF UKRAINE

RESOLUTION

#658 of May 22 1998
Kyiv

On Tariffs for Electricity Supplied by Electricity Supplying Companies
of the Minenergo of Ukraine

In accordance with the Law of Ukraine "On Electricity" and the Ukrainian Presidential Decree 335 of April 21 1998 "On NERC Related Issues" in the exercise of the Cabinet of Ministers of Ukraine Resolution 580 of April 28, 1998 "On Setting Privileged Electricity Tariff for Zaporizhia Aluminium Plant Open Joint Stock Company and for the purpose of compensating for an increase in the price of fuel particularly in the natural gas transportation charge, the National Energy Regulatory Commission of Ukraine resolves

- 1 To set tariffs for electricity supplied by electricity supplying companies of the Minenergo of Ukraine (annexed)
- 2 This resolution shall become effective from June 1, 1998
- 3 NERC Resolution 1134 of December 9 1997 "On Tariffs for Electricity Supplied by Electricity Supplying Companies of the Minenergo of Ukraine" shall be regarded as invalid

Z Butsio
Chairman

ATT M5E

Government Telegram

To **O Mihdeiev**
Head of Oblast State Administration

In view to ensure the implementation of the Program on the sector arrangement for the 1998/99 fall and winter period replenishment of the natural gas reserve and coal and furnace mazut used from the state reserve purchase of fresh nuclear fuel and nuclear waste disposal timely repairs of main energy equipment at nuclear thermal hydraulic power plants electric and heat networks and to enforce the decisions of the Industrial Managers Meeting held in Kyiv on 24th of April 1998 the Cabinet of Ministers of Ukraine charges you with ensuring the energy supply to enterprises listed in the Annex

Any amendments to the list of enterprises shall be made only on the agreement with the Cabinet of Ministers of Ukraine

Electricity supply operators according to the agreements shall be identified by the State Committee on Material Reserve and Minenergo of Ukraine

A Holoubchenko

First Vice Prime Minister of Ukraine

LEC C\Common\Government Telegram and List of Assigned Oblast Plants.doc

RESOLUTION

#580 of April 28, 1998
Kyiv

On Setting Privileged Electricity Tariff for Zaporizhia Aluminum Plant Open Joint Stock Company

In order to meet the needs of the national economy in aluminum foil and aluminum based packing materials and to provide finance for branching out into aluminum foil manufacturing at the Zaporizhia Aluminum Plant OJSC with regard for environmental expenditures the Cabinet of Ministers resolves

1 The National Energy Regulatory Commission shall set a tariff of 1.2 US cents/kWh for electricity purchased by the Zaporizhia Aluminum Plant OJSC directly from the Wholesale Electricity Market of Ukraine with cash settlement for electricity consumed taking into account costs of electricity transportation by local electric networks over the period from 1 May 1998 to 1 May 2003

To indemnify the power sector for the losses caused by electricity supply to the specified OJSC at a privileged tariff retail electricity tariffs for customers other than residential consumers shall be adequately increased from 1 May 1998

After retail electricity tariffs for all customers other than residential consumers have been adjusted since 1 January 1999 the level of the privileged tariff for the Zaporizhia Aluminum Plant OJSC set forth in this Paragraph shall be taken into consideration

2 The Ministry of Economy the Anti-Monopoly Committee and the Ministry for Industrial Policy shall introduce price declaration for products of the Zaporizhia Aluminum Plant OJSC over the period while the privileged electricity tariff is in force and annually approve starting from 1998 deductions from profit derived from setting the privileged tariff

The Ministry for Industrial Policy shall ensure that the specified OJSC uses this profit to provide finance for branching out into aluminum foil manufacturing taking into account environmental expenditures principal debt repayment costs costs of servicing the loan provided by the Efibank Italy and payment of insurance premium remainder

3 The State Property Fund shall, in the course of privatization of the Zaporizhia Aluminum Plant OJSC take into consideration the amount of state assistance provided by setting the privileged electricity tariff

4 V M Gureiev Minister for Industrial Policy and Z Butsio Chairman of the National Energy Regulatory Commission of Ukraine shall be responsible for monitoring the implementation of this Resolution

V Pustov oitenko
Prime Minister of Ukraine

NATIONAL DISPATCH CENTRE OF UKRAINE

Z Yu Butsi0
Chairman
National Energy Regulatory Commission
of Ukraine

#30-33 / 4178 of May 1 1998

Re April 1998 Tariffs for Generating Companies

The following April 1998 tariffs have been calculated by the NDC of Ukraine in compliance with the Wholesale Electricity Market Rules taking into consideration the \$34/MWh (April 1- 5 1998) and \$37/MWh (April 6-30, 1998) bid caps set by the NERC, with the fixed costs factor of \$10/MW for generating companies and independent generators

Donbasenergo	3 20 US cents / kWh
Dniproenergo	3 20 US cents / kWh
Tsentrenergo	3 20 US cents / kWh
Zahidenergo	3 22 US cents / kWh
Integratsiia Closed JSC	3 22 US cents / kWh
Stirol Kontsern	3 25 US cents / kWh

The average tariff for generating companies is 3 21 US cents / kWh

We are requesting to approve the April 1998 tariffs for generating companies

R R Golub
Energomarket Deputy Executive Director

Yevdokimov
36 47

NERC Incoming #1136 50
May 1 1998
Single page

NATIONAL ENERGY REGULATORY COMMISSION OF UKRAINE

RESOLUTION

#524 of April 30, 1998

Kiev

On Approving April 1998 Tariffs for Generating Companies

In accordance with Decree of the President of Ukraine #213 of March 14 1995 On Steps to Be Taken to Ensure National Energy Regulatory Commission of Ukraine Operations and the provisions set forth in the Wholesale Electricity Market Members Agreement the National Energy Regulatory Commission of Ukraine resolves

- 1 To approve April 1998 tariffs for electricity sold to the Wholesale Electricity Market which have been calculated by the NDC of Ukraine in compliance with the Wholesale Electricity Market Rules taking into consideration availability price, for the following state joint stock generating companies (SJSGC)

Donbasenergo SJSGC	3 20 US cents / kWh
Dniproenergo SJSGC	3 20 US cents / kWh
Zahidenergo SJSGC	3 22 US cents / kWh
Tsentrenergo SJSGC	3 20 US cents / kWh

- 2 To approve April 1998 tariffs for electricity sold to the Wholesale Electricity Market which have been calculated by the NDC of Ukraine in compliance with the Wholesale Electricity Market Rules taking into consideration availability price, for the following blocks leased from SJSGCs

Kontsern Stirol Open JSC	3 25 US cents / kWh
Integratsiia Closed JSC	3 22 US cents / kWh

- 3 To establish that the wholesale market price is set taking account of the value of the tariffs specified in Paragraphs 1 and 2 of this Resolution

O Grydasov
Commissioner

Ministry of Power of Ukraine

Order

04.15.98

City of Kiev

N 54

On the Creation of the State Enterprise
National Electricity Company Ukrenergo

Seeking to improve management of the Integrated Power System of Ukraine, prevent parallelism of its operation, provide for a more effective use of the state assets, staff potential and financial resources as is set forth in the Law of Ukraine "On the Enterprises in Ukraine", the Decree of the Cabinet of Ministers of Ukraine "On the State Owned Assets Management", I ORDER

1 To create on the basis of the State Enterprise National Electricity Dispatch Center of Ukraine (NDC of Ukraine) the State Enterprise National Electricity Company Ukrenergo (NEC Ukrenergo) at the address: 252032, 25 Kominterny Street, Kiev

2 To reorganize the State Enterprise State Electricity Company Ukrelectroperedacha (SEC Ukrelectroperedacha) by merging with NEC Ukrenergo, leaving the functions of technological control of the IES of Ukraine, use of high voltage electricity networks and the operation of the Wholesale Electricity Market of Ukraine

3 To consider NEC Ukrenergo a successor of the assets, rights and liabilities of the NDC of Ukraine and SEC Ukrelectroperedacha

4 To nominate Korsunenko V.I. an acting director of the NEC Ukrenergo

5 Acting director of NEC Ukrenergo Korsunenko

5.1 Jointly with the management staff of the NDC of Ukraine and SEC Ukrelectroperedacha, within a month time to prepare and submit to Minenergo for consideration a draft of the organizational structure and proposals as to the number of the employees of NEC Ukrenergo

5.2 Within a two-month time to prepare and submit to Minenergo the acceptance act of the assets and transfer balance as of 01.01.98

5.3 Within a two-month time to prepare and submit after structure approval the calculations of the norms for the number of the enterprise's staff

5.4 To bring the number of the enterprise's management into compliance with the approved structure. Discharge the employees according to the procedure stipulated in the effective Law of Ukraine "On Social Protection"

5.5 Within a two-month time to concur the Charter of NEC Ukrenergo in accordance with the procedure established by the Ukrainian legislation and ensure its registration by the State bodies

5.6 To locate management staff of the newly created state enterprise in the buildings Nos 25 and 27 Komintern Street and No 31/32 Smolenskaya Street

6 V I Korsunenko Acting Director of Ukrenergo NEC together with directors of state electricity joint stock companies to approve within two months a distribution pattern for owning equipment apparatus and technical control means

7 V A Darchuk Deputy Minister and directors of state electricity joint stock companies to complete within a month transfer of fixed assets materials and spare parts (all operable) required for operating main electric grids to the newly created Ukrenergo NEC pursuant to the Minenergo Order No 23 of 1 October 1997 "On Creation of Divisions to Operate Main Electric Grids"

8 V A Luchnikov First Deputy Minister V D Bondarenko Deputy Minister and O T Gutarevich Deputy Director of NDC to prepare within a month and submit proposals on a status of the organizational structure and sources to finance the Governmental Inspection Agency to supervise operation of power plants and grids

9 V A Darchuk Deputy Minister V D Bondarenko Deputy Minister and I M Turvansky Deputy Director of NDC to prepare within a month and submit proposals on a status of the organizational structure and sources to finance the Governmental Inspection Agency to supervise the conditions of electric and heat energy consumption

10 V D Bondarenko Deputy Minister and V I Korsunenko Acting Director of Ukrenergo NEC to prepare within a month proposals on creation of the Energomarket State Enterprise

11 Personnel Labor and Social Policy Department (Mamchiv) and V I Korsunenko Acting Director of Ukrenergo NEC to identify salaries and wages to personnel of Ukrenergo NEC and its subsidiaries in amounts not lower than those earned prior to the merger of the enterprises cited in Items 1 and 2 of this Order

12 V D Bondarenko Deputy Minister together with the National Electricity Regulation Commission and the Market Board to arrange within a month financing of Ukrenergo NEC with banking funds and other types of settlements in amounts required for main electric grids to function reliably as a basis for the integrity of the Ukrainian Integrated Electric Network

13 I am hereby leaving control over execution of this Order to myself

A N Sheberstov
Minister

ATTACHMENT M18

Ukrainian Power Industry (Energos) SAP and Sales

Enterprise	Statutory Fund (UAH)	Preferential Sale %		Auctions %		Tenders %		Stock Exchanges%		Other %	State %	Total (without State %)		
		SAP	Sold *	PPC	CC		SAP	Sold	SAP	Sold	SAP	Sold	SAP	SAP
					SAP	Sold								
1 EGC Dniproenergo	98 099 950	25 00	25 00%	0 00%	0 00%	24 00	0 00%	0 00%	0 00%	0 00%	51 00	49 00%	25 00/	
2 EGC Donbasenergo	236 443 010	25 00	25 00%	0 00%	0 00%	24 00	0 00%	0 00%	0 00%	0 00%	51 00	49 00%	25 00/	
3 EGC Centrenergo	92 351 777	25 00	25 00%	0 00%	0 00%	24 00	0 00%	0 00%	0 00%	0 00%	51 00	49 00%	25 00/	
4 EGC Zakhidenergo	127 905 410	25 00	25 00%	0 00%	0 00%	24 00	0 00%	0 00%	0 00%	0 00%	51 00	49 00%	25 00/	
5 EDC Kyivenergo	27 091 070	33 77	33 77%	0 00%	0 00%	30 00	0 00%	11 23	2 58%	0 00%	25 00	75 00%	36 35/	
6 EDC Dniprooblenergo	59 916 170	22 18	22 18%	5 00%	0 00%	10 00	0 00%	11 82	0 00%	0 00%	51 00	49 00%	22 18/	
7 EDC Vinnytsaoblenergo	30 973 660	26 60	26 60%	5 00%	0 00%	8 00%	0 00%	9 40%	0 00%	0 00%	51 00	49 00%	26 60/	
8 EDC Zaporizoblenergo	44 840 000	21 57	21 57%	5 43%	0 00%	10 00	0 00%	12 00	0 00%	0 00%	51 00	49 00%	21 57/	
9 EDC Rivneoblenergo	20 827 420						0 00%		0 00%				0 00/	
10 EDC Cherkassyoblenergo	37 098 333	18 48	18 48%	6 14%	0 00%	20 00	0 00%	4 38%	2 30%	0 00%	51 00	49 00%	20 78%	
11 EDC Khmelnytskoblenergo	33 637 840	20 27	20 27%	4 73%	4 72%	0 00%		4 00%	4 00%	0 00%	51 00	49 00%	28 99/	
12 EDC Kirovogradoblenergo	29 844 000	22 55	22 55%	2 45%	2 42%	0 00%		4 00%	4 00%	0 00%	51 00	49 00%	48 96/	
13 EDC Kyivoblenergo	52 043 780	13 00	13 00%	3 67%	3 67%	3 33%	3 30%	4 00%	4 00%	0 00%	51 00	49 00%	23 97/	
14 EDC Sevastopolmiskenergo	6 722 400	23 31	23 31%	1 69%	1 66%	0 00%		4 00%	4 00%	0 00%	51 00	49 00%	28 97%	
15 EDC Ternopiloblenergo	15 272 040	16 48	16 48%	8 00%	8 00%	0 00%		4 52%	4 52%	0 00%	51 00	49 00%	49 00/	
16 EDC Volynoblenergo	23 863 800	18 13	18 13%	3 87%	3 87%	3 00%	2 93%	4 00%	0 72%	0 00%	51 00	49 00%	25 65%	
17 EDC Zakarpattyoblenergo	31 150 810	12 85	12 85%	6 15%	6 11%	0 00%		10 00	1 93%	0 00%	51 00	49 00%	20 88/	
18 EDC Zhytomyroblenergo	20 389 165	20 85	20 85%	4 14%	4 14%	0 00%		0 00%	0 00%	0 00%	51 00	49 00%	37 00/	
19 EDC Chernigivoblenergo	29 829 506	16 94	16 94%	6 54%	6 54%	0 00%		0 00%	0 00%	0 00%	25 00	75 00%	23 47/	
20 EDC Chernivtsioblenergo	14 195 170	14 98	14 98%	5 47%	5 47%	0 00%		18 55	12 00%	0 00%	25 00	75 00%	32 45/	
21 EDC Donetskoblenergo	61 896 469	18 54	18 54%	5 00%	5 00%	0 00%		15 46	8 42%	0 00%	25 00	75 00%	31 96/	
22 EDC Kharkivoblenergo	64 135 190	20 79	20 79%	2 96%	2 96%	0 00%		0 00%	0 00%	0 00%	25 00	75 00%	23 76/	
23 EDC Khersonoblenergo	23 743 760	16 53	16 53%	5 48%	5 48%	0 00%		17 99	0 00%	0 00%	25 00	75 00%	22 01/	
24 EDC Krimenergo	43 241 880	18 52	18 52%	3 00%	3 00%	0 00%		18 48	7 18%	0 00%	25 00	75 00%	28 70/	
25 EDC Luganskoblenergo	52 030 730	19 33	19 33%	4 00%	4 00%	0 00%		16 67	9 14%	0 00%	25 00	75 00%	32 47/	
26 EDC Lvivoblenergo	48 493 080	17 14	17 14%	8 05%	8 05%	0 00%		14 81	11 00%	0 00%	25 00	75 00%	36 19/	
27 EDC Mykolaivoblenergo	39 660 000	14 23	14 23%	6 45%	6 45%	0 00%		14 32	9 00%	0 00%	25 00	75 00%	29 68/	
28 EDC Odessaoblenergo	52 123 890	17 24	17 24%	5 41%	5 41%	0 00%		17 35	10 00%	0 00%	25 00	75 00%	32 65/	
29 EDC Poltavaoblenergo	55 240 000	16 40	16 40%	6 80%	6 80%	0 00%		15 60	0 00%	0 00%	25 00	75 00%	23 20/	
30 EDC Prykarpattyoblenergo	25 908 875	15 63	15 63%	5 12%	5 12%	0 00%		19 25	0 00%	0 00%	25 00	75 00%	20 75/	
31 EDC Sumyoblenergo	44 281 374	15 37	15 37%	8 77%	8 77%	0 00%		14 85	0 00%	0 00%	25 00	75 00%	24 15/	

APPENDIX B

**JUNE 1998 FINANCIAL RECOVERY PLAN ACTION
MONITORING REPORT**

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FINANCIAL RECOVERY PLAN
ACTION MONITORING PROGRAM
REPORT NO 2 - JUNE 1998

Actions	Recent Status / Progress measures
1 Require that all noncash financial settlements including offsets be executed by, or on behalf of electricity companies using NBU bank offset mechanism	◆ The Ministry of Finance produced a 4 June revised draft Cabinet of Ministers resolution setting out the proposed NBU bank offset mechanism It is now being considered for signing
2 For each generation Company, apply all financial resources which remain available after payment of wages, repairs and taxes, to cash fuel procurement 3 Generation Companies conduct all cash purchases of all types of fuel from suppliers based on competition	Joint Report for Actions 2 and 3 ◆ Information was provided by Minenergo and the fossil generating companies for the first time in order to monitor this action, however only 90% of the information requested was provided A significant item missing is the fuel procurement information from Energoatom ◆ For the Genco thermal power stations in the month of May, only 2.1 million UAH in cash was used for fuel procurement representing only 0.5% of the total of 390.6 million UAH as shown in Attachment J2 ◆ No fuel was procured on a competitive tender

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**FINANCIAL RECOVERY PLAN
ACTION MONITORING PROGRAM
REPORT NO 2 - JUNE 1998**

Actions	Recent Status / Progress measures
4 Identify as of 1 January 1998 accounts payable of electricity supply and generating companies and provide for this debt to be rescheduled for payment over	<ul style="list-style-type: none">◆ As reported in May, the Cabinet of Ministers issued Resolution No 582 dated 28 April 1998 which rescheduled the generating companies fuel debts from 1 October 1997 to the following four years◆ No advisor currently available to assist on this task

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ACTION MONITORING PROGRAM
REPORT NO 2 - JUNE 1998

Actions	Recent Status / Progress measures
<p>5 Transit to market-based retail tariffs according to the Electricity Law and the NERC issued licenses, while providing for a single tariff for the population in the entire territory of Ukraine</p>	<ul style="list-style-type: none">◆ NERC issued Order Nos 701 and 703 (Attachments J5A and J5B) on May 28 to implement the subsidy certificate program. Subsidy certificates are available for oblenergos to compensate them for losses from selling electricity at less than cost to residential customers to privileged residential customers (but only that portion that is not supposed to be funded by state or local budgets) and to agricultural customers. An oblenergo should calculate its losses for the prior month, submit the calculation to NERC for approval, and upon approval submit the calculated amount to Energomarket for compensation over the next 30 days. NERC issued Order No 737 (Attachment J5C) on June 3 requiring that the Energomarket System Settlement Administrator add 51 million Hryvnas in June as a subsidy certificate amount to use in calculating the wholesale market price. The subsidy certificate regulations rely on oblenergo filings to determine the subsidy certificate amounts. Oblenergos had not yet made filings pursuant to those regulations but oblenergos earlier had provided NERC with information on their subsidy needs. This order therefore was not strictly in compliance with the subsidy certificate regulations.◆ As reported in the May FRP report, the Cabinet of Ministers issued Resolution No 580 on April 28 ordering that the Zaporizhia Aluminum Plant be sold electricity at a price of 1.2 cents/kWh for purchases from Energomarket for five years beginning May 1. All payments by the plant for electricity at this price must be in cash. At the June 9 Energomarket Board meeting, NDC reported that the plant had not yet purchased any electricity under this order but instead continues to buy electricity from some other source (she did not state whether its purchases are from Zaporizhia Oblenergo or from an Independent Electricity Supplier).◆ On May 28, NERC issued Order No 707 (Attachment J5D) ordering that the Market Funds Procedure (MFP) be changed to decrease the debt owed to Energoatom by 120 million Hryvna and to set the debt owed to the Fund for the Creation of the National Nuclear Fuel Cycle.

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ACTION MONITORING PROGRAM
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Actions	Recent Status / Progress measures
6 Determine amounts due from all electricity suppliers and to all generators according to the Wholesale Market Rules Enforce provisions for all payments received by Wholesale Market Members to be distributed according to Market Funds Administration Procedure	◆ Prices paid to the four thermal generation companies (gencos) since April 1, 1998 have been determined according to the Energomarket rules NERC issued Order No 708 dated June 2, 1998 ordering the National Dispatch Center (NDC) to pay the gencos and two lessees of genco blocks prices specified by the order The prices specified by the order however were the prices determined by the Energomarket rules Reportedly, the sole purpose of issuing this order is to satisfy the taxation authorities See Attachment J6A a translation of a letter from NDC stating that these May prices are market-determined and Attachment J6B, a translation of NERC Order No 708
7 Draft and submit for consideration in line with the established procedure law to cancel privileged electricity tariffs based on the occupational principle and to set and enforce consumption limits for all remaining classes of privileged customers	◆ As reported in May, the Ministry of Energy of Ukraine drafted and submitted to the Cabinet of Ministers for approval a draft law to cancel privileged tariffs based on occupation There are 11 laws covering the various occupations ◆ In June, the draft was approved by the Cabinet of Ministers and transferred to the Verkhovna Rada The draft law has been included in the current session of the Verkhovna Rada

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FINANCIAL RECOVERY PLAN
ACTION MONITORING PROGRAM
REPORT NO 2 - JUNE 1998

Actions	Recent Status / Progress measures
8 Oblenergos to promptly terminate service to all defaulters except as provided by the Law of Ukraine and local administrations interfering with this process	◆ Information concerning non-residential debtors in default, by oblenergo was received for the first time from the Ministry of Energy As shown in Attachment J8, the number of debtors in default but not disconnected (38 363) has grown by 3% since the beginning of the year and the debt level grew by 19% in that same period to 2.2 billion UAH The number of debtors disconnected as of the end of May (18 460) represents approximately 1/3 of total debtors and the associated debt level of 774 million UAH is approximately 1/4 of the total
9 Limit supply of electricity to budget-funded customers to no more than the actual amount provided for in cost estimates for this purpose	◆ Line item budgeting was instituted effective 1 January 1998 for the National Budget and electricity was established as a separate line item The Advisor is working with Minenergo to identify the electricity amount in the budgets of the budget funded organizations so this action can be more precisely monitored ◆ Although information was not available concerning specific budget customers, Minenergo provided information on the debt from the National Budget customers to each Oblenergo Attachment J9A shows the debt level at the beginning of the year (80 million UAH), at May 1 (111 million UAH) and at June 1 (117 million UAH) Debt of the National Budget customers, therefore grew by 5% in May and by 46% since the beginning of the year ◆ Debt from Local Budget customers has also been growing but at a slower pace than at the National level Attachment J9B shows debt levels at January 1 (81 million UAH) May 1 (88 million UAH) and June 1 (91 million UAH) Local Budget customer debt to the oblenergos, therefore grew by 3% in May and 13% since the beginning of the year

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ACTION MONITORING PROGRAM
REPORT NO 2 - JUNE 1998

Actions	Recent Status / Progress measures
10 Transfer the Market Funds Administrator from NDC to a new NERC-licensed Energomarket Enterprise	<ul style="list-style-type: none">◆ As reported in May on 15 April 1998 Minenergo issued an order requiring that within one month, NDC prepare a plan for creation of Energomarket State Enterprise◆ No apparent progress has been made to date Delays in mobilizing an advisor and resistance from Minenergo may delay the completion
11 Formalize and enforce compulsory use of clearing accounts for all Oblenergos' receipts specified in the Wholesale Market Funds Administration Procedure	<ul style="list-style-type: none">◆ On June 5 The Cabinet of Ministers issued Resolution 811 (Attachment J11A) which formalizes the use of clearing accounts and requires all retail electricity payments to be made to oblenergo clearing accounts By inference, it does not require transit fees, penalty payments, or reactive power payments to go through the transit accounts This Resolution also legalizes the existing transit account procedure Previously, the existing instructions on transit accounts said to follow Minenergo rules in allocating cash so that, legally, the MFP was in violation of the instructions Another aspect is that it specifies that only market members and Minenergo may get cash from the market account This may be negative by formalizing a Minenergo right to receive cash but also positive by making illegal diversions of cash to say, coal companies◆ Attachment J11B displays the cash in the Market Funds Procedure by supplier as reported by NDC Cash collections were 71.6 million UAH in May compared to 80.7 million UAH in January The drop is due to seasonal factors since May sales were 15% lower than January Cash collections as a percent of sales has slightly improved from 12.2% of sales in January to 12.7% in May◆ On June 13, the Cabinet of Ministers issued Resolution No 860 (Attachment J11C) ordering the Ministry of Finance to pay a portion of the debt of local budget organizations for electricity and heat However the funds are to be provided directly to Minenergo and then by Minenergo to fuel suppliers bypassing the MFP

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FINANCIAL RECOVERY PLAN
ACTION MONITORING PROGRAM
REPORT NO 2 - JUNE 1998

Actions	Recent Status / Progress measures
12 Prepare propositions to the Rada to renew responsibility for non-timely electricity payments by budget organizations and residential customers	<ul style="list-style-type: none">◆ Minenergo has performed an analysis of the legislative acts regulating fines for nonpayment of electricity Today there are no limitations for imposition of fines from budget-financed institutions if such provision is included into the contract between a supplier and a consumer◆ Cancellation of the procedure for imposition on fines from individuals will be difficult because it is regulated by Presidential Decree In the case of nonpayment of wages to the individual, a fine would be prohibited Timely payment of wages is a key problem in Ukraine
13 For all defaulted state and local budget-funded institutions and organizations identify and execute offsets with the electricity supply companies For all defaulted state-controlled enterprises identify and execute offsets with the electricity supply companies using the NBU bank offset mechanism	<ul style="list-style-type: none">◆ The Advisor is working closely with Minenergo to coordinate assistance and obtain monitoring information

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**FINANCIAL RECOVERY PLAN
ACTION MONITORING PROGRAM
REPORT NO 2 - JUNE 1998**

Actions	Recent Status / Progress measures
14 For major nonbudget customers who are receiving electricity service, identify arrears over 3 months and reschedule them as legally enforceable interest bearing, saleable debt instruments	<ul style="list-style-type: none">◆ Nonbudget-funded customer debt has increased from 2.9 billion UAH at the beginning of the year to 3.5 billion UAH at June 1. Attachment J14A shows the debt owed to each oblenegero by its nonbudget-funded customers which for the entire sector, grew by 1% in May and 20% in the first 5 months of 1998.◆ Minenergo provided detailed information on the larger individual customer debts as of 18 June 1998. This information shown in Attachment J14B is the first data provided, therefore it will form the basis for measuring progress in the future.
15 Establish collection departments with litigation staffs at all oblenegeros to take vigorous systematic legal actions in the court against all defaulters	<ul style="list-style-type: none">◆ As reported in May, most oblenegeros have the required organization for systematic follow-up of debts and several are currently working with local prosecutor offices to take legal action against defaulters.◆ Some oblenegeros are considering the addition of legal staff to their collection teams.
16 Assure financing to pay budget arrears for electricity and heat within 5 years by means including Treasury promissory note program and promissory notes of local state administrations	<ul style="list-style-type: none">◆ Under the draft of the IMF Extended Fund Facility, the Supplemental Budget is to contain 90 million UAH in the second half of 1998 for budget arrears to the electricity sector. For the 1999 budget the required amount is 180 million UAH.

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FINANCIAL RECOVERY PLAN
ACTION MONITORING PROGRAM
REPORT NO 2 - JUNE 1998

Actions	Recent Status / Progress measures
17 Transfer to winners of competitions and tenders management of state owned blocks of shares in the Electricity Companies to be privatized using Section 104 of the State Privatization Program, providing for the control interest to be held by investors	<ul style="list-style-type: none">◆ The clause that the tender winner will get the possibility to receive Management right over the state share package is being included in the conditions of all announced tenders Since last report the following commercial tenders have been announced Chernivtsioblenergo Luganskoblenergo Lvivoblenergo Mykolaivoblenergo and Poltavaoblenergo◆ See Action 18 for information concerning the suspension of oblenergo tenders The suspension does not apply to the above mentioned commercial tenders which have been announced

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**FINANCIAL RECOVERY PLAN
ACTION MONITORING PROGRAM
REPORT NO 2 - JUNE 1998**

Actions	Recent Status / Progress measures
<p>18 For all Oblenergos, sell by open tenders or competitions against investment commitments on a schedule specified by the SPF and Minenergo, at least 25% of the shares plus one share, providing for a possibility of transferring management of state shares to the winner Provide by the terms of tenders and competitions for an amount not less than the initial selling price to go for companies' development For efficient sale of shares, divide oblenergos into two groups</p>	<ul style="list-style-type: none">◆ Minister of Energy Sherberstov sent a letter to Mr Kryukov Acting State Property Fund Chairman proposing a temporary halt in Oblenergo Tenders (Attachment J18A) This letter led to the Prime Minister=s temporary halting of Oblenergo tenders On the positive side, it clearly sets forth concerns expressed by potential foreign investors in Oblenergo tenders (and donors) and attempts to address their concerns The Minister 's recommendations as to what needs to be done to improve conditions under which tenders are conducted are recommendations which should have been addressed one year ago before Oblenergo tenders were initiated On the negative side, the recommendations may be outside the competency of Minenergo, the State Property Fund, and the Cabinet of Ministers and therefore, the issues may never be addressed The letter also does not address the issue being presented by international investors that they want 51 % share packages◆ In June the Chernigivoblenergo Sumyoblenergo, and Prykarpattyoblenergo tenders were successful while the Kharkivoblenergo and Kyivoblenergo tenders failed The winners were announced after the Prime Minister's order halting the oblenergo tenders◆ Attachment J18B provides information on the Share Allocation Plans (SAP) and sales of stock of the four thermal generating companies and the 27 oblenergos in Ukraine There are no significant changes from last month 's report since the successful tenders mentioned above have not yet been reflected

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FINANCIAL RECOVERY PLAN
ACTION MONITORING PROGRAM
REPORT NO 2 - JUNE 1998

Actions	Recent Status / Progress measures
19 Sell at least 24% of 4 fossil generators against investment commitments by tenders and competitions Provide by the terms of tenders and competitions for an amount not less than 50% of the initial selling price for companies' development	<ul style="list-style-type: none">◆ The State Property Fund (SPF) has finally adopted the (donor/consultant/SPF jointly drafted) tender for international advisor and international tender regulations to replace the flawed December 1997 regulations under which the Donbasenergo and Tsenterenergo advisor tenders were conducted The new advisor regulations eliminate the "bridge" financing requirement They must now be agreed to by the Cabinet of Ministers and registered by the Ministry of Justice◆ The new advisor regulations may eliminate the disputes on the conditions of the pledge / guarantee that Credit Anstaldt Bank (Dombasenergo) and Union Bank of Switzerland (Tsenterenergo) have with the Ministry of Finance◆ Attachment J18B provides information on the Share Allocation Plans (SAP) and sales of stock of the four thermal generating companies
20 Review the results of items 17-19 of this Plan's implementation and prepare draft electricity company privatization plan for 1999 for consideration by CoM	<ul style="list-style-type: none">◆ No action expected until September

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**FINANCIAL RECOVERY PLAN
ACTION MONITORING PROGRAM
REPORT NO 2 - JUNE 1998**

Actions	Recent Status / Progress measures
21 Financial Recovery Commission ("FRC") to control implementation of the Financial Recovery Plan and report quarterly to the CoM on the process of its implementation	<ul style="list-style-type: none">◆ In late May Vice Prime Minister Tıgypko ordered each responsible agency to (1) assign specific managers for each relevant action (2) provide weekly written reports on progress, and (3) cooperate with assigned consultants The responsible agencies are now assigning staff through their own internal orders, Minenergo=s staffing order was issued 29 May◆ First Vice-Prime Minister Golubchenko ordered all responsible agencies to meet weekly to discuss progress The first such meeting took place on Saturday, 20 June
22 Prepare financial performance indicators of the industry's financial recovery process as set forth in the Appendix	<ul style="list-style-type: none">◆ See Attachment J22 which contains the indicators updated through May

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FINANCIAL RECOVERY PLAN
ACTION MONITORING PROGRAM
REPORT NO 2 - JUNE 1998

Actions	Recent Status / Progress measures
23 Draft appeal to the World Bank to reinstate EMDP loan based on initial performance of this Financial Recovery Plan including a request for reallocation of loan proceeds for acquisition of metering and communications technology required to implement hourly tariffs and voluntary demand curtailment	♦ No action necessary at this time

ATTACHMENTS TO THE JUNE 1998 FRP MONITORING REPORT

<u>NO</u>	<u>DESCRIPTION OR TITLE</u>
J2	Fuel Procurement Methods and Payment Mechanism Summary (Table)
J5A	NERC Resolution No 701 "On Procedure of Issuing Subsidy Certificates"
J5B	NERC Resolution No 703 "On Subsidy Certificate Procedure"
J5C	NERC Resolution No 737 "On Wholesale Purchase Price Calculations"
J5D	NERC Resolution No 707 "On Introducing Changes to MFP Algorithm "
J6A	Letter from NDC to NERC dated June 2, 1998
J6B	NERC Resolution No 708 "On Approving May 1998 Tariffs for Generating Companies"
J8	Summary of Terminations - Non Residential Customers (Table)
J9A	Supply to National Budget Customers (Table)
J9B	Supply to Local Budget Customers (Table)
J11A	Cabinet of Ministers Resolution #811 "On Establishing Special Procedure of Settlements "
J11B	Cash Collections (Table)
J11C	Cabinet of Ministers / Minenergo letter concerning Draft Law of Ukraine
J14A	Debt Incurred by Non Budget Customers (Table)
J14B	Summary of Arrears (Table)
J18A	Letter from Minister Sherberstov to State Property Fund
J18B	Ukrainian Power Industry Share Allocation Plans (Table)
J22	Key Financial Indicators and Benchmarks (Table)

Financial Recovery Plan Reporting Statistics
Fuel Procurement Methods and Payment Mechanism Summary
All Genco Thermal Power Stations
for the month of
May-98

Financial and Procurement Statistics	Units	Fuels			
		Coal	Mazut	Natural Gas	Total
Cash Available for Payment	Hryvna				
Calorific Value	kcal/kg, kcal/cm				
Competitive Tender					
Volume	Tonnes, cm	0	0	0	
Fuel Cost	Hryvna	0	0	0	0
Payment by Cash	Hryvna	0	0	0	0
Payment by Offset	Hryvna	0	0	0	0
Payment by Debt	Hryvna	0	0	0	0
Other Procurement Methods					
Volume	Tonnes, cm	1,869,306	37,082	11,339,000	
Fuel Cost	Hryvna	289,451,954	28,213,042	72,971,033	390,636,029
Payment by Cash	Hryvna	895,000	1,222,530	0	2,117,530
Payment by Offset	Hryvna	72,094,775	6,284,160	2,711,333	81,090,269
Payment by Debt	Hryvna	216,462,179	20,706,352	70,259,700	307,428,231
Total					
Volume	Tonnes cm	1,869,306	37,082	11,339,000	
Fuel Cost	Hryvna	289,451,954	28,213,042	72,971,033	390,636,029
Payment by Cash	Hryvna	895,000	1,222,530	0	2,117,530
Payment by Offset	Hryvna	72,094,775	6,284,160	2,711,333	81,090,269
Payment by Debt	Hryvna	216,462,179	20,706,352	70,259,700	307,428,231
Total - Percent					
Payment by Cash	Hryvna	0.3%	4.3%	0.0%	0.5%
Payment by Offset	Hryvna	24.9%	22.3%	3.7%	20.8%
Payment by Debt	Hryvna	74.8%	73.4%	96.3%	78.7%
		100.0%	100.0%	100.0%	100.0%

The National Electricity Regulatory Commission of Ukraine
(NERC)

RESOLUTION

No 701 of 28 May 1998

Kyiv

On Procedure of Issuing Subsidy Certificates

Pursuant to the Law of Ukraine "On Electricity Sector", Decree of the President of Ukraine No 335 of 21 April 1998 "Issues of the National Electricity Regulatory Commission of Ukraine", Resolutions of the Cabinet of Ministers of Ukraine No 491 of 15 April 1998 "On Preparing the National Economy for Operation in Autumn-Winter Period of 1998/99" and No 508 of 18 April 1998 "On Approval of Financial Recovery Plan for the Electricity Sector of Ukraine", in compliance with Terms and Rules of conducting entrepreneurial activity on electricity supply at regulated tariff, with the aim of securing repayment of electricity suppliers' expenses connected with electricity supplies to residential customers which have privileges in payment for consumed electricity under the current legislation of Ukraine and for which sources of financing have not been legally determined, the National Electricity Regulatory Commission of Ukraine (NERC) hereby **RESOLVES**

To approve the Provisions on the Procedure of Issuing Subsidy Certificates to repay losses of the licensee in supplying electricity at regulated tariff to residential customers which have privileges in payment for consumed electricity pursuant to the current legislation of Ukraine and for which sources of financing have not been legally determined (attached herewith)

The Settlement System Administrator and the Market Funds Administrator shall discount the issued certificates in compliance with the Provisions on the Procedure of Issuing Subsidy Certificate to repay losses of the licensee in supplying electricity at regulated tariff to residential customers which have privileges in payment for consumed electricity under the current legislation of Ukraine and for which sources of financing have not been legally determined, and with the Market Members Agreement

To declare Resolutions of the NERC No 385 of 24 June 1997 and No 557 of 31 June 1997 null and void

Butsio,

Chairman of the Commission

APPROVED

Resolution of the National Electricity
Regulatory Commission of Ukraine No 701 of
28 May 1998

PROVISIONS

on the Procedure of Issuing Subsidy Certificates to repay losses of the licensee in supplying electricity at regulated tariff to residential customers which have privileges in payment for consumed electricity pursuant to the current legislation of Ukraine and for which sources of financing have not been legally determined

1 These Provisions have been elaborated in compliance to the Terms and Rules of effecting entrepreneurial activity on supply of electricity at regulated tariff (hereinafter referred to as Terms and Rules) and the Market Members Agreement to establish the Procedure of issuing Subsidy Certificates to repay losses of the licensee in supplying electricity at regulated tariff to residential customers which have privileges in payment for consumed electricity under the current legislation of Ukraine and for which sources of financing have not been legally determined

2 The Subsidy Certificate shall be issued by the National Electricity Regulatory Commission (the NERC) according to the standard form given in Appendix 1

3 The total sum the Subsidy Certificate is issued for shall be calculated in accordance with actual electricity consumption (within the rates established by Resolutions of the Cabinet of Ministers of Ukraine No 879 of 1 August 1996 and No 479 of 22 May 1997) by residential customers which have privileges in payment for consumed electricity pursuant to the current legislation of Ukraine and for which sources of financing have not been legally determined for a month preceding the accounting month

3.1 The subsidy amount due to a licensee for the i -th residential customer makes

$$S_i = (T - T_s) * E_i / 100,$$

where

- S_i = subsidy amount due to the licensee for the i -th residential customer, hrn,
 T = NERC-approved electricity tariff for residential customers of relevant category, kop /kW year,
 T_s = electricity tariff for residential customers which have privileges in payment for consumed electricity and for which the source of financing has not been legally determined, kop /kW year,

E_i = volume of electricity consumed by the i -th residential customer within the rates of electricity consumption (according to meter readings) approved by normative documents,

The total sum (in hrn) for which the licensee is given a Subsidy Certificate makes

$$S = \sum S_i$$

4 The Subsidy Certificate shall be issued every month in the event of a licensee's application and upon an appropriate NERC's decision

5 Application for obtaining a Subsidy Certificate after the form as given in Appendix 2 shall be submitted by a licensee to the NERC's local office not later than on the 25th day of the month following the accounting month

Enclosed with the application shall be

- information on the amount of electricity consumed by residential customers which have privileges in payment for consumed electricity pursuant to the current legislation of Ukraine in _____ 199__ (Appendix 3),
(month)

- information on the amount of calculated and received subsidy for residential customers which have privileges in payment for consumed electricity pursuant to the current legislation of Ukraine, in _____ 199__ (Appendix 4),
(month)

- general data of the number and constitution of residential customers (including privilege categories), amount of consumed electricity, calculated and received subsidies, in _____ (month)
199__ (Appendix 5),

6 The NERC's local office shall consider the Application and Appendices to it (if necessary with arrival to the site), and check the submitted papers for reliability. Basing on the check results the NERC's local office shall draw up a report containing conclusions and proposals on expediency to issue a Subsidy Certificate to a licensee and transfer it to a licensee reserving a copy for itself. The licensee shall submit received proposals of the NERC's local office on expediency to issue a Subsidy Certificate together with the Application and Appendices to it for consideration at the meeting of the NERC not later than 15th day of the month after the month for which the licensee requires compensation for its losses

If the submitted application fails to meet the standard form or documents do not contain all required information the application for Subsidy Certificate shall be rejected, possibility of its re-submission after proper preparation within the stipulated term being given

7 Should a licensee submit inadequate information to the NERC to receive the Subsidy Certificate, which resulted in excess subsidy amount, the NERC may deprive such licensee of the right to the Subsidy Certificate for a period from one to three months

8 A matter on issuing a Subsidy Certificate to a licensee shall be considered at the meeting of the NERC. NERC's decision on issuance of Subsidy Certificate shall be made in the resolution

9 NERC's decision on issuing a Subsidy Certificate to a licensee shall be sent not later than 5 working day before the beginning of the next month to

- the licensee,
- the Market Funds Administrator,
- the Settlement System Administrator,
- an appropriate local office of the NERC

10 The Settlement System Administrator shall take on discount a Subsidy Certificate while determining the wholesale market price in the next month

11 In keeping with the Market Funds Administration Procedure, the Market Funds Administrator, while making allocation of funds, shall decrease, to a licensee, an amount of expected fees from customers due to the electricity supplying company by an amount of Subsidy Certificate having included in the settlement month $\frac{1}{30}$ Subsidy Certificate amount (or $\frac{1}{28}$, $\frac{1}{29}$, $\frac{1}{31}$ depending on the number of days in a month)

In the event of receipt of Subsidy Certificate after the beginning of the settlement month, the amount of this certificate shall be distributed to the appropriate number of days of the next month

During the accounting period the Market Funds Administrator shall decrease payment to the electricity supplying company for electricity purchased from the Wholesale electricity market by the amount of the Subsidy Certificate

12 The Market Funds Administrator shall take on discount Subsidy Certificates in compliance with the Market Funds Administration Procedure

The National Electricity Regulatory Commission of Ukraine

SUBSIDY CERTIFICATE

to repay losses of the licensee in supplying electricity at regulated tariff to residential customers which have privileges in payment for consumed electricity pursuant to the current legislation of Ukraine and for which sources of financing have not been legally determined

The National Electricity Regulatory Commission of Ukraine (NERC), in pursuance of the current Procedure of Issuing Subsidy Certificates to repay losses of the licensee in supplying electricity at regulated tariff to residential customers which have privileges in payment for consumed electricity pursuant to the current legislation of Ukraine and for which sources of financing have not been legally determined, shall issue this Certificate to

_____ (name of the licensee supplying electricity at regulated tariff)

for _____ 199 ____
(month)

for the total amount of _____ hrn
(in numbers and words)

Basis Resolution of the NERC of _____ 199__ No _____

The Subsidy Certificate is legally valid solely while making settlements in compliance with the Market Funds Administration Procedure and may not be used for any other purposes but specified above

Butsio,
Chairman of the Commission

APPLICATION

of Licensee supplying electricity at regulated tariff for obtaining Subsidy Certificate to repay losses of the licensee in supplying electricity at regulated tariff to residential customers which have privileges in payment for consumed electricity pursuant to the current legislation of Ukraine and for which sources of financing have not been legally determined

(name of the Applicant - Licensee supplying electricity at regulated tariff)

The Applicant hereby applies for obtaining Subsidy Certificate to repay expenses connected with supplies of electricity at regulated tariff to residential customers which have privileges in payment for consumed electricity pursuant to the current legislation of Ukraine and for which sources of financing have not been legally determined, in _____ 199__

(month)

to a total value of _____ hrn

(in numbers and words)

Attached hereto are

1 Information on the amount of electricity consumed by residential customers which have privileges in payment for consumed electricity pursuant to the current legislation of Ukraine, in _____ 199__ (Appendix 3),
(month)

2 Information on the amount of calculated and received subsidy for residential customers which have privileges in payment for consumed electricity pursuant to the current legislation of Ukraine, in _____ 199__ (Appendix 4),
(month)

3 General data of the number and constitution of residential customers (including privilege categories), amount of consumed electricity, calculated and received subsidies, in _____ (month)
199__ (Appendix 5)

We undertake commitments

- to properly meter actual electricity consumption (according to meter readings) by residential customers which have privileges in payment for consumed electricity,
- to submit upon the request of the NERC additional information and documentation

Stamp here

(Signature)
_____ 199__

**Amount of Electricity Consumed by Residential Customers which Have Privileges in
Payment for Consumed Electricity Pursuant to the Current Legislation of Ukraine,
in _____ 199__**

(name of the licensee supplying electricity at regulated tariff)

Groups of customers	Number of customers which have privileges and have paid for electricity in accounting month	Including				Amount of consumed electricity at privileged tariff within the established rates kWh	urban
		urban customers	urban customers which use electric ovens and heaters	rural customers	rural customers which use electric ovens and heaters		
1	2	3	4	5	6	7	
1 War veterans							
1.1 Participants of military operations							
1.2 War invalids							
1.3 War participants							
1.4 Other persons entitled to privileges established by the Law of Ukraine On the status of war veterans and guarantees of their social protection (Article 10)							
1.5 Persons having outstanding merits before the Motherland							
Heroes of the Soviet Union							
Full holders of the Glory Order							
Persons awarded with four and more medals For Courage							
Heroes of the Socialist Labor who received this title during the Great Patriotic War							
2 Servicemen parents and family members of servicemen who died or were missing in action or became disabled during military service							
3 Veterans of military service							
4 Persons with outstanding labor merits before the Motherland and members of their families residing with them							
4.1 Full holders of the Labor Glory Order							
4.2 Heroes of Socialist Labor							
5 Servicemen of the Security Service of Ukraine							
6 Policemen and their family members							
6.1 Policemen who live and work in countryside or town settlements and members of their families residing with them							
7 Investigators of the Public Prosecutor Office							

		urban customers	urban customers which use electric ovens and heaters	rural customers	rural customers which use electric ovens and heaters		urban
1	2	3	4	5	6	7	
8 Judges							
9 Fire fighters and their family members							
10 Rural residents and workers of the agri industrial complex residing in town settlements							
11 Veterinary doctors practicing and residing in rural areas and town settlements These rights are reserved for retired veterinary doctors who worked in the countryside and reside there							
12 Citizens who suffered from Chernobyl catastrophe							
Category I							
Category II							
13 People who live within the 30 km zone of NPP total including those obtaining privileges pursuant to the legislation of Ukraine those using tariff discounts							
14 Exonerated persons who became disabled because of repression or are pensioners							
15 Citizens residing and working (studying) at the territory of settlements that has the status of highlands							
16 Teachers who work in the countryside and town settlements as well as pensioners who earlier worked as teachers in these settlements and reside there							
17 TOTAL including those for which the source of financing has not been legally determined							

Notes 1 Items 2 3 4 8 10 13 14 15 (italic) specify categories of residential customers which have privileges in payment for consumed electricity pursuant to the current legislation and for which the source of financing has not been legally determined
People who live within the 30 km zone of NPP and have privileges are related in this report to appropriate groups of privileged categories

Stamp here _____ (signature)

_____ 199 ____

Appendix 4

Amount of Calculated and received Subsidy for Residential Customers which Have Privileges in Payment for Consumed Electricity Pursuant to the Current Legislation of Ukraine, in _____ 199 ____

(name of the licensee supplying electricity at regulated tariff)

Groups of customers	Amount calculated at NERC approved tariff this firm	Including				Amount calculated at privileged tariff within the established rates this firm	Including				Total amount subsid this firm (column 1 - column 2)
		urban customers	urban customers which use electric ovens and heaters	rural customers	rural customers which use electric ovens and heaters		urban customers	urban customers which use electric ovens and heaters	rural customers	rural customers which use electric ovens and heaters	
1	2	3	4	5	6	7	8	9	10	11	12
1 War veterans											
1.1 Participants of military operations											
1.2 War invalids											
1.3 War participants											
1.4 Other persons entitled to privileges established by the Law of Ukraine On the status of war veterans and guarantees of their social protection (Article 10)											
1.5 Persons having outstanding merits before the Motherland											
Heroes of the Soviet Union											
Full holders of the Glory Order											
Persons awarded with four and more medals For Courage											
Heroes of the Socialist Labor who received this title during the Great Patriotic War											
2 Servicemen parents and family members of servicemen who died or were missing in action or became disabled during military service											
Veterans of military service											
4 Persons with outstanding labor merits before the Motherland and members of their families residing with them											
4.1 Full holders of the Labor Glory Order											
4.2 Heroes of Socialist Labor											

	unit this km	urban custo- mers	urban custo- mers which use electric ovens and heaters	rural custo- mers	rural custo- mers which use electric ovens and heaters	rates this km	urban custo- mers	urban custo- mers which use electric ovens and heaters	rural custo- mers	rural custo- mers which use electric ovens and heaters	column
1	2	3	4	5	6	7	8	9	10	11	12
5 Servicemen of the Security Service of Ukraine											
6 Policemen and their family members											
6.1 Policemen who live and work in countryside or town settlements and members of their families residing with them											
7 Investigators of the Public Prosecutor Office											
8 Judges											
9 Fire fighters and their family members											
10 Rural residents and workers of the agroindustrial complex residing in town settlements											
11 Veterinary doctors practicing and residing in rural areas and town settlements These rights are reserved for retired veterinary doctors who worked in the countryside and reside there											
12 Citizens who suffered from Chernobyl catastrophe											
Category I											
Category II											
13 People who live within the 50 km zone of NPP total including those obtaining privileges pursuant to the legislation of Ukraine those using tariff discounts											
14 Exonerated persons who became disabled because of repression or are pensioners											
15 Citizens residing and working (studying) at the territory of settlements that has the status of highlands											

	tariff this firm	urban custo- mers	urban custo- mers which use electric ovens and heaters	rural custo- mers	rural custo- mers which use electric ovens and heaters	rates this firm	urban custo- mers	urban custo- mers which use electric ovens and heaters	rural custo- mers	rural custo- mers which use electric ovens and heaters	column
1	2	3	4	5	6	7	8	9	10	11	12
16 Teachers who work in the countryside and town settlements as well as pensioners who earlier worked as teachers in these settlements and reside there											
17 TOTAL											
including those for which the source of financing has not been legally determined											

Notes 1 Items 2 3 4 8 10 13 14 15 (Italic) specify categories of residential customers which have privileges in payment for consumed electricity pursuant to the current legislation and for which the source of financing has not been legally determined
 People who live within the 30 km zone of NPP and have privileges are related in this report to appropriate groups of privileged categories

Stamp here _____ (signature)

_____ 199 ____

National Electricity Regulatory Commission
(NERC)

Resolution

On Subsidy Certificate Procedure

May 28, 1998 No 703
Kyiv

Pursuant to the Act of Ukraine "On the Power Sector", Presidential Decree No 335 of April 21, 1998 "Issues of the National Electricity Regulatory Commission Ukraine's Cabinet of Ministers Resolutions of April 15, 1998 No 491 "On the national economy arrangements for the fall and winter of 1998/99" and of April 18, 1998 No 508 "On Approval of the Financial Recovery Plan for the Power Sector of Ukraine" according to Terms and Conditions for carrying out entrepreneurial activity in electricity supply at regulated tariff, with the aim of indemnifying losses of electricity suppliers incurred from electricity supply to agricultural customers- producers which are charged a lower tariff established by Ukrainian Act of October 17, 1990 No 400 "On the priority of social development of rural areas and agribusiness in the national economy" (with amendments), the National Electricity Regulatory Commission of Ukraine (NERC)

RESOLVES

To approve Regulations on the Subsidy Certificate Procedure to indemnify losses of the licensee in carrying out electricity supply to agricultural customers-producers at regulated tariff (attached)

WEM Settlement System Administrator and Market Funds Administrator shall take into account the issued certificates, according to Regulations on Subsidy Certificate Procedure to indemnify the licensee for its losses incurred in electricity supply to agricultural customers-producers at regulated tariff and Energomarket Members' Agreement

To deem NERC's Resolutions No 385 of June 24, 1997 and No 557 of July 31 1997 invalid

Z Boutsio

NERC
Chairman

Regulations

On the Subsidy Certificate Procedure To Indemnify RTS Licensee For Losses Incurred In Supplying Electricity To Agricultural Customers-Producers

The Regulations are worked out in accordance with RTS License Terms and Conditions (Terms and Conditions) and Energomarket Members' Agreement (EMA) They establish the procedure for issuance of Subsidy Certificates for agricultural customers-producers (Subsidy Certificate) to indemnify for costs of the RTS Licensee incurred in supplying electricity to agricultural customers-producers

Agricultural Customer Subsidy Certificate shall be issued by NERC according to the standard form (see Appendix 1)

The total sum for which the Agricultural Customer Subsidy Certificate is issued shall be calculated according to the actual electricity consumption by agricultural customers-producers (based on the meter's readings) for a month previous to the month of Licensee's Subsidy Certificate Application submission

3.1 The subsidy amount for any agricultural customer is

$$S_i = ((T_n - T) * Q_i) / 100 \text{ where}$$

S_i = the subsidy amount for the agricultural customer in hrvnias,

T_n = the retail electricity tariff in kop /kWh that would have been charged to customer under a strict application of the formula contained in the Regulated Tariff Supply License Terms and Conditions and for calculation of which the actual wholesale market price shall be used

T = the retail electricity tariff charged to agricultural customers-producers following the

appropriate NERC Executive Order kop /kWh

Q_1 = the quantity of electricity consumed by agricultural customer-producer (based on the meter's reading) for the month previous to the month of the Licensee's Subsidy Certificate Application submission

The total Licensee's ACSC amount in hryvnias shall be

$$ACSC = \sum S^j$$

4 An ACSC may be issued monthly in case of the Licensee's applying and upon the appropriate NERC's decision

5 An ACSC Application shall be submitted by the Licensee according to the form under Appendix 2 to the NERC Local Office before 25-th day of the month following the accounting month

The calculation of the subsidy amount to indemnify the licensee for costs of electricity supply to agricultural customers for (month) 199 shall be attached to the Application (Appendix 3)

6 The NERC Local Office shall consider the application and appendices to it with site visits if necessary, checks authentication of the materials, and based on the check results make a statement with conclusions and proposals on the advisability of an ACSC issuance to the licensee with a copy left to NERC. The licensee shall submit the NERC Local Office proposals on the advisability of the ACSC issuance with the application and appendices to it to the NERC meeting before the 15th day of the month after the next following accounting month

7 In case of wrong data submitted by a Licensee for an ACSC issuance that has led to increase of the ACSC subsidy amount the NERC may not issue the ACSC for this Licensee for 1-3 months

8 The matter of an ACSC issuance shall take place at the NERC hearing. The decision on issuance of the ACSC shall be drawn up in the format of the resolution

9 Decision on an ACSC issuance shall be sent out not later than 3 working days prior to the beginning of the next month to

- ◆ the Licensee
- ◆ Energomarket Funds Administrator
- ◆ Settlement System Administrator
- ◆ the appropriate NERC Local Office

10 The Settlement System Administrator shall take the ACSC into account while calculating the wholesale market price for the next month

11 The Energomarket Funds Administrator, during the Energomarket Funds Procedure shall decrease the amount of the forecast electricity collections of the licensee by the subsidy amount taking into account the 1/30-th (or 1/28 1/29 1/31) part of the Subsidy Certificate amount depending on the number of days in the appropriate month

If the Subsidy Certificate is received after the beginning of the accounting month the amount of the Certificate shall be divided into the appropriate number of days of the next month

For the accounting period the Energomarket Funds Administrator shall decrease the supplier's payment for the electricity purchased on the Wholesale Electricity Market by the amount of the Subsidy Certificate

12 Energomarket Funds Administrator accounts the subsidy certificates according to the Energomarket Funds Procedure

NERC

**Subsidy Certificate to Compensate the Losses of the Regulated Tariff
Electricity Supply to Agricultural Customers-Producers**

NERC in accordance with Regulations on the Procedure of Issuance of Subsidy Certificates to RTS Licensees supplying electricity to agricultural customers-producers, issues this Certificate to

(name of the RTS Licensee)

(name of the licensee supplying electricity at regulated tariff)

for _____ 199 ____
(month)

for the total amount of _____ hrn
(in numbers and words)

Basis Resolution of the NERC of _____ 199__ No _____

The Subsidy Certificate is legally valid solely while making settlements in compliance with the Market Funds Administration Procedure and may not be used for any other purposes but specified above

Buttsio,
Chairman of the Commission

APPLICATION

of Licensee supplying electricity at regulated tariff for obtaining Subsidy Certificate to indemnify its losses in carrying out electricity supply to agricultural customers-producers at regulated tariff

(name of the Applicant - Licensee supplying electricity at regulated tariff)

The Applicant hereby applies for obtaining Subsidy Certificate to indemnify its losses in carrying out electricity supply to agricultural customers-producers at regulated tariff in

_____ 199____
(month)

to a total value of _____ hrn
(in numbers and words)

Attached hereto are

Calculation of the subsidy amount to indemnify losses of the licensee in carrying out electricity supply to agricultural customers-producers at regulated tariff in _____
(month)

199____

We undertake commitments

- to properly meter actual electricity consumption (according to meter readings) by residential customers which have privileges in payment for consumed electricity,
- to submit upon the request of the NERC additional information and documentation

Stamp here

(Signature)
_____ 199 ____

Calculation of the Subsidy amount to indemnify the licensee for the losses in electricity supply to agricultural customers-producers for _____, 199__

(name of the RTS)

Agricultural customers-producers	Consumption thous kWh	TARIFF (kop /kWh)		Sales (thousand hrvnias)	
		calculated	approved by NERC	at calculated tariff (col 2 \ col 3)	at tariff approved (col 2 \ col 3)
1	2	3	4	5	6
Total					
1 class					
2 class					

Signature

NATIONAL ENERGY REGULATORY COMMISSION OF UKRAINE

RESOLUTION 737

of June 3, 1998
Kyiv

On Wholesale Purchase Price Calculations

In accordance with Decree of the President of Ukraine 335 of April 21 1998 "On NERC Related Issues" the National Energy Regulatory Commission of Ukraine (NERC) resolves

1 Starting from 4 June 1998, the Wholesale Electricity Market of Ukraine (WEM) Settlement System Administrator shall, when calculating the wholesale electricity price according to the WEM Rules, take into account the amount of subsidy certificates totalling UAH 51,176 thousand which was determined when tariffs for electricity purchase from the Wholesale Market in June 1998 for suppliers at a regulated tariff were calculated

2 The 1/27th part of the amount specified in Paragraph 1 shall be taken account of in daily wholesale price calculations until June 30, 1998 inclusive

Z Butsio
Chairman

THE NATIONAL ELECTRICITY REGULATORY COMMISSION OF UKRAINE

RESOLUTION

No 707 of May 25, 1998

Kyiv

On Introducing Changes to MFP Algorithm
for the Wholesale Electricity Market Members

In compliance with the President of Ukraine Decrees # 335 of April 21, 1998 "The Issues of the National Electricity Regulatory Commission of Ukraine", #64 of February 23, 1994 "On Urgent Measures for Nuclear Power Sector Development and Nuclear Fuel Cycle Formation" and in accordance with the Cabinet of Ministers Resolution No 267 of April 12, 1995 "On Creation of Nuclear Fuel Cycle", the National Electricity Regulatory Commission (NERC)

RESOLVES

- 1 To approve changes into the algorithm of Market Funds Procedure for the Energomarket members of Ukraine (the WEM)
 - ◆ to add a separate line named "The fund of creation of the National nuclear cycle" to the part IV of the electronic sheet "Funds allocation between generators and other members to the Agreement" ,
 - ◆ to decrease the debt amount of the WEM to Energoatom as of May 1, 1998 by 120 mln UAH,
 - ◆ to establish the debt amount of the WEM to the Fund of creation of the National nuclear fuel cycle as of May 1, 1998 equal to 120 mln UAN and to account for 1/45 thereof daily
- 2 The NDC of Ukraine shall be provided with a new version of algorithm with introduced changes
- 3 The Market Funds Administrator shall
 - ◆ from June 17 1998 (payment day) do the settlements on funds allocation in accordance with the provided algorithm with the changes introduced by the NERC
 - ◆ transfer the funds to a separate account on agreement with the Ministry of Energy of Ukraine

Z Butsio

Chairman of the Commission

C:\Common\N Shevchenko\NERC\Orders\Resolution #707

NATIONAL DISPATCH CENTRE OF UKRAINE

Z Yu Butsio
Chairman
National Energy Regulatory Commission
of Ukraine

03-33 / 5014 of June 2, 1998

Re May 1998 Tariffs for Generating Companies

The following May 1998 tariffs have been calculated by the NDC of Ukraine in compliance with the Wholesale Electricity Market Rules taking into consideration the \$37/MWh

bid cap set by the NERC, with the fixed costs factor of \$10/MW, for generating companies and independent generators

Donbasenergo	3 40 US cents / kWh
Dniproenergo	3 39 US cents / kWh
Tsentrenergo	3 38 US cents / kWh
Zahidenergo	3 39 US cents / kWh
Integratsiia Closed JSC	3 37 US cents / kWh
Stirol Kontsern	3 41 US cents / kWh

The average tariff for generating companies is 3 39 US cents / kWh

We are requesting to approve the May 1998 tariffs for generating companies

M E Rachin
Energomarket Executive Director

Yevdokimov
36-47

NERC Incoming #1376/50

June 2 1998

Single page

NATIONAL ENERGY REGULATORY COMMISSION OF UKRAINE

RESOLUTION 708

of June 2, 1998
Kyiv

On Approving May 1998 Tariffs for Generating Companies

In accordance with Decree of the President of Ukraine 335 of April 21, 1995 A On National Energy Regulatory Commission of Ukraine Related Issues@ and the provisions set forth in the Wholesale Electricity Market Members Agreement, the National Energy Regulatory Commission of Ukraine (NERC) resolves

To approve May 1998 tariffs for electricity sold to the Wholesale Electricity Market, which have been calculated by the NDC of Ukraine in compliance with the Wholesale Electricity Market Rules taking into consideration availability price, for the following state joint stock generating companies (SJSGC)

Donbasenergo SJSGC	3 40 US cents / kWh
Dniproenergo SJSGC	3 39 US cents / kWh
Zahidenergo SJSGC	3 39 US cents / kWh
Tsentrenergo SJSGC	3 38 US cents / kWh

To approve May 1998 tariffs for electricity sold to the Wholesale Electricity Market, which have been calculated by the NDC of Ukraine in compliance with the Wholesale Electricity Market Rules taking into consideration availability price, for the following blocks leased from SJSGCs

Kontsern Stirol Open JSC	3 41 US cents / kWh
Integratsiia Closed JSC	3 37 US cents / kWh

3 To establish that the wholesale market price is set taking account of the value of the tariffs specified in Paragraphs 1 and 2 of this Resolution

Z Butsio
Chairman

Action No 8 - Summary of Terminations Non Residential Customers

Report for period ending

28 May 98

See NOTES below for detailed description of each item required

Suppliers	3 Non Residential Debtors in default but not disconnected				5 Non Res Debtors disconnected as at 28 May 1998			
	2 No of Debtors		Debt - 000UAH		4 No of Debtors	% of Total Debtors	Debt 000UAH	% of Total Debt
	At 28 May 98	% change from Jan 98	At 28 May 98	% change from Jan 98				
Crimea	3107	1 2%	142990	30 0%	1233	28 4%	67582	32 1%
Sevastopol City	175	4 4%	9632	28 5%	65	27 1%	3525	26 8%
Khmelnitsky	1136	12 1%	21745	51 8%	429	27 4%	9153	29 6%
Vinnitsa	1249	24 7%	29521	45 0%	837	40 1%	12234	29 3%
Ternopil	791	9 3%	23894	49 3%	409	34 1%	11515	32 5%
Chernivtsy	669	60 4%	14085	48 8%	106	13 7%	951	6 3%
Zaporhozie	2435	13 1%	84731	6 0%	482	16 5%	5943	6 6%
Dnepropetrovsk	2687	14 8%	250571	6 3%	736	21 5%	22693	8 3%
Kirovograd	728	6 4%	28800	73 4%	639	46 7%	16330	36 2%
Donetsk	1991	5 6%	599979	15 5%	1270	38 9%	347277	36 7%
Lugansk	1734	11 6%	297250	27 7%	1085	38 5%	78114	20 8%
Kyivenergo	713	13 5%	126740	14 6%	266	27 2%	8952	6 6%
Kyivoblenergo	2084	14 1%	30449	50 3%	1516	42 1%	15044	33 1%
Cherkasy	1676	11 3%	64168	58 8%	807	32 5%	23272	26 6%
Zhitomir	738	9 3%	10453	27 8%	422	36 4%	4393	29 6%
Chernigiv	952	5 3%	16890	30 5%	828	46 5%	14224	45 7%
Lviv	1930	2 6%	55998	15 3%	546	22 1%	9219	14 1%
Rivne	1351	15 2%	19447	66 4%	644	32 3%	5680	22 6%
Prykarpatyie	1173	19 1%	16949	56 5%	455	27 9%	4497	21 0%
Zakarpatyie	1376	11 9%	23337	126 3%	651	32 1%	5385	18 7%
Volyn	1096	20 4%	19645	15 1%	191	14 8%	1003	4 9%
Odessa	1220	9 6%	44445	11 7%	489	28 6%	6517	12 8%
Kherson	2039	28 6%	70113	7 5%	1605	44 0%	56081	44 4%
Mykolaev	745	91 5%	34598	215 0%	479	39 1%	11310	24 6%
Kharkiv	1721	28 2%	146074	28 0%	718	29 4%	7263	4 7%
Poltava	1515	12 8%	25363	-9 0%	434	22 3%	5017	16 5%
Sumy	1325	13 2%	23693	15 5%	1118	45 8%	18353	43 6%
S W RDC	7	75 0%	5869	51 7%	0	0 0%	2733	31 8%
Ukraine	38363	2 7%	2237429	18 8%	18460	32 5%	774260	25 7%

NOTES

Col No	Detailed description
1	Regulated Tariff Supplier
2	Total number of customers provided with electricity service (above emergency level) while in default
3	Cumulative Value of electricity provided to customers that Supplier is entitled to disconnect but not disconnected
4	Total number of customers disconnected or on emergency level service only
5	Total Cumulative Value of electricity services owed by customers disconnected or on emergency level service

FINANCIAL RECOVERY PLAN
MONTHLY ACTION MONITORING SYSTEM

ATTACHMENT J9A

Action No 9 - Supply to National Budget Customers

Suppliers	Debts - M UAH			+/- in month M UAH	% change from May 1 98	+/- year to date	
	Jan 1 98	May 1 98	Jun 1 '98			M UAH	Jan 1 98
Crimea	5 40	5 74	6 87	1 13	19 7%	1 47	27 2%
Sevastopol City	2 00	2 89	2 95	0 06	2 1%	0 95	47 5%
Khmelnitsky	1 90	3 41	4 04	0 63	18 5%	2 14	112 6%
Vinnitsa	3 60	4 20	4 33	0 13	3 1%	0 73	20 3%
Ternopil	0 20	1 44	1 30	(0 14)	-9 7%	1 10	550 0%
Chernivtsy	0 30	1 06	1 17	0 11	10 4%	0 87	290 0%
Zaporozhie	4 80	4 10	4 56	0 46	11 2%	(0 24)	-5 0%
Dnepropetrovsk	3 40	8 30	5 67	(2 63)	-31 7%	2 27	66 8%
Kirovograd	1 70	1 54	1 79	0 25	16 2%	0 09	5 3%
Donetsk	3 60	6 10	7 50	1 40	23 0%	3 90	108 3%
Lugansk	5 00	8 30	7 24	(1 06)	-12 8%	2 24	44 8%
Kyivenergo	3 90	5 10	6 23	1 13	22 2%	2 33	59 7%
Kyivoblenergo	2 90	4 72	6 02	1 30	27 5%	3 12	107 6%
Cherkasy	0 80	2 82	3 09	0 27	9 6%	2 29	286 2%
Zhitomir	2 80	2 40	2 65	0 25	10 4%	(0 15)	5 4%
Chernigiv	1 10	1 80	2 09	0 29	16 1%	0 99	90 0%
Lviv	5 30	5 49	6 16	0 67	12 2%	0 86	16 2%
Rivne	0 70	1 14	1 19	0 05	4 4%	0 49	70 0%
Prykarpatye	1 00	1 20	1 26	0 06	5 0%	0 26	26 0%
Zakarpatye	2 30	4 33	3 99	(0 34)	-7 9%	1 69	73 5%
Volyn	1 40	2 06	2 19	0 13	6 3%	0 79	56 4%
Odessa	4 30	7 80	7 32	(0 48)	-6 2%	3 02	70 2%
Kherson	3 60	5 10	5 07	(0 03)	-0 6%	1 47	40 8%
Mykolaev	2 80	5 40	6 12	0 72	13 3%	3 32	118 6%
Kharkiv	11 00	8 60	9 02	0 42	4 9%	(1 98)	-18 0%
Poltava	2 00	3 50	3 69	0 19	5 4%	1 69	84 5%
Sumy	0 90	1 80	2 02	0 22	12 2%	1 12	124 4%
S W RDC	1 00	0 99	0 99	0 00	0 0%	(0 01)	-1 0%
Central RDC				0 00		0 00	
Ukraine	79 70	111 33	116 52	5 19	4 7%	36 82	46 2%

**FINANCIAL RECOVERY PLAN
MONTHLY ACTION MONITORING SYSTEM**

ATTACHMENT J9B

Action No 9 - Supply to Local Budget Customers

Suppliers	Debts - M UAH			+/- in month M UAH	% change from May 1 98	+/- year to date	
	Jan 1 98	May 1 98	Jun 1 98			M UAH	Jan 1 98
Crimea	5 70	5 15	6 93	1 78	34 6%	1 23	21 6%
Sevastopol City	0 10	0 48	0 32	(0 16)	-33 3%	0 22	220 0%
Khmel'nitsky	0 50	0 76	0 74	(0 02)	-2 6%	0 24	48 0%
Vinnitsa	1 00	3 40	3 30	(0 10)	2 9%	2 30	230 0%
Ternopil	3 70	8 44	7 61	(0 83)	-9 8%	3 91	105 7%
Chernivtsy	0 00	0 70	0 58	(0 12)	-17 1%	0 58	
Zaporozhie	4 70	3 05	3 70	0 65	21 3%	(1 00)	-21 3%
Dnepropetrovsk	2 60	3 00	3 26	0 26	8 7%	0 66	25 4%
Kirovograd	0 70	1 89	1 85	(0 04)	-2 1%	1 15	164 3%
Donetsk	18 00	16 30	16 40	0 10	0 6%	(1 60)	8 9%
Lugansk	2 50	3 30	3 43	0 13	3 9%	0 93	37 2%
Kyivenergo	9 00	7 40	9 20	1 80	24 3%	0 20	2 2%
Kyivoblenergo	0 14	0 33	0 31	(0 02)	-6 1%	0 17	121 4%
Cherkasy	13 60	8 22	9 10	0 88	10 7%	(4 50)	33 1%
Zhitomir	0 20	1 10	1 23	0 13	11 8%	1 03	515 0%
Chernigiv	0 60	1 20	1 30	0 10	8 3%	0 70	116 7%
Lviv	0 70	1 43	1 52	0 09	6 3%	0 82	117 1%
Rivne	0 80	0 35	0 55	0 20	57 1%	(0 25)	-31 3%
Prykarpatye	0 50	0 30	0 72	0 42	140 0%	0 22	44 0%
Zakarpatye	1 70	1 79	3 69	1 90	106 1%	1 99	117 1%
Volyn	2 90	4 12	2 49	(1 63)	-39 6%	(0 41)	-14 1%
Odessa	3 80	6 00	5 40	(0 60)	-10 0%	1 60	42 1%
Kherson	1 80	2 50	2 34	(0 16)	-6 4%	0 54	30 0%
Mykolaev	0 00	0 60	1 09	0 49	81 7%	1 09	
Kharkiv	1 90	0 00	0 00	0 00		(1 90)	100 0%
Poltava	3 00	3 00	2 75	(0 25)	-8 3%	(0 25)	8 3%
Sumy	0 50	3 50	1 28	(2 22)	63 4%	0 78	156 0%
S W RDC				0 00		0 00	
Central RDC				0 00		0 00	
Ukraine	80 64	88 31	91 09	2 78	3 1%	10 45	13 0%

THE CABINET OF MINISTERS OF UKRAINE
AND THE NATIONAL BANK OF UKRAINE

RESOLUTION

of June 5, 1998, # 811
The City of Kyiv

**On Establishing Special Procedure of Settlements
for Electricity Consumed by Customers**

With the object of improving the status of settlements with power sector enterprises which operate at the wholesale electricity market and in pursuance of the Law of Ukraine "On Electricity Sector" and Article 5 of the Decree of the President of Ukraine "On Measures on Normalization of Payment Discipline in the National Economy of Ukraine" # 227 of 16 March 1995, the Cabinet of Ministers of Ukraine and the National Bank of Ukraine hereby RESOLVE

1 To establish temporary special procedure of settlements for electricity consumed by customers according to which appropriate banking institutions shall open clearing accounts

to electricity suppliers which hold licenses of the National Electricity Regulatory Commission for electricity supply at regulated tariff and to their structural subdivisions for accepting receipts from electricity customers,

to Market Funds Administrator for accepting receipts from electricity suppliers and transferring them from this account to current accounts of the market members and other organizations operating and rendering services at the wholesale electricity market pursuant to the legislation

2 To approve the Procedure of settlements for electricity consumed by customers (attached)

3 To take into consideration that in compliance with Energomarket Members' Agreement the functions of the Market Funds Administrator shall execute, before setting up the "Energomarket" enterprise as stipulated in the legislation the National Dispatch Center of the Ministry of Energy

This Resolution shall come into force from the date of its approval

Pustovoitenko,
Prime Minister of Ukraine

V Yushchenko
Chairman of the National
Bank of Ukraine

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APPROVED BY

The Resolution of the Cabinet of Ministers of Ukraine
and the National Bank of Ukraine
of June 5, 1998, # 811

**Procedure of Settlements
for Electricity Consumed by Customers**

1 Electricity suppliers which hold licenses of the National Electricity Regulatory Commission for electricity supply at regulated tariff and their subdivisions (hereinafter referred to as "Suppliers") shall open, in keeping with the established procedure, one clearing account with banking institutions for accepting receipts from electricity customers. The clearing account shall be opened as a sub-account to balance account No 2603 "Clearing Accounts of Entrepreneurial Entities in compliance with the plan of book-keeping accounts for commercial banks of Ukraine. In this case, receipts which enter to clearing accounts shall be used for targets specified by this Procedure.

In the event when a Supplier opens the clearing account with the bank institution where its current account is opened, a Supplier shall submit additionally an application for opening this account, account service agreement, as well as a copy of the license.

In the event when a Supplier opens the clearing account with other bank, apart from the above documents, there shall be submitted a card with signature samples and a copy of the license of the National Electricity Regulatory Commission for electricity supply at regulated tariff.

A bank shall notify the state taxation body where a Supplier is registered about the clearing account opening.

2 Receipts incoming from electricity customers shall be entered solely to the clearing account, the number of which and the procedure of settlements are specified in agreements concluded between electricity customers and suppliers.

3 The funds received from electricity customers during one banking day shall be entered by banks to clearing accounts of suppliers' subdivisions. Pursuant to the agreements concluded between the banks and suppliers' subdivisions wherein the procedure of transactions effected by the bank on funds transfers or payment orders is stipulated, the funds shall be transferred to the clearing accounts of suppliers.

The funds from the suppliers' clearing account shall be transferred to the clearing account of the Market Funds Administrator in the same way.

4 The Market Funds Administrator shall open the clearing account to make settlements between

the market members in Prominvestbank (the Market Banker) in compliance with the agreement concluded with it

The funds for electricity consumed by customers which received from the clearing accounts of suppliers as well as the funds for electricity purchased from the wholesale electricity market by suppliers that hold licenses of the National Electricity Regulatory Commission for electricity supply at regulated tariff shall be transferred to this account

In compliance with the established procedure, the Market Funds Administrator shall transfer, through a «client-bank», funds in the amount of balance as of the beginning of the banking day (the amount to be confirmed by the statement of account for the previous day) from the clearing account to the current accounts of parties to the Agreement between Market Members and Minenergo

5, The clearing account of the Market Funds Administrator shall be maintained by the Market Banker which shall deliver all information on funds movement on separate clearing accounts to the Market Funds Administrator

Action No 11 - Cash Collections

Suppliers	Total Sales			Cash Collection			
	Jan 98	May 98		Jan 98		May 98	
	000 UAH	000 UAH	% change	000 UAH	% of Sales	000 UAH	% of Sales
Vinnitsa	13 485	9 925	-26 4%	2 700	20 0%	2 577	26 0%
Ternopil	7 804	6 850	-12 2%	1 261	16 2%	1 424	20 8%
Chernivtsy	5 712	4 371	-23 5%	950	16 6%	1 574	36 0%
Khmelnitsky	12 273	10 003	-18 5%	1 710	13 9%	1 530	15 3%
Zaporozhie	42 668	40 564	-4 9%	4 060	9 5%	2 306	5 7%
Dnepropetrovsk	103 652	86 394	-16 6%	5 029	4 9%	4 581	5 3%
Kirovograd	15 385	12 752	17 1%	2 742	17 8%	2 521	19 8%
Donetsk	133 910	110 546	-17 4%	9 402	7 0%	7 556	6 8%
Lugansk	58 251	44 764	-23 2%	3 213	5 5%	2 715	6 1%
Kyivoblenergo	19 537	17 103	-12 5%	5 955	30 5%	4 895	28 6%
Zhitomir	11 550	10 664	-7 7%	2 450	21 2%	2 169	20 3%
Cherkasy	17 263	17 694	2 5%	2 426	14 1%	2 323	13 1%
Chernigiv	10 329	8 321	-19 4%	2 760	26 7%	2 348	28 2%
Crimea	26 358	24 357	-7 6%	3 726	14 1%	3 617	14 8%
Sevastopol City	5 003	4 601	8 0%	1 128	22 5%	1 350	29 3%
Lviv	19 336	16 953	-12 3%	3 508	18 1%	3 266	19 3%
Volyn	5 835	5 846	0 2%	2 282	39 1%	2 005	34 3%
Zakarpatskye	7 864	7 179	8 7%	2 133	27 1%	2 594	36 1%
Rivne	12 718	12 100	-4 9%	1 803	14 2%	1 788	14 8%
Prykarpatskye	8 914	10 266	15 2%	1 772	19 9%	1 609	15 7%
Odessa	28 711	26 275	-8 5%	5 427	18 9%	3 563	13 6%
Mykolaev	14 426	13 238	8 2%	1 977	13 7%	1 948	14 7%
Kherson	12 014	12 460	3 7%	1 029	8 6%	1 606	12 9%
Kharkiv	37 286	24 594	-34 0%	2 847	7 6%	2 117	8 6%
Sumy	13 543	11 285	-16 7%	3 171	23 4%	2 679	23 7%
Poltava	15 103	13 763	-8 9%	5 224	34 6%	4 921	35 8%
Total	658 930	562 868	14 6%	80 687	12 2%	71,585	12 7%

excluding Kyivenergo

Sales data from Minenergo - Cash data from MFP

Ministry of Energy of Ukraine

Cabinet of Ministers of Ukraine

No EK/17-309 of May 4, 1998

In pursuance of the Instruction of the Cabinet of Ministers of Ukraine of April 29, 1998, No 37-3367/4 the Ministry of Energy of Ukraine sends the revised draft Law of Ukraine "On Changes in Some Legislation Acts of Ukraine on Privileges in Payments for Consumed Electricity" elaborated in compliance with the Instruction of the Cabinet of Ministers of Ukraine No 14152/3 of July 15, 1997

We ask to encourage this draft Law and submit it to the Parliament (Verhovna Rada) of Ukraine pursuant to Article 93 of the Constitution of Ukraine

Enclosure on 20 sheets

O M Sheberstov

LAW OF UKRAINE

On Changes in Some Legislation Acts of Ukraine on Privileges in Payments for Consumed Electricity

With the aim of regulating the privileges in payments for consumed electricity the Parliament of Ukraine hereby **resolves**

I To make changes in such legislation acts of Ukraine

1 The 4th part of Article 22 of the Law of Ukraine "On Militia" (Vidomosti Verkhovnoyi Rady of UkrSSR 1991, No 4, Article 20, Vidomosti Verkhovnoyi Rady Ukrainy, 1992, No 36 Article 526) shall be supplemented after words "public services" with "except the payment for electricity"

2 In the 4th part of Article 49 of the Law of Ukraine "On Public Prosecutor's Office" (Vidomosti Verkhovnoyi Rady Ukrainy, 1991, No 53, Article 793, 1993, No 50, Article 474) words "electric and" shall be deleted

3 The 1st paragraph of Item 11 of the 1st part 1, Article 20 of the Law of Ukraine "On the Status and Social Protection of Citizens Suffered from Chernobyl Catastrophe" (Vidomosti Verkhovnoyi Rady Ukrainy, 1992 No 13, Article 178, 1996, No 35, Article 162) shall be supplemented as follows "Payment for the use of electricity shall be effected within the rates specified by the current legislation"

4 In Item 6 of Article 12 of the Law of Ukraine "On Social and Legal Protection of Servicemen and Members of Their Families" (Vidomosti Verkhovnoyi Rady Ukrainy, 1992, No 15, Article 190) the word "electric" shall be deleted and supplemented after words "other services" with 'except the electricity'

The Article shall be added as follows

"Payment for the use of electricity by parents and members of the families of servicemen who died or were missing in action or became disabled during military service shall be effected in

the amount of 50 % of the fixed amount of payment within the rates specified by the current legislation”

5 In the 6th part of Article 8 of the Law of Ukraine “On Veterinary Medicine (Vidomosti Verkhovnoyi Rady Ukrainy, 1997, No 7, Article 56) words “and lighting shall be deleted

6 In the 2nd paragraph of Item 9 of Article 44 of the Law of Ukraine “On the Status of Judges (Vidomosti Verkhovnoyi Rady Ukrainy, 1993, No 8 Article 56 1994 No 26 Article 203) words “electric and ’ shall be deleted

7 The 6th part of Article 22 of the Law of Ukraine “On Fire Safety’ (Vidomosti Verkhovnoyi Rady Ukrainy, 1994 No 5, Article 21) shall be supplemented after words ‘ public services’ with “except the payment for electricity”

8 In Article 12 of the Law of Ukraine “On the Priority of Social Development of Villages and Agroindustrial Complex in the National Economy” ” (Vidomosti Verkhovnoyi Rady Ukrainy, 1992, No 32, Article 453)

words “privileges for electricity and” in the title shall be deleted,

the 1st 2nd, and 3rd parts shall be deleted,

words “or emergence” in the 4th part shall be deleted, and ‘ The Ministry of Energy and Electrification of Ukraine” shall be changed for “The Ministry of Energy of Ukraine ’

9 In the 4th part of Article 57 of the Law of Ukraine “On Education’ (Vidomosti Verkhovnoyi Rady Ukrainy, 1996, No 21, Article 84) words “and lighting” shall be deleted

10 In the 2nd part of Article 29 of Principles of the Legislation of Ukraine ‘ On Culture ’ (Vidomosti Verkhovnoyi Rady Ukrainy, 1992, No 21, Article 294) words “and lighting” shall be deleted

11 In Item “7” of Article 77 of Principles of the Legislation of Ukraine “On Health Protection (Vidomosti Verkhovnoyi Rady Ukrainy, 1993, No 4, Article 19) words “and lighting shall be deleted

II This Law shall come into force from the date of its promulgation

L. Kuchma President of Ukraine

FINANCIAL RECOVERY PLAN
MONTHLY ACTION MONITORING SYSTEM

ATTACHMENT J14A

Action No 14 - Debt incurred by Non Budget Customers

Suppliers	Debts - M UAH			+/- in month M UAH	% change from May 1 98	+/- year to date	
	Jan 1 98	May 1 98	Jun 1 98			M UAH	Jan 1 98
Crimea	129.2	162.7	169.4	6.7	4.1%	40.2	31.1%
Sevastopol City	16.7	19.3	15.5	(3.8)	19.7%	(1.2)	-7.0%
Khmelnitsky	13.2	19.3	19.6	0.3	1.5%	6.4	48.6%
Vinnitsa	24.2	29.1	27.3	(1.8)	-6.3%	3.1	12.7%
Ternopil	12.1	17.3	15.2	(2.1)	-12.3%	3.1	25.5%
Chernivtsy	9.5	10.9	11.0	0.0	0.1%	1.5	15.3%
Zaporozhie	70.4	98.1	98.7	0.7	0.7%	28.3	40.3%
Dnepropetrovsk	470.5	498.7	500.2	1.5	0.3%	29.7	6.3%
Kirovograd	22.6	30.5	30.2	(0.3)	1.0%	7.6	33.5%
Donetsk	524.6	606.9	617.5	10.6	1.7%	92.9	17.7%
Lugansk	282.6	332.5	344.4	11.9	3.6%	61.8	21.9%
Kyivenergo	554.6	658.1	651.8	(6.3)	-1.0%	97.2	17.5%
Kyivoblenergo	17.3	25.7	24.3	(1.4)	-5.4%	7.0	40.6%
Cherkasy	31.2	58.7	60.9	2.3	3.8%	29.7	95.2%
Zhitomir	5.6	7.2	6.7	(0.5)	6.7%	1.1	20.0%
Chernigiv	28.2	40.8	41.1	0.3	0.8%	12.9	45.8%
Lviv	77.5	92.3	92.7	0.4	0.5%	15.2	19.6%
Rivne	10.2	16.2	15.9	(0.3)	-2.2%	5.7	55.5%
Prykarpatye	18.1	23.8	24.7	0.9	3.9%	6.6	36.6%
Zakarpate	6.8	13.6	10.2	(3.4)	-24.7%	3.4	50.3%
Volyn	12.9	15.3	18.0	2.7	17.6%	5.1	39.7%
Odessa	145.3	178.6	179.7	1.1	0.6%	34.4	23.7%
Kherson	83.3	97.6	98.8	1.2	1.2%	15.5	18.6%
Mykolaev	19.1	33.1	36.7	3.6	10.8%	17.6	92.1%
Kharkiv	259.2	294.7	294.9	0.2	0.1%	35.7	13.8%
Poltava	69.7	72.8	75.9	3.1	4.2%	6.2	8.8%
Sumy	22.6	26.3	28.5	2.2	8.4%	5.9	26.1%
SW RDC	2.9	5.0	7.0	2.0	39.9%	4.1	141.7%
Central RDC	5.7	0.0	2.7	2.7		(3.0)	52.6%
Ukraine	2 945.8	3 485.1	3 519.4	34	1.0%	573.6	19.5%

**FINANCIAL RECOVERY PLAN
MONTHLY ACTION MONITORING SYSTEM**

ATTACHMENT J14B

Action No 14 - Summary of Arrears

Customers with Large Electricity Debt as of - 18 June 1998

Supplier	Debts			
	over 100,000 & less than 1M UAH		Over 1M UAH	
	No of Debtors	Total Debt 000 UAH	No of Debtors	Total Debt 000 UAH
Crimea	17	7,007	7	93 768
Sevastopol City	2	664	3	6,388
Khmel'nitsky	8	2,896	3	16,968
Vinnitsa	6	2,171	6	18,672
Ternopil	8	3 927	3	21,818
Chernivtsy	7	2,426	3	6,658
Zaporhozie	7	3,035	8	56,314
Dnepropetrovsk	11	5,059	11	153,825
Kirovograd	4	2,139	7	18 001
Donetsk	6	3,249	25	476 433
Lugansk	32	12,190	25	269,199
Kyivenergo	16	3,612	7	195,976
Kyivoblenergo	9	3,731	4	18 063
Cherkasy	18	6,553	8	50,948
Zhitomir	10	3,009	2	3 804
Chernigiv	9	3,670	2	10 271
Lviv	14	3,514	9	46,265
Rivne	7	1,831	4	14,120
Prykarpatye	2	1 369	4	9 096
Zakarpatye	6	2,210	4	7 296
Volyn	5	1,603	4	11 875
Odessa	13	3,725	5	29 374
Kherson	14	5,759	5	64 869
Mykolaev	7	3,927	5	25 141
Kharkiv	32	9,195	10	114,354
Poltava	2	1,256	7	19 819
Sumy	21	6 524	3	15 424
S W RDC	2	1,309	2	5 803
Ukraine	295	107,559	186	1 780 541

- NOTES**
- 1 No earlier data available at present for comparative assessment
 - 2 Agribusiness is treated as one customer in each Oblast
 - 3 Figures may include Budget customers

Ministry of Energy of Ukraine

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To Mr Kravukov Acting State Property Fund Chairman

Dear Mr Kravukov

In accordance with the plan approved by the Cabinet of Ministers the State Property Fund in early 1997 started the privatization of energy sector enterprises, in particular the sale of shares of oblenegos on stock exchanges via commercial tenders and via the PFTS

Analysis conducted by MinEnergo and input from potential investors expressing interest in the energy market of Ukraine indicates that along with positive results, there are a number of negative factors in the process of privatization of electric power companies such as

- ◆ The tenders for several companies are announced at the same time (within one month) For example in May tenders were announced for six companies which decreased the possible selling price for share packages,
- ◆ The period of time for conducting a tender is too short - one month or 1.5 months - which is insufficient for potential investors to objectively evaluate the condition of a company
- ◆ The issue of restructuring the debts of companies undergoing privatization is not resolved This undermines the potential investors interest to participate in tenders
- ◆ The lack of a reliable mechanism ensuring mutual guarantees for the state and for the investor
- ◆ A lack of clear tariff formulas the application of which would allow the real development of the company undergoing privatization and the resolution of a number of other problems mentioned in the appendix to this letter

These issues need to be resolved as quickly as possible at the level of the Verkhovna Rada Cabinet of Ministers the State Property Fund NERC and a number of Ministries by adopting relevant legal and normative acts allowing us to avoid at subsequent privatization stages the errors made to date

I request you to issue corresponding orders with regard to suspending the further publication of official announcements on privatization of oblenegos until the issues raised are resolved and to extend for one more month the deadline for conducting the tenders already announced

The annex is attached

Minister O M Sherberstov

Annex to the Min Energo letter of 06/04/98

On the results of privatization of energy sector companies and the proposals to improve the privatization procedures

According to the sector's privatization program in January 1998 the SPF started to actively privatize energy sector companies in particular to sell shares of regional power distribution companies via commercial tenders, stock exchanges and via the PFTS

Min Energy is constantly analyzing the situation in the privatization of this sector of the economy, summarizing both negative and positive experiences of conducting tenders, and working in cooperation with potential investors who show interest in operating in Ukraine's energy market

The positive factors are

1 A high level of interest by potential investors including strategic investors. However they have been acting so far as observers who thoroughly investigate the actual status of the industry and the situation in Ukraine on the whole (the presentations of energy companies held in 1997-1998 contributed to significant expansion of interest)

2 Transparency and openness of the information about the industry and each of the companies

3 The tender terms include the state obligation to transfer a state owned share package of the relative company to the tender winner for management without announcing a separate tender. This will allow the winner to accumulate a majority share package needed for effective management. Such an opportunity presented itself after the VR approved the Law of Ukraine 'On the 1998 State Privatization Program

The negative factors are

1 The unsatisfactory organization procedures for the privatization process

2 A number of important conceptual and methodological issues are unresolved

3 The lack of guarantees and obligations on the part of the state with regard to ensuring the appropriate conditions for the operation of companies after they are sold

1 The unsatisfactory organizational procedures are

1.1 The uncoordinated actions of the SPF and MinEnergy in announcing commercial tenders - when during one month share packages of a large number of companies are offered (in May 1998 there were 6 Kyiv Oblenergo, Prykarpattia Oblenergo, Odessa Oblenergo, Kharkiv Oblenergo, Luhansk Oblenergo, Lviv Oblenergo and Poltava Oblenergo) and at the same time active bidding was conducted on the stock exchange for shares of power distribution companies (in May 1998 - 3 Krymenergo, Kharkiv Oblenergo, Volyn Oblenergo), which under the condition of a financial crisis and a constant outflow of foreign capital from Ukraine will only create the situation where no bids will be submitted for tenders i.e. tenders will not be held or the share package will be sold at prices not only considerably lower than the real value but even below its face value. Moreover the facts confirming this already exist in January 1998 a tender was held for share packages of Volyn Oblenergo, Zakarpatt'a Oblenergo, Kyiv Oblenergo, Sevastopol Oblenergo, Ternopil Oblenergo, Kirovohrad Oblenergo, Sevastopol Miskenergo, Ternopil Oblenergo and Khmelnytsky Oblenergo. Share packages of only two companies - Kirovohrad Oblenergo and Ternopil Oblenergo - were sold.

The sale of shares at low prices decreases both the revenues to the state budget (sale at or below nominal

price) and the capital invested in the companies

1.2 There is no long-term schedule (plan) for the sale of shares of power distribution companies which would coordinate the issues of share sale through tenders and stock exchange

1.3 Untimely review and approval of privatization plans for 9 power distribution companies which even before the sector privatization program was adopted envisaged the retention in state ownership of 51% of shares instead of 25% + one share envisaged for the other 18 companies

2 The unresolved issues of a conceptual nature include

2.1 The failure to resolve the issue of restructuring enterprise debts when the price of the share package is relatively high which substantially affects the attractiveness of the tender for potential investors. A mechanism needs to be put in place which will allow to set the amount of debts as of the date of sale via tender and create preferential conditions for the redemption of debts guaranteed by the state. The difficulty in resolving this issue results from the fact that, usually, the entities owed by the enterprises undergoing privatization are no more fully state-owned and any influence on them on the part of the state needs to be within the legal framework designed for business associations

2.2 The shareholder rights of the winner of the tender are considerably restricted with regard to the management of the state-owned share package which can only come through the appropriate legal framework

2.3 The failure to resolve the issue of the guaranteed priority right to buy out a state-owned share package at a price established as of the date of the tender on condition the winner fulfilled over a period of 3 years its obligations stipulated by agreement

2.4 Unclearness with regard to the issue of which investment resources (refundable or non-refundable) and in what manner may be used by the investor for investment purposes provided the fixed tender requirements are met

2.5 Lack of a reliable mechanism for mutual guarantees between the state and the investor

2.6 Failure to resolve the issue of social assets belonging to the energy companies

3 **In terms of methodology, there may arise doubts** over some provisions of the Regulation on commercial and non-commercial tenders with regard to the electric power industry which requires great resources and therefore needs a very careful and comprehensive study on the part of investors including foreign investors. This mostly relates to

3.1 The time between the announcement of the tender in newspapers and the submission of tender proposals. According to the Regulation this period is 30 days and can be reduced by one week by the Tender Commission. Apparently this is too short a term for the investor who is to resolve the issue of investing an amount of tens of millions dollars and prepare a tender proposal based on the study of the overall situation in the country

3.2 The duration of the period between the announcement of the winner and signing of an agreement between the State Property Fund of Ukraine and the winner. In cases when a foreign investor is taking part in a tender agreements have to assume an international status and be revised by foreign lawyers which is certainly unfeasible over a period of 10 days as stated in the Regulation

3.3 Concerns of investors are caused by the procedures of making refundable deposits in the amount of 10% of the initial price of the share package, which is required for participation in the tender. These are substantial amounts of money amounting to millions of hryvnas; therefore their deposit for several months without a guarantee on the part of Ukraine represents a factor which negatively affects the investor's desire, especially in view of its inability, as it has been stated above, to gain a complete understanding about the enterprise.

3.4 Procedures also need to be corrected that require, after the unsuccessful conduct of one or two commercial tenders, to offer shares of such an enterprise for sale at a stock exchange or via over-the-counter trading system (PFTS). This will lead to the enterprises which are strategically important for the country, not having an efficient owner while the revenues will not go to investment.

4. For the electric energy sector, in order to ensure the appropriate conditions for functioning of enterprises after their sale, Min Energo, NERC and the National Dispatch Center of the Energy Sector hereinafter - NDC (or ENERHORYNOK) should create for investors proper conditions to ensure profitable operation of power companies. The conditions include:

Creating clear-cut tariff policy, embodiment into the tariffs of a relevant rate of profitability which would allow for enterprise development, restructuring and a mechanism of automatic adjustment of retail tariffs in line with changes of the ENERHORYNOK wholesale tariffs. This is a very important condition for investment attraction for the power distribution companies belong to regional monopolies and the investors must have guarantees that no discriminatory measures will be used against them.

Possibility to conclude direct financial agreements between the power generation and power distribution companies with utilization of ENERHORYNOK as a clearing center during transmission of electric power and for pricing of power, taking into account levels of demand and supply.

As a result of implementation of par. 3.2 - invalidation of transit accounts of power distribution companies in ENERHORYNOK. Existence of such accounts is a direct dictate of the state, with which one could agree only in case it comes to the ENERHORYNOK members that are fully state-owned enterprises, and not when it comes to JV-type companies.

Strict legal regulation of mutual settlement of taxes (in a form that does not contradict the current legislation) between the state and the power distribution companies in situations when the budget organizations fail to pay for electric power and heating.

Gradual transition to civilized retail electric power market in which power distribution companies and independent power traders must use unified tariff policy - in such conditions a real competition will be achieved between the market participants irrespective of their status.

The terms of development of mechanisms of settlements for the electric power consumed by categories of population enjoying privileged rights with smooth transition from privileges to direct subsidies to those enjoying the privileges.

Thus, to ensure maximum advantage for Ukraine from privatization in the electric power sector, one should develop and approve in the shortest time a number of normative acts which would take into account all the factors mentioned above.

In the table below proposed are schedules, allocation of authorities between state management bodies with respect to resolution of issues related to privatization in the power industry sector and types of normative acts to be issued.

Number of issue (as they appear in the text)	The type of normative act or other document	Term of development and enforcement	Responsible authority
1 1 1 2 1 3	Schedule approved by joint Order	06/05/98	- SPF - Minenergo
2 1	Resolution of Cabinet of Ministers of Ukraine	06/16/98	- Cabinet of Ministers - SPF - Minenergo - Ministry of Finance - Ministry of Justice
2 2 2 3	Order on Peculiarities of Privatization in Electric Power Industry	06/10/98	SPF
2 4	Order on peculiarities of implementation of fixed conditions with further modification of the Regulation	06/10/98	SPF
2 5	Standard format of purchase and sale agreement approved by the Order	06/10/98	SPF
2 6	Order	06/10/98	SPF
3 1 3 2 3 3 3 4	Order with further modification of the Regulation	06/10/98	SPF
4 1	Resolution of the NCRES	07/01/98	- Minenergo - NCRES
4 2	Modifications to the agreement between the members of ENERHORYNOK	07/01/98	- Minenergo - NCRES - NDC

4 3	Cabinet of Ministers and the NBU Resolution	08/01/98	<ul style="list-style-type: none"> - Cabinet of Ministers - NBU - Minenergo - Ministry of Finance - NCRES - NDC - Ministry of Justice
4 4	Cabinet of Ministers and the NBU Resolution	06/01/98	<ul style="list-style-type: none"> - Cabinet of Ministers - Minenergo - NCRES - NDC - Ministry of Finance - NBU
4 5	The NCRES Resolution	07/01/98	<ul style="list-style-type: none"> - NCRES
4 6	A Law of Ukraine	during 1998	<ul style="list-style-type: none"> - Verkhovna Rada - Cabinet of Ministers - Minenergo - NCRES - NDC - Ministry of Finance

Ukrainian Power Industry (Energos) SAP and Sales ATTACHMENT J18B

Enterprise	Statutory Fund (UAH)		Preferential Sale % of SF*		Auctions % of SF*		Tenders % of SF*		Stock Exchanges % of SF*		Other % of SF*	State of SF	Total (without State %)		
	SAP	Sold**	SAP	Sold	SAP	Sold	SAP	Sold	SAP	Sold	SAP	SAP	SAP Sold		
													SAP	Sold	
1 EGC Dniproenergo	98 099 950	25 00%	25 00%	0 00%	0 00%			24 00%	0 00%	0 00%	0 00%	0 00%	51 00%	49 00%	25 00%
2 EGC Donbasenergo	236 443 010	25 00%	25 00%	0 00%	0 00%			24 00%	0 00%	0 00%	0 00%	0 00%	51 00%	49 00%	25 00%
3 EGC Centrenergo	92 351 777	25 00%	25 00%	0 00%	0 00%			24 00%	0 00%	0 00%	0 00%	0 00%	51 00%	49 00%	25 00%
4 EGC Zakhidenergo	127 905 410	25 00%	25 00%	0 00%	0 00%			24 00%	0 00%	0 00%	0 00%	0 00%	51 00%	49 00%	25 00%
5 EDC Kyivenergo	27 091 070	33 77%	33 77%	0 00%	0 00%			30 00%	0 00%	11 23%	2 58%	0 00%	25 00%	75 00%	36 35%
6 EDC Dniiproenergo	59 916 170	22 18%	22 18%	5 00%	0 00%			10 00%	0 00%	11 82%	0 00%	0 00%	51 00%	49 00%	22 18%
7 EDC Vinnytsaoblenergo	30 973 660	26 60%	26 60%	5 00%	0 00%			8 00%	0 00%	9 40%	0 00%	0 00%	51 00%	49 00%	26 60%
8 EDC Zaporizoblenergo	44 840 000	21 57%	21 57%	5 43%	0 00%			10 00%	0 00%	12 00%	0 00%	0 00%	51 00%	49 00%	21 57%
9 EDC Rivneoblenergo	20 827 420								0 00%		0 00%				0 00%
10 EDC Cherkassyoblenergo	37 098 333	18 48%	18 48%	6 14%	0 00%			20 00%	0 00%	4 38%	2 30%	0 00%	51 00%	49 00%	20 78%
11 EDC Khmelnytskoblenergo	33 637 840	20 27%	20 27%	4 73%	4 72%	0 00%		20 00%	0 00%	4 00%	4 00%	0 00%	51 00%	49 00%	28 99%
12 EDC Kirovogradoblenergo	29 844 000	22 55%	22 55%	2 45%	2 42%	0 00%		20 00%	20 00%	4 00%	4 00%	0 00%	51 00%	49 00%	48 96%
13 EDC Kyivoblenergo	52 043 780	13 00%	13 00%	3 67%	3 67%	3 33%	3 30%	25 00%	0 00%	4 00%	4 00%	0 00%	51 00%	49 00%	23 97%
14 EDC Sevastopolmiskenergo	6 722 400	23 31%	23 31%	1 69%	1 66%	0 00%		20 00%	0 00%	4 00%	4 00%	0 00%	51 00%	49 00%	28 97%
15 EDC Ternopiloblenergo	15 272 040	16 48%	16 48%	8 00%	8 00%	0 00%		20 00%	20 00%	4 52%	4 52%	0 00%	51 00%	49 00%	49 00%
16 EDC Volynoblenergo	23 863 800	18 13%	18 13%	3 87%	3 87%	3 00%	2 93%	20 00%	0 00%	4 00%	0 72%	0 00%	51 00%	49 00%	25 65%
17 EDC Zakarpattiaoblenergo	31 150 810	12 85%	12 85%	6 15%	6 11%	0 00%		20 00%	0 00%	10 00%	1 93%	0 00%	51 00%	49 00%	20 88%
18 EDC Zhytomyroblenergo	20 389 165	20 85%	20 85%	4 14%	4 14%	0 00%		24 00%	12 00%	0 00%	0 00%	0 00%	51 00%	49 00%	37 00%
19 EDC Chernigivoblenergo	29 829 506	16 94%	16 94%	6 54%	6 54%	0 00%		35 00%	0 00%	16 53%	0 00%	0 00%	25 00%	75 00%	23 47%
20 EDC Chernivtsioblenergo	14 195 170	14 98%	14 98%	5 47%	5 47%	0 00%		36 00%	0 00%	18 55%	12 00%	0 00%	25 00%	75 00%	32 45%
21 EDC Donetskoblenergo	81 896 469	18 54%	18 54%	5 00%	5 00%	0 00%		36 00%	0 00%	15 46%	8 42%	0 00%	25 00%	75 00%	31 96%
22 EDC Kharkivoblenergo	64 135 190	20 79%	20 79%	2 96%	2 96%	0 00%		35 00%	0 00%	16 24%	0 00%	0 00%	25 00%	75 00%	23 76%
23 EDC Khersonoblenergo	23 743 760	16 53%	16 53%	5 48%	5 48%	0 00%		35 00%	0 00%	17 99%	0 00%	0 00%	25 00%	75 00%	22 01%
24 EDC Krimenergo	43 241 880	18 52%	18 52%	3 00%	3 00%	0 00%		35 00%	0 00%	18 48%	7 18%	0 00%	25 00%	75 00%	28 70%
25 EDC Luganskoblenergo	52 030 730	19 33%	19 33%	4 00%	4 00%	0 00%		35 00%	0 00%	16 67%	9 14%	0 00%	25 00%	75 00%	32 47%
26 EDC Lvivoblenergo	48 493 080	17 14%	17 14%	8 05%	8 05%	0 00%		35 00%	0 00%	14 81%	11 00%	0 00%	25 00%	75 00%	36 19%
27 EDC Mykolaivoblenergo	39 660 000	14 23%	14 23%	6 45%	6 45%	0 00%		40 00%	0 00%	14 32%	9 00%	0 00%	25 00%	75 00%	29 68%
28 EDC Odessaoblenergo	52 123 890	17 24%	17 24%	5 41%	5 41%	0 00%		35 00%	0 00%	17 35%	10 00%	0 00%	25 00%	75 00%	32 65%
29 EDC Poltavaoblenergo	55 240 000	16 40%	16 40%	6 80%	6 80%	0 00%		36 00%	0 00%	15 80%	0 00%	0 00%	25 00%	75 00%	23 20%
30 EDC Prykarpattiaoblenergo	25 908 875	15 63%	15 63%	5 12%	5 12%	0 00%		35 00%	0 00%	19 25%	0 00%	0 00%	25 00%	75 00%	20 75%
31 EDC Sumyoblenergo	44 281 374	15 37%	15 37%	8 77%	8 77%	0 00%		36 00%	0 00%	14 85%	0 00%	0 00%	25 00%	75 00%	24 15%

APPENDIX C

**JULY 1998 FINANCIAL RECOVERY PLAN ACTION
MONITORING REPORT**

**FINANCIAL RECOVERY PLAN
ACTION MONITORING PROGRAM
REPORT NO 3 - JULY 1998**

Actions	Recent Status / Progress measures
<p>1 Require that all noncash financial settlements, including offsets be executed by, or on behalf of, electricity companies using NBU bank offset mechanism</p>	<ul style="list-style-type: none"> ◆ The NBU Bank offset mechanism has been approved by the Cabinet of Ministers The next step is for the National Dispatch Center (NDC) and the Market Funds Administrator to arrange to participate in such bank offsets, and for Minenergo to instruct the oblenergos and gencos to use this mechanism
<p>2 For each generation Company, apply all financial resources which remain available after payment of wages repairs, and taxes to cash fuel procurement</p>	<ul style="list-style-type: none"> ◆ The advisor has received roughly 90% of the information requested in order to monitor progress on these actions This month, extensive analysis has been performed and better information is available Information is still not being provided from Energoatom, however Also, the Combined Heat and Power plant #5 of Kharkiv Oblenergo has been separated from the company and that fuel information is no longer available to us because of this separation We are trying now to determine what type of separation has occurred ◆ In June, 10 7 million UAH of cash was used to procure fuel (8 1% of total purchases of 131 million UAH) as shown in Attachment JULY #2 This does not represent a change from the situation in May but simply reflects a better understanding of reporting and analysis Cash is coming from Minenergo distributions of subsidies for state owned budget enterprises and organizations to the Gencos Beyond the cash and volumes of fuel reported herein, DerzhComReserve also pays cash for fuel deliveries This information is unavailable to the advisors but the advisors are working to define these amounts

**FINANCIAL RECOVERY PLAN
ACTION MONITORING PROGRAM
REPORT NO 3 - JULY 1998**

Actions	Recent Status / Progress measures
<p>3 Generation Companies conduct all cash purchases of all types of fuel from suppliers based on competition</p>	<ul style="list-style-type: none"> ◆ Minenergo issued an order on June 29 relative to cash procurement of fuel and the requirement for tendering this fuel. The order indicated that a commission is to be set up by Minenergo Deputy Minister of Fuel, and to include representatives of Minenergo legal and fuel departments and the Genco fuel representatives. The commission will decide which tenders will be awarded and then the Gencos will sign the contracts. This arrangement raises the question of whether Minenergo is attempting to maintain control over the Gencos fuel procurement because the Gencos could conduct their own tenders. With the on-going lack of cash from the Energomarket, no cash is available from this source for fuel procurement at this time. It appears that this tender effort is credible. ◆ Minenergo has requested Cabinet of Ministers to restructure UAH 562 million of DerzhComReserve (State Reserve) coal and mazut debt as of April 1, 1998. This request has not met with any action by CoM, as of yet. Minenergo has also asked CoM to meet with Minenergo and DerzhComReserve to discuss restructuring of this debt over a 5-year period. ◆ Cabinet of Ministers has ordered Minugleprom and Minenergo to work out a plan for washing coal to go to power stations in the future. CoM has also reportedly decided not to impose any further import duties on coal until after coal quality from domestic mines has been improved and costs have been reduced. ◆ The Cabinet of Ministers issued Resolution #857 dated June 12, 1998 which created Ugol-Ukraine, or Coal of Ukraine, which is a new state-owned centralized joint stock fuel marketing company to sell all Ukrainian coal production. This company will have more functions than the old Ukruglesbyt, which was disbanded many months ago, and will continue to exist within the structure of Minugleprom. They will handle settlements for fuel sales, development of information for a fuel balance in the country, and export and import fuel marketing. Coal is intended to be sold on an exchange basis. They will create a state leasing fund for mining equipment and support coal producers at the Wholesale Electricity Market by influencing the relationships between electricity and coal product prices and fulfill intergovernmental agreements on purchasing or sales of coal. They will assist realization of a price policy regarding the export and import of coal products. In short, the monopoly status of the coal industry is further perpetuated with this order and there is a question of how Coal of Ukraine intends to influence electricity and coal price relationships.

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Actions	Recent Status / Progress measures
4 Identify as of 1 January 1998 accounts payable of electricity supply and generating companies and provide for this debt to be rescheduled for payment over 5 years in accordance with the effective law	<ul style="list-style-type: none">◆ As previously reported, the Cabinet of Ministers issued Resolution No 582 dated 28 April 1998 which rescheduled the generating companies fuel debts from 1 October 1997 to the following four years ◆ No advisor currently available to assist on this task

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Actions	Recent Status / Progress measures
<p>5 Transit to market-based retail tariffs according to the Electricity Law and the NERC issued licenses, while providing for a single tariff for the population in the entire territory of Ukraine</p>	<ul style="list-style-type: none"> ◆ NERC held a seminar for the oblenergos on July 20, 1998 to prepare them for the implementation of retail tariffs according to the formula contained in the Regulated Tariff Supplier licenses as required by the Electricity Law. NERC explained that the license-based tariff system will be implemented on September 1, 1998. NERC requested the oblenergos to fill out 3 times in August a table showing the difference in revenues between the current tariffs and the license-based tariffs. Attached are translations of the materials distributed by NERC during the seminar: the agenda (Attachment JULY #5A), the draft procedure for determining customer classes according to voltage level (ATT JULY #5B), a July 17 letter to the oblenergos informing them what the actual average Wholesale Market Price was in June 1998 (ATT JULY #5C), the table which NERC requested the oblenergos to fill out (ATT JULY #5D), and a July 17 letter from NERC to the oblenergos and NERC's Local Offices ordering the submission of certain information (ATT JULY #5E) ◆ On 22 July the Verkhovna Rada passed Resolution #50-XIV (Attachment JULY #5F) to approve a draft law in the first reading. According to the 24 July issue of Intel News, if passed, this would impose a temporary ban on increasing residential rates for electricity (as well as natural gas, rents, and other vital services) pending the government's full reimbursement of debts for wages, salaries, pensions, and other social benefits. Rates would be frozen at their June 1, 1998 levels. As reported in May, residential rates were increased effective May 1, 1998 by 22 to 35%, depending on the type of service provided. There were no specific plans to increase electricity rates in the near future so this "temporary ban" is not expected to have any near term effects. However, it is not in keeping with the overall restructuring process of the power sector. Intel News also discussed another facet of this law that would not allow utility companies to deny services to Ukrainians with wage arrears. No action is expected on this law until the Verkhovna Rada reconvenes in September.

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Actions	Recent Status / Progress measures
<p>6 Determine amounts due from all electricity suppliers and to all generators according to the Wholesale Market Rules Enforce provisions for all payments received by Wholesale Market Members to be distributed according to Market Funds Administration Procedure</p>	<ul style="list-style-type: none"> ◆ Under the Market Rules, The System Settlement Administrator should schedule generation on the basis of price and availability bids submitted by generators Under the current arrangements, an Executive Committee of Minenergo meets daily and may adjust generator availability declarations for the purpose of scheduling generation to optimise fuel stocks The Wholesale Purchase Price (WPP) is therefore calculated on the basis of generator availabilities determined by Minenergo and not by the generators themselves ◆ NDC is unable to calculate the uplift element of the Wholesale selling price (WSP) in accordance with the Market Rules NDC does not currently have an operational Dispatch Log system, which would record the instructions sent by the Dispatcher to generators Therefore, constraint payments and block failure penalties are not correctly determined and as a result, NDC sets the constraint payments and fines equal to zero The uplift element of the WSP does not therefore contain all of the elements set out in the market rules ◆ Zhitomir Oblenergo reported that the Oblast made a 1 8 million UAH payment on its electricity debt and was instructed by Minenergo to make the payment direct to a Minenergo fuel account as opposed to flowing it through the Market Funds Procedure This is an example of government policy being in conflict with the operation of the MFP
<p>7 Draft and submit for consideration in line with the established procedure law to cancel privileged electricity tariffs based on the occupational principle and to set and enforce consumption limits for all remaining classes of privileged customers</p>	<ul style="list-style-type: none"> ◆ In June, the Cabinet of Ministers approved a draft law to cancel privileged tariffs based on occupation (See Attachment July #7) This draft law would change 11 existing laws for the various occupational privileges This draft law has been included in the session of the Verkhovna Rada but will probably not be acted upon until September

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Actions	Recent Status / Progress measures
8 Oblenergos to promptly terminate service to all defaulters except as provided by the Law of Ukraine and local administrations interfering with this process are to be prosecuted	<ul style="list-style-type: none"> ◆ As of 9 July, nonresidential debtors owed 3 08 billion UAH, of which 2 2 billion UAH (72%) was owed by debtors who nonetheless continue to receive electricity service This is a slight improvement over the prior month, when nonresidential debt was 3 01 billion UAH and 74% of defaulters continued to receive service
9 Limit supply of electricity to budget-funded customers to no more than the actual amount provided for in cost estimates for this purpose	<ul style="list-style-type: none"> ◆ The debt level for National Budget customers increased by 4 4 million UAH (3 8 %) to 120 9 million UAH in this reporting period Since the beginning of the year, the debt level grew by 41 3 million UAH or 52% The detailed information by oblenergo can be seen in Attachment JULY #9A ◆ On the Local budget level, the situation is more positive Local budget customer debt decreased 11 3 million UAH (12 5%) to 79 7 million UAH This brings the debt level for this class of customers to approximately the level at the beginning of the year (See Attachment JULY #9B)
10 Transfer the Market Funds Administrator from NDC to a new, NERC-licensed Energomarket Enterprise	<ul style="list-style-type: none"> ◆ As previously reported, on 15 April 1998 Minenergo issued an order requiring that, within one month, NDC prepare a plan for creation of Energomarket State Enterprise ◆ In July Minenergo decided to create "Ukrenergo", a new State legal entity This entity would perform the functions currently being performed by the High Voltage Network and NDC Inside Ukrenergo an independent department "Energomarket" would be created to perform the functions of the Market Funds Administrator, System Settlement Administrator, Accounting, Claiming and Secretariat The Antimonopoly Committee stated they would approve this change if the Energomarket Board agrees with the change

**FINANCIAL RECOVERY PLAN
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Actions	Recent Status / Progress measures
<p>11 Formalize and enforce compulsory use of clearing accounts for all Oblenergos' receipts specified in the Wholesale Market Funds Administration Procedure</p>	<ul style="list-style-type: none"> ◆ Clearing Accounts are being used by most Oblenergos, however it appears that not all customers are being allowed to pay into the clearing accounts Zhitomir Oblenergo recently reported that the Oblast government tried to pay its bill to the clearing account but was instructed by Minenergo to instead pay it to the Minenergo Fuel account This payment of 1 8m UAH was thus completely removed from the Market Funds Procedure The advisor is continuing to investigate this situation ◆ Cash collections through the Market Funds Procedure by each oblenergo except Kievenergo, as reported by NDC, are shown in Attachment JULY #11 Cash collections from customers to the clearing accounts were 54 3 million UAH in June, which is 9 8% of sales This includes cash revenues for energy sales All cash receipts of the oblenergos (as reported in the Key Financial Indicators table) total 11 1% of sales The 1 3% differential represents receipts for non-energy services such as connection charges, penalties etc
<p>12 Prepare propositions to the Rada to renew responsibility for non-timely electricity payments by budget organizations and residential customers</p>	<ul style="list-style-type: none"> ◆ Minenergo has performed an analysis of the legislative acts regulating fines for nonpayment of electricity Today, there are no limitations for imposition of fines from budget-financed institutions if such provision is included into the contract between a supplier and a consumer ◆ Minenergo has drafted a law and submitted it to the Cabinet of Ministers, which would invalidate the current law prohibiting fines for individuals for late payments Attachment JULY #12 contains the letter from Minenergo and the draft law

**FINANCIAL RECOVERY PLAN
ACTION MONITORING PROGRAM
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Actions	Recent Status / Progress measures
<p>13 For all defaulted state and local budget-funded institutions and organizations identify and execute offsets with the electricity supply companies For all defaulted state-controlled enterprises identify and execute offsets with the electricity supply companies using the NBU bank offset mechanism</p>	<ul style="list-style-type: none"> ◆ Until 1997 the state and local budgets did not specify the allocation for electricity and heat separately from other expenses This was obtained for the first time in 1998 as described in Attachment JULY #13A ◆ Minenergo confirmed that budget offset mechanisms have been approved However these offsets pertain to current consumption as well as prior debt These mechanisms will be applied to all ministries starting with the ones submitting the data first See Attachment JULY #13B, a letter from Minenergo Deputy Minister Darchuck As of July 8, 26 out of 120 ministries have submitted outstanding debt details from their subordinate organizations ◆ For defaulted state-controlled enterprises, Minenergo has agreed to undertake the following steps <ol style="list-style-type: none"> 1 Classify debtors in major categories (industrial, agriculture, communal services, etc) according to creditworthiness and practical measures to collect debts, 2 Identify specific measures to be taken for each category (future, arrears), 3 Identify those measures which are outside Minenergo's influence and undertake actions to ensure these are followed-up, 4 Assign all other measures to Minenergo staff, 5 Elaborate a detailed action plan for each category, 6 Establish a progress monitoring scheme for the use of Minenergo

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Actions	Recent Status / Progress measures
<p>14 For major nonbudget customers who are receiving electricity service, identify arrears over 3 months and reschedule them as legally enforceable, interest bearing saleable debt instruments</p>	<ul style="list-style-type: none"> ◆ Nonbudget-funded customer debt reached 2.1 billion UAH at July 1. It increased less than 1% in the current month but is 19% higher than 1/1/98. The data by Oblenergo is contained in Attachment JULY #14A. This table is significantly different from last month's due to a review of the information received from Minenergo. Last month, the debt information was for both electric and heat. This month, the advisor was able to clarify the source of data and eliminate heat debt. ◆ Information on large debtors is shown in Attachment JULY #14B. 175 customers had individual debts over 1 million UAH for a total of 1.73 billion UAH. These amounts are slightly lower than for the previous month (186 customers and 1.78 billion UAH). Similarly, for those customers with individual debts between 100,000 and 1,000,000 UAH, the number of debtors (282 this period vs 295 last period) and the total debt (101 vs 108 million UAH) is down slightly from last month. ◆ Minenergo has drafted a Presidential Decree for creating a legal basis for improving collections (See Attachment July #14C). This includes the following features: <ol style="list-style-type: none"> 1 <u>Industrial customers</u>: Supply contracts with pre-payment clause and bank guarantee, or joint guarantee customer/bank (agency agreement) 2 <u>State and local budget funded customers</u>: use of Treasury Bills, municipal bonds or similar securities backed by local administrations (to be used in connection with taxes and duties) 3 Use of customer promissory notes and generation company transfer notes <p>To date, no action has been taken on the draft Presidential decree. Some of the measures may require changes in existing laws.</p>

**FINANCIAL RECOVERY PLAN
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Actions	Recent Status / Progress measures
15 Establish collection departments with litigation staffs at all oblenergos to take vigorous, systematic legal actions in the court against all defaulters	<ul style="list-style-type: none"> ◆ As previously reported, most oblenergos have the required organization for systematic follow-up of debts and several are currently working with local prosecutor offices to take legal action against defaulters Also, some oblenergos are considering the addition of legal staff to their collection teams ◆ Some oblenergos are establishing special collection departments The advisor is working with Khmel'nitsky and L'viv Oblenergos to assist in these efforts
16 Assure financing to pay budget arrears for electricity and heat within 5 years by means including Treasury promissory note program and promissory notes of local state administrations	<ul style="list-style-type: none"> ◆ Under the draft of the IMF Extended Fund Facility, the Supplemental Budget is to contain 90 million UAH in the second half of 1998 for budget arrears to the electricity sector For the 1999 budget the required amount is 180 million UAH
17 Transfer to winners of competitions and tenders management of state owned blocks of shares in the Electricity Companies to be privatized, using Section 104 of the State Privatization Program providing for the control interest to be held by investors	<ul style="list-style-type: none"> ◆ A draft Contract for the Management of State Shares (by the winners of tenders) has been completed and is being circulated amongst the donors/consultants for comments ◆ Fulfilling Resolution No 1065 (Attachment JULY #17A) of the Cabinet of Ministers, the SPF had requested all joint-stock companies having over 10% of their equity in state ownership to call general shareholder meetings within a three-week term and add to their statutory documents a provision stipulating obligatory allocation of at least 25% of the net profit for payment of dividends In this way the state is trying to secure an additional source of cash inflows into the state budget For background information concerning this resolution see Attachment JULY #17B, an article from the 9 June 1998 Investitsionnaya Gazeta

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Actions	Recent Status / Progress measures
<p>18 For all Oblenergos, sell by open tenders or competitions against investment commitments on a schedule specified by the SPF and Minenergo, at least 25% of the shares plus one share, providing for a possibility of transferring management of state shares to the winner Provide by the terms of tenders and competitions for an amount not less than the initial selling price to go for companies' development For efficient sale of shares, divide oblenergos into two groups</p>	<ul style="list-style-type: none"> ◆ The Cabinet of Ministers approved a reduction of state owned holdings in all remaining (those which had not already been reduced) oblenergos from 51% to 25%+one share Attachment JULY#18 shows the Share Allocation Plans (SAP) and sales information for the Ukrainian Power Sector This table shows some oblenergo state ownership percentages at 51% since revisions by the SPF to their SAPs are pending ◆ The State Property Fund has extended the bidding period for the Mykolavoblenergo and Chernivtsyoblenergo tenders from 30 days to 90 days, giving potential investors more time to prepare bids ◆ Six tenders for large oblenergo share packages have been completed to date In late June, the State Property Fund approved the winners of the tenders for Sumyoblenergo (the Arsenal company), Chernigivoblenergo (Autoalliance Invest), and Prikarpatyaoblenergo (Ukrainian Securities)

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Actions	Recent Status / Progress measures
19 Sell at least 24% of 4 fossil generators against investment commitments by tenders and competitions Provide by the terms of tenders and competitions for an amount not less than 50% of the initial selling price for companies' development	<ul style="list-style-type: none"> ◆ The donor supported Regulation on Tenders for (international) advisors to conduct sales of large state share packages in strategic enterprises (including gencos) was approved by the State Property Fund and registered by the Ministry of Justice on July 3, and the former counselors (auctioneers) will have to go through another tender for the selection of the authorized SPF representatives entitled to conduct these tenders ◆ The accompanying donor supported Regulation on Tenders for the sale of large state share packages in strategic enterprises (including gencos) was approved by the State Property Fund and registered by the Ministry of Justice on July 3 ◆ In July, the SPF approved revised share allocation plans of all generation companies, planning to sell them all on open-tenders except for Dniproenergo which will be sold on a non-commercial tender
20 Review the results of items 17-19 of this Plan's implementation and prepare draft electricity company privatization plan for 1999 for consideration by CoM	<ul style="list-style-type: none"> ◆ No action expected until September
21 Financial Recovery Commission ("FRC") to control implementation of the Financial Recovery Plan and report quarterly to the CoM on the process of its implementation	<ul style="list-style-type: none"> ◆ At the end of June the Ukrainian FRC management process was revised to provide for monthly instead of weekly FRC meetings chaired by Mr Golubchenko, with interim semi-monthly meetings chaired by Mr Tygypko

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Actions	Recent Status / Progress measures
22 Prepare financial performance indicators of the industry's financial recovery process as set forth in the Appendix	♦ The "Key Financial Indicators and Benchmarks" table is being distributed with this report
23 Draft appeal to the World Bank to reinstate EMDP loan based on initial performance of this Financial Recovery Plan, including a request for reallocation of loan proceeds for acquisition of metering and communications technology required to implement hourly tariffs and voluntary demand curtailment	♦ The EMDP reinstatement decision date has been moved from 15 August to 15 October

**UKRAINE POWER SECTOR
FINANCIAL RECOVERY PLAN**

KEY FINANCIAL INDICATORS AND BENCHMARKS

28 Jul 98

Performance Indicators	97Q3 Actual	Dec 1997 Actual	97Q4 Actual	Jan 1998 Actual	Feb 1998 Actual	March 1998 Actual	98Q1 Actual	April 1998 Actual	May 1998 Actual	June 1998 Actual	98Q2 Actual	July 1998 Target	Aug 1998 Target	Sept 1998 Target	98Q3 Target	98Q4 Target	99Q1 Target
1 Oblenergo electricity collection rate to transit accounts excl Kievenergo [% of amount billed]																	
1.1 Total	93.9	108.2	100.4	43.2	84.0	72.9	66.1	88.4	101.0	122.8	103.0	102	102	102	102	104	106
1.2 Cash	102	12.6	10.6	9.4	11.6	10.3	10.4	12.3	13.2	11.1	12.2	17	18	19	18	22	25
2 Energoatom collection rate [% of amount billed]																	
2.1 Total	106.5	122.1	89.7	43.9	65.4	79.1	79.1	110.0	91.0	134.0	110.5	102	102	102	102	104	106
2.2 Cash	93	7.5	7.2	5.8	5.7	7.9	7.9	8.4	8.3	6.0	7.7	17	18	19	18	22	25
3 Four fossil generators collection rate [% of amount billed]																	
3.1 Total	87.9	112.1	88.2	61	138.3	78.2	90.6	116.1	95.1	94.5	101.2	102	102	102	102	104	106
3.2 Cash	7.9	8.7	8.2	7	5.6	6.3	6.3	7.2	9.6	6.5	7.7	17	18	19	18	22	25
4 Retail tariff adherence [actual tariff as % of market tariff]	[84]	[84]	[84]	[84]	[84]	[84]	[84]	[84]				92	100	100	95	100	100
5 Fuel Cost 4 Fossil Generators [1997\$/MWh]	[28]	[28]	[28]	[28]	[28]	[28]	[28]	[28]	[28]	[28]	[28]		26	26	25	26	24
6 After tax profit of 4 fossil generators [1997\$/quarter million]	5		7													20	30
7 Oblenergo debt to Energomarket [1997\$ million]	1368	1347	1347	1450	1484	1580	1580	1604	1555	1508	1508				1280	1227	1120
8 Oblenergo debt to Energomarket [days annual]		120	120	129	132	141	141	143	139	134	134				118	112	102
9 Energomarket debt to generators [1997\$ million]	1321	1338	1338	1438	1416	1498	1498	1463	1444	1403	1403				1288	1227	1120
Information Indicators																	
10 Wholesale Purchase Price (from Fossil Generators) [US cents/kWh]	3.22	3.15	3.18	3.15	3.00	3.24	3.13	3.21	3.39	3.37	3.32						
11 Energoatom Sale Price [US cents/kWh]	2.4	2.4	2.4	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7						
12 Hydro Sale Price [US cents/kWh]	0.96	0.96	0.96	0.96	0.96	0.96	0.96	0.96	0.96	0.96	0.96						
13 Wholesale Price (to Suppliers) [US cents/kWh]	2.93	2.93	2.93	2.89	2.89	2.96	2.90	2.91	2.67	2.66							
14 Average retail tariff (NERC planned) [US cents/	3.76	3.76	3.76	3.82	3.85	4.12	3.91	3.95	4.15	4.38	4.14						
				7.57	7.7	8.23	7.87	7.99	8.47	8.97	8.43	8.72					

Note: The payments collection benchmarks for Energoatom are to be finalized following EBRD's Operation Commission review of the proposed Khmelnytsky 2/Rovno 4 nuclear completion project

ATTACHMENTS TO THE JULY 1998 FRP MONITORING REPORT

Note This Table of Contents shows where attachments to the FRP Report are located Documents (DOC) are located in this file and Spread Sheets (SS) are located in the Lotus or Excel files

<u>NO.</u>	<u>DOC</u>	<u>SS</u>	<u>DESCRIPTION OR TITLE</u>
2		X	Fuel Procurement Methods and Payment Mechanism Summary (Table)
5A	X		Agenda of NERC July 20 meeting on implementation of license based retail tariffs
5B	X		Procedure of determining Customer Classes according to Voltage Level
5C	X		NERC letter concerning the average actual Wholesale Market Price in June 1998
5D	X		NERC table for oblenergos to show the difference between current and license-based tariffs
5E	X		Letter from NERC to oblenergos ordering submission of certain information
5F	X		Resolution #50-XIV concerning the temporary ban on increasing residential rates
7	X		Revised draft Law "On Changes in Some Legislation Acts of Ukraine on Privileges in Payments for Consumed Electricity"
8		X	Summary of Terminations (Table)
9A		X	Supply to National Budget Customers (Table)
9B		X	Supply to Local Budget Customers (Table)
11		X	Cash Collections (Table)
12	X		Draft Law submitted to the Cabinet of Ministers concerning late payment fees
13A	X		Letter from Minenergo and the State Treasury about the Breakdown of electricity costs in the budgets of State enterprises
13B	\		Letter from Minenergo to the oblenergos informing them of the budget information received from some budget organizations
14A		X	Debt Incurred by Nonbudget-funded Customers (Table)
14B		X	Summary of Arrears (Table)
14C	X		Draft Presidential Decree for creating a legal basis for improving collections
17A	X		Resolution No 1065 concerning dividends to be paid on State shares
17B	\		Article from the Investsiionnaya Gazeta concerning dividends on State Shares
18	X		Ukrainian Power Industry Share Allocation Plans and Sales

Operating Statistics
Fuel Procurement Methods and Payment Mechanism Summary
All Genco Thermal Power Stations
for the month of
June-98

Financial and Procurement Statistics	Units	Fuels			Total
		Coal	Mazut	Natural Gas	
Cash Available for Payment	Hryvna				
Calorific Value	kcal/kg, kcal/c	4,668	9 004	8,081	
Competitive Tender					
Volume	Tonnes, cm	0	0	0	
Fuel Cost	Hryvna	0	0	0	0
Payment by Cash	Hryvna	0	0	0	0
Payment by Offset	Hryvna	0	0	0	0
Payment by Debt	Hryvna	0	0	0	0
Other Procurement Methods					
Volume	Tonnes, cm	1,560 197	53,732	37,348,000	
Fuel Cost	Hryvna	112,948,140	11,209 551	6,742,088	130,899 779
Payment by Cash	Hryvna	9 485,000	1 181,024	0	10 666,024
Payment by Offset	Hryvna	49,522,800	69 435	3 206 000	52 798 235
Payment by Debt	Hryvna	53,940 340	9 959 092	3,536,088	67 435 520
Total					
Volume	Tonnes cm	1 560 197	53 732	37 348,000	
Fuel Cost	Hryvna	112,948,140	11 209,551	6 742 088	130,899 779
Payment by Cash	Hryvna	9,485 000	1,181 024	0	10 666 024
Payment by Offset	Hryvna	49,522,800	69 435	3,206 000	52,798 235
Payment by Debt	Hryvna	53,940,340	9 959 092	3 536 088	67,435 520
Total - Percent					
Payment by Cash	Hryvna	8 4%	10 5%	0 0%	8 1%
Payment by Offset	Hryvna	43 8%	0 6%	47 6%	40 3%
Payment by Debt	Hryvna	47 8%	88 8%	52 4%	51 5%
		100 0%	100 0%	100 0%	100 0%

Cost Per tonne Per 000 cm - Hryvna	72	209	181
Cost Per Unit of Energy - Hryvna/mm Kcal	15 51	23 17	22 34
Cost Per Unit of Energy - \$/mm BTU	1 91	2 85	2 74
Memo Foreign Exhcange Rate (May 98 rate)	2 05		

AGENDA

Meeting, July 20, 1998

- | | | | |
|----------|--|----------------|-------|
| 1 | Inauguration of the Meeting | | |
| 1 1 | Introduction by the Member of the NERC | O I Gridasov | 11 00 |
| 1 2 | Introduction by the Deputy Minister of Energy | V D Bondarenko | |
| 2 | Determining customer groups according to voltage classes | L P Stelyuk | 11 30 |
| | | Ye L Arbuzov | |
| 2 1 | Familiarizing with the developed Procedure of determining customer groups according to voltage classes Discussion | | |
| 2 2 | Identifying the actual classification of customers made in June-July | | |
| | Ascertaining the necessity for approval of such classification legitimacy by the NERC | | |
| | Discussion | | |
| 3 | Implementing the calculation of the retail tariff in parallel mode in compliance with the Conditions and Rules of carrying out entrepreneurial activity engaged in electricity supply at regulated tariff | I K Gorokhova | 12 30 |
| | | Yu D Nosulko | |
| 3 1 | Carrying out calculations of tariffs for all groups of customers according to the formula pursuant to the Conditions and Rules of carrying out entrepreneurial activity engaged in electricity supply at regulated tariff | | |
| 3 2 | Submitting reports to the NERC on calculations according to Item 3 1 in order to analyze the effects of setting tariffs for all groups of customers according to the formula pursuant to the Conditions and Rules of carrying out entrepreneurial activity engaged in electricity supply at regulated tariff | | |
| 3 3 | Output data for calculations of market retail tariffs for customers | | |
| 3 4 | Determining the retail tariff for residential customers Calculation of subsidies | | |

3 5 Regrouping customers according to voltage classes Necessity to analyze the redistribution of costs Possibility to revise transmission and supply tariffs

APPROVED
by the Resolution of the National
Electricity Regulatory Commission
of Ukraine
dated _____ 1998, No _____

Procedure of Determining Customer Classes according to Voltage Level

- 1 The Procedure of determining customer classes according to voltage level at the grid distribution points complies with Conditions and Rules to carry out entrepreneurial activity in transmission of electricity by local electricity networks, approved by the Resolution of the National Electricity Regulatory Commission of Ukraine, No 15, of 13 June 1998, and Conditions and Rules to carry out entrepreneurial activity in supply of electricity at regulated tariff, approved by the Resolution of the National Electricity Regulatory Commission of Ukraine, No 13/1, of 13 June 1998
- 2 All customers are grouped into 2 classes according to voltage level at the grid distribution points of electricity supplying systems
 - 1st class includes customers receiving electricity from electricity supplying company with a voltage level over 10 kV at the grid distribution point,
 - 2nd class covers customers receiving electricity from electricity supplying company with a voltage level of 10 kV and lower at the grid distribution point
- 3 Customers which receive electricity from electric power plant buses, as well as from buses of substations of the electric power system pertain to customers of class 1 irrespective of the voltage level at the grid distribution point
- 4 Existing tariff groups remain temporarily within each class of customers
- 5 If the customer has several line connections with different voltage level, the customer class shall be determined according to voltage level of line connections which provide major amount of electricity for its operating needs

Customer's installations connected to line connections with a voltage level at the grid distribution point different from the voltage level taken as the basis in determining the customer class can be rated in the Electricity Utilization Agreement to a separate class and appropriate tariff group

Settlements for electricity consumed shall be effected according to meter readings under tariffs set for appropriate customer class and tariff group

6 If the customer has entities territorially separated (such as shops, subdivisions) and not connected to a common distribution system, the class for these entities shall be determined according to voltage level at the grid distribution points of the electricity supplying company and such separated entity

7 The customer class for sub-customers shall be determined according to the class of main customer irrespective of the voltage level at the grid distribution points of the electricity supplying systems of the main customer and sub-customer. In this case, a sub-customer (except residential customers) shall pay expenses of the main customer on the electricity transmission by its networks in compliance with the terms and conditions of the Agreement and existing Electricity Utilization Code

8 Customers which pay for electricity consumed at tariffs differentiated by periods of time shall make payments for electricity consumed in compliance with the Resolution of the National Electricity Regulatory Commission of Ukraine

**NATIONAL ELECTRICITY REGULATORY COMMISSION OF UKRAINE
(NERC)**

To the State Joint-Stock Electricity Supplying Companies

No 05-34-06/948 of 17 July 1998

On the Average Wholesale Market Price

The National Electricity Regulatory Commission of Ukraine (NERC) informs that the actual average wholesale price of electricity sold from the Wholesale market which was calculated in compliance with the Market Rules made 65 72 hrn /MWh in June 1998

O Gridasov, Member of the Commission

State Joint-Stock Electricity Supplying Company

Settlement period

Wholesale market price

Volume of purchases from the Wholesale Electricity Market

Price of independent producer*

Volume of purchases from the independent producer

Average purchase price

Loss factor

1st class

2nd class

Local networks' transmission tariff

1st class

2nd class

Supply tariff

1st class

2nd class

Customers	Volume of electricity consumed	Existing tariff, Resolution No 658 of 05/22/98	Sales at existing tariffs	Retail price according to the formula	Sales at calculated tariffs	Deviation o
1	2	3	4	5	6	7
1 Industrial customers and similar ones with N>750 kVA						
1 st class						
2 nd class						
2 Industrial customers and similar ones with N<750 kVA						
1 st class						
2 nd class						
3 Electric rail transport						
1 st class						
2 nd class						
1	2	3	4	5	6	7
4 Electric city transport						
1 st class						
2 nd class						
5 Non-industrial customers						
1 st class						
2 nd class						
6 Agricultural entities						
1 st class						
2 nd class						
7 Internal consumption						
1 st class						
2 nd class						
1-7 Group Total						
8 Residential customers						

including urban						
rural						
9 Settlements						
including urban						
rural						
8-9 Group Total						

TOTAL

Independent producer (or CHPs of the state joint-stock electricity supplying companies) is a producer that does not sell electricity to the Wholesale electricity market of Ukraine

**NATIONAL ELECTRICITY REGULATORY COMMISSION OF UKRAINE
(NERC)**

To Heads of the State Joint-Stock Electricity Supplying Companies

Local Offices of the NERC

No 05-34-06/950 OF 17 JULY 1998

On the Procedure of Delivering Information

The National Electricity Regulatory Commission of Ukraine binds the following

In order to simplify the procedure of circulation of documents, information shall be sent, pursuant to Resolutions of the NERC No 701 and No 703 of 25 May 1998, by e-mail within the established term with subsequent written confirmation

Statistical reporting of the NERC (forms 8, 9, 10, 11) shall be submitted for the first half-year of 1998 by 15 August 1998 by mail

O Gridasov, Member of the Commission

Verkhovna Rada of Ukraine

RESOLUTION # 50-XIV

On the Draft Law on Temporary Prohibition to Raise Prices and Tariffs on the Housing and Municipal Services and Public Transportation Provided to the Citizens of Ukraine

Kiev, July 22, 1998

Verkhovna Rada of Ukraine hereby RESOLVES

- 1 To approve the Draft Law Temporary Prohibition to Raise Prices and Tariffs on the Housing and Municipal Services and Public Transportation Provided to the Citizens of Ukraine in its first reading,
- 2 To entrust the Verkhovna Rada Social Policy and Labor Committee with a responsibility to finalize the aforesaid Draft Law and submit it to the consideration of Verkhovna Rada for the second reading

O TKACHENKO,

Chairman of Verkhovna Rada of Ukraine

DRAFT

LAW OF UKRAINE

**On Changes in Some Legislation Acts of Ukraine
on Privileges in Payments for Consumed Electricity**

With the aim of regulating the privileges in payments for consumed electricity the Parliament of Ukraine hereby **resolves**

I To make changes in such legislation acts of Ukraine

- 1 The 4th part of Article 22 of the Law of Ukraine "On Militia" (Vidomosti Verkhovnoyi Rady of UkrSSR, 1991, No 4, Article 20, Vidomosti Verkhovnoyi Rady Ukrainy, 1992, No 36, Article 526) shall be supplemented after words "public services" with "except the payment for electricity
- 2 In the 4th part of Article 49 of the Law of Ukraine "On Public Prosecutor's Office" (Vidomosti Verkhovnoyi Rady Ukrainy, 1991, No 53, Article 793, 1993, No 50, Article 474) words 'electric and" shall be deleted
- 3 The 1st paragraph of Item 11 of the 1st part 1, Article 20 of the Law of Ukraine "On the Status and Social Protection of Citizens Suffered from Chernobyl Catastrophe" (Vidomosti Verkhovnoyi Rady Ukrainy, 1992, No 13, Article 178, 1996, No 35, Article 162) shall be supplemented as follows "Payment for the use of electricity shall be effected within the rates specified by the current legislation '
- 4 In Item 6 of Article 12 of the Law of Ukraine "On Social and Legal Protection of Servicemen and Members of Their Families" (Vidomosti Verkhovnoyi Rady Ukrainy, 1992 No 15 Article 190) the word "electric" shall be deleted and supplemented after words "other services ' with ' except the electricity"

The Article shall be added as follows

'Payment for the use of electricity by parents and members of the families of servicemen who died or were missing in action or became disabled during military service shall be effected in the amount of 50 % of the fixed amount of payment within the rates specified by the current legislation

- 5 In the 6th part of Article 8 of the Law of Ukraine "On Veterinary Medicine" (Vidomosti

Verkhovnoyi Rady Ukrainy 1997, No 7, Article 56) words “and lighting shall be deleted

6 In the 2nd paragraph of Item 9 of Article 44 of the Law of Ukraine “On the Status of Judges (Vidomosti Verkhovnoyi Rady Ukrainy, 1993, No 8, Article 56, 1994, No 26 Article 203) words “electric and’ shall be deleted

7 The 6th part of Article 22 of the Law of Ukraine “On Fire Safety” (Vidomosti Verkhovnoyi Rady Ukrainy, 1994, No 5 Article 21) shall be supplemented after words “public services’ with ‘ except the payment for electricity”

8 In Article 12 of the Law of Ukraine “On the Priority of Social Development of Villages and Agroindustrial Complex in the National Economy” ” (Vidomosti Verkhovnoyi Rady Ukrainy, 1992, No 32, Article 453)

words “privileges for electricity and” in the title shall be deleted,

the 1st, 2nd, and 3rd parts shall be deleted,

words “or emergence” in the 4th part shall be deleted, and “The Ministry of Energy and Electrification of Ukraine” shall be changed for “The Ministry of Energy of Ukraine”

9 In the 4th part of Article 57 of the Law of Ukraine “On Education” (Vidomosti Verkhovnoyi Rady Ukrainy, 1996, No 21, Article 84) words “and lighting” shall be deleted

10 In the 2nd part of Article 29 of Principles of the Legislation of Ukraine ‘On Culture (Vidomosti Verkhovnoyi Rady Ukrainy, 1992, No 21, Article 294) words “and lighting shall be deleted

11 In Item “?” of Article 77 of Principles of the Legislation of Ukraine “On Health Protection’ (Vidomosti Verkhovnoyi Rady Ukrainy, 1993, No 4, Article 19) words “and lighting” shall be deleted

II This Law shall come into force from the date of its promulgation

L. Kuchma, President of Ukraine

Report for period ending

09-Jul-98

See NOTES below for detailed description of each item required

Suppliers	3				5			
	Debtors in default but not disconnected				Debtors disconnected as at 09 July 1998			
	No of Debtors		Debt - 000UAH		No of Debtors	% of Total Debtors	Debt 000UAH	% of Total Debt
	At 09-Jul-98	% change from Jan 98	At 09-Jul 98	% change from Jan 98				
Crimea	3139	2 2%	145650	32 5%	1192	27 5%	72657	33 3%
Sevastopol City	191	4 4%	11816	-12 3%	65	25 4%	3846	24 6%
Khmelnitsky	1110	-14 2%	20028	39 8%	411	27 0%	9064	31 2%
Vinnitsa	1261	25 8%	27793	36 5%	768	37 9%	8903	24 3%
Ternopil	780	-10 6%	25495	59 4%	426	35 3%	12253	32 5%
Chernivtsy	483	15 8%	14929	57 7%	368	43 2%	4529	23 3%
Zaporhozie	2573	19 5%	75955	-5 0%	589	18 6%	7671	9 2%
Dnepropetrovsk	3087	-2 1%	265945	0 5%	765	19 9%	38625	12 7%
Kirovograd	740	8 2%	26450	59 3%	657	47 0%	15801	37 4%
Donetsk	2025	-4 0%	563716	8 5%	1373	40 4%	385197	40 6%
Lugansk	1691	13 8%	300914	29 3%	1025	37 7%	77429	20 5%
Kyivenergo	731	16 4%	132982	20 2%	305	29 4%	12017	8 3%
Kyivoblenergo	2037	11 6%	29680	46 5%	986	32 6%	14234	32 4%
Cherkasy	2322	22 9%	68133	68 6%	682	22 7%	22081	24 5%
Zhitomir	734	8 7%	9089	11 2%	547	42 7%	6340	41 1%
Chernigiv	931	3 0%	16447	27 1%	829	47 1%	14926	47 6%
Lviv	1910	-3 6%	56319	16 0%	604	24 0%	8544	13 2%
Rivne	1196	2 0%	11207	-4 1%	482	28 7%	3831	25 5%
Prykarpatyie	1173	19 1%	13725	26 7%	324	21 6%	2994	17 9%
Zakarpatyie	1531	24 5%	21308	106 6%	735	32 4%	5242	19 7%
Volyn	1180	29 7%	21093	23 5%	214	15 4%	1284	5 7%
Odessa	1291	4 4%	45092	10 4%	571	30 7%	8033	15 1%
Kherson	2034	28 2%	74554	14 3%	1784	46 7%	92715	55 4%
Mykolaev	473	21 6%	31928	190 7%	184	28 0%	7946	19 9%
Kharkiv	1857	-22 6%	134522	17 9%	799	30 1%	17645	11 6%
Poltava	1598	19 0%	29216	4 8%	504	24 0%	7503	20 4%
Sumy	1401	19 6%	28770	40 3%	584	29 4%	6113	17 5%
S W RDC	6	50 0%	7173	85 4%	1	14 3%	2733	27 6%
TOTALS								
Current period	39485	5 7%	2209929	17 3%	17774	31 0%	870156	28 3%
Prior Period	38363	2 7%	2237429	18 8%	18460	32 5%	774260	25 7%

NOTES

Col No	Detailed description
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- | | |
|---|--|
| 1 | Regulated Tariff Supplier |
| 2 | Total number of customers provided with electricity service (above emergency level) while in default |
| 3 | Cumulative Value of electricity provided to customers that Supplier is entitled to disconnect but not disconnected |
| 4 | Total number of customers disconnected or on emergency level service only |
| 5 | Total Cumulative Value of electricity services owed by customers disconnected or on emergency level service |

Action No 9 - Supply to National Budget Customers

Suppliers	Debts - M UAH			+/- in month M UAH	% change from Jun 1 '98	+/- year to date	
	Jan 1 '98	Jun 1 '98	Jul 1 '98			M UAH	Jan 1 '98
Crimea	5.40	6.87	7.61	0.74	10.7%	2.21	40.9%
Sevastopol City	2.00	2.95	3.06	0.11	3.8%	1.06	53.0%
Khmel'nitsky	1.90	4.04	4.21	0.17	4.2%	2.31	121.6%
Vinnitsa	3.60	4.33	4.62	0.29	6.8%	1.02	28.3%
Ternopil	0.20	1.30	1.61	0.31	23.8%	1.41	705.0%
Chernivtsy	0.30	1.17	1.51	0.34	28.9%	1.21	404.3%
Zaporozhie	4.80	4.56	5.14	0.59	12.9%	0.34	7.1%
Dnepropetrovsk	3.40	5.67	4.72	(0.95)	-16.8%	1.32	38.9%
Kirovograd	1.70	1.79	1.82	0.03	1.7%	0.12	7.1%
Donetsk	3.60	7.50	7.50	0.00	0.0%	3.90	108.3%
Lugansk	5.00	7.24	7.17	(0.07)	-0.9%	2.17	43.4%
Kyivenergo	3.90	6.23	7.77	1.54	24.7%	3.87	99.3%
Kyivoblenergo	2.90	6.02	5.78	(0.23)	-3.9%	2.88	99.4%
Cherkasy	0.80	3.09	2.59	(0.51)	-16.4%	1.79	223.2%
Zhitomir	2.77	2.65	1.19	(1.46)	-55.1%	(1.58)	-57.0%
Chernigiv	1.10	2.09	2.05	(0.05)	-2.2%	0.95	86.0%
Lviv	5.30	6.16	6.86	0.70	11.3%	1.56	29.4%
Rivne	0.70	1.19	1.29	0.10	8.3%	0.59	83.9%
Prykarpatye	1.00	1.26	0.90	(0.36)	-28.3%	(0.10)	9.6%
Zakarpatye	2.30	3.99	2.89	(1.10)	-27.5%	0.59	25.7%
Volyn	1.40	2.19	1.83	(0.36)	-16.3%	0.43	30.7%
Odessa	4.30	7.32	7.86	0.54	7.4%	3.56	82.9%
Kherson	3.60	5.07	7.26	2.18	43.1%	3.66	101.6%
Mykolaev	2.80	6.12	6.30	0.18	2.9%	3.50	125.0%
Kharkiv	11.00	9.02	10.74	1.72	19.1%	(0.26)	-2.3%
Poltava	2.00	3.69	3.83	0.14	3.7%	1.83	91.4%
Sumy	0.90	2.02	2.16	0.14	6.9%	1.26	139.9%
SW RDC	1.00	0.99	0.66	(0.34)	-33.7%	(0.34)	-34.1%
Central RDC							
Ukraine	79.67	116.53	120.93	4.40	3.8%	41.26	51.8%

Action No 9 - Supply to Local Budget Customers

Suppliers	Debts - M UAH			+/- in month M UAH	% change from Jun 1 '98	+/- year to date	
	Jan 1 '98	Jun 1 '98	Jul 1 '98			M UAH	Jan 1 '98
Crimea	5 70	6 93	5 85	(1 08)	-15 6%	0 15	2 6%
Sevastopol City	0 10	0 32	0 44	0 12	37 2%	0 34	339 0%
Khmelnitsky	0 50	0 74	0 83	0 09	12 4%	0 33	65 2%
Vinnitsa	1 00	3 30	3 36	0 06	1 9%	2 36	236 3%
Ternopil	3 70	7 61	6 67	(0 94)	-12 4%	2 97	80 1%
Chernivtsy	0 00	0 58	0 71	0 13	22 6%	0 71	
Zaporozhie	4 70	3 70	3 92	0 21	5 7%	(0 79)	-16 7%
Dnepropetrovsk	2 60	3 26	2 94	(0 32)	-9 8%	0 34	13 2%
Kirovograd	0 70	1 85	1 90	0 05	2 7%	1 20	171 4%
Donetsk	18 00	16 40	4 10	(12 30)	-75 0%	(13 90)	-77 2%
Lugansk	2 50	3 43	4 46	1 03	30 0%	1 96	78 4%
Kyivenergo	9 00	9 20	10 41	1 22	13 2%	1 41	15 7%
Kyivoblenergo	0 14	0 31	0 30	(0 00)	-1 0%	0 16	117 1%
Cherkasy	13 60	9 10	8 82	(0 28)	-3 0%	(4 78)	-35 2%
Zhitomir	0 20	1 23	0 67	(0 56)	-45 6%	0 47	233 5%
Chernigiv	0 60	1 30	1 20	(0 10)	-7 7%	0 60	100 0%
Lviv	0 70	1 52	1 77	0 25	16 3%	1 07	153 1%
Rivne	0 80	0 55	0 58	0 03	6 0%	(0 22)	-27 6%
Prykarpatye	0 50	0 72	0 57	(0 15)	-20 5%	0 07	14 0%
Zakarpatye	1 70	3 69	2 36	(1 34)	-36 2%	0 66	38 6%
Volyn	2 90	2 49	3 74	1 25	50 3%	0 84	28 8%
Odessa	3 80	5 40	6 59	1 20	22 2%	2 79	73 4%
Kherson	1 80	2 34	2 64	0 30	12 6%	0 84	46 7%
Mykolaev	0 00	1 09	0 58	(0 51)	-47 1%	0 58	
Kharkiv	1 90	0 00	0 00	0 00		(1 90)	-100 0%
Poltava	3 00	2 75	3 05	0 30	10 9%	0 05	1 7%
Sumy	0 50	1 28	1 28	0 00	0 2%	0 78	155 4%
S W RDC							
Central RDC							
Ukraine	80 64	91 06	79 72	(11 34)	-12 5%	(0 92)	-1 1%

Action No 11 - Cash Collections

(excludes direct cash collections by oblenergos for non-energy services such as connection, reactive power and penalties)

Suppliers	Total Sales			Cash Collection			
	Jan 98	June 98		Jan 98		June 98	
	000 UAH	000 UAH	% change	000 UAH	% of Sales	000 UAH	% of Sales
Vinnitsa	13 485	10 434	-22.6%	2 700	20.0%	1,941	18.6%
Ternopil	7,804	6,406	-17.9%	1,261	16.2%	601	9.4%
Chernivtsy	5,712	4,009	-29.8%	950	16.6%	952	23.8%
Khmelnitsky	12 273	9 000	-26.7%	1,710	13.9%	849	9.4%
Zaporozhie	42 668	43 691	2.4%	4 060	9.5%	2 798	6.4%
Dnepropetrovsk	103,652	87,466	-15.6%	5,029	4.9%	3 796	4.3%
Kirovograd	15 401	11 914	-22.6%	2 742	17.8%	1,580	13.3%
Donetsk	133 910	106 292	-20.6%	9 402	7.0%	5,692	5.4%
Lugansk	58 251	45 561	-21.8%	3 213	5.5%	1 986	4.4%
Kyivoblenergo	19,537	16 306	-16.5%	5,955	30.5%	2,994	18.4%
Zhitomir	11,834	9,298	-21.4%	2 450	20.7%	1 679	18.1%
Cherkasy	17 263	14 140	-18.1%	2,426	14.1%	1,325	9.4%
Chernigiv	10 329	8 791	-14.9%	2 760	26.7%	1 963	22.3%
Crimea	26 358	25 556	-3.0%	3 726	14.1%	3 545	13.9%
Sevastopol City	5 003	4,062	-18.8%	1,128	22.5%	1 207	29.7%
Lviv	19 336	16 529	-14.5%	3 508	18.1%	2 187	13.2%
Volyn	5 835	5 439	-6.8%	2,282	39.1%	1 471	27.1%
Zakarpate	7,864	6 796	-13.6%	2,133	27.1%	1,907	28.1%
Rivne	12,718	8 196	-35.6%	1,803	14.2%	1,121	13.7%
Prykarpate	8 914	10,316	15.7%	1 772	19.9%	1 040	10.1%
Odessa	28,711	26 479	-7.8%	5,427	18.9%	3,170	12.0%
Mykolaev	14 426	12 997	-9.9%	1,977	13.7%	1 449	11.1%
Kherson	12 014	13 453	12.0%	1 029	8.6%	999	7.4%
Kharkiv	37 286	27 559	-26.1%	2,847	7.6%	2 744	10.0%
Sumy	13 543	12 516	-7.6%	3,171	23.4%	1 714	13.7%
Poltava	17 701	13 327	-24.7%	5 224	29.5%	3 604	27.0%
Total	661 828	556 533	-15.9%	80 687	12.2%	54 314	9.8%
	excluding Kyivenergo						

Sales data from Minenergo - Cash data from MFP

Minenergo of Ukraine

Ministry of Economy of Ukraine

Ministry of Finance of Ukraine

Ministry of Labour and Social Policy of Ukraine

Ministry of Justice of Ukraine

No 07/14-2-634 of July 6, 1998

In the exercise of Cabinet of Ministers' Resolution 508 of April 18, 1998

In the exercise of Paragraph 12 of the Cabinet of Ministers Resolution "On Approving Financial Recovery Plan for Ukrainian Power Sector", the Minenergo has drafted and is circulating for co-ordination purposes the Law of Ukraine "On Invalidation of Law of Ukraine "On Temporary Prohibition to Fine Ukrainian Citizens for Undue Payments for Residential and Municipal Services"

Attachments 1 Draft Law, one copy, one page
 2 Comments, one copy, two pages

V A Darchuk
Deputy Minister

LAW OF UKRAINE

On Invalidation of Law of Ukraine

**“On Temporary Prohibition to Fine Ukrainian Citizens for Undue Payments
for Residential and Municipal Services”**

The Verkhovna Rada of Ukraine resolves

- 1 To invalidate Law of Ukraine 486/96-VR of November 13, 1996 “On Temporary Prohibition to Fine Ukrainian Citizens for Undue Payments for Residential and Municipal Services” (“Holos Ukrainy” Newspaper of November 26, 1996)
- 2 This Law enters into force from the date of publication

L Kuchma
President of Ukraine

ATTACHMENT JULY #13A

To ministries and departments

(as per the list)

On Financing of the Ukrainian State Budget

Costs for Electricity Payments (KEKV-1163)

The 1998 Breakdown of the State budget envisions financing of expenses of institutions and organizations associated with their payments for consumed electricity totaling 251196,5 thou of UAH, of these 36012,4 thou of UAH are for the 1st quarter of 1998

In order to supply budget institutions and organizations with electricity in 1998, pursuant to the Cabinet of Ministers' Instructions #715-r of 24 December 1997, #606-r of 26 September 1996, the Cabinet of Ministers' Decrees #1418 of 22 December 1997, #172 of 16 February 1998, Minfin together with Derzhinvest (State Investment Committee) have covered an advance financing of fuels procurement (coal, fuel oil and nuclear fuel) at the cost of non-budget resources. Fuel purchased is supplied to electric power plants of Minenergo.

In view of the above, Minfin shall reserve resources envisioned in the 1998 Ukrainian State budget to pay for electricity consumed by budget institutions to repay advance payments, and settlements for electricity consumed and fuel supplied should be executed through the offset of mutual debts of budget institutions, electricity companies and fuel suppliers.

For the purpose of the mutual debt offsetting, supplying organizations and budget institutions that are financed from the State Budget shall make statements of reconciliation of mutual debts for electricity consumed in the 1st, 2nd, 3rd and 4th quarter of this year within the amount of costs for this

purpose approved in the income and cost estimates of the budget institutions and organizations

Budget institutions shall, before the 10th day of the month following the accounting quarter, submit to ministers and departments (main funds administrators) statements of reconciliation with suppliers to prepare consolidated statements of reconciliation with Minenergo (a consolidated register is attached)

Main funds administrators shall, on a quarterly basis, before the 15th day of the month following the accounting quarter, submit to the State Treasury consolidated statements of reconciliation with Minenergo for electricity actually consumed by them in the 1st, 2nd, 3^d and 4th quarter of 1998 together with a breakdown of these resources by subordinated organisations (by territories) on electronic carriers

Correspondingly, fuel suppliers and electric power plants shall also make statements of reconciliation of debts for fuel supplied and submit them to Minenergo and State Treasury to execute mutual settlements

Levchenko V P

Bondarenko V D

First Deputy Head of
Main Department of
Ukrainian State Treasury

Deputy Minister of
Power Industry

04-04/922-3806

May 14, 1998 #05/11-2/546

May 11, 1998

ATTACHMENT JULY #13B

To the Heads of Minenergo's Supply Companies

On the Electricity Supply
to the State-Financed Budget
Organizations

In addition to the joint letter of the State Treasury of Ukraine of 05 11 98 N 04-04/992-3806 and Minenergo of Ukraine of 05 14 98 N 05/11-2-546, Minenergo informs that Minfin of Ukraine has submitted to the Ministry the information on the amount of electricity costs of the budget departments which has been approved in their cost estimates for 1998. These are the costs to be used for centralized settlements for the electricity consumed by the budget organizations in 1998.

Information on the distribution of costs of subordinated budget organizations shall be submitted to Minenergo by budget departments to be further advised to electricity supply companies.

Within the amount of electricity costs, supply companies shall provide for the electricity supply to the budget organizations and make debts verification certificates on a monthly basis to be further submitted to a budget department for effecting mutual settlements.

As of 06 23 98 the information on the costs distribution has been submitted to Minenergo by only several departments. Because of this, Minenergo is forwarding the received information for

general knowledge and is asking to provide for electricity supply to the budget organizations in 1998 within the amount of the specified costs including to

Ministry of Education

State Water Supply

Academy of Medical Sciences

Security Service

Agricultural Academy

Ministry of Transportation

State Communications Committee

Ministry of Internal Affairs

MinFin

State Medbioprom

(Attached, you will find the information on the costs distribution of the Ministry of Education, that of other budget departments - to be attached to the letter of 06 23 98 N 07/11-2-603)

As soon as the information is available from other budget departments, Ministry shall bring this to the knowledge of electricity supply companies

Along with that, Minenergo informs that according to the Resolution of the Cabinet of Ministers of Ukraine of 04 28 98 N 582 debts for the consumed electricity and heat as of 10 01 97 which have not been paid until this date shall be offset

In order to effect the mentioned offsetting, a consolidated list of debts verification certificates shall be submitted to Minenergo. The procedure for the offset is described in the letter of Minfin of 05 25 98 N 16-04/2276-4171 which is attached together with the form of the consolidated List

Deputy Minister

Darchuck V A

Action No 14 - Debt incurred by Non Budget Funded Customers

Suppliers	Debts - M UAH			+/- in month M UAH	% change from Jun 1 '98	+/- year to date	
	Jan 1 '98	Jun 1 '98	Jul 1 '98			M UAH	Jan 1 '98
Crimea	98.9	124.5	130.3	5.8	4.6%	31.4	31.7%
Sevastopol City	11.4	7.8	8.1	0.3	4.1%	(3.3)	-28.9%
Khmelnitsky	11.9	16.7	15.3	(1.4)	-8.3%	3.4	28.9%
Vinnitsa	16.7	19.2	19.8	0.6	3.3%	3.1	18.6%
Ternopil	12.1	19.2	17.5	(1.7)	-9.0%	5.4	44.4%
Chernivtsy	9.2	11.3	10.3	(1.1)	-9.5%	1.1	
Zaporozhie	70.4	108.0	88.1	(19.9)	-18.4%	17.7	25.2%
Dnepropetrovsk	279.8	262.7	278.1	15.5	5.9%	(1.7)	-0.6%
Kirovograd	17.5	21.8	21.2	(0.6)	-2.5%	3.7	21.2%
Donetsk	497.9	576.5	596.3	19.8	3.4%	98.4	19.8%
Lugansk	225.3	270.9	279.6	8.7	3.2%	54.3	24.1%
Kyivenergo	97.7	116.4	117.7	1.3	1.1%	20.0	20.4%
Kyivoblenergo	17.3	24.1	22.2	(1.9)	-7.8%	4.9	28.6%
Cherkasy	26.0	54.3	54.1	(0.2)	-0.4%	28.1	108.1%
Zhitomir	5.4	6.6	8.5	1.9	28.0%	3.0	56.0%
Chernigiv	11.2	16.1	16.8	0.7	4.5%	5.6	50.3%
Lviv	42.6	51.0	53.9	2.9	5.7%	11.3	26.5%
Rivne	10.2	19.1	11.5	(7.6)	-39.9%	1.3	12.3%
Prykarpatye	9.3	12.5	11.2	(1.3)	-10.6%	1.9	20.4%
Zakarpate	6.3	9.4	13.1	3.6	38.5%	6.8	107.2%
Volyn	12.9	17.1	17.1	0.0	0.0%	4.2	32.8%
Odessa	42.2	53.1	46.3	(6.8)	-12.7%	4.1	9.8%
Kherson	59.8	67.0	66.4	(0.6)	-0.9%	6.6	11.1%
Mykolaev	11.8	24.8	26.2	1.4	5.6%	14.4	
Kharkiv	101.2	108.0	109.8	1.8		8.6	8.5%
Poltava	31.1	32.0	26.8	(5.2)	-16.3%	(4.3)	-14.0%
Sumy	19.1	24.5	27.1	2.6	10.4%	8.0	41.6%
S W RDC	2.9	8.2	6.9	(1.3)	-15.5%	4.0	139.0%
Central RDC	5.7	2.3	0.7	(1.6)	-71.1%	(5.0)	-88.3%
Ukraine	1 763.8	2 085.1	2 100.7	16	0.8%	336.9	19.1%

NOTE The basis for this table has been amended from preevious months to include only electricity debt
Previously, debt figures included electricity and heat debts

Action No 14 - Summary of Arrears

Customers with Large Electricity Debt as of - 16 July 1998

Supplier	Debts			
	over 100,000 & less than 1M UAH		Over 1M UAH	
	No of Debtors	Total Debt 000 UAH	No of Debtors	Total Debt 000 UAH
Crimea	16	6,483	7	91,482
Sevastopol City	5	1,420	3	7,001
Khmelnitsky	6	2,356	2	11,345
Vinnitsa	4	1,156	5	16,362
Ternopil	6	3,618	1	8,265
Chernivtsy	6	1,474	2	3,519
Zaporhozie	8	3,579	7	43,859
Dnepropetrovsk	15	6,133	12	183,517
Kirovograd	4	2,148	6	16,813
Donetsk	6	4,071	24	495,377
Lugansk	28	9,967	24	277,324
Kyivenergo	11	2,251	8	171,012
Kyivoblenergo	6	2,208	5	16,628
Cherkasy	16	6,309	7	47,481
Zhitomir	7	2,202	1	2,758
Chernigiv	7	2,274	2	10,317
Lviv	11	3,419	8	48,860
Rivne	10	2,696	3	5,693
Prykarpatye	5	812	5	7,597
Zakarpate	6	2,094	4	6,889
Volyn	8	1,726	4	12,314
Odessa	9	2,954	7	31,813
Kherson	9	3,187	3	53,646
Mykolaev	9	4,533	5	25,679
Kharkiv	32	8,552	11	94,206
Poltava	6	4,436	4	18,097
Sumy	24	8,289	3	16,378
S W RDC	2	772	2	6 309
TOTALS				
Current Period	282	101,119	175	1,730,541
Prior Period	295	107,559	186	1,780,541

NOTES

- 1 In some cases, Agribusiness is treated as one customer for the entire Oblast when, in fact, it may be multiple agricultural accounts
- 2 Figures may include Budget customers

Draft

PRESIDENTIAL DECREE

Seeking to regulate relations among energy generation, transmission, supply and consumption, I order to

1 Introduce a practice when electric and heat energy is supplied to customers on the terms of pre-payment or commodity crediting by supplier against banking guaranties or joint responsibility of the bank and customer (agreement of agency)

The National Bank of Ukraine, introduce a mechanism of mandatory settlements by guaranting banks with suppliers

2 Ministry of Finance and State Tax Administration, approve a mechanism for pre-payment in banking funds or payment orders pursuant to the existing Market Members Agreement

3 Ministry of Power

3 1 Ensure supplies of electricity, on the terms of pre-payment, in quantities fully equivalent to amounts paid without limitation and disconnection except in emergencies in electric networks,

3 2 Arrange effective claim-type dealings with indebted enterprises employing NDC staff and attracting legal firms

4 Establish that, in the event of violated terms of contractual settlements, debtors should be disconnected from electric networks and if debtors defy making efforts to stop consuming power without paying, supplier must suspend supplies until paid for

In so doing, the supplier should not be responsible for possible negative consequences resulted from disconnection

5 The Cabinet of Ministers, National Bank of Ukraine, Ministry of Finance and State Tax Administration, develop a mechanism for formalizing settlements on existing liabilities

5 1 Offset mutual arrears of enterprises, organizations and institutions of any form of ownership on the non-issuance terms with servicing banks involved

5 2 Use promissory notes of electricity customers or transfer notes of generators honored by electricity customers

5 3 Transfer debt by executing the notes

5 4 Use as paying means, liabilities of state institutions, particularly, the notes of the State Treasury of Ukraine, and securities issued by financial departments of local state administrations using the said liabilities to pay taxes and duties

L Kuchma

President of Ukraine

CABINET OF MINISTERS OF UKRAINE

RESOLUTION

No 1065 of 13 July 1998

The City of Kyiv

On Measures to Increase the State Budget Revenues from Ownership of the State Corporate Rights

In order to provide receipts to the state budget from ownership of the state corporate rights, the Cabinet of Ministers of Ukraine hereby **resolves**

1 The State Property Fund shall, within three weeks, call, pursuant to Article 45 of the Law of Ukraine, an extraordinary meeting of stockholders of the open joint-stock companies in the authorized fund of which the state share makes over 10 % The meeting shall consider an issue on allocation of not less that 25 % of the profit got from the results of activity in 1997 for payments on dividends

The authorized representatives appointed in accordance with the established procedure shall vote on the positive decision on this issue

2 The State Property Fund, the Ministry of Economy and Ministry of Finance together with appropriate bodies authorized to manage state property shall analyze, by 1 October 1998 the results of financial and economic activity of the said companies that have not got profit from their activity in 1997, and submit proposals on improvement of the situation, in particular by replacement of heads of these companies

Golubchenko, First Vice Prime Minister of Ukraine

Ind 25

Investitsionnaya Gazeta

9 June 1998

NOBODY PAYS DIVIDEDS TO THE STATE

Receipts from privatization shall be paid to the budget,
and for this purpose every possible means are suitable

On May 12 in his address to Verkhovna Rada the President of Ukraine raised a question on the necessity to receive dividends on the state share of the enterprises being privatized. There have been determined target figures, i.e. 100 million per year.

As of May 1 of this year dividends on the state share in the amount of 18 650 thousand hrn have been transferred to the budget, while during two previous years these receipts made 15 433 thousand hrn.

According to Sergei Glushko, Deputy Chairman of the State Property Fund, in order to strengthen control over receipts of dividends on state-owned shares, the State Property Fund made a decision that the authorized person should state in the commission contract an unconditional payments of dividends at the rate of 25 % from profit and initiate this issue at general meetings of shareholders. At the same time the State Property Fund obliged joint-stock companies accountable to the central SPF office to provide information on actual allocation of profits for 1997 and planned allocation of profits for 1998.

According to information provided by the State Property Fund, in compliance with the register of the central office, as of 1 May of this year general meetings were held in 127 joint-stock companies of 486 ones accountable to the central office. Of them 65 joint-stock companies ended 1997 with losses (total amount of losses made 112 688 6 thou hrn). 62 joint-stock companies ended this same year with profit making 743 203 9 thou hrn. 19 joint-stock companies paid dividends on shares, including on state shares. Among them the largest amounts on dividends were paid by OJSC "Dneprenergo" (21 382 0 thou hrn) with the state share making 85.02%, OJSC "Eksim-nefteprodukt" (7 414 5 thou hrn) with a 51.2% state share, OJSC "Kyivenergo" (1 042 0 thou hrn) with a 66.22 % state share, OJSC "NASK 'Oranta'" (1080 3 thou hrn) with a 22.4 % state share, Kyiv TSUM (Central Department Store) (672 9 thou hrn) with a 24.66 % state share, etc.

The State Property Fund will uphold allocation of dividends at the general meeting of shareholders of OJSC "Ukrneft" which will be held some day nevertheless. According to Audit Chamber of Verkhovna Rada, from March 1994 "Ukrneft" got net profit in the amount of 928.3 million hrn, of which 391.3 million hrn are for 1997. However, it paid no hryvnias on dividends. Given 5 to 25% of profit be allocated in the fund of dividends payment (state share making 61 %) the budget could receive

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from 12 to 60 million hrn. Fault for non-execution of functions of management and control over efficient use of state property the Audit Chamber has put on the SPF of Ukraine.

Now the SPF will uphold more urgently the right to receive dividends on the state shares block. As pointed out by Sergei Glushko, decision on reinvestment of profit in the development of production can be made only in the case of submitting by an enterprise a comprehensive plan for target reinvestment.

Enterprise	Statutory Fund		Referential Sale		Auctions		% of SF		Tenders % of SF*		Stock	Other	State %	Total (without State %)	
	(UAH)	% of SF*							Exchanges	% of	% of	of SF	% of SF		
	SAP Sold	Sold **	Sold	PPC	CC	SAP	Sold	SAP	Sold	SAP	Sold	SAP	SAP	SAP	
1 EGC Dniproenergo	98 099 950	24 36%	24 36%	0 00%		0 00%		24 00%	0 00%	0 64%	0 00%	0 00%	51 00%	49 00%	24 36%
2 EGC Donbasenergo	236 443 010	25 00%	25 00%	0 00%		0 00%		24 00%	0 00%	0 00%	0 00%	0 00%	51 00%	49 00%	25 00%
3 EGC Centrenergo	92 351 777	25 00%	25 00%	0 00%		0 00%		24 00%	0 00%	0 00%	0 00%	0 00%	51 00%	49 00%	25 00%
4 EGC Zakhidenergo	127 905 410	20 66%	20 66%	0 00%		0 00%		24 00%	0 00%	4 34%	0 00%	0 00%	51 00%	49 00%	20 66%
5 EDC Kyivenergo	27 091 070	33 77%	33 77%	0 00%		0 00%		30 00%	0 00%	11 23%	2 58%	0 00%	25 00%	75 00%	36 35%
6 EDC Dniprooblenergo	59 916 170	22 18%	22 18%	5 00%		0 00%		10 00%	0 00%	11 82%	0 00%	0 00%	51 00%	49 00%	22 18%
7 EDC Vinnytsaoblenergo	30 973 660	26 60%	26 60%	5 00%		0 00%		8 00%	0 00%	9 40%	0 00%	0 00%	51 00%	49 00%	26 60%
8 EDC Zaporizieoblenergo	44 840 000	21 57%	21 57%	5 43%		0 00%		10 00%	0 00%	12 00%	0 00%	0 00%	51 00%	49 00%	21 57%
9 EDC Rivneoblenergo	20 827 420								0 00%		0 00%				0 00%
10 EDC Cherkassyoblenergo	37 098 333	18 48%	18 48%	6 14%	6 14%	0 00%		20 00%	0 00%	4 38%	4 38%	0 00%	51 00%	49 00%	29 00%
11 EDC Khmelnytskoblenergo	33 637 840	20 27%	20 27%	4 73%	4 72%	0 00%		20 00%	0 00%	4 00%	4 00%	0 00%	51 00%	49 00%	28 99%
12 EDC Kirovogradoblenergo	29 844 000	22 55%	22 55%	2 45%	2 42%	0 00%		20 00%	20 00%	4 00%	4 00%	0 00%	51 00%	49 00%	48 96%
13 EDC Kyivoblenergo	52 043 780	13 00%	13 00%	3 67%	3 67%	3 33%	3 30%	25 00%	0 00%	4 00%	4 00%	0 00%	51 00%	49 00%	23 97%
14 EDC Sevastopolmiskenergo	6 722 400	23 31%	23 31%	1 69%	1 66%	0 00%		20 00%	0 00%	4 00%	4 00%	0 00%	51 00%	49 00%	28 97%
15 EDC Ternopiloblenergo	15 272 040	16 48%	16 48%	8 00%	8 00%	0 00%		20 00%	20 00%	4 52%	4 52%	0 00%	51 00%	49 00%	49 00%
16 EDC Volynoblenergo	23 863 800	18 13%	18 13%	3 87%	3 87%	3 00%	2 93%	20 00%	0 00%	4 00%	0 72%	0 00%	51 00%	49 00%	25 65%
17 EDC Zakarpattyoblenergo	31 150 810	12 85%	12 85%	6 15%	6 11%	0 00%		20 00%	0 00%	10 00%	1 93%	0 00%	51 00%	49 00%	20 88%
18 EDC Zhytomyroblenergo	20 389 165	20 85%	20 85%	4 14%	4 14%	0 00%		24 00%	0 00%	0 00%	0 00%	0 00%	51 00%	49 00%	25 00%
19 EDC Chernigivoblenergo	29 829 506	16 94%	16 94%	6 54%	6 54%	0 00%		35 00%	35 00%	16 53%	8 00%	0 00%	25 00%	75 00%	66 47%
20 EDC Chernivtsioblenergo	14 195 170	14 98%	14 98%	5 47%	5 47%	0 00%		36 00%	0 00%	18 55%	12 00%	0 00%	25 00%	75 00%	32 45%
21 EDC Donetskoblenergo	81 896 469	18 54%	18 54%	5 00%	5 00%	0 00%		36 00%	0 00%	15 46%	8 42%	0 00%	25 00%	75 00%	31 96%
22 EDC Kharkivoblenergo	64 135 190	20 79%	20 79%	2 96%	2 96%	0 00%		35 00%	0 00%	16 24%	7 26%	0 00%	25 00%	75 00%	31 01%
23 EDC Khersonoblenergo	23 743 760	16 53%	16 53%	5 48%	5 48%	0 00%		35 00%	0 00%	17 99%	11 00%	0 00%	25 00%	75 00%	33 01%
24 EDC Krimenergo	43 241 880	18 52%	18 52%	3 00%	3 00%	0 00%		35 00%	0 00%	18 48%	7 18%	0 00%	25 00%	75 00%	28 70%
25 EDC Luganskoblenergo	52 030 730	19 33%	19 33%	4 00%	4 00%	0 00%		35 00%	0 00%	16 67%	9 14%	0 00%	25 00%	75 00%	32 47%
26 EDC Lvivoblenergo	48 493 080	17 14%	17 14%	8 05%	8 05%	0 00%		35 00%	35 00%	14 81%	11 00%	0 00%	25 00%	75 00%	71 19%

29	EDC	Rotavaoblenergo	55 240 000	16 40 /	16 40 %	6 60 %	6 60 %	0 00 %	36 00 %	0 00 %	15 80 %	12 00 %	0 00 %	25 00 /	75 00 %	35 20 /
30	EDC	Prykarpattyoblenergo	25 908 875	15 63 %	15 63 %	5 12 %	5 12 %	0 00 %	35 00 %	35 00 %	19 25 /	13 00 %	0 00 /	25 00 /	75 00 %	68 75 %
31	EDC	Sumyoblenergo	44 281 374	15 37 %	15 37 /	8 77 %	8 77 %	0 00 /	36 00 %	36 00 %	14 85 %	13 00 %	0 00 %	25 00 %	75 00 %	73 15 /

SAID / PricewaterhouseCoopers / PDAT

07 28 98

SF Statutory Fund

American Date standart

Preferential sale supposed to be sold

APPENDIX D

**AUGUST 1998 FINANCIAL RECOVERY PLAN ACTION
MONITORING REPORT**

**FINANCIAL RECOVERY PLAN
ACTION MONITORING PROGRAM
REPORT NO 4 - AUGUST 1998**

Actions	Recent Status / Progress measures
1 Require that all noncash financial settlements, including offsets, be executed by, or on behalf of, electricity companies using NBU bank offset mechanism	The NBU Bank offset mechanism is being integrated into the Market Funds Procedure by the advisor Use of the mechanism to date is believed to be low
2 For each generation Company, apply all financial resources which remain available after payment of wages, repairs, and taxes to cash fuel procurement	Cash payment for fuels by generating companies, according to Minenergo, was 5.7 million UAH in July which is down from the prior month level of 10.7 million UAH See Attachment A2 The Gencos continue to purchase fuel through Minenergo's special budget customer cash account without competitive procurement In total, 2% of Genco fuel is purchased by cash, 40% by offset, and 58% by debt

**FINANCIAL RECOVERY PLAN
ACTION MONITORING PROGRAM
REPORT NO 4 - AUGUST 1998**

Actions	Recent Status / Progress measures
<p>3 Generation Companies conduct all cash purchases of all types of fuel from suppliers based on competition</p>	<p>The procurement methods being employed with cash represent a violation of this FRP action because the requirement is that ALL cash purchases be conducted competitively by the GENERATING COMPANIES. It is necessary that the all cash spending is immediately reorganized to be conducted competitively by the Generation Companies without influence of ministries and committees</p> <p>Based on formal Minenergo information, cash spent on fuel for the first six months of 1998 was 27.2 million UAH, which we understand was sourced by budget funded organization payments to the Special Minenergo Fuel Account as decreed by CoM #860. In addition, 173.5 million UAH in cash was provided directly to coal mines from DerzhComReserve by Cabinet of Ministers Resolutions. In June, these figures were 2.7 and 60 million UAH, respectively. Of this cash being spent, none of it flows through Genco accounts and none is being spent in a competitive fuel procurement environment. The advisor is preparing proposals for changing the procurement process.</p> <p>Recent CoM resolutions have increased the amount of fuel which will be purchased through DerzhComReserve which means that none of this fuel will be procured by competitive methods. Since June 1, CoM resolutions 403, 1089 (Attachment A3A), and 1090 (Attachment A3B) have ordered 3.9 million tonnes of coal at a cost of 263 million UAH to be purchased through DerzhComReserve. To make matters worse, the Gencos are then required to pay back these "loans" from DerzhComReserve beginning as early as August 1, so the Gencos will not have any opportunity to conduct any competitive procurement in the near future. Total Genco cash loan repayment, assuming equal monthly payments for both loans beginning in August, would be 28 million UAH for the remainder of the year and 18 million UAH for the first 6 months of next year. Meanwhile, current EnergoMarket cash the Gencos are currently getting is in the neighborhood of 5 million UAH per month (which doesn't even cover minimal cash expenses) so it is not understood by Advisors how the loans could even be paid back.</p> <p>Minenergo indicated in early August that they only had about 150,000 UAH in their special fuel account so that if they had any purchases, it would be for mazut. We are continuing to monitor these purchases and their debt/cash flow implications for the Gencos and fuel procurement processes.</p>

**FINANCIAL RECOVERY PLAN
ACTION MONITORING PROGRAM
REPORT NO 4 - AUGUST 1998**

Actions	Recent Status / Progress measures
<p>4 Identify as of 1 January 1998 accounts payable of electricity supply and generating companies and provide for this debt to be rescheduled for payment over 5 years in accordance with the effective law</p>	<p>As previously reported the Cabinet of Ministers issued Resolution No 582 dated 28 April 1998 which ordered the rescheduling of the generating companies fuel debts from 1 October 1997 to the following four years</p> <p>No advisor currently available to assist on this task</p>
<p>5 Transit to market-based retail tariffs according to the Electricity Law and the NERC issued licenses, while providing for a single tariff for the population in the entire territory of Ukraine</p>	<p>NERC Commissioners orally informed the World Bank in August that the transition to the license-based pricing system will begin in September and conclude by the end of the year, and that NERC is preparing to introduce the subsidy certificate program which is an adjunct to that pricing system However, the deadline for action has been missed</p> <p>On August 13, NERC issued Order No 1052, "Procedure of Determining Customer Classes According to Voltage Level" This order provided specific directions for the division of retail customers into voltage classes under the Regulated Tariff Supplier licenses The Order is Attachment A5A</p> <p>On May 18, 1998, NERC issued Order No 598 This order states, most importantly that from June 1, 1998 'All electricity shall be purchased by the licensees engaged in electricity supply in the WEM at a unified wholesale price calculated in compliance with the Market Rules' (Section 1 2) and that "The retail price of electricity for customers shall be calculated by the licensees engaged in electricity supply at a regulated tariff according to the formula given in the Conditions and Rules to carry out entrepreneurial activity in electricity supply at a regulated tariff" (Section 1 3) The Order has not been enforced and has not been openly and widely distributed The Order is Attachment A5B</p>

**FINANCIAL RECOVERY PLAN
ACTION MONITORING PROGRAM
REPORT NO 4 - AUGUST 1998**

Actions	Recent Status / Progress measures
<p>6 Determine amounts due from all electricity suppliers and to all generators according to the Wholesale Market Rules Enforce provisions for all payments received by Wholesale Market Members to be distributed according to Market Funds Administration Procedure</p>	<p>The System Settlement Administrator Staff has recently provided the advisor with data and software for documentation and subsequent validation against the market rules The advisor is currently reviewing this information</p>
<p>7 Draft and submit for consideration in line with the established procedure law to cancel privileged electricity tariffs based on the occupational principle and to set and enforce consumption limits for all remaining classes of privileged customers</p>	<p>As reported last month, in June the Cabinet of Ministers approved a draft law to cancel privileged tariffs based on occupation This draft law would change 11 existing laws for the various occupational privileges This draft law has been included in the session of the Verkhovna Rada but will not be acted upon prior to September</p>
<p>8 Oblenergos to promptly terminate service to all defaulters except as provided by the Law of Ukraine, and local administrations interfering with this process are to be prosecuted</p>	<p>The detailed figures for this activity are shown in Attachment A8</p> <p>The debt level for all customers in default increased by 161 million UAH (+7%) to 2.37 billion UAH although the numbers of debtors decreased by 1,531 (-4%) to just under 38,000</p> <p>The information for this period also indicates that the percentage of debtors disconnected, measured by value has fallen from 39.4% to 34.8% a move in the wrong direction</p>

**FINANCIAL RECOVERY PLAN
ACTION MONITORING PROGRAM
REPORT NO 4 - AUGUST 1998**

Actions	Recent Status / Progress measures
<p>9 Limit supply of electricity to budget-funded customers to no more than the actual amount provided for in cost estimates for this purpose</p>	<p>Following a steady trend, the debt level for National Budget customers increased by 6.7 million UAH (5.5%) to 128 million UAH in this reporting period. Since the beginning of the year, the debt level grew by 48.4 million UAH or 61%. The detailed information by Oblenergo can be seen in Attachment A9 A.</p> <p>At the Local Budget level, the situation continues to be more positive. Local Budget funded customer debt decreased by a further 6.6 million UAH (8.3%) to 73.1 million UAH. This reduces the debt level to more than 9% lower than the level at the beginning of the year. (See Attachment A9 B)</p>
<p>10 Transfer the Market Funds Administrator from NDC to a new, NERC-licensed Energomarket Enterprise</p>	<p>The Antimonopoly Committee agreed on creation of the National State-Owned Enterprise UKRENERGO by merger of the NDC and the High Voltage Network (state enterprise UKRELECTROPEREDACHA). According to the UKRENERGO Charter, Energomarket will exist as a separate division within UKRENERGO. This means that Energomarket will <u>NOT</u> be established as a separate business (legal) entity.</p>
<p>11 Formalize and enforce compulsory use of clearing accounts for all Oblenergos' receipts specified in the Wholesale Market Funds Administration Procedure</p>	<p>Kievenergo, which collects in excess of 20% of total cash, still does not utilize a clearing account.</p>
<p>12 Prepare propositions to the Rada to renew responsibility for non-timely electricity payments by budget organizations and residential customers</p>	<p>As previously reported, there are no limitations for imposition of fines from budget-financed institutions if such provision is included into the contract between a supplier and a consumer.</p> <p>As reported in July, Minenergo drafted a law and submitted it to the Cabinet of Ministers which would invalidate the current law prohibiting fines for individuals for late payments.</p>

**FINANCIAL RECOVERY PLAN
ACTION MONITORING PROGRAM
REPORT NO 4 - AUGUST 1998**

Actions	Recent Status / Progress measures
<p>13 For all defaulted state and local budget-funded institutions and organizations, identify and execute offsets with the electricity supply companies For all defaulted state-controlled enterprises identify and execute offsets with the electricity supply companies using the NBU bank offset mechanism</p>	<p>As reported in July Minenergo agreed to undertake the following steps for defaulted state-controlled enterprises</p> <ol style="list-style-type: none"> 1 Classify debtors in major categories (industrial, agriculture, communal services, etc) according to creditworthiness and practical measures to collect debts, 2 Identify specific measures to be taken for each category (future, arrears), 3 Identify those measures which are outside Minenergo's influence and undertake actions to ensure these are followed-up, 4 Assign all other measures to Minenergo staff, 5 Elaborate a detailed action plan for each category, 6 Establish a progress monitoring scheme for the use of Minenergo <p>To date however, the advisor has no knowledge of any progress on this plan</p>

**FINANCIAL RECOVERY PLAN
ACTION MONITORING PROGRAM
REPORT NO 4 - AUGUST 1998**

Actions	Recent Status / Progress measures
<p>14 For major nonbudget customers who are receiving electricity service, identify arrears over 3 months and reschedule them as legally enforceable, interest bearing, saleable debt instruments</p>	<p>Non-budget funded customer debt was approaching 2.2 billion UAH at August 1. This represents an increase of 4% in the current period and the level is 24% higher than at 1/1/98. The data by Oblenergo is contained in Attachment A14 A.</p> <p>Information on large debtors is shown in Attachment A14 B. 166 customers had individual debts over 1 million UAH for a total of 1.46 billion UAH. The information provided by Minenergo to monitor this item is being defined and compiled differently than in prior periods. This month, the reporting has changed to show individual farms as "small" customers (less than 100,000 UAH of debt) as opposed to showing all agribusiness in an oblast as one "large" customer (over 1 million UAH in debt) as was done in prior months.</p> <p>In July it was reported that Minenergo drafted a Presidential Decree for creating a legal basis for improving collections which included the following features:</p> <ol style="list-style-type: none"> 1 <u>Industrial customers</u> Supply contracts with pre-payment clause and bank guarantee, or joint guarantee customer/bank (agency agreement) 2 <u>State and local budget funded customers</u> use of Treasury Bills, municipal bonds or similar securities backed by local administrations (to be used in connection with taxes and duties) 3 Use of customer promissory notes and generation company transfer notes <p>To date, still no action has been taken on the draft Presidential decree.</p>
<p>15 Establish collection departments with litigation staffs at all oblenergos to take vigorous systematic legal actions in the court against all defaulters</p>	<p>Some oblenergos are establishing special collection departments. The advisor is working with Khmel'nitsky and L'viv Oblenergos to assist in these efforts.</p>

**FINANCIAL RECOVERY PLAN
ACTION MONITORING PROGRAM
REPORT NO 4 - AUGUST 1998**

Actions	Recent Status / Progress measures
16 Assure financing to pay budget arrears for electricity and heat within 5 years by means including Treasury promissory note program and promissory notes of local state administrations	As previously reported, under the draft of the IMF Extended Fund Facility, the Supplemental Budget is to contain 90 million UAH in the second half of 1998 for budget arrears to the electricity sector For the 1999 budget, the required amount is 180 million UAH
17 Transfer to winners of competitions and tenders management of state owned blocks of shares in the Electricity Companies to be privatized using Section 104 of the State Privatization Program providing for the control interest to be held by investors	At the request of the State Property Fund (SPF) management, drafting of a new standard Management Contract has been completed by the advisors It is being reviewed by the SPF deputy chairman The SPF has offered the right to manage state shares to the winners of the seven oblenergo commercial tenders concluded in July However, management contracts will not be concluded until purchase and sale agreements are concluded by the SPF and the winning bidders

**FINANCIAL RECOVERY PLAN
ACTION MONITORING PROGRAM
REPORT NO 4 - AUGUST 1998**

Actions	Recent Status / Progress measures
<p>18 For all Oblenergos, sell by open tenders or competitions against investment commitments on a schedule specified by the SPF and Minenergo, at least 25% of the shares plus one share, providing for a possibility of transferring management of state shares to the winner Provide by the terms of tenders and competitions for an amount not less than the initial selling price to go for companies' development For efficient sale of shares, divide oblenergos into two groups</p>	<p>Tenders for at least 25%+1 share in each of 15 oblenergos are scheduled to be completed by Jan 1, 1999 Winners have been announced (i.e tenders have been concluded – although purchase/sale agreements have yet to be concluded for the July tenders) for 10 oblenergo tenders to date ranging in size from 12% (for a tender concluded in Jan 1997) to 20% (for two tenders concluded in March 1998) to 35% or 36% (for the seven tenders announced in July) of the shares of each oblenergo On August 20, the Odessa tender results were cancelled by the Supreme Arbitration Court of Ukraine</p> <p>With the adoption of the Cabinet of Ministers Resolution of August 5, 1998, the state shareholdings in all oblenergos have been reduced from 51% to 25%+1 share The ex-state share packages have been allocated to commercial (cash) tenders</p> <p>Complete the sale of all 27 oblenergos by July 1, 1999 An average of 40% of the shares of each oblenergo (ranging from 16% to 73%) have been sold to date by all means of sale (preferential share sales to employees, certificate auction sales to the public, tenders, stock exchange sales, and cash auctions) Depending upon market conditions, it is expected that all oblenergos will be privatized (i.e 70%+ of the shares of each sold) before the end of the first quarter of 1999</p>

**FINANCIAL RECOVERY PLAN
ACTION MONITORING PROGRAM
REPORT NO 4 - AUGUST 1998**

Actions	Recent Status / Progress measures
<p>19 Sell at least 24% of 4 fossil generators against investment commitments by tenders and competitions Provide by the terms of tenders and competitions for an amount not less than 50% of the initial selling price for companies' development</p>	<p>The winner of the competition to select an international advisor for the sale of 24% of Tsentrenergo was announced in the spring Negotiations over the terms of the contract continue A tender for the selection of an advisor for Zakhidenergo has yet to be announced A tender for an international advisor for the sale of 24% of Donbasenergo was held seven months ago The winner of the tender and the SPF continue to negotiate terms of the contract The tenders to hire advisors for Donbasenergo and Tsentrenergo were conducted by the SPF utilizing the December 1997 tender regulation which required that the winner provide bridge financing to the Government of Ukraine This "pre-privatization" financing issue has delayed conclusion of agreements with the two advisors</p> <p>Once contracts have been concluded, the advisors will utilize the newly adopted international tender regulation for the sale of 24% each of Donbasenergo and Tsentrenergo to strategic investors This new tender regulation is seen as an improvement in that it provides more transparency to the process, greater restrictions on participation from insiders, bidder pre-qualifications, and greater disclosure requirements for the enterprise being tendered Dniproenergo, having seen the delays encountered by Donbasenergo and Tsentrenergo, plans to have the SPF conduct an investment tender for its 25% share package without the use of an advisor and through the use of the existing non-commercial tender procedures (not the new international tender regulation) Thus leaving Zakhidenergo as the only generating company which might utilize <u>both</u> the newly adopted tender for international advisor regulation and the international tender regulation Whether the four gencos will utilize, if adopted by the SPF and Min Energo, the newly drafted standard management contract to allow strategic investors to manage the state's 51% shareholdings is uncertain at this point in time</p>

**FINANCIAL RECOVERY PLAN
ACTION MONITORING PROGRAM
REPORT NO 4 - AUGUST 1998**

Actions	Recent Status / Progress measures
20 Review the results of items 17-19 of this Plan's implementation and prepare draft electricity company privatization plan for 1999 for consideration by CoM	Drafting will begin in September. An initial draft of the 1999 energy privatization plan for consideration by Cabinet of Ministers is scheduled by Oct 15 and a final draft by Nov 15, 1998
21 Financial Recovery Commission ("FRC") to control implementation of the Financial Recovery Plan and report quarterly to the CoM on the process of its implementation	There were no known FRC meetings in July
22 Prepare financial performance indicators of the industry's financial recovery process as set forth in the Appendix	The "Key Financial Indicators and Benchmarks" table is being distributed with this report
23 Draft appeal to the World Bank to reinstate EMDP loan based on initial performance of this Financial Recovery Plan, including a request for reallocation of loan proceeds for acquisition of metering and communications technology required to implement hourly tariffs and voluntary demand curtailment	The EMDP reinstatement decision date has been moved from 15 August to 15 October

UKRAINE POWER SECTOR
FINANCIAL RECOVERY PLAN

KEY FINANCIAL INDICATORS AND BENCHMARKS
08/28/98

Performance Indicators	97Q3 Actual	Dec 1997 Actual	97Q4 Actual	Jan 1998 Actual	Feb 1998 Actual	March 1998 Actual	98Q1 Actual	April 1998 Actual	May 1998 Actual	June 1998 Actual	98Q2 Actual	July 1998 Actual	Aug 1998 Target	Sept 1998 Target	98Q3 Target	98Q4 Target	99Q1 Target
1 Oblenergo electricity collection rate to transit accounts excl Kievenergo [% of amount billed]																	
1.1 Total	93.9	108.2	100.4	43.2	84.0	72.9	66.1	88.4	101.0	122.8	103.0	87.2	102	102	102	104	106
1.2 Cash	102	12.6	10.6	9.4	11.6	10.3	10.4	12.3	13.2	11.1	12.2	11.3	18	19	18	22	25
2 Energoatom collection rate [% of amount billed]																	
2.1 Total	106.5	122.1	89.7	43.9	65.4	79.1	79.1	110.0	91.0	134.0	110.5	99.2	102	102	102	104	106
2.2 Cash	9.3	7.5	7.2	5.8	5.7	7.9	7.9	8.4	8.3	6.0	7.7	6.3	18	19	18	22	25
3 Four fossil generators collection rate [% of amount billed]																	
3.1 Total	87.9	112.1	88.7	61	138.3	78.2	90.6	116.1	95.1	94.5	101.2	76.8	102	102	102	104	106
3.2 Cash	7.9	8.7	8.2	7	5.6	6.3	6.3	7.2	9.6	6.5	7.7	5.7	18	19	18	22	25
4 Retail tariff adherence [actual tariffs % of market tariff]													100	100	95	100	100
5 Fuel Cost 4 Fossil Generators [1997\$/MWh]													26	25	26	24	24
6 After tax profit of 4 fossil generators [1997\$/quarter million]	5		7				40								20	30	50
7 Oblenergo debt to Energomarket [1997\$ million]	1368	1347	1347	1450	1484	1580	1580	1604	1555	1508	1508	1486			1280	1227	1120
8 Oblenergo debt to Energomarket [days annual]		120	120	129	132	141	141	143	139	134	134	132			118	112	102
9 Energomarket debt to generators [1997\$ million]	1321	1338	1338	1438	1416	1498	1498	1463	1444	1403	1403	1394			1288	1227	1120
Information Indicators																	
10 Wholesale Purchase Price (from Fossil Generators) [US cents/kWh]	3.22	3.15	3.18	3.15	3.00	3.24	3.13	3.21	3.39	3.37	3.32	3.48					
11 Energoatom Sale Price [US cents/kWh]	2.4	2.4	2.4	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7					
12 Hydro Sale Price [US cents/kWh]	0.96	0.96	0.96	0.96	0.96	0.96	0.96	0.96	0.96	0.96	0.96	0.96					
13 Wholesale Price (to Suppliers) [US cents/kWh]	2.93	2.93	2.93	2.89	2.89	2.96	2.90	2.91	2.67	2.66	2.75	2.90					
14 Average retail tariff (NERC planned) [US cents/kWh]	3.76	3.76	3.76	3.82	3.85	4.12	3.91	3.95	4.15	4.38	4.14	4.23					
				7.57	7.7	8.21	7.8	7.99	8.47	8.97	8.43	8.72					

Note: The payments collection benchmarks for Energoatom are to be finalized following EBRD's Operation Commission review of the proposed Khmelnytsky 2/Rovno 4 nuclear completion project

**Note This Table of Contents shows where attachments to the FRP Report are located
Documents (DOC) are located in this file
Spreadsheets (SS) are located in the Lotus or Excel files**

<u>NO</u>	<u>DOC</u>	<u>SS</u>	<u>DESCRIPTION OR TITLE</u>
2		X	Fuel Procurement Methods and Payment Mechanism Summary (Table)
3A	X		Cabinet of Ministers Resolution # 1089 concerning coal purchases from the state reserve
3B	X		Cabinet of Ministers Resolution # 1090 concerning coal settlements with the state reserve
5A	X		NERC Resolution #1052 concerning the determination of customer classes
5B	X		NERC Resolution #598 concerning the market based retail tariffs
8		X	Summary of Terminations (Table)
9A		X	Supply to National Budget Customers (Table)
9B		X	Supply to Local Budget Customers (Table)
14A		X	Debt Incurred by Nonbudget-funded Customers (Table)
14B		X	Summary of Arrears (Table)

ATTACHMENT A 2

Financial Recovery Plan Reporting Statistics
 Fuel Procurement Methods and Payment Mechanism Summary
 All Genco Thermal Power Stations
 for the month of
 Jul-98

Financial and Procurement Statistics	Units	Fuels			Total
		Coal	Mazut	Natural Gas	
Cash Available for Payment	Hryvna				
Calorific Value	kcal/kg, kcal/cm	4,583	8,748	8,032	
Competitive Tender					
Volume	Tonnes, 000cm	0	0	0	
Fuel Cost	Hryvna	0	0	0	0
Payment by Cash	Hryvna	0	0	0	0
Payment by Offset	Hryvna	0	0	0	0
Payment by Debt	Hryvna	0	0	0	0
Other Procurement Methods					
Volume	Tonnes, 000cm	1,899,966	50,092	538,141,018	
Fuel Cost	Hryvna	140,686,512	9,935,813	107,970,576	258,592,901
Payment by Cash	Hryvna	2,672,000	2,894,447	127,000	5,693,447
Payment by Offset	Hryvna	67,390,538	3,123,928	32,093,167	102,607,633
Payment by Debt	Hryvna	70,623,974	3,917,438	75,750,409	150,291,821
Total					
Volume	Tonnes, 000cm	1,899,966	50,092	538,141,018	
Fuel Cost	Hryvna	140,686,512	9,935,813	107,970,576	258,592,901
Payment by Cash	Hryvna	2,672,000	2,894,447	127,000	5,693,447
Payment by Offset	Hryvna	67,390,538	3,123,928	32,093,167	102,607,633
Payment by Debt	Hryvna	70,623,974	3,917,438	75,750,409	150,291,821
Total - Percent					
Payment by Cash	Hryvna	1 9%	29 1%	0 1%	2 2%
Payment by Offset	Hryvna	47 9%	31 4%	29 7%	39 7%
Payment by Debt	Hryvna	50 2%	39 5%	70 2%	58 1%
		100 0%	100 0%	100 0%	100 0%

UNIT STATISTICAL ANALYSIS

Cost Per tonne Per 000 cm - Hryvna	74	218	201
Cost Per Unit of Energy - Hryvna/mm Kcal	16 16	22 67	24 98
Cost Per Unit of Energy - \$/mm BTU	1 99	2 70	2 97
Memo Foreign Exchange Rate (May 98 rate)	2 05		



THE CABINET OF MINISTERS OF UKRAINE

RESOLUTION

DATE JULY 15, 1998

No 1089

KYIV

SUBJECT "ON STORING COAL PRODUCTS INTO THE STATE MATERIAL RESERVE"

With the aim of ensuring settlements for coal mining products being stored into the State Material Reserve (further on as state reserve) at storage facilities of power stations in accordance with Cabinet of Ministers Resolution of April 15 1998 No 491 On preparation of economy for operation in autumn winter period 1998/99 the Cabinet of Ministers of Ukraine hereby **RESOLVES**

- 1) The State Committee on Material Resources to finance a storage of coal-mining products into the state reserve shall attract loans from commercial banks in amount of 40 million hryvnas with their repayment by January 1, 1999 against a pledge of 200 000 tons of the 3d grade wheat from non-reduced state reserve inventories set by the Cabinet of Ministers
- 2) To decrease the amount of the state reserve wheat to be transferred into the pledge according to the Cabinet of Ministers Resolution of June 27, 1998, No 458, for 200 000 tons with the aim of passing this amount over into the pledge in accordance with clause 1 of this Resolution by the State Committee on Material Reserves
- 3) The Ministry of Coal, Ministry of Energy, the State Committee on Material Resources in 10 days term shall conclude an agreement upon measures providing shipment of 600 000 tons of coal-mining products in July-September of 1998 to power stations, to be put into the State Reserve inventory and to ensure conclusion of the corresponding agreements with suppliers of these coal-mining products, that shall foresee their property liability
- 4) The Ministry of Energy shall ensure transference of cash by power generating companies on a monthly basis starting from August 1 of this year, over separate accounts of the State Committee on Material Resources in commercial banks, within the volumes that provide for repayment of loans indicated in clause 1 of this Resolution, as well as, the interests for their use, as repayment of indebtedness for the released coal and mazut, in accordance with the Cabinet of Ministers Resolution No 73-2, of January 23, 1998

Prime Minister of Ukraine

V PUSTOVOITENKO

Resolution #1090 as of July 15, 1998

Kiev

On Providing Settlements for Coal Products

In order to provide settlements for coal products put into the State Reserve and stored with power plants in conformity to Cabinet of Ministers Resolution #491 as of April 15, 1998, On the Preparation of the National Economy for the Winter Period of 1998-1999, the Cabinet of Ministers of Ukraine hereby **RESOLVES**

- 1 By October 1, Ministry of Finance shall ensure the repayment of existing debt and current VAT charges under a centralized procedure from the State Budget through Minenergo to Minenergo entities in the amount of UAH 200,000,000 at the expense of the difference between gross revenues and expenses of the National Bank of Ukraine in excess of the amount established by the State Budget of Ukraine as of the year 1998
- 2 Minenergo shall ensure centralized purchases of 3 million tons of coal products from Ministry of Coal entities within the period of July through September 1998 and store this amount as the State Reserve with power plants against the debt for coal sold from the State Reserve in 1997
- 3 The State Reserve Committee shall supply 3 million tons of coal products to Minenergo entities within the period of July through September 1998 in order to secure continuity of power sector operations during the current year's harvesting time. The supplies shall be conducted under time loan agreements with the corresponding amount of fuel to be returned by July 1, 1999, and the interest of 0.1 per cent to be paid monthly for the use of the coal
- 4 Cabinet of Ministers Resolution #1005 as of July 6, 1998, On Providing Settlements for Coal Products, shall be deemed null and void

A Holubchenko,

First Vice Prime Minister of Ukraine

National Electricity Regulatory Commission of Ukraine (NERC)

RESOLUTION No 1052

of 13 August 1998

The City of Kyiv

On the Procedure of Determining Customer Classes

Pursuant to the Law of Ukrainian "On Electricity Sector", Decree of the President of Ukraine No 335 of 21 April 1998 "Issues of the National Electricity Regulatory Commission of Ukraine", the National Electricity Regulatory Commission of Ukraine hereby RESOLVES

To approve the Procedure of determining customer classes according to voltage level at the grid distribution points of electricity supplying systems (enclosed herewith)

Z. Butsio, Chairman of the Commission

by the Resolution of the National

Electricity Regulatory Commission

of Ukraine

of 13 August 1998, No. 1052

PROCEDURE OF DETERMINING CUSTOMER CLASSES ACCORDING TO VOLTAGE LEVEL

1. The Procedure of determining customer classes according to voltage level at the grid distribution points has been established in compliance with Conditions and Rules to carry out entrepreneurial activity in transmission of electricity by local electricity networks, approved by the Resolution of the National Electricity Regulatory Commission of Ukraine, No. 15, of 13 June 1996, and Conditions and Rules to carry out entrepreneurial activity in supply of electricity at regulated tariff, approved by the Resolution of the National Electricity Regulatory Commission of Ukraine No. 13/1 of 13 June 1996.

2. All customers are grouped into 2 classes according to the voltage level at the grid distribution points of electricity supplying systems.

1st class includes customers receiving electricity from electricity supplying company with a voltage level of 35 kV and over at the grid distribution point,

2nd class covers customers receiving electricity from electricity supplying company with a voltage level less than 35 kV at the grid distribution point.

3. Customers receiving electricity from the electricity supplying company with a voltage level of 27.5 kV at the grid distribution point belong to customers of the 1st class.

4. Customers receiving electricity from operating electric power plant buses (except CHPs and HPPs which generate electricity periodically), as well as from buses of substations of the electric power system

at the grid distribution point

5 Existing tariff groups shall be retained within each class of customers

6 If the customer has several line connections with different voltage levels at the grid distribution points, the customer class shall be determined separately by each grid distribution point according to the voltage level at each of these line connections

Settlements for electricity consumed shall be effected according to meter readings in compliance with tariffs set for an appropriate customer class and tariff group

If the customer has entities territorially separated (such as shops, subdivisions) and not connected to a common distribution system with it, the class for these entities shall be determined according to the voltage level at the grid distribution points of the electricity supplying company and such separated entity

7 The customer class for sub-customers shall be determined according to the class of the main customer (subscriber) irrespective of the voltage level at the grid distribution points of the electricity supplying systems of the main customer and sub-customer

8 Customers which pay for electricity consumed at tariffs differentiated by periods of time, as well as customers of tariff groups "residential customers", "settlements" shall make payments for electricity consumed in compliance with relevant resolutions of the National Electricity Regulatory Commission of Ukraine

RESOLUTION No 598

of 18 May 1998

The City of Kyiv

ON ESTABLISHING THE ELECTRICITY TARIFF

Pursuant to the Law of Ukraine "On Electricity Sector", Law of Ukraine "On Entrepreneurship", Decree of the President of Ukraine # 335 of 21 April 1998 "Issues of the National Electricity Regulatory Commission of Ukraine", Resolutions of the Cabinet of Ministers of Ukraine # 491 of 15 April 1998 "On Preparing the National Economy for Operation in Autumn-Winter Period of 1998/99" and # 508 of 18 April 1998 "On Approval Financial Recovery Plan for the Power Sector of Ukraine", in compliance with Conditions and Rules to carry out entrepreneurial activities in electricity supply at regulated tariff and with the aim to ensure recovery of sound expenses on electricity production, transmission and supply, replenishment of current assets, increase in the level of profitability of power enterprises, the National Electricity Regulatory Commission of Ukraine (NERC) hereby **RESOLVES**

1 To establish that from 1 June 1998

1.1 All electricity generated by heat, hydraulic and nuclear power plants which are incorporated with the electricity generating companies, including electricity generated on leased units, and CHPs which concluded agreements with the NDC of Ukraine, as well as import electricity shall be sold solely on the Wholesale Electricity Market (WEM) as follows

1.1.1 State joint-stock generating companies of heat power plants, entities of entrepreneurial activity that lease units from such generating companies shall sell electricity at prices calculated in compliance with the Market Rules with due account of hourly bid cap established by the NERC of Ukraine,

1.1.2 State joint-stock generating companies of hydraulic power plants, the National nuclear generating company, CHPs, entities of entrepreneurial activity that lease units from CHPs shall sell electricity at prices established by the NERC

1.1.3 Entities of entrepreneurial activity which import electricity in Ukraine shall sell it at prices established by the NERC

1.2 All electricity shall be purchased by the licensees engaged in electricity supply in the WEM at a unified wholesale price calculated in compliance with the Market Rules

1.3 The retail price of electricity for customers shall be calculated by the licensees engaged in electricity supply at regulated tariff according to the formula given in Conditions and Rules to carry out entrepreneurial activity in electricity supply at regulated tariff

In order to maintain, in different regions of Ukraine, a unified level of retail tariffs for electricity to be sold to residential customers and settlements, subsidy certificates shall be issued to licensees engaged in electricity supply at regulated tariff for residential customers and settlements for residential customers which have privileges in payments for consumed electricity

1.5 Tariffs for electricity to be sold to agricultural entities shall be established with due account of requirements of Act of Ukraine # 400 of 17 November 1990 "On Priority of Social Development of Villages and Agroindustrial Complex in the National Economy" (changes and amendments included)

2 From May 1998 to start issuing of subsidy certificates to licensees engaged in electricity supply at regulated tariff for residential customers and settlements, for residential customers which have privileges in payment for electricity consumed, agricultural entities

The licensees engaged in electricity supply at regulated tariff shall submit applications to obtain subsidy certificates in compliance with the procedure and terms stipulated by relevant Provisions on the procedure of issuing subsidy certificates

3 The Licensees engaged in electricity supply at regulated tariff shall, within 2 months, re-conclude agreements with customers for electricity supply having taken in to account the formation of retail prices for electricity in compliance with Conditions and Rules for carrying out entrepreneurial activity in electricity supply at regulated tariff

Z. Butsio,

NERC's Chairman

**FINANCIAL RECOVERY PLAN
MONTHLY ACTION MONITORING SYSTEM**

Attachment A8

Action No 8 - Summary of Terminations - All Customers

Report for period ending 01-Aug-98

See NOTES below for detailed description of each item required

Suppliers	1				2				3				4				5			
	All Debtors in default both connected and disconnected								All Debtors disconnected as at 01 Aug 1998											
	No of Debtors		Debt - 000UAH		No of Debtors		% of Total Debtors		Debt 000UAH		% of Total Debt									
	At 01-Aug-98	% change from Jan 98	At 01-Aug-98	% change from Jan 98	of Debtors	% of Total Debtors	000UAH	% of Total Debt												
Crimea	3097	0 8%	145288	32 1%	1178	38 0%	67715	46 6%												
Sevastopol City	196	7 1%	11734	-12 9%	66	33 7%	3728	31 8%												
Khmelnitsky	1103	-14 7%	19224	34 2%	429	38 9%	8620	44 8%												
Vinnitsa	1192	19 0%	27987	31 2%	761	63 8%	8580	30 7%												
Ternopil	780	-10 6%	26501	65 6%	426	54 6%	13105	49 5%												
Chernivtsy	291	-30 2%	12515	32 2%	139	47 8%	3394	27 1%												
Zaporhozie	2331	8 3%	116515	45 8%	606	26 0%	9147	7 9%												
Dnepropetrovsk	3214	1 9%	315376	10 4%	785	24 4%	32681	10 4%												
Kirovograd	744	8 8%	24683	24 3%	544	73 1%	15188	61 5%												
Donetsk	1927	-8 6%	617862	18 9%	1313	68 1%	387565	62 7%												
Lugansk	1671	-14 8%	290790	24 9%	978	58 5%	76914	26 5%												
Kyivenergo	701	11 6%	131228	18 7%	305	43 5%	11821	9 0%												
Kyivoblenergo	1998	9 4%	28184	39 1%	1122	56 2%	16234	57 6%												
Cherkasy	2322	22 9%	66299	64 1%	682	29 4%	22081	33 3%												
Zhitomir	743	10 1%	10314	22 6%	546	73 5%	6336	61 4%												
Chernigiv	935	3 4%	20074	55 1%	823	88 0%	14749	73 5%												
Lviv	1931	-2 6%	64678	33 2%	616	31 9%	8690	13 4%												
Rivne	1197	2 0%	13000	11 3%	470	39 3%	4235	32 6%												
Prykarpatye	1060	7 6%	12599	16 3%	303	28 6%	2811	22 3%												
Zakarpatye	1272	3 4%	20067	94 6%	860	67 6%	6485	32 3%												
Volyn	1129	24 1%	25195	46 5%	199	17 6%	1256	5 0%												
Odessa	1276	-5 5%	60783	20 7%	584	45 8%	9868	16 2%												
Kherson	1704	7 4%	78807	20 8%	1462	85 8%	52870	67 1%												
Mykolaev	476	22 4%	35621	143 3%	185	38 9%	7443	20 9%												
Kharkiv	1836	-23 4%	120390	5 5%	826	45 0%	17507	14 5%												
Poltava	1468	9 3%	34349	-4 7%	593	40 4%	8581	25 0%												
Sumy	1354	15 6%	31791	55 0%	584	43 1%	5853	18 4%												
S W RDC	6	50 0%	9518	146 0%	1	16 7%	2733	28 7%												
Ukraine																				
Current period	37954	1 6%	2371372	23 6%	17386	45 8%	826190	34 8%												
Previous period	39485	5 7%	2209929	17 3%	17774	45 0%	870156	39 4%												

NOTES

Col No	Detailed description
1	Regulated Tariff Supplier
2	Total number of customers provided with electricity service (above emergency level) while in default
3	Cumulative Value of electricity provided to customers that Supplier is entitled to disconnect but not disconnected
4	Total number of customers disconnected or on emergency level service only
5	Total Cumulative Value of electricity services owed by customers disconnected or on emergency level service

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**FINANCIAL RECOVERY PLAN
MONTHLY ACTION MONITORING SYSTEM**

Attachment A9 A

Action No 9 - Supply to National Budget Customers

Suppliers	Debts - M UAH			+/- in month	% change from	+/- year to date	
	Jan 1 '98	Jul 1 '98	Aug 1 '98	M UAH	Jul 1 '98	M UAH	Jan 1 '98
Crimea	5 40	7 61	9 13	1 53	20 1%	3 73	69 1%
Sevastopol City	2 00	3 06	2 66	(0 41)	-13 2%	0 66	32 8%
Khmelnitsky	1 90	4 21	4 48	0 27	6 4%	2 58	135 8%
Vinnitsa	3 60	4 62	4 83	0 21	4 5%	1 23	34 2%
Ternopil	0 20	1 61	1 58	(0 03)	-1 9%	1 38	690 0%
Chernivtsy	0 30	1 51	1 44	(0 08)	-5 0%	1 14	379 0%
Zaporozhie	4 80	5 14	7 16	2 02	39 2%	2 36	49 2%
Dnepropetrovsk	3 40	4 72	5 02	0 30	6 4%	1 62	47 8%
Kirovograd	1 70	1 82	2 03	0 21	11 5%	0 33	19 4%
Donetsk	3 60	7 50	8 10	0 60	8 0%	4 50	125 0%
Lugansk	5 00	7 17	4 06	(3 11)	-43 3%	(0 94)	-18 8%
Kyivenergo	3 90	7 77	7 70	(0 07)	-0 9%	3 80	97 5%
Kyivoblenergo	2 90	5 78	6 04	0 26	4 4%	3 14	108 2%
Cherkasy	0 80	2 59	2 15	(0 43)	-16 8%	1 35	168 9%
Zhitomir	2 77	1 19	1 67	0 48	40 3%	(1 10)	-39 7%
Chernigiv	1 10	2 05	2 15	0 10	4 9%	1 05	95 1%
Lviv	5 30	6 86	7 53	0 67	9 7%	2 23	42 0%
Rivne	0 70	1 29	1 18	(0 11)	-8 2%	0 48	68 7%
Prykarpatye	1 00	0 90	1 40	0 50	54 9%	0 40	40 0%
Zakarpatye	2 30	2 89	2 85	(0 04)	-1 2%	0 55	24 1%
Volyn	1 40	1 83	1 93	0 10	5 2%	0 53	37 6%
Odessa	4 30	7 86	8 74	0 88	11 1%	4 44	103 3%
Kherson	3 60	7 26	10 19	2 94	40 5%	6 59	183 1%
Mykolaev	2 80	6 30	6 04	(0 26)	-4 2%	3 24	115 5%
Kharkiv	11 00	11 20	11 58	0 38	3 4%	0 58	5 3%
Poltava	2 00	3 83	3 76	(0 07)	-1 7%	1 76	88 1%
Sumy	0 90	2 16	2 09	(0 07)	-3 3%	1 19	131 9%
S W RDC	1 00	0 66	0 60	(0 06)	-9 0%	(0 40)	-40 0%
Central RDC							
Ukraine	79 67	121 39	128 08	6 69	5 5%	48 41	60 8%

**FINANCIAL RECOVERY PLAN
MONTHLY ACTION MONITORING SYSTEM**

Attachment A9 B

Action No 9 - Supply to Local Budget Customers

Suppliers	Debts - M UAH			+/- in month M UAH	% change from Jul 1 '98	+/- year to date	
	Jan 1 '98	Jul 1 '98	Aug 1 '98			M UAH	Jan 1 '98
Crimea	5 70	5 85	6 78	0 93	15 9%	1 08	18 9%
Sevastopol City	0 10	0 44	0 51	0 07	16 2%	0 41	410 0%
Khmelnitsky	0 50	0 83	0 61	(0 21)	-25 7%	0 11	22 8%
Vinnitsa	1 00	3 36	2 68	(0 68)	-20 2%	1 68	168 3%
Ternopil	3 70	6 67	8 92	2 25	33 8%	5 22	141 0%
Chernivtsy	0 00	0 71	0 00	(0 71)	-100 0%	0 00	
Zaporozhie	4 70	3 92	1 45	(2 47)	-63 1%	(3 25)	-69 2%
Dnepropetrovsk	2 60	2 94	3 42	0 48	16 2%	0 82	31 5%
Kirovograd	0 70	1 90	1 06	(0 84)	-44 2%	0 36	51 4%
Donetsk	18 00	4 10	3 60	(0 50)	-12 2%	(14 40)	-80 0%
Lugansk	2 50	4 46	2 87	(1 59)	-35 6%	0 37	14 9%
Kyivenergo	9 00	10 41	6 95	(3 46)	-33 2%	(2 05)	-22 7%
Kyivoblenergo	0 14	0 30	0 30	0 00	0 0%	0 16	117 1%
Cherkasy	13 60	8 82	8 66	(0 16)	-1 8%	(4 94)	-36 3%
Zhitomir	0 20	0 67	1 04	0 38	56 4%	0 84	421 5%
Chernigiv	0 60	1 20	1 30	0 10	8 7%	0 70	117 3%
Lviv	0 70	1 77	1 85	0 08	4 4%	1 15	164 3%
Rivne	0 80	0 58	0 87	0 29	50 3%	0 07	8 8%
Prykarpatye	0 50	0 57	0 64	0 07	12 3%	0 14	28 0%
Zakarpate	1 70	2 36	1 95	(0 41)	-17 4%	0 25	14 6%
Volyn	2 90	3 74	4 97	1 23	33 0%	2 07	71 3%
Odessa	3 80	6 59	6 39	(0 20)	-3 1%	2 59	68 1%
Kherson	1 80	2 64	2 20	(0 44)	-16 7%	0 40	22 2%
Mykolaev	0 00	0 58	0 60	0 02	4 2%	0 60	
Kharkiv	1 90	0 00	0 00	0 00		(1 90)	-100 0%
Poltava	3 00	3 05	2 31	(0 75)	-24 4%	(0 69)	-23 1%
Sumy	0 50	1 28	1 17	(0 11)	-8 4%	0 67	134 0%
S W RDC							
Central RDC							
Ukraine	80 64	79 72	73 10	(6 62)	-8 3%	(7 54)	-9 3%

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**FINANCIAL RECOVERY PLAN
MONTHLY ACTION MONITORING SYSTEM**

Attachment A14 A

Action No 14 - Debt incurred by Non Budget Customers

Suppliers	Debts - M UAH			+/- in month % change fro		+/- year to date	
	Jan 1 '98	Jul 1 '98	Aug 1 '98	M UAH	Jul 1 '98	M UAH	Jan 1 '98
Crimea	98.9	130.3	129.4	(0.9)	-0.7%	30.5	30.8%
Sevastopol City	11.4	8.1	8.6	0.5	5.7%	(2.8)	-24.8%
Khmelnitsky	11.9	15.4	14.1	(1.2)	-8.0%	2.2	18.7%
Vinnitsa	16.7	19.8	20.5	0.7	3.4%	3.8	22.6%
Ternopil	12.1	17.5	16.0	(1.5)	-8.4%	3.9	32.3%
Chernivtsy	9.2	10.3	11.1	0.8	7.9%	1.9	
Zaporozhie	70.4	88.1	107.9	19.8	22.4%	37.5	53.3%
Dnepropetrovsk	279.8	278.1	306.9	28.8	10.4%	27.1	9.7%
Kirovograd	17.5	21.2	21.6	0.4	1.8%	4.1	23.4%
Donetsk	497.9	596.3	606.2	9.9	1.7%	108.3	21.7%
Lugansk	225.3	279.6	283.9	4.2	1.5%	58.6	26.0%
Kyivenergo	97.7	117.6	116.6	(1.0)	-0.9%	18.9	19.3%
Kyivoblenergo	17.3	22.2	21.8	(0.4)	-1.7%	4.6	26.5%
Cherkasy	26.0	54.1	55.5	1.4	2.6%	29.5	113.4%
Zhitomir	5.4	8.5	7.6	(0.9)	-10.3%	2.2	40.0%
Chernigiv	11.2	16.8	16.6	(0.2)	-1.2%	5.4	48.4%
Lviv	42.6	53.9	55.3	1.4	2.6%	12.7	29.8%
Rivne	10.2	11.5	10.9	(0.5)	-4.4%	0.7	7.3%
Prykarpatye	9.3	11.2	10.6	(0.6)	-5.7%	1.3	13.5%
Zakarpate	6.3	13.1	15.3	2.2	17.0%	9.0	142.3%
Volyn	12.9	17.1	18.3	1.2	6.8%	5.4	41.9%
Odessa	42.2	46.3	52.7	6.3	13.7%	10.5	24.8%
Kherson	59.8	66.4	66.4	0.0	0.0%	6.6	11.1%
Mykolaev	11.8	26.2	29.0	2.8	10.7%	17.2	
Kharkiv	101.2	110.6	108.8	(1.8)		7.6	7.5%
Poltava	31.1	26.8	28.3	1.5	5.7%	(2.8)	-9.1%
Sumy	19.1	27.1	28.5	1.5	5.5%	9.4	49.4%
S W RDC	2.9	6.9	8.9	2.0	28.7%	6.0	207.5%
Central RDC	5.7	0.7	9.1	8.4	1269.6%	3.4	59.8%
Ukraine	1,763.8	2,101.5	2,186.3	84.7	4.0%	422.5	24.0%

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**FINANCIAL RECOVERY PLAN
MONTHLY ACTION MONITORING SYSTEM**

Attachment A14 B

Action No 14 - Summary of Arrears

Customers with Large Electricity Debt as of - 01 August 1998

Supplier	Debts			
	over 100,000 & less than 1M UAH		Over 1M UAH	
	No of Debtors	Total Debt 000 UAH	No of Debtors	Total Debt 000 UAH
Crimea	12	4,548	8	70,885
Sevastopol City	5	1,444	2	3,018
Khmelnitsky	6	8,309	2	11,338
Vinnitsa	5	1,698	5	16,432
Ternopil	4	2,610	3	11,360
Chernivtsy	6	1,600	2	3,578
Zaporozhie	8	3,209	6	43,879
Dnepropetrovsk	12	4,142	14	146,386
Kirovograd	3	1,704	6	16,801
Donetsk	6	3,639	23	478,773
Lugansk	26	7,236	24	261,983
Kyivenergo	16	3,269	6	89,306
Kyivoblenergo	5	1,949	4	13,869
Cherkasy	18	6,390	6	11,312
Zhitomir	6	1,449	1	2,891
Chernigiv	4	1,861	2	10,107
Lviv	10	3,190	7	33,778
Rivne	10	3,257	1	1,934
Prykarpatye	5	1,427	4	6,486
Zakarpatye	6	1,994	3	5,636
Volyn	7	1,581	3	7,485
Odessa	10	3,825	5	19,795
Kherson	9	3,120	3	46,776
Mykolaev	9	4,640	4	15,131
Kharkiv	28	6,313	11	80,883
Poltava	2	1,265	5	15,348
Sumy	25	7,496	3	14,474
S W RDC	1	600	2	8,409
Centrak RDC	0	0	1	9,108
Ukraine				
Current period	264	93,765	166	1,457,161
Previous period	282	101,119	175	1 730 541

NOTES 1 There is a significant change in reporting method this month
Individual farms are no longer aggregated into one large customer as they were in prior months

2 Figures may include Budget customers

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APPENDIX E

**SEPTEMBER 1998 FINANCIAL RECOVERY PLAN ACTION
MONITORING REPORT**

**FINANCIAL RECOVERY PLAN
ACTION MONITORING PROGRAM
REPORT NO 5 - SEPTEMBER 1998**

Actions	Recent Status / Progress measures
1 Require that all noncash financial settlements, including offsets, be executed by, or on behalf of, electricity companies using NBU bank offset mechanism	<ul style="list-style-type: none"> ◆ The NBU Bank Offset Mechanism has been approved by the Cabinet of Ministers. It is being integrated into the Market Funds Procedure by the advisor. The Market Funds Administrator indicated that as of mid August a very small proportion of offset deals were being administered through the NBU offset mechanism.
2 For each generation Company, apply all financial resources which remain available after payment of wages, repairs, and taxes, to cash fuel procurement	<ul style="list-style-type: none"> ◆ Gencos still receive inadequate amounts of cash through the Energomarket to purchase fuel. Minenergo states that their special fuel account has been essentially empty and that they have not been purchasing fuel with that account. Fuel procurement in August, according to Minenergo, was achieved with 0.1% cash, 39.1% offset, and 60.8% debt. Total cash spending for fuel was 185,000 UAH, significantly down from prior months of 5.7 (July) and 10.7 (June) million UAH. Attachment S2 contains the fuel procurement information.
3 Generation Companies conduct all cash purchases of all types of fuel from suppliers based on competition	<ul style="list-style-type: none"> ◆ Competitive tenders have not yet taken place. A September 4 Cabinet of Ministers protocol (Attachment S3) envisions the provision of 1 million UAH per day for coal procurement and 1 million UAH per day for mazut procurement to Minenergo with funds from an unidentified financial source. This protocol envisions mazut, but not coal, procurement by tender. Procurement through DerzhComReserve continues. This is typical in that the Cabinet of Ministers yet relies on central fuel procurement and does not require fuel procurement by tender processes, nor procurement at the Genco or plant level. A simple change in their resolutions could immediately work to achieve FRP objectives. ◆ Year-to-date information through the end of August shows a total of 400 million UAH (195 million USD) spent for coal by DerzhComReserve with 90 million UAH (43 million USD) spent during August. There has been renewed interest by the President, Cabinet of Ministers, and the Rada on DerzhComReserve activities.

**FINANCIAL RECOVERY PLAN
ACTION MONITORING PROGRAM
REPORT NO 5 - SEPTEMBER 1998**

Actions	Recent Status / Progress measures
<p>4 Identify as of 1 January 1998 accounts payable of electricity supply and generating companies and provide for this debt to be rescheduled for payment over 5 years in accordance with the effective law</p>	<ul style="list-style-type: none"> ◆ The Cabinet of Ministers issued Resolution No 582 dated 28 April 1998 that ordered the rescheduling of the generating companies fuel debts from 1 October 1997 to the following four years ◆ No advisor is currently available to assist on this task. There is no evidence that the debt restructuring has taken place, however, gas debts fell from 2 125 million UAH on 5/1/98 to 1 658 million UAH on 9/1/98, a 22% decline

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**FINANCIAL RECOVERY PLAN
ACTION MONITORING PROGRAM
REPORT NO 5 - SEPTEMBER 1998**

Actions	Recent Status / Progress measures
<p>5 Transit to market-based retail tariffs according to the Electricity Law and the NERC issued licenses, while providing for a single tariff for the population in the entire territory of Ukraine</p>	<ul style="list-style-type: none"> ◆ On September 9, NERC issued Order No 1155 (Attachment S5), ordering four oblenergos to begin to implement the license-based retail pricing system beginning October 1 for all customers other than residential customers, with price changes limited to plus or minus 3 percent in U S Dollars On September 22, NERC staff, the four oblenergos and Hagler Bailly held a workshop on the details of implementation ◆ On August 13, NERC issued Order No 1052, providing directions for the division of retail customers into voltage classes under the Regulated Tariff Supplier licenses ◆ On July 20, NERC held a seminar for the oblenergos to prepare them for the implementation of retail tariffs according to the Regulated Tariff Supplier licenses ◆ In July the Rada approved a law imposing a ban on increasing residential prices for electricity pending the government's full payment of debts for wages, salaries, pensions, and other social benefits President Kuchma vetoed the law, but the Rada overrode his veto in September ◆ On May 28, NERC issued Order Nos 701 and 703, containing the regulations necessary to implement the subsidy certificate program This program would compensate the oblenergos for losses from selling at less than cost to residential, privileged, and agricultural customers ◆ On May 22, NERC issued Order No 658, increasing industrial and commercial electricity prices effective June 1, 1998 The price increases ranged from 1 to 9 percent ◆ On May 18, NERC issued Order No 598, stating that from June 1, 1998 all electricity shall be purchased by suppliers at the wholesale price calculated under the Market Rules and that the retail price of electricity for customers shall be calculated by suppliers according to the licensees The Order has not been enforced ◆ NERC issued Order No 420 on April 10, 1998, increasing residential electricity prices effective May 1, 1998 The price increases on May 1 ranged from 22 to 35 percent for various categories of residential customers

**FINANCIAL RECOVERY PLAN
ACTION MONITORING PROGRAM
REPORT NO 5 - SEPTEMBER 1998**

Actions	Recent Status / Progress measures
<p>6 Determine amounts due from all electricity suppliers and to all generators according to the Wholesale Market Rules Enforce provisions for all payments received by Wholesale Market Members to be distributed according to Market Funds Administration Procedure</p>	<ul style="list-style-type: none"> ◆ The Market Rules are being complied with in several areas Generators that operate are paid according to System Marginal Price and Availability Price Independent Electricity Suppliers are also charged a price in accordance with the Market Rules ◆ On 22 September NERC issued Resolution No 1221 which cancelled the hourly bid cap for generators effective 24 September (See Attachment S 6) ◆ The Market Funds Administrator is allocating the cash received according to the Market Funds Procedure ◆ Oblenergos, however, are not charged a price for electricity purchases according to the Market Rules In an attempt to balance the profitability of the oblenergos, each month NERC specifies wholesale prices for each oblenergo so that when the oblenergo low voltage charge and technical losses are considered, the resulting retail tariff is approximately uniform throughout the country and each oblenergo, on paper, has a chance to be profitable Therefore, oblenergos having high technical losses and/or high low voltage fees are being charged lower wholesale prices while lower cost oblenergos are being charged higher prices Once the market-based retail tariff system is fully implemented, this problem will disappear ◆ On occasion, Minenergo adjusts the dispatch schedule derived by the Market Rules to conserve and optimise fuel stocks
<p>7 Draft and submit for consideration in line with the established procedure law to cancel privileged electricity tariffs based on the occupational principle and to set and enforce consumption limits for all remaining classes of privileged customers</p>	<ul style="list-style-type: none"> ◆ In June the Cabinet of Ministers approved a draft law to cancel privileged tariffs based on occupation This draft law would change 11 existing laws for the various occupational privileges This draft law has been included in the session of the Verkhovna Rada and it is expected to be acted upon near the end of 1998

**FINANCIAL RECOVERY PLAN
ACTION MONITORING PROGRAM
REPORT NO 5 - SEPTEMBER 1998**

Actions	Recent Status / Progress measures
<p>8 Oblenergos to promptly terminate service to all defaulters except as provided by the Law of Ukraine, and local administrations interfering with this process are to be prosecuted</p>	<ul style="list-style-type: none"> ◆ The debt level for all customers in default increased during August by 81 million UAH (+3.4%) to 2.45 billion UAH (1.09 billion USD) although the numbers of debtors decreased by 637 (-1.7%) to 37,000. The details by oblenergo are contained in Attachment S8 ◆ The information as of September 1 indicates that an increasing percentage of debtors (47% of those in default) are being disconnected. Debtors disconnected as of September 1 owe 743 million UAH (330 million USD). This is 83.5 million UAH less debt than debtors reported as disconnected in the previous period. ◆ The debt level of defaulted customers who are not disconnected increased during August by 164 million UAH (+10.6%) to 1.71 billion UAH (760 million USD), although the number of such customers decreased by 828 (4%) to 19,740. ◆ Minenergo and NERC issued Joint Resolution 1152 (Attachment S11) dated 8 September in an attempt to increase cash payments. Item 1.2 of the Resolution states that conditions relating to disconnection "of all defaulters and debtors be met unconditionally". Action 11 contains more information on this Resolution. ◆ A Cash Collections Improvement Conference, jointly sponsored by Minenergo and USAID, was held in May and attended by the oblenergos. Energy Minister Shebestov spoke at the conference and strongly supported the cash collection improvement principles.
<p>9 Limit supply of electricity to budget-funded customers to no more than the actual amount provided for in cost estimates for this purpose</p>	<ul style="list-style-type: none"> ◆ The debt level for National Budget customers increased by 26.8 million UAH (21%) to 155 million UAH (69 million USD) in the month of August. This is four times the monthly increase during the previous period. Since the beginning of the year, the debt level grew by 75 million UAH (33 million USD) or 94%. The detailed information by oblenergo can be seen in Attachment S9 A. ◆ At the Local Budget level, the situation continues to be positive. Local Budget funded customer debt decreased by a further 1.1 million UAH (1.5%) to 72 million UAH (32 million USD). This was a smaller decrease than during the previous period but is a continuation of the overall reduction in debt at the local budget level. This debt level has now been reduced to almost 11% lower than the level at the beginning of the year. (See Attachment S9 B)

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**FINANCIAL RECOVERY PLAN
ACTION MONITORING PROGRAM
REPORT NO 5 - SEPTEMBER 1998**

Actions	Recent Status / Progress measures
<p>10 Transfer the Market Funds Administrator from NDC to a new, NERC-licensed Energomarket Enterprise</p>	<ul style="list-style-type: none"> ◆ Minenergo has proposed an alternative structure for a new State legal entity "Ukrenergo" This entity would perform the functions currently being performed by the High Voltage Network and NDC Inside Ukrenergo, an independent department "Energomarket" would be created to perform the functions of the Market Funds Administrator, System Settlement Administrator, Accounting, Claiming, and Secretariat This is not in strict compliance with the FRP requirement that the Market Funds Administrator be transferred to a new NERC licensed Energomarket Enterprise, however, Ukrenergo would be licensed by NERC At their September 3 meeting, the Energomarket Board approved this structure which they termed as "interim" ◆ Also at their September 3 meeting, the Energomarket Board decided to accept the existing draft of the Market Members Agreement proposed by NDC as a basis for discussion and allow two more weeks before finalizing the draft This draft is to be submitted to members for review prior to the next Board meeting (tentatively scheduled for October 2)
<p>11 Formalize and enforce compulsory use of clearing accounts for all Oblenergos' receipts specified in the Wholesale Market Funds Administration Procedure</p>	<ul style="list-style-type: none"> ◆ Minenergo and NERC issued Joint Resolution 1152 (Attachment S11) dated 8 September in an attempt to increase cash payments Provisions of the Resolution include <ol style="list-style-type: none"> 1 Oblenergos must pass at least 30% of the value of electricity purchased from the wholesale market into the clearing accounts If the 30% threshold is not reached the oblenergos will receive no cash in the distribution of market funds This is a violation of the Market Funds Procedure (MFP) 2 Requirements for the oblenergos to pass at least 50% of funds received for reactive power flows into the clearing accounts These funds have until now been retained by the oblenergos to meet the distribution costs 3 The Independent Suppliers (except for those which are creditors to the Wholesale Electricity Market, or are coal or oil suppliers) must pay the transit fees to oblenergos in cash 4 A requirement that oblenergos provide written verification of the use of clearing accounts within a week of the Resolution

**FINANCIAL RECOVERY PLAN
ACTION MONITORING PROGRAM
REPORT NO 5 - SEPTEMBER 1998**

Actions	Recent Status / Progress measures
12 Prepare propositions to the Rada to renew responsibility for non-timely electricity payments by budget organizations and residential customers	<ul style="list-style-type: none"> ◆ There are no limitations for imposition of fines from budget-financed institutions if such provision is included into the contract between a supplier and a consumer ◆ In July, Minenergo drafted and submitted to the Cabinet of Ministers a law that would invalidate the current law prohibiting fines for individuals for late payments
13 For all defaulted state and local budget-funded institutions and organizations, identify and execute offsets with the electricity supply companies For all defaulted state-controlled enterprises identify and execute offsets with the electricity supply companies using the NBU bank offset mechanism	<ul style="list-style-type: none"> ◆ The advisor worked with Minenergo to develop a six step plan to reduce the debt levels of defaulted state controlled enterprises, however, the advisor has no knowledge as to whether the plan was initiated ◆ The advisor also submitted proposals to Minenergo for reducing arrears of non-industrial customers. The proposals involved segmenting the customers by category. Minenergo continues to review the proposals
14 For major nonbudget customers who are receiving electricity service, identify arrears over 3 months and reschedule them as legally enforceable, interest bearing, saleable debt instruments	<ul style="list-style-type: none"> ◆ Non-budget funded customer debt was 2.2 billion UAH (1 billion USD) at September 1. This represents an increase of 2.2% over the prior month and a 27% increase since 1/1/98. The data by Oblenergo is contained in Attachment S14 A ◆ Information on large debtors is shown in Attachment S14 B. 165 customers had individual debts over 1 million UAH for a total of 1.57 billion UAH (700 million USD). This is an increase of 8% (114 million UAH) in the recent month. For those customers with individual debts between 100,000 and 1,000,000 UAH, 265 debtors owed a total debt of 97 million UAH (43 million USD), an increase of 4% (4 million UAH) during the recent month
15 Establish collection departments with litigation staffs at all oblenergos to take vigorous, systematic legal actions in the court against all defaulters	<ul style="list-style-type: none"> ◆ Minenergo reported that as of mid-September only 4 oblenergos have formally established separate Collections Groups - Khmelnytsky, Chernigiv, Kiev City and Kharkov

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**FINANCIAL RECOVERY PLAN
ACTION MONITORING PROGRAM
REPORT NO. 5 - SEPTEMBER 1998**

Actions	Recent Status / Progress measures
<p>16 Assure financing to pay budget arrears for electricity and heat within 5 years by means including Treasury promissory note program and promissory notes of local state administrations</p>	<ul style="list-style-type: none"> ◆ Under the draft of the IMF Extended Fund Facility, the Supplemental Budget is to contain 90 million UAH in the second half of 1998 for budget arrears to the electricity sector For the 1999 budget, the required amount is 180 million UAH ◆ On 15 September the Cabinet of Ministers issued Resolution # 1440 which calls for issuing State Treasury - Backed Promissory Notes to cover the electric bills of local budget customers without specifying the sums involved (See Attachment S 16)
<p>17 Transfer to winners of competitions and tenders management of state owned blocks of shares in the Electricity Companies to be privatized, using Section 104 of the State Privatization Program, providing for the control interest to be held by investors</p>	<ul style="list-style-type: none"> ◆ The State Property Fund (SPF) was supposed to develop a new Contract for the Management of State Shares by winners of oblenergo and genco tenders by July 1, 1998 At the request of the SPF management, drafting of a new standard Management Contract was completed by the advisor team in July However, because of the Government of Ukraine's establishment of a new agency – the National Agency for the Management of State Corporate Rights – the SPF is no longer officially in charge of managing state shares The new Agency has yet to be organized and staffed Therefore, the draft Management Contract is in a state of limbo ◆ The FRP calls for the transfer of management rights to winners of tenders beginning in July 1998 The SPF has offered the right to manage state shares to the winners of the seven oblenergo commercial tenders concluded in July However, management contracts will not be concluded until purchase and sale agreements are concluded by the SPF and the winning bidders

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**FINANCIAL RECOVERY PLAN
ACTION MONITORING PROGRAM
REPORT NO 5 - SEPTEMBER 1998**

Actions	Recent Status / Progress measures
<p>18 For all Oblenergos, sell by open tenders or competitions against investment commitments on a schedule specified by the SPF and Minenergo, at least 25% of the shares plus one share, providing for a possibility of transferring management of state shares to the winner. Provide by the terms of tenders and competitions for an amount not less than the initial selling price to go for companies' development. For efficient sale of shares, divide oblenergos into two groups.</p>	<ul style="list-style-type: none"> ◆ Tenders for at least 25%+1 share in each of 15 oblenergos are scheduled to be completed by Jan 1, 1999. Winners have been announced (i.e. tenders have been concluded – although purchase/sale agreements have yet to be concluded for the July tenders) for 10 oblenergo tenders to date ranging in size from 12% (for a tender concluded in Jan 1997) to 20% (for two tenders concluded in March 1998) to 35% or 36% (for the seven tenders announced in July) of the shares of each oblenergo. ◆ With the adoption of the Cabinet of Ministers Resolution of August 5, 1998, the minimum state shareholdings in all oblenergos have been reduced from 51% to 25%+1 share. The ex-state share packages have been allocated to commercial (cash) tenders. ◆ The sale of all 27 oblenergos is targeted to be completed by July 1, 1999. An average of 40% of the shares of each oblenergo (ranging from 16% to 73%) have been sold to date by all means of sale (preferential share sales to employees, certificate auction sales to the public, tenders, stock exchange sales, and cash auctions). Depending upon market conditions, it is expected that all oblenergos will be privatized (i.e. 70%+ of the shares of each sold) before the end of the first quarter of 1999. ◆ Attachment S18A contains information on the Share Allocation Plans and share sales as of August 15, 1998 for both generating companies and oblenergos. ◆ Attachment S18B contains information on the market capitalization and share prices of the generating companies and oblenergos.

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**FINANCIAL RECOVERY PLAN
ACTION MONITORING PROGRAM
REPORT NO 5 - SEPTEMBER 1998**

Actions	Recent Status / Progress measures
<p>19 Sell at least 24% of 4 fossil generators against investment commitments by tenders and competitions Provide by the terms of tenders and competitions for an amount not less than 50% of the initial selling price for companies' development</p>	<ul style="list-style-type: none"> ◆ The winner of the competition to select an international advisor for the sale of 24% of Tsentrengo was announced in the spring Negotiations over the terms of the contract continue A tender for the selection of an advisor for Zakhidenergo has yet to be announced A tender for an international advisor for the sale of 24% of Donbasenergo was held seven months ago The winner of the tender and the SPF continue to negotiate terms of the contract The tenders to hire advisors for Donbasenergo and Tsentrengo were conducted by the SPF utilizing the December 1997 tender regulation which required that the winner provide bridge financing to the Government of Ukraine This "pre-privatization" financing issue has delayed conclusion of agreements with the two advisors ◆ Once contracts have been concluded, the advisors will utilize the newly adopted international tender regulation for the sale of 24% each of Donbasenergo and Tsentrengo to strategic investors This new tender regulation is seen as an improvement in that it provides more transparency to the process, greater restrictions on participation from insiders, bidder pre-qualifications, and greater disclosure requirements for the enterprise being tendered Dniproenergo, having seen the delays encountered by Donbasenergo and Tsentrengo, plans to have the SPF conduct an investment tender for its 25% share package without the use of an advisor and through the use of the existing non-commercial tender procedures (not the new international tender regulation) Thus leaving Zakhidenergo as the only generating company which might utilize both the newly adopted tender for international advisor regulation and the international tender regulation Whether the four gencos will utilize, if adopted by the SPF and Min Energo, the newly drafted standard management contract to allow strategic investors to manage the state's 51% shareholdings is uncertain at this point in time ◆ Attachment S18A contains information on the Share Allocation Plans and share sales as of August 15, 1998 for both generating companies and oblenergos ◆ Attachment S18B contains information on the market capitalization and share prices of the generating companies and oblenergos

**FINANCIAL RECOVERY PLAN
ACTION MONITORING PROGRAM
REPORT NO 5 - SEPTEMBER 1998**

Actions	Recent Status / Progress measures
20 Review the results of items 17-19 of this Plan's implementation and prepare draft electricity company privatization plan for 1999 for consideration by CoM	<ul style="list-style-type: none"> ◆ An initial draft of the 1999 electricity company privatization plan for consideration by the Cabinet of Ministers is to be prepared by Oct 15 and a final draft by Nov 15, 1998 Minenergo has prepared the initial draft
21 Financial Recovery Commission ("FRC") to control implementation of the Financial Recovery Plan and report quarterly to the CoM on the process of its implementation	<ul style="list-style-type: none"> ◆ On 11 September 1998, President Kuchma issued an order to Prime Minister Pustovoitenko to report on the progress of the Financial Recovery Plan by 1 October 1998, however, an FRC meeting has not been held since this order was issued (as of 25 September) ◆ The FRC has not yet made a quarterly report to the Cabinet of Ministers
22 Prepare financial performance indicators of the industry's financial recovery process as set forth in the Appendix	<ul style="list-style-type: none"> ◆ The "Key Financial Indicators and Benchmarks" table is being distributed with this report
23 Draft appeal to the World Bank to reinstate EMDP loan based on initial performance of this Financial Recovery Plan, including a request for reallocation of loan proceeds for acquisition of metering and communications technology required to implement hourly tariffs and voluntary demand curtailment	<ul style="list-style-type: none"> ◆ 15 October is the mutually agreed date by which the conditions for lifting the suspension of the EMDP loan should be met ◆ The World Bank Mission arrived in Kiev on September 21 and is currently reviewing the status of performance of this Financial Recovery Plan

UKRAINE POWER SECTOR
FINANCIAL RECOVERY PLAN

KEY FINANCIAL INDICATORS AND BENCHMARKS

September 24, 1998

Performance Indicators	97Q3 Actual	Dec 1997 Actual	97Q4 Actual	Jan 1998 Actual	Feb 1998 Actual	March 1998 Actual	98Q1 Actual	April 1998 Actual	May 1998 Actual	June 1998 Actual	98Q2 Actual	July 1998 Actual	Aug 1998 Actual	Sept 1998 Target	98Q3 Target	98Q4 Target	99Q1 Target	99Q2 Target
1 Oblenergo electricity collection rate to transit accounts excl Kievenoergo [% of amount billed]																		
1 1 Total	93.9	108.2	100.4	43.2	84.0	72.9	66.1	88.4	101.0	122.8	103.0	87.2	99.0	102	102	104	106	106
1 2 Cash	10.2	12.6	10.6	9.4	11.6	10.3	10.4	12.3	13.2	11.1	12.2	11.3	9.2	19	18	22	25	30
2 Energoatom collection rate [% of amount billed]																		
2 1 Total	106.5	122.1	89.7	43.9	65.4	79.1	79.1	110.0	91.0	134.0	110.5	99.2	98.3	102	102	104	106	106
2 2 Cash	9.3	7.5	7.2	5.8	5.7	7.9	7.9	8.4	8.3	6.0	7.7	6.3	3.6	19	18	22	25	30
3 Four fossil generators collection rate [% of amount billed]																		
3 1 Total	87.9	112.1	88.2	61	138.3	78.2	90.6	116.1	95.1	94.5	101.2	76.8	88.6	102	102	104	106	106
3 2 Cash	7.9	8.7	8.2	7	5.6	6.3	6.3	7.2	9.6	6.5	7.7	5.7	5.7	19	18	22	25	30
4 Retail tariff adherence [actual tariff as % of market tariff]														100	95	100	100	100
5 Fuel Cost 4 Fossil Generators [1997\$/MWh sold]														25	26	24	24	22
6 After tax profit of 4 fossil generators [1997\$/quarter million]	5		7												20	30	50	50
7 Oblenergo debt to Energomarket [1997\$ million]	1 368	1 347	1 347	1 450	1 484	1 580	1 580	1 604	1 555	1 508	1 508	1 486	1 412		1 280	1 227	1 120	1 006
8 Oblenergo debt to Energomarket [days annual]		120	120	129	132	141	141	143	139	134	134	132	126		118	112	102	92
9 Energomarket debt to generators [1997\$ million]	1 321	1 338	1 338	1 438	1 416	1 498	1 498	1 463	1 444	1 403	1 403	1 394	1 348		1 288	1 227	1 120	1 006
Information Indicators																		
10 Wholesale Purchase Price (from Fossil Generators) [US cents/kWh]	3.22	3.15	3.18	3.15	3.00	3.24	3.13	3.21	3.39	3.37	3.32	3.48	3.34					
11 Energoatom Sale Price [US cents/kWh]	2.4	2.4	2.4	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7					
12 Hydro Sale Price [US cents/kWh]	0.96	0.96	0.96	0.96	0.96	0.96	0.96	0.96	0.96	0.96	0.96	0.96	0.96					
13 Wholesale Price (to Suppliers) [US cents/kWh]	2.93	2.93	2.93	2.89	2.89	2.96	2.90	2.91	2.67	2.66	2.75	2.90	2.79					
14 Average retail tariff (NERC planned) [US cents/kWh]	3.76	3.76	3.76	3.82	3.85	4.12	3.91	3.95	4.15	4.38	4.14	4.23	4.26					

Note: The payments collection benchmarks for Energoatom are to be finalized following EBRD's Operation Commission review of the proposed Khmelnytsky 2/Rovno 4 nuclear completion project.

ATTACHMENTS TO THE SEPTEMBER 1998 FRP MONITORING REPORT

Note This Table of Contents shows where attachments to the FRP Report are located
Documents (DOC) are located in this file
Spreadsheets (SS) are located in the Lotus or Excel files

<u>NO</u>	<u>DOC</u>	<u>SS</u>	<u>DESCRIPTION OR TITLE</u>
2		X	Fuel Procurement Methods and Payment Mechanism Summary (Table)
3	X		Excerpt from minutes of Cabinet of Ministers session of Sept 4, 1998
5	X		NERC Resolution #1155 concerning Market Based Retail Tariffs
6	X		NERC Resolution #1221 concerning removal of the bid cap
8		X	Summary of Terminations (Table)
9A		X	Supply to National Budget Customers (Table)
9B		X	Supply to Local Budget Customers (Table)
11	X		Joint Minenergo/NERC Resolution on cash payments for electricity
14A		X	Debt Incurred by Nonbudget-funded Customers (Table)
14B		X	Summary of Arrears (Table)
16	X		Cabinet of Ministers Resolution #1440 concerning settlement of local budget debt
18A		X	Electricity Company Share Allocation Plans and Sales (Table)
18B		X	Market Capitalization and Share Prices of Electricity Companies (Table)

Financial Recovery Plan Reporting Statistics
 Fuel Procurement Methods and Payment Mechanism Summary
 All Genco Thermal Power Stations
 for the month of August-98

Financial and Procurement Statistics	Units	Fuels			
		Coal	Mazut	Natural Gas	Total
Cash Available for Payment	Hryvna				
Calorific Value	kcal/kg, kcal/cm	4,727	9,179	8,061	
Competitive Tender					
Volume	Tonnes, cm	0	0	0	
Fuel Cost	Hryvna	0	0	0	0
Payment by Cash	Hryvna	0	0	0	0
Payment by Offset	Hryvna	0	0	0	0
Payment by Debt	Hryvna	0	0	0	0
Other Procurement Methods					
Volume	Tonnes, cm	1,932,633	84,878	148,676,450	
Fuel Cost	Hryvna	130,625,995	19,393,155	31,398,199	181 417 349
Payment by Cash	Hryvna	0	185,250	0	185,250
Payment by Offset	Hryvna	55,959,875	1,804,583	13,196,407	70 960,865
Payment by Debt	Hryvna	74,666,120	17,403,322	18,201 792	110 271,234
Total					
Volume	Tonnes, cm	1,932,633	84,878	148,676 450	
Fuel Cost	Hryvna	130 625,995	19,393,155	31 398 199	181 417,349
Payment by Cash	Hryvna	0	185 250	0	185,250
Payment by Offset	Hryvna	55,959,875	1,804,583	13,196 407	70 960,865
Payment by Debt	Hryvna	74,666,120	17,403 322	18 201 792	110 271,234
Total - Percent					
Payment by Cash	Hryvna	0 0%	1 0%	0 0%	0 1%
Payment by Offset	Hryvna	42 8%	9 3%	42 0%	39 1%
Payment by Debt	Hryvna	57 2%	89 7%	58 0%	60 8%
		100 0%	100 0%	100 0%	100 0%

UNIT STATISTICAL ANALYSIS

Cost Per tonne Per 000 cm - Hryvna	68	228	211
Cost Per Unit of Energy - Hryvna/mm Kcal	14 30	24 89	26 20

Constant FEX Rate Analysis

Cost Per Unit of Energy - \$/mm BTU	\$1 76	\$2 96	\$3 12
Memo Foreign Exchange Rate (May 98 rate)	2 05		

Actual (Current) FEX Rate Analysis

Cost Per Unit of Energy - \$/mm BTU	\$1 72	\$2 99	\$3 15
Memo Foreign Exchange Rate (Average Rate)	2 10		

Fuel Cost Analysis - US \$ Basis

Unit Rate - US\$ (constant FEX)	\$32 97	\$111 45	\$103 02
Unit Rate - US\$ (current FEX)	\$32 19	\$108 80	\$100 56

EXCERPT FROM MINUTES OF THE CABINET OF MINISTERS SESSION # 32
AS OF SEPTEMBER 4, 1998

3 On the Status of the Preparation of the National Economy of Ukraine in the Winter Period of 1998-1999 and the Collections for Electricity and Natural Gas

- 1 To agree that the Council of Ministers of the Crimean Autonomy, 1State Administrations of the Oblasts and City Administrations of Kiev and Sevastopol, as well as Ministries and other central executive authorities have failed to ensure complete implementation of the decisions of the Cabinet of Ministers regarding organization of institutional consumers' operation under the energy deficit conditions and improvement of cash collections with regard thereto

To find the performance relevant to the aforesaid issues unsatisfactory in the following Oblasts Lugansk (O S Yefremov), Zaporizhya (V O Kuratchenko), Donetsk (V F Yanukovich), and Dnepropetrovsk (O V Migdeyev)

- 2 It shall be personal responsibility of Messrs V S Tarashevsky, B O Kliuk, S M Slobodian and I O Mitukov to ensure complete, timely, and unconditional fulfillment of the Cabinet of Ministers Resolution #955 as of June 26, 1998, "On the Measures to Reduce the Debt of the Oil and Gas Sector to the Budgets on All Levels and the State Reserve", as well as the Cabinet of Ministers Executive Order #542 as of July 9, 1998
- 3 It shall be personal responsibility of Chairman of the Council of Ministers of the Crimean Autonomy, as well as the heads of the local State Administrations and the chief executives of the entities as determined in the Government Telegram #37-1161 as of April 29, 1998 to ensure the undeniable compliance to settlement schedule established by the Cabinet of Ministers relevant to natural gas, nuclear fuel, coal and furnace mazut
- 4 Minenergo and Ministry of Economy, in conjunction with Ministry of Finance, Naftogaz Ukrainy National Stock Company, State Committee for Reserves, State Securities and Stock Market Committee, and the National Electricity Regulatory Commission shall develop within one month and submit to the Cabinet of Ministers the draft decisions on the following issues
 - deliveries of natural gas to Minenergo's thermal power plants during the period from November 1, 1998 to April 15, 1999 in the amount of 40 to 45 million m³,
 - return of the natural gas consumed during the winter period of 1998-1999 to the State Reserve at the expense of the customer collections for electricity and heat,

- 1 Ministry of Coal shall undertake measures to ensure the shipment of coal to the thermal power plants in the amount of 100,000 tons per day starting from September 10 of this year, including 31,500 tons to be allocated to the State Reserve and 68,500 tons for the plants' operations, in conformity to the effective delivery contracts

- 2 The State Committee for Oil and Gas shall
 - follow up the status of the preparation of the entities that

consume gas, possess fuel reserve facilities, and are included in the fuel reserve supply schedules for cold periods, and report to the Cabinet of Ministers on the aforesaid subject by October 1, 1998,

- ensure that the wholesale natural gas suppliers conclude agreements with Naftogaz Ukrainy on the supply of natural gas amounts outstanding as of September 15, 1998 to, and their storage at the underground reservoirs, and the corresponding transfer of the natural gas backup reserve under the procedure established by the Resolution of the Cabinet of Ministers of Ukraine #1027 as of September 19, 1997, "On the Procedure for Providing Natural Gas Supplies to the Entities and Individuals in 1998 " Should any denial occur on the suppliers' side to conclude the above agreements, adequate measures shall be undertaken to terminate the services on gas transportation provided so far

- 1 Minenergo, Ministry of Finance, and the Central Treasury Department shall undertake measures to pay off the electricity generating companies debt on servicing the World Bank Loan provided in 1997 for power plants fuel purchases, through payoffs of mutual indebtedness between the entities falling under Minenergo's jurisdiction, and State Budget customers
- 2 The State Committee for Construction and the State Committee for Standards, in conjunction with other interested central executive authorities, shall submit their proposals to the Cabinet of Ministers regarding the extension of the term of use of the gas metering equipment installed at public communal facilities
- 3 The Ministry of Finance shall
 - in compliance with the Cabinet of Ministers Resolution #860 as of June 13, 1998, "On Paying Off the Local Budget Customers Debt for Electricity and Heat", facilitate the transfers to the special Minenergo bank account in the amount of at least UAH 1 million a week to purchase furnace mazut on a tender basis, and at least UAH 1 million to purchase coal from the output of the Ministry of Coal entities,
 - in order to reduce the debt of coal suppliers and Local Budget customers for coal shipped from Ministry of Coal entities, to facilitate monthly allocations from the State Budget to cover the costs of the above organizations relevant to the difference between wholesale and retail prices of coal and subsidies granted to residential customers, with subsequent charging of the above expenses to the settlements between the State and Local Budgets
- 1 Minenergo, State Tax Administration, National Electricity Regulatory Commission, Ministry of Economy, and the State Land Committee shall develop the proposals on changes and amendments to the legislative acts on the specifics of the taxes imposed on the fuel and energy complex entities, and submit these proposals to the Cabinet of Ministers under the effective procedure
- 2 To apply to the National Bank of Ukraine on establishing a procedure for the winter period of 1998-1999 regulating allocation of funds for the urgent needs of energy generating companies in the equivalent of 50 per cent, and the entities under jurisdiction of the State Committee for Oil and Gas in the equivalent of 30 per cent, respectively, of the sales based on the amounts reported as of the foregoing month
- 3 Ministry of Finance, Central Treasury Department, and Minenergo shall ensure

the investment from the state in the amount of UAH 3 5 million during the month of September 1998 in order to put into operation the South Donbass - Donbass high voltage transmission line at the expense of the State Budget funds as specified in the Cabinet of Ministers Resolution #1236 as of August 5, 1998, "On re-allocation of funds at the expense of earnings from changes in the reduction rate under depreciation "

- 4 The National Electricity Regulatory Commission shall provide a step-by-step transformation to establishing retail prices of electricity based on market principles, with the establishment of price caps, pursuant to the Electricity Law
- 5 Within two weeks, Ministry of Industrial Policies, Ministry of Agriculture, State Construction Committee, Ministry of Education, Ministry of Culture, Ministry of Public Health Protection, and other executive authorities shall enlist all defaulting entities within their jurisdiction subject to be closed for the entire forthcoming winter period, and submit the lists to Minenergo and State Committee for Oil and Gas for subsequent disconnection of the above entities from electricity, heat and natural gas supply
- 6 In order to ensure stable operation of city CHP's and boiler stations in the 4th quarter of 1998, the Council of Ministers of the Crimean Autonomy, State Administrations of the Oblasts and City Administrations of Kiev and Sevastopol shall, within two weeks, communicate marginal volumes of natural gas consumption to energy supplying companies and independent CHP's established at the level of 80 per cent of actual natural gas consumption in the 4th quarter of 1997, with the consideration of the level of payments for gas and in conformity to the Cabinet of Ministers Resolution # 235 as of March 2, 1998 "On the establishment of natural gas consumption limits for residential customers, industrial and Budget customers" and provide support to conclusion of corresponding agreements with natural gas suppliers
- 7 Minenergo shall undertake a set of measures aimed at reducing the debt for electricity and heat which means customer debt restructuring form the period of three years, with the above debt to be paid back in equal proportions starting January 1, 1999 Minenergo shall draft the Procedure for Repayment of the Enterprises, Institutions and Organizations Debt for Electricity through Promissory Notes, providing for mandatory issuance of Promissory Notes customer debt and possible discounts thereon depending on the age of the debt, and submit this Draft Procedure to the Cabinet of Ministers
- 8 Kiev State Administration and Minenergo shall develop an agreed schedule of reduction of the customer debt for electricity and heat in the city of Kiev by the end of the day of September 4, 1998

V PUSTOVOYTENKO,
Prime Minister of Ukraine

NATIONAL ELECTRICITY REGULATORY COMMISSION

RESOLUTION

09/09/08# 1155

Kyiv

On the transition to the market principles of the tariff formation for electricity supplied by the state joint-stock electricity supplying companies

In accordance with the laws of Ukraine "On electricity" and "On prices and price formation", decree #335 of the President of Ukraine of April 21, 1998 "The question of the National Electricity Regulatory Commission of Ukraine", resolution # 508 of the Cabinet of Ministers of Ukraine of April 18, 1998 "On approval of the financial recovery plan of the electricity industry of Ukraine", Terms and Rules of conducting business activities in the sphere of electricity supply under a regulated tariff and with an aim to recover justified costs for production, transmissn and supply of electricity, the National Electricity Regulatory Commission of Ukraine resolves

- 1 Beginning from October 1, 1998, settlements with consumers (except for residential ones) for electricity supplied by the state joint-stock electricity supplying companies "Luhanskoblenergo", "Khmelnyskoblenenergo", "Lvivoblenergo" and "Chernihivoblenergo" shall be conducted according to the market tariffs calculated by the formula which is provided in the Terms and Rules of conducting business activities in the sphere of electricity supply under a regulated tariff
- 2 The limit deviation of the market tariffs from the tariffs approved of in NERC Resolution #953 of 07/21/98 shall be set at 3% for the month of October 1998
- 3 Settlements with residential consumers shall be conducted according to the tariffs approved of by NERC Resolution # 420 of 04/10/98

Z Buttsio,

Commission Chairman

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The National Electricity Regulatory Commission
(NERC)

Resolution

09 22 98

No 1221

Kyiv

On Generation Company Bids

According to the Electricity Law of Ukraine of 10 16 97, Presidential Decree April 21, 1998 No 335 "On the National Electricity Regulatory Commission", and for the enforcement of the Cabinet of Ministers' Resolution of April 18, 1998 No 508 "On the approval of the Financial Recovery Plan for the Power Sector of Ukraine", the National Electricity Regulatory Commission of Ukraine (NERC)

RESOLVES

- 1 To cancel an hourly marginal bid cap for generation companies from September 24, 1998
- 2 In case of unjustified increase of the wholesale purchase price by generation companies, the marginal bid cap shall be reinstated
- 3 NERC Resolution of June 15, 1998 No 755 shall be considered as ineffective from September 24, 1998

Z Butsio

NERC Chairman

**FINANCIAL RECOVERY PLAN
MONTHLY ACTION MONITORING SYSTEM**

Attachment S8

Action No 8 - Summary of Terminations - All Customers

Report for period ending 1-Sep 98

See NOTES below for detailed description of each item required

Suppliers	All Debtors in default both connected and disconnected				All Debtors disconnected as at 01 Sep 1998			
	No of Debtors		Debt - 000UAH		No of Debtors	% of Total Debtors	Debt 000UAH	% of Total Debt
	At 1-Sep-98	% change from Jan 98	At 1-Sep-98	% change from Jan 98				
Crimea	3049	-0.7%	154815	40.8%	1148	37.7%	64233	41.5%
Sevastopol City	167	8.7%	13826	2.6%	76	45.5%	3816	27.6%
Khmel'nitsky	900	-30.4%	19977	39.5%	438	48.7%	9051	45.3%
Vinnitsa	1236	23.4%	28268	32.5%	773	62.5%	9241	32.7%
Ternopil	780	-10.6%	27645	72.8%	422	54.1%	13425	48.6%
Chernivtsy	251	39.8%	11664	23.2%	129	51.4%	3664	31.4%
Zaporhozie	2337	8.5%	109515	37.0%	638	27.3%	11023	10.1%
Dnepropetrovsk	3281	4.0%	292612	2.4%	845	25.8%	27856	9.5%
Kirovograd	751	9.8%	24511	23.4%	555	73.9%	15670	63.9%
Donetsk	1967	-6.7%	672019	29.4%	1296	65.9%	308417	45.9%
Lugansk	1774	-9.5%	318741	36.9%	1072	60.4%	80328	25.2%
Kyivenergo	695	10.7%	135359	22.4%	336	48.3%	12273	9.1%
Kyivoblenergo	2211	21.1%	30791	52.0%	1230	55.6%	17677	57.4%
Cherkasy	1806	-4.4%	51870	28.4%	263	14.6%	7503	14.5%
Zhitomir	762	12.9%	10147	20.6%	561	73.6%	6358	62.7%
Chernigiv	936	3.5%	21538	66.5%	824	88.0%	15701	72.9%
Lviv	1898	-4.2%	68400	40.8%	601	31.7%	8278	12.1%
Rivne	1039	-11.4%	15164	29.8%	448	43.1%	4118	27.2%
Prykarpatyie	946	-4.0%	11975	10.5%	298	31.5%	2386	19.9%
Zakarpatyie	1261	2.5%	20317	97.0%	880	69.8%	6081	29.9%
Volyn	1108	21.8%	25674	49.3%	211	19.0%	2351	9.2%
Odessa	1244	-7.9%	70686	40.4%	569	45.7%	8425	11.9%
Kherson	1685	6.2%	80501	23.4%	1483	88.0%	52648	65.4%
Mykolaev	719	84.8%	36585	149.9%	505	70.2%	9916	27.1%
Kharkiv	1833	-23.6%	127358	11.6%	818	44.6%	26097	20.5%
Poltava	1395	3.9%	31387	-12.9%	514	36.8%	6433	20.5%
Sumy	1281	9.4%	32318	57.6%	643	50.2%	6948	21.5%
S W RDC	5	25.0%	8444	118.2%	1	20.0%	2733	32.4%
Ukraine								
Current period	37317	-0.1%	2452107	27.8%	17577	47.1%	742650	30.3%
Previous period	37954	1.6%	2371372	23.6%	17386	45.8%	826190	34.8%

NOTES

Col No	Detailed description
1	Regulated Tariff Supplier
2	Total number of customers provided with electricity service (above emergency level) while in default
3	Cumulative Value of electricity provided to customers that Supplier is entitled to disconnect but not disconnected
4	Total number of customers disconnected or on emergency level service only
5	Total Cumulative Value of electricity services owed by customers disconnected or on emergency level service

**FINANCIAL RECOVERY PLAN
MONTHLY ACTION MONITORING SYSTEM**

Attachment S9 A

Action No 9 - Supply to National Budget Customers

Suppliers	Debts - M UAH			+/- in month	% change from	+/- year to date	
	Jan 1 '98	Aug 1 '98	Sep 1 '98	M UAH	Aug 1 '98	M UAH	Jan 1 '98
Crimea	5 40	9 13	9 40	0 26	2 9%	4 00	74 0%
Sevastopol City	2 00	2 66	2 84	0 18	6 8%	0 84	41 8%
Khmelnitsky	1 90	4 48	4 31	- 0 17	-3 8%	2 41	126 9%
Vinnitsa	3 60	4 83	4 60	- 0 23	-4 7%	1 00	27 9%
Ternopil	0 20	1 58	1 83	0 25	15 5%	1 63	812 5%
Chernivtsy	0 30	1 44	1 60	0 16	11 3%	1 30	433 0%
Zaporozhie	4 80	7 16	6 00	- 1 16	-16 2%	1 20	25 0%
Dnepropetrovsk	3 40	5 02	9 30	4 28	85 1%	5 90	173 5%
Kirovograd	1 70	2 03	1 70	- 0 33	-16 2%	-	0 0%
Donetsk	3 60	8 10	9 80	1 70	21 0%	6 20	172 2%
Lugansk	5 00	4 06	8 50	4 44	109 3%	3 50	70 0%
Kyivenergo	3 90	7 70	7 40	- 0 30	-3 9%	3 50	89 7%
Kyivoblenergo	2 90	6 04	6 43	0 39	6 4%	3 53	121 6%
Cherkasy	0 80	2 15	2 54	0 39	18 2%	1 74	217 9%
Zhitomir	2 77	1 67	1 38	- 0 29	-17 4%	1 39	-50 2%
Chernigiv	1 10	2 15	2 91	0 77	35 8%	1 81	164 9%
Lviv	5 30	7 53	8 00	0 48	6 3%	2 70	50 9%
Rivne	0 70	1 18	1 31	0 13	10 9%	0 61	87 1%
Prykarpatye	1 00	1 40	1 20	- 0 20	-14 3%	0 20	20 0%
Zakarpate	2 30	2 85	3 01	0 15	5 4%	0 71	30 8%
Volyn	1 40	1 93	2 06	0 13	6 9%	0 66	47 1%
Odessa	4 30	8 74	12 90	4 16	47 6%	8 60	200 0%
Kherson	3 60	10 19	16 83	6 64	65 1%	13 23	367 5%
Mykolaev	2 80	6 04	10 91	4 88	80 8%	8 11	289 7%
Kharkiv	11 00	11 58	11 88	0 30	2 6%	0 88	8 0%
Poltava	2 00	3 76	3 40	- 0 36	-9 6%	1 40	70 0%
Sumy	0 90	2 09	2 26	0 18	8 4%	1 36	151 4%
S W RDC	1 00	0 60	0 60	-	0 0%	0 40	-40 0%
Central RDC							
Ukraine	79 67	128 08	154 89	26 81	20 9%	75 22	94 4%

**FINANCIAL RECOVERY PLAN
MONTHLY ACTION MONITORING SYSTEM**

Attachment S9 B

Action No 9 - Supply to Local Budget Customers

Suppliers	Debts - M UAH			+/- in month M UAH	% change from Aug 1 '98	+/- year to date	
	Jan 1 '98	Aug 1 '98	Sep 1 '98			M UAH	Jan 1 '98
Crimea	5 70	6 78	5 93	- 0 85	-12 5%	0 23	4 1%
Sevastopol City	0 10	0 51	0 60	0 09	18 4%	0 50	504 0%
Khmelnitsky	0 50	0 61	0 20	- 0 41	-67 3%	- 0 30	-59 8%
Vinnitsa	1 00	2 68	2 38	- 0 31	-11 4%	1 38	137 7%
Ternopil	3 70	8 92	8 96	0 04	0 4%	5 26	142 0%
Chernivtsy	-	-	-	-		-	
Zaporozhie	4 70	1 45	1 77	0 33	22 5%	- 2 93	-62 3%
Dnepropetrovsk	2 60	3 42	3 42	- 0 00	-0 1%	0 82	31 3%
Kirovograd	0 70	1 06	1 30	0 24	22 6%	0 60	85 7%
Donetsk	18 00	3 60	8 70	5 10	141 7%	- 9 30	-51 7%
Lugansk	2 50	2 87	2 20	- 0 67	-23 4%	- 0 30	-12 0%
Kyivenergo	9 00	6 95	7 50	0 55	7 9%	- 1 50	-16 7%
Kyivoblenergo	0 14	0 30	0 26	- 0 04	-14 5%	0 12	85 7%
Cherkasy	13 60	8 66	4 40	- 4 27	-49 2%	- 9 20	-67 7%
Zhitomir	0 20	1 04	1 21	0 17	16 1%	1 01	505 5%
Chernigiv	0 60	1 30	1 83	0 53	40 4%	1 23	205 2%
Lviv	0 70	1 85	1 33	- 0 52	-28 2%	0 63	89 7%
Rivne	0 80	0 87	0 80	- 0 07	-8 0%	-	0 0%
Prykarpatye	0 50	0 64	-	- 0 64	-100 0%	- 0 50	-100 0%
Zakarpate	1 70	1 95	0 99	- 0 96	-49 1%	- 0 71	-41 7%
Volyn	2 90	4 97	5 41	0 44	8 8%	2 51	86 4%
Odessa	3 80	6 39	6 50	0 11	1 8%	2 70	71 1%
Kherson	1 80	2 20	2 11	- 0 09	-3 9%	0 31	17 4%
Mykolaev	-	0 60	0 94	0 34	57 3%	0 94	
Kharkiv	1 90	-	-	-		- 1 90	-100 0%
Poltava	3 00	2 31	2 10	- 0 21	-8 9%	- 0 90	-30 0%
Sumy	0 50	1 17	1 14	- 0 03	-2 6%	0 64	127 8%
S W RDC							
Central RDC							
Ukraine	80 64	73 10	71 97	- 1 13	-1 5%	- 8 67	-10 7%

Ministry of Energy of Ukraine
National Electricity Regulatory Commission of Ukraine (NERC)

RESOLUTION

8 September 1998 #164 p/1152

The City of Kiev

On securing cash payments for
electricity purchased from the WEM

In terms of cash payments for electricity supplied by gencos, the power industry of Ukraine faces a critical situation. For seven months 1998, cash payments of oblenergos for electricity purchased from WEM amounted to UAH412 million, or 8.6% of sales. At the same time, cash payments of customers for electricity supplied to them were UAH 784 million which is 1.9 times as much as oblenergo cash payments. The lowest levels of cash payments are in Luganskoblenergo (4.5%), Dniproblenergo (5.5%), Donetskoblenergo (6.0%), Zaporizhoblenergo (7.4%), Khersonoblenergo (8.4%), Kharkivoblenergo (9.2%).

Such a situation significantly affects preparation for winter operations, increases wage arrears of gencos and high voltage operators, and aggravates social tension in the industry which jeopardizes stable operation of the interconnected electricity system of Ukraine. To increase cash payments for electricity purchased from the WEM and to strengthen responsibility of electricity suppliers for payments for electricity purchased from the WEM

We order to

1 **Managers of supply companies**

1.1 Settle for power consumed during the current month in non-banking forms or by redeeming debts given payments in non-banking resources in amounts of not less than 15% of the value of monthly consumption and the amount of the debt to be redeemed

1.2 Assure that Item 3.9.6 of the Terms and Rules of performing entrepreneurial regulated tariff supply activity and Item 5 of the Minutes of the Cabinet of Ministers meeting No 24 of 30 June 1998 on disconnection, without exception, of all defaulters and debtors be met unconditionally

1.3 Assure that the electricity bought from the WEM be paid in banking funds no less than 30% of the value of the electricity bought

1.4 Assure that the funds received for reactive power flows be transferred to

the WEM clearing account from the current accounts of supply companies and their structural divisions in amounts of no less than 50%

1 5 Following up the Minenergo Order No 102 of 22 June 1998, provide to Minenergo and the Energomarket Board, within a week, copies of contracts on funds transfer in accordance with Item 1 2 of the foregoing order signed between commercial banks and all of the structural divisions of the supply companies which have their clearing accounts opened

2 Establish that for supply companies which fail to comply with item 1 3 of this Resolution, all the costs arriving into WEM's clearing account shall be used as payment for the electricity purchased from the WEM effective as of September 10, 1998

3 To WEM's funds administrator, introduce changes into the effective algorithm of funds allocation from the clearing account according to which all additional collections shall be distributed between thermal and nuclear generators and NEC Ukrenergo in proportion to their share in the effective algorithm

4 Establish quota for generating, supply companies and NEC Ukrenergo for effecting non-cash settlements for their internal needs in the amount of 70% of the product cost

5 Establish that starting from October 1998, electricity transit by local networks of electricity supply companies shall be paid by non-tariff suppliers exclusively with cash, except for WEM's direct creditors, coal and oil enterprises

6 Within two weeks, to NEC Ukrenergo and supply companies, conclude bilateral agreements for the electricity sale from the WEM, which do not contradict the effective WEM Members Agreement

Minister of Energy
O Sheberstov

Chairman of the NERC
Z Butsyo

**FINANCIAL RECOVERY PLAN
MONTHLY ACTION MONITORING SYSTEM**

Attachment S14 A

Action No 14 - Debt incurred by Non Budget Customers

Suppliers	Debts - M UAH			+/- in month M UAH	% change from Aug 1 '98	+/- year to date	
	Jan 1 '98	Aug 1 '98	Sep 1 '98			M UAH	Jan 1 '98
Crimea	98 9	129 4	139 5	10 1	7 8%	40 6	41 0%
Sevastopol City	11 4	8 6	10 4	1 8	21 2%	- 1 0	-8 9%
Khmelnitsky	11 9	14 1	15 5	1 3	9 4%	3 6	29 9%
Vinnitsa	16 7	20 5	21 3	0 8	4 0%	4 6	27 5%
Ternopil	12 1	16 0	16 9	0 9	5 4%	4 8	39 4%
Chernivtsy	9 2	11 1	10 1	- 1 0	-9 1%	0 9	
Zaporozhie	70 4	107 9	101 7	- 6 2	-5 7%	31 3	44 5%
Dnepropetrovsk	279 8	306 9	279 9	- 27 0	-8 8%	0 1	0 0%
Kirovograd	17 5	21 6	21 5	- 0 1	-0 4%	4 0	22 9%
Donetsk	497 9	606 2	653 5	47 4	7 8%	155 6	31 3%
Lugansk	225 3	283 9	308 0	24 2	8 5%	82 7	36 7%
Kyivenergo	97 7	116 6	120 5	3 9	3 3%	22 8	23 3%
Kyivoblenergo	17 3	21 8	24 1	2 3	10 4%	6 8	39 7%
Cherkasy	26 0	55 5	44 9	- 10 6	-19 0%	18 9	72 8%
Zhitomir	5 4	7 6	7 6	- 0 0	-0 6%	2 1	39 2%
Chernigiv	11 2	16 6	16 8	0 2	1 0%	5 6	49 9%
Lviv	42 6	55 3	59 1	3 8	6 8%	16 5	38 7%
Rivne	10 2	10 9	13 1	2 1	19 2%	2 9	28 0%
Prykarpatye	9 3	10 6	10 8	0 2	2 0%	1 5	15 9%
Zakarpate	6 3	15 3	16 3	1 1	6 9%	10 0	159 0%
Volyn	12 9	18 3	18 2	- 0 1	-0 5%	5 3	41 2%
Odessa	42 2	52 7	51 3	- 1 4	-2 6%	9 1	21 5%
Kherson	59 8	66 4	61 6	- 4 9	-7 3%	1 8	2 9%
Mykolaev	11 8	29 0	24 7	- 4 3	-14 7%	12 9	
Kharkiv	101 2	108 8	115 5	6 7		14 3	14 1%
Poltava	31 1	28 3	25 9	- 2 4	-8 5%	- 5 2	-16 8%
Sumy	19 1	28 5	28 9	0 4	1 3%	9 8	51 4%
S W RDC	2 9	8 9	7 8	- 1 1	-12 0%	4 9	170 5%
Central RDC	5 7	9 1	9 1	- 0 0	-0 4%	3 4	59 2%
Ukraine	1 763 8	2,186 3	2,234 3	48 0	2 2%	470 5	26 7%

**FINANCIAL RECOVERY PLAN
MONTHLY ACTION MONITORING SYSTEM**

Attachment S14 B

Action No 14 - Summary of Arrears

Customers with Large Electricity Debt as of - 10 September 1998

Supplier	Debts			
	over 100 000 & less than 1M UAH		Over 1M UAH	
	No of Debtors	Total Debt 000 UAH	No of Debtors	Total Debt 000 UAH
Crimea	8	3 626	10	79 744
Sevastopol City	8	2 449	2	3 207
Khmelnitsky	6	2 394	2	11 857
Vinnitsa	4	1 076	4	9 212
Ternopil		3 166	2	9 648
Chernivtsy	5	1 730	2	3 660
Zaporhozie	6	3 283	6	40 794
Dnepropetrovsk	12	4 150	12	169 271
Kirovograd	2	1 449	7	19 429
Donetsk	4	1 876	24	533 281
Lugansk	26	8 311	21	250 799
Kyivenergo	16	3 691	6	93 813
Kyivoblenergo	9	3 695	2	14 404
Cherkasy	20	7 705	5	30 996
Zhitomir	7	3 237	1	2 671
Chernigiv	6	2 065	3	10 343
Lviv	12	3 994	7	46 708
Rivne	9	3 012	1	2 278
Prykarpatye	2	394	3	5 936
Zakarpate	7	2 138	3	7 113
Volyn	9	2 263	3	9 767
Odessa	14	4 185	9	33 141
Kherson	12	5 049	5	48 842
Mykolaev	9	3 903	5	15 938
Kharkiv	22	7 184	10	75 627
Poltava	5	2 587	5	15 185
Sumy	24	8 508	2	14 251
S W RDC	1	600	2	7 343
Centrak RDC	-	-	1	5 509
Ukraine				
Current period	265	97 720	165	1 570 767
Previous period	264	93 765	166	1 457 161

- NOTES**
- 1 There has been a significant change in reporting method for this item Individual farms are no longer aggregated into one large customer as in prior months
 - 2 Figures may include Budget customers

**CABINET OF MINISTERS OF UKRAINE
RESOLUTION #1440 DATED SEPTEMBER 15, 1998**

KIEV

On the Settlement of the Local Budget Customers Debt for Electricity

In order to settle the local Budget customers debt for electricity and repay the supplies of furnace mazut from oil processing plants to Minenergo's power plants to support stable operation of the national power grid in the winter period of 1998-1999, the Cabinet of Ministers of Ukraine hereby RESOLVES

- 1 To determine that
 - the Council of Ministers of the Crimean Autonomy, Oblast State Administrations, and Sevastopol City Administration shall be authorized to issue promissory notes in conformity to the effective legal procedure within the period until the end of 1998, with the maximum 5% discount rate, relevant to settlement of the local Budget customers debt for electricity owed to Minenergo's Local Electricity Supplying Companies, as well as relevant to the settlements with the National Dispatch Center and Generating Companies for purchased electricity, and oil processing plants for fuel supplies,
 - the promissory notes shall be guaranteed by the State Treasury Department within the subsidy amounts as provided for allocation from the 1998 State Budget of Ukraine to local budgets
- 2 Ministry of Finance shall ensure the above promissory notes be guaranteed in consistency with this Resolution and accepted by the State Treasury Department under the effective procedure versus obligatory payments due to the State Budget by oil processing plants that supply fuel to Minenergo's Generating Companies, and the local Budget expenses recorded within mutual settlements
- 3 Ministry of Finance and Ministry of Energy shall be responsible to monitor the implementation of this Resolution

V PUSTOVOITENKO,

Prime Minister of Ukraine

Ukraine Power Industry ("Energos") Share Allocation Plans (SAPs) and Share Sales (8/15/98)

#	Enterprise	Charter Capital (UAH)	State Share	Preferential Sale		Certificate Auctions (PPC+CC)		Tenders		Stock Exchanges		Available for Sale to Date
				Alloc	Sold	Alloc	Sold	Alloc	Sold	Alloc	Sold	
1	EGC Dniproenergo	98,099,950	51 00%	24 36%	24 36%	0 00%	0 00%	24 00%	0 00%	0 64%	0 00%	24 64%
2	EGC Donbasenergo'	236,443,010	51 00%	25 00%	25 00%	0 00%	0 00%	24 00%	0 00%	0 00%	0 00%	24 00%
3	EGC Centrenergo	92,351,777	51 00%	25 00%	25 00%	0 00%	0 00%	24 00%	0 00%	0 00%	0 00%	24 00%
4	EGC Zakhidenergo	127,905,410	51 00%	20 66%	20 66%	0 00%	0 00%	24 00%	0 00%	4 34%	0 00%	28 34%
5	EDC Kyivenergo	27,091,070	25 00%	33 77%	33 77%	0 00%	0 00%	30 00%	0 00%	11 23%	2 58%	38 65%
6	EDC Dniiprooblenergo"	59,916,170	25 00%	22 18%	22 18%	5 00%	0 00%	36 00%	0 00%	11 80%	0 00%	52 82%
7	EDC Vinnytsaoblenergo	30,973,660	25 00%	26 60%	26 60%	7 00%	0 00%	35 00%	0 00%	6 40%	0 00%	48 40%
8	EDC Zaporizoblenergo	44,840,000	25 00%	17 51%	17 51%	5 00%	0 00%	40 00%	0 00%	12 49%	0 00%	57 49%
9	EDC Rivneoblenergo '	20,827,420	25 00%	16 08%	16 08%	7 00%	0 00%	35 00%	0 00%	16 93%	0 00%	58 92%
10	EDC Cherkassyoblenergo"	37,098,333	25 00%	18 48%	18 48%	6 14%	6 14%	36 00%	0 00%	14 38%	4 38%	46 00%
11	EDC Khmelnytskoblenergo	33,637,840	25 00%	17 02%	17 02%	4 72%	4 72%	35 00%	0 00%	18 26%	4 00%	49 26%
12	EDC "Kirovogradoblenergo	29,844,000	25 00%	15 92%	15 92%	2 42%	2 42%	45 00%	20 00%	11 66%	4 00%	32 66%
13	EDC Kyivoblenergo	52,043,780	25 00%	13 00%	13 00%	6 97%	6 97%	35 00%	0 00%	20 03%	4 00%	51 03%
14	EDC Sevastopolmiskenergo"	6,722,400	25 00%	23 31%	23 31%	1 69%	1 66%	36 00%	0 00%	14 00%	4 00%	46 03%
15	EDC Ternopiloblenergo	15,272,040	25 00%	16 49%	16 49%	8 00%	8 00%	45 00%	20 00%	5 52%	4 52%	25 99%
16	EDC "Volynoblenergo"	23,863,800	25 00%	15 39%	15 39%	6 80%	6 80%	40 00%	0 00%	12 81%	0 72%	52 09%
17	EDC Zakarpattyablenergo	31,150,810	25 00%	12 85%	12 85%	6 11%	6 11%	40 00%	0 00%	16 04%	1 93%	54 11%
18	EDC Zhytomyoblenergo"	20,389,165	25 00%	20 54%	20 54%	4 14%	4 14%	38 00%	12 00%	12 32%	0 00%	38 32%
19	EDC ' Chernigivoblenergo	29,829,506	25 00%	16 94%	16 94%	6 54%	6 54%	35 00%	35 00%	16 53%	8 00%	8 52%
20	EDC Chernivtsioblenergo	14,195,170	25 00%	14 98%	14 98%	5 47%	5 47%	36 00%	0 00%	18 55%	12 00%	42 55%
21	EDC Donetskoblenergo"	81,896,469	25 00%	18 54%	18 54%	5 00%	5 00%	36 00%	0 00%	15 46%	8 42%	43 04%
22	EDC Kharkivoblenergo	64,135,190	25 00%	20 79%	20 79%	2 96%	2 96%	35 00%	0 00%	16 24%	7 26%	43 99%
23	EDC Khersonoblenergo	23,743,760	25 00%	16 53%	16 53%	5 48%	5 48%	35 00%	0 00%	17 99%	11 00%	41 99%
24	EDC Krimenergo	43,241,880	25 00%	18 52%	18 52%	3 00%	3 00%	35 00%	0 00%	18 48%	7 18%	46 30%
25	EDC "Luganskoblenergo	52,030,730	25 00%	19 33%	19 33%	4 00%	4 00%	35 00%	35 00%	16 67%	9 14%	7 53%
26	EDC Lvivoblenergo	48,493,080	25 00%	17 14%	17 14%	8 05%	8 05%	35 00%	35 00%	14 81%	11 00%	3 81%
27	EDC Mykolaivoblenergo	39,660,000	25 00%	14 23%	14 23%	6 45%	6 45%	40 00%	0 00%	14 32%	9 00%	45 32%
28	EDC Odessaoblenergo	52,123,890	25 00%	17 24%	17 24%	5 41%	5 41%	35 00%	35 00%	17 35%	10 00%	7 35%
29	EDC Poltavaoblenergo	55,240,000	25 00%	16 40%	16 40%	6 80%	6 80%	36 00%	36 00%	15 80%	12 00%	3 80%
30	EDC Prykarpattyablenergo	25,908,875	25 00%	15 63%	15 63%	5 12%	5 12%	35 00%	35 00%	19 25%	13 00%	6 25%
31	EDC Sumyoblenergo	44,281,374	25 00%	15 37%	15 37%	8 77%	8 77%	36 00%	36 00%	14 85%	13 00%	1 86%

ATTACHMENT S18B

**Ukrainian Power Industry (Energos) Market Capitalization (OTC and Stock Exchange)
(1 June 1997 5 September 1998)**

1 USD = 2.6 UAH

	Statutory Fund (UAH)	Share Price (UAH)			Last Share Price (UAH)			Last/Par Ratio	Market Capitalization (UAH)	Market Capitalization (USD)
		Par	Low	High	Last	Date	Source			
Generating Companies										
1 EGC Dniproenergo	98 099 950	25 00	55 00	350 00	70 00	04 09 98	OTC	2 80	274 679 860	105 646 100
2 EGC "Dnubasenergo"	238 443 010	10 00	8 00	75 00	8 00	04 09 98	OTC	0 80	189 154 408	72 751 895
3 EGC "Centrenergo"	92 351 777	0 25	0 35	4 09	0 35	04 09 98	OTC	1 40	129 292 458	49 727 869
4 EGC "Zakhidenergo"	127 935 410	10 00	12 00	98 00	12 00	04 09 98	OTC	1 20	153 488 492	59 033 268
Subtotal	554 800 147						Average	1 5500	746 613 248	287 158 941
% of Total	35 49%								32 49%	
Distribution Companies										
5 EDC Kyivenergo	27 091 070	0 25	1 18	3 41	2 35	04 09 98	OTC	9 39	254 330 965	97 819 602
6 EDC Dniprooblenergo	59 916 170	10 00	12 00	71 90	20 50	04 09 98	OTC	2 05	122 828 149	47 241 596
7 EDC Vinnytsaoblenergo	30 973 650	10 00							49 794 224	19 151 625
8 EDC Zaponzieoblenergo	44 840 000	10 00	18 50	18 50	18 50	04 09 98	OTC	1 85	82 954 000	31 905 385
9 EDC Rivneoblenergo	20 827 420	10 00							33 482 812	12 878 005
10 EDC Cherkassyoblenergo	37 098 333	0 25	0 07	0 43	0 43	04 09 98	OTC	1 72	63 809 133	24 541 974
11 EDC Khmelnytskoblenergo	33 637 840	10 00	16 00	28 16	28 16	04 09 98	OTC	2 82	94 720 457	36 430 945
12 EDC Kirovogradoblenergo	29 844 000	10 00	19 99	19 99	19 99	16 12 97	SE	2 00	59 650 500	22 942 500
13 EDC Kyivoblenergo	52 043 780	10 00	1 10	41 50	6 70	04 09 98	OTC	0 67	34 869 333	13 411 282
14 EDC Sevastopolmiskenergo	6 722 400	2 50	1 05	7 92	1 05	04 09 98	OTC	0 42	2 823 408	1 085 926
15 EDC Ternopiloblenergo	15 272 040	10 00	14 02	37 00	23 50	04 09 98	OTC	2 35	35 889 294	13 803 575
16 EDC Volynoblenergo	23 863 800	0 25	0 25	0 31	0 25	20 03 98	SE	1 00	23 863 800	9 178 385
17 EDC Zakarpattiaoblenergo	31 150 810	0 25	0 22	0 32	0 22	15 04 98	SE	0 88	27 412 713	10 543 351
18 EDC Zhytomyoblenergo	20 389 165	0 25	0 09	1 20	0 09	04 09 98	OTC	0 35	7 079 118	2 722 738
19 EDC Chernigoblenergo	29 829 506	1 00	1 24	1 24	1 24	11 03 98	SE	1 24	37 045 057	14 248 099
20 EDC Chernivtsoblenergo	14 195 170	10 00	10 00	10 00	10 00	09 04 98	SE	1 00	14 195 170	5 459 681
21 EDC Donetskoblenergo	81 896 469	1 25	1 60	2 55	1 60	04 09 98	OTC	1 28	104 827 480	40 318 262
22 EDC Kharkivoblenergo	64 135 190	10 00	7 00	12 25	10 00	04 09 98	OTC	1 00	64 135 190	24 667 381
23 EDC Khersonoblenergo	23 743 760	0 25	0 30	0 30	0 30	11 03 98	SE	1 19	28 298 329	10 883 973
24 EDC Krimenergo	43 241 880	10 00	8 00	10 00	8 00	12 05 98	SE	0 80	34 593 504	13 305 194

25	EDC Luganskoblenergo	52 030 730	10 00	10 00	16 52	10 00	04 09 98	OTC	1 00	52 030 730	20 011 819	
26	EDC Lvivoblenergo	48 493 080	0 25	0 45	0 55	0 47	04 09 98	OTC	1 88	91 166 990	35 064 227	
27	EDC Mykolaivoblenergo	39 660 000	2 00	2 30	2 30	2 30	06 03 98	SE	1 15	45 636 774	17 552 606	
28	EDC Odessablenergo	52 123 890	10 00	10 57	10 57	10 57	03 03 98	SE	1 06	55 070 623	21 181 009	
29	EDC Poltavaoblenergo	55 240 000	2 50	2 75	3 81	2 75	04 09 98	OTC	1 10	60 764 000	23 370 769	
30	EDC Prykarpattyoblenergo	25 908 875	12 50	12 50	12 50	12 50	12 03 98	SE	1 00	25 908 875	9 964 952	
31	EDC Sumyoblenergo	44 281 374	1 00	1 00	1 00	1 00	12 03 98	SE	1 00	44 281 374	17 031 298	
Subtotal		1 008 450 412							Average	1 6076	1 551 462 003	596 716 155
% of Total		64 51%									67 51%	
Total		1 563 250 559									2 298 075 251	883 875 096