**Decision No. 1/26 of the Board of the Public Utilities Commission**

Adopted 15 September 2022

**Methodology for the Calculation and Determination of Net Costs of the Universal Service Obligations in the Electronic Communications Sector**

*Issued pursuant to*

*Section 72, Paragraph one of the Electronic Communications Law and Section 25, Paragraph one of the law On Regulators of Public Utilities*

1. The methodology prescribes the procedures by which the universal service provider calculates and determines the net costs of universal service obligations (hereinafter – the net costs) and an additional benefit.

2. The following terms are used in this methodology:

2.1. **additional benefit**– a benefit of the universal service provider which consists of indirect benefits from the provision of the universal service that are not related to the revenue from users of the universal service for the electronic communications services received;

2.2. **net costs**– costs arising as a difference between the expenses and revenue incurred by the universal service provider when providing the universal service, unlike the costs when the universal service is not provided by taking into account the additional benefit.

3. When assessing the net costs, the Public Utilities Commission (hereinafter – the Regulator) shall take into account any advantages of the market which the universal service provider has in the electronic communications sector.

4. The universal service provider shall calculate the net costs for each specific universal service obligation individually.

5. The universal service provider shall calculate the costs related to the provision of the electronic communications service in accordance with the methodology set out by the Regulator for the calculation of tariffs and the calculation and assignment of costs in the electronic communications sector.

6. The universal service provider shall calculate and determine the net costs for the calendar year according to the extent of the universal service obligations imposed on the universal service provider.

7. The net costs shall consist of the provision of access to the broadband Internet access service and voice communications service in a fixed location (i.e. household) (hereinafter – the provision of access), irrespective of the technology used in the electronic communications network, if they have been set out in the universal service obligations.

8. The net costs for the provision of access for new users shall consist of the costs incurred by the universal service provider when providing access, subtracting from such costs the revenue generated from the provision of access. A calculation of the net costs shall only indicate the costs incurred when providing a relevant service specified in the universal service obligations.

9. The universal service provider shall calculate the net costs as an amount of the net costs of meeting the universal service obligations which arise from the extent of the universal service obligations imposed on the universal service provider, minus the additional benefit.

10. The additional benefit shall be calculated in accordance with the formula specified in Paragraph 11 of this methodology, and the net costs shall be reduced by the value obtained.

11. The additional benefit shall be calculated according to the following formula:

PI = A where

PI – the additional benefit [EUR];

A – the weighted average monthly subscription fee for a telephony subscriber line in the previous calendar year which is calculated as follows: the subscription fee revenue generated from all tariff schemes of the voice communications service provided to end-users (according to the published tariff without the discounts actually applied) shall be summed up and then divided by the total number of end-users of the voice communications service in the calendar year which is calculated by summing up the number of end-users of the relevant tariff scheme on the last day of each month of the previous calendar year [EUR];

Nup – the average number of the universal service users in the previous calendar year (the calculation shall include the total number of persons with disabilities who are using the voice communications services provided by the universal service provider);

N – the total number of the public telephone network lines of the universal service provider.

12. When submitting the calculation of the net costs to the Regulator, the universal service provider shall add a report on the attribution and calculation of net costs prepared by a sworn auditor or a commercial company of sworn auditors.

13. Decision No. 1/20 of the Public Utilities Commission of 6 July 2017, Methodology for the Calculation and Determination of Net Costs of the Universal Service Obligations (*Latvijas Vēstnesis*, 2017, No. 136), is repealed.

14. The net costs incurred for the fulfilment of the universal service obligations until adoption of the decision of the Regulator to cancel the universal service obligations, but not later than until 31 October 2022, shall be calculated by the universal service provider in accordance with this methodology, ensuring fee discounts for persons with disabilities specified in the universal service obligations. The net costs incurred for ensuring the fee discounts for persons with disabilities shall be calculated as an amount of all fee discounts granted to persons with disabilities within the scope of the universal service obligations by indicating the relevant costs for each discount item individually.

15. The methodology shall come into force on 1 October 2022.

Chair of the Board of the Public Utilities Commission A. Ozola