

Decision No. 1/5 of the Board of the Public Utilities Commission

Adopted 16 February 2017

Methodology for the Calculation of Solid Waste Disposal Service Tariff

Issued pursuant to Section 9, Paragraph one, Clause 2 and Section 25, Paragraph one of the law On Regulators of Public Utilities and Section 40 and Section 41, Paragraph 1.⁴ of the Waste Management Law

1. General Provisions

1. The Methodology prescribes the procedures by which a provider of solid waste disposal service (hereinafter – the merchant) shall calculate a draft tariff for the provision of a solid waste disposal service (hereinafter – the draft tariff) at a landfill for solid waste (hereinafter – the landfill).

[18 January 2018]

2. The merchant shall submit to the Public Utilities Commission (hereinafter — Regulator) the original of the draft tariff document (in paper format or signed by using an electronic signature according to the procedures prescribed by the laws and regulations) and the electronic form (if the original of the draft tariff has been submitted in paper format). The merchant shall, together with the draft tariff, submit documents which have been specified in the decision taken by the Regulator in relation to justification of costs forming the tariff, revealing justification for costs forming the tariffs referred to in the calculation of the draft tariff.

3. Upon submitting the draft tariff, the merchant shall append a description reflecting the process of solid waste acceptance, mechanical biological pre-treatment and disposal at the landfill, as well as indicate the amount of the relevant activities in the previous and current year.

2. General Provisions for the Calculation of the Draft Tariff

4. The merchant shall calculate the draft tariff in EUR per one tonne of solid waste accepted at the landfill, performing the calculation in accordance with Annex 1 to the Methodology.

5. The merchant shall calculate the draft tariff in accordance with the rates of the natural resources tax for the disposal of solid waste determined in the Natural Resources Tax Law (hereinafter – the natural resources tax).

[18 January 2018]

6. A Merchant shall use a cost assignment model, the basic principles and specification of which shall be submitted together with documents justifying the draft tariff. During evaluation of the draft tariff the Regulator may request that the merchant reviews and changes the cost assignment model.

7. In the draft tariff the costs, the amount of solid waste planned to be accepted at the landfill, and the amount of solid waste planned to be disposed at the landfill shall be applicable to a time period of one year only. The tariff determined shall be in effect until a new tariff is determined.

8. The merchant shall accurately and clearly present the costs in the draft tariff, including only the assets and activities related to the provision of solid waste disposal service therein.

9. The merchant shall include only such technologically and economically substantiated costs in the draft tariff which are necessary for efficient provision of the solid waste disposal service.

10. The merchant shall justify the advantages of technological solutions selected for the management of by-products that have occurred in the process of mechanical biological pre-treatment of solid waste for disposal, and for reduction of the amount of biodegradable waste and for recovery thereof in comparison to alternative technological solutions with economic calculations.

11. The merchant shall perform individual record-keeping and, together with the draft tariff, submit to the Regulator a report on costs and revenue which are related to obtaining income of another kind from the use of the landfill, including trade in biogas (fuel), electricity, and heat, rental of land, buildings and technological equipment, excluding costs and revenue from trade in recoverable material separated. The merchant shall reduce the costs forming the draft tariff by the income obtained thereby from the use of the infrastructure of the landfill directly or indirectly.

12. The merchant shall reduce the costs included in the draft tariff by the part of the revenue obtained thereby from trade in recoverable material separated, reducing the revenue by costs for the preparation of recoverable material separated for trade.

12.¹ The merchant shall include the natural resources tax for the amount of the disposed solid waste in the draft tariff.

[18 January 2018]

13. *[18 January 2018]*

14. The merchant shall not include the costs and the quantity of solid waste which is related to the provision of other services in the field of waste management in the draft tariff.

15. A Merchant shall evaluate any profit in the draft tariff as the resources necessary for operational reserves and attraction of current assets. Profit in terms of percentage may not exceed profitability in the amount of 7%, which has been calculated in per cent from the costs related to providing the solid waste disposal service.

16. The merchant shall use the amount of solid waste for the calculation of the draft tariff which is planned to be accepted at the landfill in the current year, and the amount of solid waste which is planned to be disposed at the landfill in the current year.

17. Upon forecasting the amount of solid waste which is planned to be accepted at the landfill in the current year, and forecasting the amount of solid waste which is planned to be disposed at the landfill in the current year, the merchant shall take into consideration the actual amounts of waste in the previous year, planned changes in the current year, as well as regional

waste management plans and local government plans if such have been approved. Together with the draft tariff, the merchant shall submit an explanation and justification for the planned changes in the accepted and disposed amount of solid waste.

18. The merchant shall submit to the Regulator the draft tariff or an explanation of the reasons for changes together with the annual report on the amount of the services provided, costs and revenue, if the costs of solid waste disposal service with the natural resources tax for one tonne (EUR/t) have changed by more than 5 % in comparison with the applicable tariff which are calculated according to the formula indicated in Paragraph 39 of the Methodology, using for the calculation the profitability amount which is equal to the profitability in the applicable tariff.

[18 January 2018]

19. [18 January 2018]

3. Costs to be Included in the Draft Tariff

20. The merchant shall calculate the full costs of the solid waste disposal service (with profitability) (I_P) in accordance with the following formula:

$$I_P = (I_{\text{noI}} + I_{\text{ekspl}} + I_{\text{nod}} + I_k) - I_{\text{en}} + I_r,$$

where

I_{noI} – write-off of depreciation of fixed assets and value of intangible investments (EUR);

I_{ekspl} – the operating costs (EUR);

I_{nod} – tax payments (EUR);

I_k – credit interest payments and capital reimbursement, including costs related to the financial guarantee or other equal guarantee by the landfill operator (EUR);

I_{en} – revenue in accordance with Paragraphs 11 and 12 of the Methodology (EUR);

I_r – profit calculated so that profitability would conform to the conditions laid down in Paragraph 15 of the Methodology, where $I_r/I_P \leq 7\%$ (EUR).

[18 January 2018]

20.¹ The merchant shall include the natural resources tax for the amount of the disposed solid waste in the draft tariff (M_{DRN}).

[18 January 2018]

21. [18 January 2018]

3.1. Depreciation of Fixed Assets and the Write-off of the Value of Intangible Investments

22. Depreciation of fixed assets and write-off of the value of intangible investments (I_{noI}) shall be calculated according to the following formula:

$$I_{\text{noI}} = I_{\text{noI.pam}} + I_{\text{noI.nem}},$$

where

$I_{\text{noI.pam}}$ – depreciation of fixed assets (EUR);

$I_{\text{noI.nem}}$ – value of written-off intangible investments (EUR).

23. Depreciation of fixed assets shall be calculated in accordance with the laws and regulations governing the field of accounting and the accounting policy adopted by the merchant.

24. If the merchant uses the inclusion of repayment of the principal sum of a long-term credit provided for in Paragraph 35 of the Methodology in the draft tariff, the calculated depreciation shall be reduced by the depreciation sum corresponding to the remaining value of the fixed assets indicated in Paragraph 35 of the Methodology.

25. If the fixed assets are not used at full intensity, the calculated depreciation shall be adjusted in such a way that it corresponds to an efficient use of the fixed assets.

26. The write-off of the intangible investment value shall be calculated for the development costs of the merchant, the costs arising from concessions, patents, licences, trademarks and other intangible investments (except the intangible value of the merchant), taking into account the accounting policy adopted by the merchant.

27. In calculating the depreciation for fixed assets which have been financed from a financial assistance or financial aid received from the State, local government, foreign country, European Union or other international organisation and institution, the value of fixed assets shall be reduced by the value of the relevant financial assistance or financial aid which has been indicated in the item “Deferred Revenue” of the balance sheet of the merchant and specified in accordance with the procedures stipulated by the Cabinet by which financial aid (financial assistance) of State, local government, foreign country, European Union or other international organisations and institutions, donations and gifts in cash or in kind, shall be reflected in financial statements.

3.2. Operating Costs

28. Operating costs (I_{ekspl}) shall be calculated according to the following formula:

$$I_{ekspl} = I_{pers} + I_{saimn} ,$$

where

I_{pers} – the staff costs (EUR);

I_{saimn} – other costs of economic activity (EUR).

29. Staff costs (I_{pers}) shall be calculated in accordance with the laws and regulations governing employment legal relationship and the field of social insurance. The staff shall be all employees of the merchant involved in the process of providing the solid waste disposal service (including the administrative staff) according to the cost assignment model drawn up by the merchant and submitted together with the draft tariff.

30. Other costs of economic activity (I_{saimn}) shall be the costs related to the economic activity of the merchant which are necessary to provide the solid waste disposal service and are not included under other cost items. Costs referred to in Paragraph 3 of Annex 1 to the Methodology shall be included in other operating charges:

30.1. operating, repair and maintenance costs of vehicles, equipment, mechanisms and structures; costs related to reduction of the amount of biodegradable waste for disposal, including recovery of biodegradable waste and transport to recovery site; costs for materials

for ensuring solid waste disposal service – shall include operating, maintenance, technical inspections and repair costs of vehicles, equipment, mechanisms and structures involved in the technological processes referred to in Sub-paragraph 3.1 of Annex 1 to the Methodology, fuel and electricity costs, costs for technical inspections and insurance, costs for lease of a vehicle, equipment, mechanisms or structure, costs for materials for ensuring solid waste disposal service, costs if the merchant purchases any of the services as outsourcing service, and other costs of similar type;

30.2. costs for controlling the condition and protection of the environment during the operation of the landfill – environmental monitoring costs during the operation of the landfill, rat extermination and disinfection costs, costs related to performing a topographical measurement of the landfill cell, costs related to odour emission measurements and prevention thereof and other similar costs shall be included herein;

30.3. costs related to the management and transfer of hazardous waste segregated from solid waste – costs related to the storage, transportation of hazardous waste segregated from solid waste and transfer of such waste for disposal at the hazardous waste landfill shall be included herein;

30.4. costs related to financing public education measures in the respective waste management region – costs for planned public education measures according to regional plans and local government plans in the field of waste management, if such have been approved, shall be included herein; the abovementioned costs must not exceed 2% of the full costs (with profitability) included in the draft tariff;

30.5. costs for research and development activities – shall be included in accordance with the procedures laid down in the Waste Management Law;

30.6. costs for closure and recultivation of the landfill and costs related to the monitoring and maintenance of the closed landfill shall be calculated in accordance with the requirements laid down in laws and regulations, taking into account the part of costs already covered at the time of submitting the draft tariff which has been included in the relevant cost item in the tariffs previously approved by the Regulator;

30.7. costs of administration which are not included in other items of costs – rent of administrative premises and their maintenance costs, communications and postal services costs, costs related to drafting an annual report, costs of audit and legal services, costs related to the maintenance of office supplies, costs of business trips, training and seminars, stationery, office and representation costs, costs related to the repair, maintenance and operation of administrative vehicles and other similar costs shall be included herein;

30.8. fee payments – State fee payments of public utilities regulation, State fee payments of an entrepreneurial risk, fee payments for issuing polluting activity permits shall be included herein;

30.9. other costs – landfill security, fire safety and landfill land-use planning costs, costs related to the purchase of work protective equipment, staff health and accident insurance costs, electricity costs which are not included in other items of costs, and other similar costs shall be included herein.

[18 January 2018]

3.3. Taxes

31. The merchant shall include the following taxes that are calculated in accordance with the laws and regulations (I_{nod}) in the full costs of the solid waste disposal service (with profitability):

31.1. the immovable property tax for the buildings, structures and land in the ownership, possession or holding of the merchant which are used for the provision of the solid waste disposal service;

31.2. the enterprise income tax for the income obtained from the provision of the solid waste disposal service;

31.3. the natural resources tax for the emission of polluting substances into the environment.

[18 January 2018]

32. The natural resources tax shall not be included in the full costs of the solid waste disposal service (with profitability).

[18 January 2018]

3.4. Credit interest payments and capital reimbursement, including costs related to the financial guarantee or equal guarantee by the landfill operator

33. A Merchant shall include interest payments of a long-term credit (5 years and more) in the draft tariff, if the long-term credit is used for the creation of new fixed assets for the provision of the service.

34. A Merchant may include substantiated interest payments of a short-term credit (up to 5 years) in the calculation of the draft tariff, if the relevant credit is related to the creation of new fixed assets for the provision of the service and attraction of monetary funds from a State, local government, foreign country, European Union, another international organisation or institution is intended.

35. The Merchant may include the repayment of the principal sum of a long-term credit (5 years and more) in the draft tariff, if the depreciation of the fixed assets purchased for the relevant credit throughout the use of the fixed assets is not included in the draft tariff, ensuring individual accounting of such fixed assets in the accounting system.

36. If repayment of the principal sum of a credit has been included in the applicable tariff for solid waste disposal service in accordance with Paragraph 35 of the Methodology, the merchant shall, not later than six months before the repayment of the principal sum of the relevant credit, submit a new draft tariff to the Regulator, excluding from the draft tariff the depreciation of the fixed assets purchased for the relevant credit.

[18 January 2018]

37. If the term of the credit included in the costs forming the approved tariff of the solid waste disposal service, the conditions for payment of credit interest or repayment of the principal sum change, the merchant shall inform the Regulator regarding changes within one month after making of the relevant changes in the contract with the creditor.

4. Calculation of the Draft Tariff for the Solid Waste Disposal Service

[18 January 2018]

38. The merchant shall calculate the draft tariff for the solid waste disposal service in accordance with the following formulae:

38.1. the component of the solid waste disposal service (K_{ap}) (EUR/t)

$$K_{ap} = I_p / Q,$$

where

Q – amount of solid waste planned to be accepted at the landfill in the current year (t);

38.2. The natural resources tax for the amount of the disposed solid waste (M_{DRN}) (EUR/t)

$$M_{DRN} = Q_{ap} / Q * DRN,$$

where

Q_{ap} – amount of solid waste planned to be disposed at the landfill in the current year (t);

DRN – rate of the natural resources tax for disposal of one tonne of solid waste.

[18 January 2018]

39. The draft tariff for the solid waste disposal service with the natural resources tax ($T_{ar DRN}$) (EUR/t) shall be calculated according to the following formula:

$$T_{ar DRN} = K_{ap} + M_{DRN}.$$

[18 January 2018]

40. [18 January 2018]

5. Accounting of Costs and Revenue

41. In order to calculate the tariff, the merchant shall use the accounting of costs and revenue conforming to the provisions laid down in the law On Regulators of Public Utilities, namely the accounting of the merchant shall include separate accounts in respect of each type of public utility. The accounting of costs shall be separated from the total accounting by the merchant, using accounts, sub-accounts or other indications ensured by using the accounting program and the internal accounting system of the merchant.

42. A Merchant shall arrange the accounting in a way the Regulator would be able to keep track of all economic transactions related to the solid waste disposal service from the beginning until the end thereof.

43. The merchant shall separate the following revenue accounts in the accounting in respect of the justification of a draft tariff:

43.1. income from the tariff for solid waste disposal service;

43.2. [18 January 2018]

43.3. revenue according to the types of activity in accordance with Paragraphs 11 and 12 of the Methodology;

43.4. other basic operational revenue of the merchant (if necessary, the merchant shall ensure a more detailed subdivision).

[18 January 2018]

44. Revenue, which at the moment of accounting cannot be attributed to the solid waste disposal service, shall be subdivided by applying the cost assignment model specified in the cost assignment model included in Paragraph 6 of the Methodology.

45. The merchant shall include information on the accounts, sub-accounts and other indications of costs and revenue in its accounting policy which are ensured, using the

accounting program and the internal accounting system of the merchant, and which form the solid waste disposal service tariff in accordance with Annex 2 to the Methodology.

6. Closing Provisions

46. The draft tariff which has been submitted by the merchant to the Regulator by the day of coming into force of this Methodology and the evaluation of which has not been completed, shall be evaluated by the Regulator in accordance with this Methodology.

47. If the tariff for the solid waste disposal service of the merchant has been approved during the time period from 1 June 2017 until the day of coming into force of this Methodology and the submission of the draft tariff is related only to that specified in Paragraph 20.¹ of the Methodology, the merchant shall submit to the Regulator the draft tariff until 30 March 2018 by retaining in the calculation of the draft tariff the same full costs of the solid waste disposal service (with profitability) (I_p) and amounts of solid waste (Q , Q_{ap}) as have been included in the calculation of applicable tariff, and shall not provide supporting documents for the costs already assessed.

[18 January 2018]

48. Decision No. 1/23 of the Public Utilities Commission of 10 December 2015, Methodology for the Calculation of Solid Waste Disposal Service Tariff (*Latvijas Vēstnesis*, 2015, No. 244), is repealed.

49. This Methodology shall enter into effect on the day following the publication thereof in the official gazette *Latvijas Vēstnesis*.

Chair of the Board of the Public Utilities Commission R. Irklis

Name of the merchant: _____

Unified registration number: _____

Calculation of the Draft Tariff for the Solid Waste Disposal Service

No.	Items	Designation	Calculation of the Draft Tariff*
1.	Depreciation of Fixed Assets and the Write-off of the Value of Intangible Investments	I_{inol}	
1.1.	Depreciation of fixed assets, including:	I_{inol.pam}	
1.1.1.	buildings, structures		
1.1.2.	equipment, machinery		
1.1.3.	other		
1.2.	Book value of written-off intangible investments	I_{inol.nem}	
2.	Staff costs	I_{pers}	
2.1.	Work remuneration		
2.2.	Social insurance costs		
3.	Other costs of economic activity	I_{saimn}	
3.1.	Operating, repair and maintenance costs of vehicles, equipment, mechanisms and structures, and also costs for materials for ensuring solid waste disposal service (including lease) for the following processes:		
3.1.1.	costs for mechanical biological pre-treatment of solid waste for disposal		
3.1.1.1.	costs for mechanical pre-treatment of solid waste		
3.1.1.2.	costs for biological treatment of waste (composting, anaerobic digestion, transportation to treatment facility, etc.)		
3.1.1.3.	costs for preparation of waste for further regeneration after mechanical processing (preparation for processing, transfer for processing, etc.)		
3.1.2.	costs for acceptance of solid waste at transfer stations and for transportation to the landfill		
3.1.3.	costs for provision of solid waste disposal		
3.1.3.1.	costs for transportation and placing of inert waste to the landfill cell, levelling, compacting, forming daily cover		

	and slopes, building roads for the landfill cell, maintenance thereof and other costs not included in the other technological processes		
3.1.3.2.	costs for collection and utilisation of landfill gases		
3.1.3.3.	costs for management of landfill leachate and other wastewater		
3.1.4.	costs for maintenance of objects of the landfill infrastructure other than included in other cost items		
3.2.	Costs for control and protection of the environmental condition during the operation of the landfill		
3.3.	Costs for management and transferring of hazardous waste segregated from solid waste		
3.4.	Costs for financing of public education measures in the relevant waste management region		
3.5.	Costs for research and development activities		
3.6.	Costs for closure and recultivation of a landfill and costs related to the monitoring and maintenance of the closed landfill		
3.7.	Costs of administration which are not included in other cost items		
3.8.	Fee payments		
3.9.	Other costs		
4.	Operating costs, EUR (2.+3.)	I_{ekspl}	
5.	Tax payments	I_{nod}	
6.	Credit interest payments and capital reimbursement, incl. costs related to the financial guarantee or equal guarantee by the landfill operator	I_k	
7.	Revenue in accordance with Paragraphs 11 and 12 of the Methodology	I_{en}	
8.	Total costs, EUR (1.+4.+5.+6.) -7.		
9.	Profitability	I_r	
10.	Costs together (with profitability), EUR (8 +9)	I_p	
11.	Amount of solid waste planned to be accepted at the landfill in the current year (t)	Q	
12.	Amount of solid waste planned to be disposed at the landfill in the current year (t)	Q_{ap}	
13.	Proportion of the amount of solid waste disposed and accepted at the landfill, % (12./11.)		
14.	TARIFF FOR THE SOLID WASTE DISPOSAL SERVICE:		

14.1.	Component of the solid waste disposal service, EUR/t (10./11.)	K_{ap}	
14.2.	The natural resources tax for the amount of the disposed solid waste, EUR/t (12./11. * NRT in accordance with the Natural Resources Tax Law)	M_{DRN}	
	to the natural resources tax rate in accordance with the Natural Resources Tax Law		
14.3.	Tariff for the solid waste disposal service with the natural resources tax, EUR/t (14.1. + 14.2)	T_{ar DRN}	
	to the natural resources tax rate in accordance with the Natural Resources Tax Law		

* the final amounts included in the calculation of the draft tariff have been itemised according to positions in the substantiation of the costs/income forming the draft tariff

Date _____.

Person entitled to represent the merchant

signature and full name

Name of the merchant:

Accounts, sub-accounts and indications used in the calculation of the draft tariff for the solid waste disposal service

No.	Costs and revenue items forming the tariff*	Account, sub-account No. or other indications ensured by using the accounting program and the internal accounting system of the merchant
1.	1. Depreciation of Fixed Assets and the Write-off of the Value of Intangible Investments	
2.	2. Staff costs	
3.	3. Other costs of economic activity	
4.	3.1. Operating, repair and maintenance costs of vehicles, equipment, mechanisms and structures, and also costs for materials for ensuring solid waste disposal service (including lease) for the following processes:	
5.	3.1.1. costs for mechanical biological pre-treatment of solid waste for disposal	
6.	3.1.1.1. costs for mechanical pre-treatment of solid waste	
7.	3.1.1.2. costs for biological treatment of waste (composting, anaerobic digestion, transportation to treatment facility, etc.)	
8.	3.1.1.3. costs for preparation of waste for further regeneration after mechanical processing (preparation for processing, transfer for processing, etc.)	
9.	3.1.2. costs for acceptance of solid waste at transfer stations and for transportation to the landfill	
10.	3.1.3. costs for provision of solid waste disposal	
11.	3.1.3.1. costs for transportation and placing of inert waste to the landfill cell, levelling, compacting, forming daily cover and slopes, building roads for the landfill cell, maintenance thereof and other costs not included in the other technological processes	
12.	3.1.3.2. costs for collection and utilisation of landfill gases	
13.	3.1.3.3. costs for management of landfill leachate and other wastewater	
14.	3.1.4. costs for maintenance of objects of the landfill	

	infrastructure other than included in other cost items	
15.	3.2. Costs for control and protection of the environmental condition during the operation of the landfill	
16.	3.3. Costs for management and transferring of hazardous waste segregated from solid waste	
17.	3.4. Costs for financing of public education measures in the relevant waste management region	
18.	3.5. Costs for research and development activities	
19.	3.6. Costs for closure and recultivation of a landfill and costs related to the monitoring and maintenance of the closed landfill	
20.	3.7. Costs of administration which are not included in other cost items	
21.	3.8. Fee payments	
22.	3.9. Other costs	
23.	5. Tax payments	
24.	6. Credit interest payments and capital reimbursement, incl. costs related to the financial guarantee or equal guarantee by the landfill operator	
25.	7. Revenue in accordance with Paragraphs 11 and 12 of the Methodology	
26.	11. Amount of solid waste accepted for disposal at the landfill in the current year (t)	
27.	12. Amount of solid waste disposed at the landfill in the current year (t)	

* Numbering and names correspond to the items specified in Annex 1

Person entitled to represent
the merchant

signature and full name