



ECOI

Electronic Communications
Office of Iceland

Decision no. xx/2021

**Review of Mila wholesale tariff for hosting and
electricity**

Case number: 2021070023

18 October 2021



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1 Introduction

(1) The Mila ehf. tariff for hosting in equipment spaces and masts, with the addition of electricity, here under discussion is based on the obligations imposed on the company with the Decision of the Post and Telecom Administration (PTA) no. 8/2014 dated 6 May 2014, no. 21/2014 dated 13 August 2014 and no. 21/2015, dated 12 August 2015.

(2) The cost analysis discussed here describes the costs of hosting equipment in buildings and masts. The cost analysis results in monthly rental prices for the lease of facilities in buildings in accordance with the different locations of the building as well as the closet sizes that are available. In addition, monthly prices are provided for facilities in masts according to the size of the rental unit and location in the mast, as well as geographical location. Then the prices for electricity are calculated according to use.

(3) The ECOI opened a national consultation on the preliminary draft to the draft Decision here under discussion on 29 June 2021 and the consultation ran until 20 July 2021. No comments were received from stakeholders.

(4) The following sections cover the legal grounds, methodology and calculations that led to the ECOI conclusion. The text of the Draft Decision describes the intended ECOI position which can be subject to amendment until the final Decision is made, among other things as a result of comments from stakeholders. The wording of the Draft should be read with this in mind.

2 Act no.75/2021 on the Electronic Communications Office of Iceland

(5) Cost analysis for hosting the Mila submitted on 16 April 2019, was received during the period of validity of Act no.69/2003 on the Post and Telecom Administration. That Act has now been replaced by Act no.75/2021 on the Electronic Communications Office of Iceland (ECOI), which came into force on 1 July 2021.

(6) Pursuant to Act no.75/2021, the ECOI has assumed the statutory role of supervising implementation of the Act on Electronic Communications no.81/2003. This entails among other things, supervision of the Mila tariff for Mila service, on which such obligations have been imposed by the decisions of the Post and Telecom Administration.

(7) The ECOI generally assumes as a basis that prior solutions of the Post and Telecom Administration represent precedent for administrative action by the ECOI, as they are implementation and interpretation of the same provisions of the Electronic Communications Act. One must also regard the decisions of the ECOI as a continuation of decisions of the Post and Telecom Administration, among other things with respect to obligations that have been imposed on Mila.



3 Obligations for access to facilities and price control

(8) With the following PTA decisions, obligations were imposed on Mila ehf. (Mila) for access to facilities.

- PTA decision no. 8/2014 on the designation of a company with significant market power and on the imposition of obligations on the wholesale market for terminating segments of leased lines (Market 6/2008), dated 6 May 2014.
- PTA Decision no. 21/2014 on the designation of a company with significant market power and on the imposition of obligations on the wholesale market for access to local loops (Market 4/2008) and bitstream (Market 5/2008) dated 13 August 2014.
- PTA Decision no. 21/2015 on the designation of a company with significant market power and on the imposition of obligations on the wholesale market for trunk segments of leased lines (Market 14/2004) dated 12 August 2015.

(9) With the authority in Articles 28 and 33 of the Electronic Communications Act the PTA imposed the obligation on Mila to accommodate normal and fair requests for access to related service at wholesale level. Mila shall among other things accede to normal and fair requests for sharing and co-location.

(10) In the opinion of the ECOI, access to electricity is categorised as related facilities specified among other things in PTA Decision no.21/2014. In PTA Decision no.21/2014, there is more detailed discussion on Mila obligations for access to Mila bitstream service.

(11) With respect to the obligation for access, it is stated in the decision:

*“With the authority in article 28 of the Electronic Communications Act the PTA imposes on Mila an obligation to accede to normal and reasonable requests for open access to specific network facilities on local loops at wholesale level. The network facilities in question here are on the one hand, access to bitstream which goes through the upper frequency range of copper local loops, see Access Options 1-3, and on the other hand, access to bitstream through fibre-optic local loop. Mila should also, if this is requested, handle the sending of bitstream through its backbone network to a location where the electronic communications company in question has a connection with the Mila network. Mila shall offer wholesale broadband access for resale to electronic communications companies that provide broadband services. **Mila is obliged to provide hosting of equipment of other electronic communications companies and access to other facilities necessary for the bitstream access to be fully utilised¹.** Mila shall also provide access to support systems and information systems analogous to those used by Siminn Group departments.”*

(12) With respect to the obligation on price control, the following is stated:

“With the authority in Article 32 of the Electronic Communications Act the PTA imposes an obligation on Siminn for price control for wholesale bitstream access with xDSL technology and related facilities.

¹ ECOI emphasis edit



*Mila shall therefore submit to the Administration for endorsement a wholesale tariff for access to bitstream at differing locations on the network with differing DSL standards, that is to say VDSL and ADSL. **In addition to this Mila shall submit to the Administration for endorsement a wholesale tariff for hosting equipment of other electronic communications companies and for access to other facilities related to bitstream and access to support systems and information necessary for a customer to be able to utilise bitstream**². The tariff shall be cost-oriented in accordance with paragraph 4 of article 32 of the Electronic Communications Act."*

(13) The ECOI considers it unambiguous that access to electricity for equipment of electronic communications companies is necessary for Mila bitstream service being used by the purchaser, and for this reason there is an obligation for price control on the Mila tariff for electricity. One can also note in this connection that although a large part of Mila sale of access to electricity and rectifier system are internal sales at Mila it nevertheless appears as costs in other Mila services subject to price control, such as access to bitstream and leased lines. PTA Decision no. 21/2014 was not appealed and therefore remains unchallenged.

(14) In PTA Decision no. 21/2014, it is stated that the price for access shall be based on historical costs (HCA, FAC). Investment was to be taken into account and reasonable return on capital tied up in investment, while also taking into account the risk of the investment.

3.1 Main rules for cost analysis methodology

(15) When reviewing cost analysis for the Mila tariff for hosting³ the following main rules shall be applied:

- The cost analysis shall cover the leasing of facilities in Mila buildings and masts.
- Price shall be calculated for location-based access to buildings and masts. Mila shall divide investments in buildings and masts into categories depending on whether the investments belong to mixed hosting operations (Halls), Urban area, Rural area or Uninhabited area .
- In addition to the above the Mila tariff shall contain as a minimum the price for varying lease units and shall cover all hosting services provided today to its own service departments or to other related parties or parties cooperating with Mila and to other electronic communications companies. Leasing on masts was divided into categories where each category was based on a specific size in square metres and position on the mast.
- The cost base shall be Mila historical costs (HCA) based on the preceding financial year in each instance.
- The methodology shall be based on allocating all costs to the service in question (FAC).

² ECOI emphasis edit

³ The following does not apply to hosting locations in the Highway Tender (GSM 1), which were supported by the Telecommunications Fund.



- Allocation of costs are based on separation of accountancy, on Mila asset bookkeeping and on costs from the company's bookkeeping system where opex are entered by bookkeeping account.
- The opex of the hosting service shall be captured, including the share in indirect costs, i.e. management and IT, in accordance with separation of accountancy.
- When calculating investments, CAPEX shall be based on the value in use of operational assets where the replacement cost of assets is taken into account in each instance.
- Evaluation of operational assets shall reflect the value in use of assets. The criteria shall be that timber buildings have a 30 year lifetime, concrete buildings have a 50 year lifetime, surveillance systems have a 6.67 year lifetime, ventilation systems have a 15 year lifetime, refrigeration equipment has a 10 year lifetime and diesel engines have a 13-25 year lifetime.
- The annuity depreciation method shall be used to calculate annual costs for operational assets.
- The cost of the total number of hostings in buildings and masts shall be calculated.
- The required rate of return used shall be based on weighted average cost of capital⁴ (WACC real) from capital tied in assets used in connection with provision of service where the risk premium reflects the risk related to operations on the relevant market.
- The average unit price for individual hosting units in lease of facilities shall be calculated as the average cost for specific regions on the basis of allocated opex and capex having taken into account varying services, the number of lease units and their size. It is authorised to use equivalents to decide unit costs.

4 Decision no. 11/2014 on cost analysis by Míla ehf. of tariff for lease of facilities (hosting)

(16) In June 2013, Mila submitted cost analysis for hosting in buildings and masts, based on the financial year 2012.

(17) In the cost analysis, the prices for hosting in Mila buildings were reviewed and the new arrangement for deciding the lease of masts was submitted, where lease units were divided into four categories by their size in square metres and the position on the mast.

(18) The following monthly lease prices were decided for lease of facilities in buildings and masts.

⁴ In accordance with article 16 of Regulation no. 564/2011 the PTA (now EOIC) decides on an annual basis the weighted average cost of capital (WACC) which electronic communications companies should use as a reference in their calculations.



Lease for facilities in building

Service	Halls	Urban area	Rural area	Uninhabited
1 Cabinet space 60x60x220.....	17,000	21,400	22,800	39,700
1/2 Cabinet space 60x60x110.....	8,500	10,700	11,400	19,850
1 Cabinet space 80x80x220.....	27,200	34,200	36,500	63,500
1/2 Cabinet space 80x80x110.....	13,600	17,100	18,250	31,750
Space for optical connectors 60x60x220	8,500	10,700		

Lease rental for facilities on masts

Category	Urban and rural	Uninhabited
Category 1.....	4,900	6,500
Category 2.....	9,800	13,100
Category 3.....	14,700	19,600
Category 4.....	19,500	26,100

Division into categories by size and position on mast

Location/surface area	0-0.24	0.25-	0.75-2.6	over 2.6
20 m and higher	2	3	4	4
10-19.9 m	1	2	3	4
0-9.9 m	1	1	2	3
On building	1	1	2	3

Discounts for lease in buildings and masts

Agreement length 1 year, discount 5%. Exit charge one month's lease rental.

Agreement length 2 years, discount 10%. Exit charge two months' lease rental.

Agreement length 3 years, discount 15%. Exit charge three months' lease rental.

5 Facts of the case

(19) With reference to the PTA Decision no. 21/2014 and 21/2015, Mila submitted on 16 April 2019 a cost analysis for hosting. Mila stated that in the cost analysis, prices were calculated for facilities in Mila equipment spaces and masts. The basis was the same calculation methods as in the cost analysis that had been endorsed in the PTA Decision no. 11/2014⁵.

(20) Mila also submitted the views that the company considered that the price for electricity and 48 volt were outside obligations.

⁵ Decision on cost analysis by Míla ehf. of tariff for hosting, dated 3 June 2014.



(21) In an email to Mila dated 4 June 2019, the PTA informed Mila that the Administration did not agree with Mila that the tariff for electricity at hosting locations was outside obligations. The PTA referred, in this connection to the PTA Decision no. 21/2014 where a price control obligation was imposed on wholesale access to fixed copper access networks and bitstream with related facilities. The PTA considered that, access to electricity was categorised under related facilities.

(22) In an email to Mila dated 5 June 2019, the PTA requested a detailed list of equipment spaces and information on changes. The PTA also requested information on opex costs for the past years for comparison.

(23) In an email from Mila to the PTA dated 5 June 2019, Mila submitted further explanations on replacement cost of equipment spaces.

(24) In an email to Mila dated 26 June 2019, the PTA requested a statement of leases for hosting for the year 2018, divided by electronic communications companies and categories. The PTA also requested further explanations of calculations of lease equivalents. The PTA also required that Mila should submit more detailed explanations of capex and opex of specified equipment spaces. The PTA furthermore pointed out that if the Mila plan to alter a tariff for other service related to hosting, such as electricity and access to 48 volt rectifier equipment, then the PTA considered it best that this would accompany this cost analysis and not be in a separate decision

(25) In a letter from Mila to the PTA dated 28 June 2019, Mila pointed out that one had to take into account the Electronic Communications Act no.81/2003 when deciding whether specific service is considered to be “related facilities” in the understanding of PTA market analysis. Mila referred to articles 28 and 32 of the Act in this connection and pointed out that Mila had offered its customers access to hosting and furthermore sold access to electricity. In the Mila reference offer for lease of facilities it was stated that “The service purchaser pays direct electricity costs for operation of its equipment”. When evaluating whether a service is considered “related facilities”, one had to take into account whether paragraph 3 of article 28 of the Electronic Communications Act, applied. In the opinion of Mila it was technically and financially feasible for an electronic communications company to install its own electrical panel. According to the RARIK tariff, additional meters only cost ISK 31,300. Customers in Mila hosting can use the Mila electricity supply and electrical panel and install an additional meter without significant cost.

(26) With reference to item 3 in paragraph 3 of article 28 of the Electronic Communications Act, it is admittedly feasible to provide access to Mila electricity, but when such access is provided there is in some instances, uncertainty about the quantity the party in question should pay for, as Mila cannot see precisely how much electricity each party is using. It is actually much simpler for all parties that the party in question, installs his own meter. Mila has for example its own electricity meters in most leased facilities that the company leases from third parties [...]⁶.

(27) Mila also considers it appropriate to note that access to electricity will continue to be part of the general Mila product offer, although it would be much easier if the party in

⁶ Information in brackets are confidential.



question installed his own meter. It is also appropriate to point out that the tariff, as it is structured today, was faulty. The price was the same across the whole country while Mila's costs per kilometre in the countryside was much higher than in the Capital City Area. Mila therefore plans to change the price in accordance with tariffs of the utilities, as it is stated in the Mila reference offer that "the service purchaser pays electricity costs directly for the operation of his equipment". In the opinion of Mila it would be untenable to need to embark on extensive cost analysis, which would then take several months to read over in order to achieve changes in the tariff for electricity. There were no investment costs behind electricity costs, but solely the tariff from the electricity utilities. If a utility were to increase its price it would not be acceptable that Mila would be required to conduct detailed cost analysis and to wait for the PTA to decide price. It is finally appropriate to note that the Mila price for electricity last changed in the year 2010, which means that there is therefore a need to review the price immediately, and for example, RARÍK has increased its tariff by about 16% over the period.

(28) With respect to rectifiers, there were few external parties purchasing access to 48 volts. There are some instances of electronic communications companies having installed their own rectifier equipment in Mila hosting space. At the end of last year, Mila took over the Siminn rectifier equipment and has sold access to it at the same price as Siminn charged. The tariff is based on price per location, but Mila plans to change it such that it will be according to district. One can consider that this service should be exempt from obligations as it is not a critical facility.

(29) Mila requested that the PTA review its position with respect to cost analysis of electricity and rectifiers.

(30) In an email from Mila to the PTA dated 2 July 2019, Mila provided answers to PTA questions that were put in an email from the Administration, dated 26 June 2019, along with additional data in accordance with the PTA request.

(31) In an email from the PTA to Mila dated 4 July 2019, the PTA requested information on the nature of the current arrangement with respect to consumption by each company, when Mila collected a charge for electricity in accordance with consumption of each electronic communications company.

(32) In an email from the PTA to Mila dated 9 July 2019, the PTA requested information on calculations of equivalences.

(33) In an email from Mila to the PTA dated 15 July 2019, Mila submitted a document that showed calculations of equivalences.

(34) In an email from the PTA to Mila dated 14 August 2019, the Administration requested that Mila upgrade the analysis on the basis of new WACC and of those minor adjustments presented in Mila answers, on 2 July 2019.

(35) In an email from Mila to the PTA dated 14 August 2019, it was stated with respect to electricity usage that customers request a specific quantity of energy when a service is ordered. Mila makes regular measurements to verify the amount requested by a customer. Mila then settles the cost for usage with the customer in accordance with measurements. If



the customer has his own energy meter in Mila hosting locations, he only pays the cooling charge for the space.

(36) On 26 August 2019, Mila submitted a revised cost analysis for hosting in equipment spaces and masts.

(37) In an email from the PTA to Mila dated 26 September 2019, the PTA reiterated its position with respect to the tariff for access to electricity being subject to price control. The PTA considered access to electricity categorised as related facilities specified among other things in the PTA Decision no. 21/2014. In PTA Decision no. 21/2014, there was more detailed discussion on Mila obligations for access to Mila bitstream service.

(38) With respect to the obligation for access, it states in the decision that Mila was obliged to provide hosting of equipment of other electronic communications companies and access to other facilities necessary for the bitstream access to be fully utilised. Mila should also provide access to support systems and information systems analogous to those used by Siminn Group⁷ departments.

(39) With respect to price control it was stated in the decision that Mila should submit to the Administration for endorsement a wholesale tariff for hosting equipment of other electronic communications companies and for access to other facilities related to bitstream and access to support systems and information necessary for a customer to be able to utilise bitstream. The tariff should be cost-oriented.

(40) The PTA considered it unambiguous that access to electricity for equipment of electronic communications companies is necessary for Mila bitstream service being used by the purchaser, and for this reason there was an obligation for price control on the Mila tariff for electricity.

(41) The PTA also indicated that the Administration's Decision no. 21/2014 had not been appealed and thus remained unchallenged. The PTA reiterated its demand that Mila submitted an analysis of Mila costs for access to electricity, for endorsement by the PTA

(42) On 29 November 2019, Mila submitted cost analysis for electricity and access to the company's rectifier system. Mila reiterated its view that there was little cost for a customer to set up its own electricity meter, which meant that this was not a case of related facilities in the understanding of article 28 of the Electronic Communications Act. Mila also pointed out that there were very few external parties purchasing access to rectifier systems and at very few locations. It was therefore, in the opinion of Mila, an excessive intervention by the Administration to demand that Mila embarked on an extensive cost analysis to calculate the price for access to the service. In its calculations of price for electricity, there is in Mila calculations a direct connection with the tariffs of utility companies and the tariff is divided between rural and urban areas. In cost analysis of the tariff for access to Mila rectifiers, Mila took into account the replacement cost that the company had calculated and the result was a tariff categorised in the same manner as the Mila tariff for hosting, by location of the buildings.

⁷ Now Siminn Group



(43) In an email to Mila dated 6 January 2020, the PTA requested further information on parameters for the calculations of replacement cost and information on the equipment specified by Mila. The PTA also requested explanations of calculations of the price for cooling.

(44) In an email to the PTA dated 13 January 2020, Mila submitted answers to PTA questions.

(45) In communications between Mila and the PTA from 28 May to 31 August 2020, the PTA raised objections and requested explanations of cost analysis for access to rectifiers. Mila submitted replies and updated the cost analysis on 12 June 2020. The issues that were examined were the manner in which equipment was installed, choice of equipment, design criteria for investments, Mila parameters for power outage tolerance etc. The PTA requested among other things, information about the involvement of Neyðarlínan ohf. (Neyðarlínan (emergency line)) or the state in investments related to improvements for reserve power.

(46) In an email from the PTA to Mila dated 19 May 2021, the PTA informed Mila that the Administration planned to seek advice from the company Mannvit Consulting Engineers on assessing replacement cost and to review the Mila cost analysis for electricity and rectifiers. The PTA also stated that as the cost analysis for hosting had been subject to delay, the Administration could separate cost analysis for hosting in equipment spaces and masts on the one hand from electricity and rectifier equipment on the other hand, and the planned conclusion with respect to cost analysis of equipment spaces and masts would soon be submitted for national consultation.

(47) In an email to Neyðarlínan dated 19 May 2021, the PTA requested information on a project that Neyðarlínan in cooperation with the state and Mila had worked on related to improving reserve power in Mila hosting facilities.

(48) In a Mila reply dated 20 May 2021, Mila raised no objections to Mannvit reviewing the analysis of rectifier equipment, but as there was no investment cost in the calculations for electricity costs, Mila requested that the tariff would follow the decision on price for hosting. Mila raised objections to the duration of case procedure at the Administration.

(49) In an email to Mila dated 31 May 2021, the PTA submitted formulae that described Mila calculations of price for electricity in urban and rural areas, and proposed that they be used to increase transparency in the calculations. It was also stated that given the current tariff of the energy companies on which the calculations were based, the conclusion would be that the price would be ISK 11,000 per kW per month in urban areas and ISK 13,110 per kW per month in rural areas. On the same day, the PTA posed a question to Mila about the tariff for those companies that had their own meters.

(50) In a Mila email dated 31 May 2021, the company submitted information about state-supported investments in electrical generators and batteries.

(51) In an email dated 1 June 2021, Mila accepted the PTA calculations of electricity costs but requested confidentiality with regards to the formulae that the PTA submitted, as they were business information. [...].

(52) In an email dated 2 June 2021, Neyðarlínan submitted a list of Mila locations where reserve power had been added as part of the government project in question, along with costs.



(53) In a mail from the PTA to Mila dated 4 June 2021, the Administration requested new calculations of electricity with changes to the rates that Mila proposed in its email dated 1 June 2021. The PTA then requested information on the arrangements for payment for usage and on fixed charge for those who had electricity meters.

(54) In a Mila reply email to the PTA dated 11 June 2021, Mila explained the arrangement for payment by those who had electricity meters. Mila also submitted calculations on the price for electricity, according to the newest tariff from energy companies [...].

(55) In the PTA email to Mila dated 11 June 2021, the PTA requested confirmation that 20% of electricity for cooling also applied to those who had meters. In an email dated 15 June 2021, Mila confirmed this.



6 Conclusion of the ECOI

6.1 General

(56) In Sections 6.2 to 6.9 here below one can find the criteria and conclusions of the ECOI Decision on the cost analysis here under discussion. There is discussion on the main aspects that the ECOI considers important as criteria for the position taken by the Administration on calculating a tariff for lease of facilities. The factors in question are the following:

- Weighted average cost of capital
- Opex
- Capex
- Number of lease units
- Calculation of lease price

(57) In Section 6.9 the ECOI's conclusion is briefly summarised before the wording of the Decision is given.

(58) The position taken by the ECOI is based on authority granted to the Administration in the Electronic Communications Act where reference is particularly made to article 32 on price control and article 31 on separation of accountancy and to PTA decisions nos. 8/2014, 11/2014, 21/2014 and 21/2015, see discussion here above in sections 3 and 4.

(59) Mila has submitted a description of the company's cost accounting, along with a report from an independent auditor. Mila has also submitted an analysis of costs for hosting in equipment spaces and masts along with further explanations at the request of the PTA/ECOI. The ECOI conclusion is based on Mila cost analysis from 16 April 2019 with those amendments made to the Mila cost model which was submitted on 26 August 2019. The tariff for electricity costs is based on calculations attached to a Mila email dated 11 July 2021.

6.2 Weighted average cost of capital

(60) It was stated by Mila that the calculations were on the basis of (WACC; Weighted Average Cost of Capital) which had been calculated for the year 2017, as the PTA had not at this time issued WACC for the year 2018. It was expected that WACC would be updated when the conclusion for WACC for 2018 was available.

(61) In the updated cost analysis from Mila dated 26 August 2019, the PTA assessment of 6.9% WACC real for 2018 was taken into account, in accordance with the conclusion of PTA/ECOI in the attached Appendix I showing calculations of rate of return on capital tied in assets that are used in connection with the company's service offer.

(62) ECOI decides WACC annually and this was most recently calculated for the year 2020. On 6 November 2019, the EU Commission issued a notification on calculation of investment costs for infrastructure (2019/C 375/01). Its glidepath was one year counted from 1 July 2020. In PTA/ECOI calculations of WACC for the year 2020, this notification was taken into account



when deciding variables in the WACC formula. In this cost analysis on the other hand, investments up to the year 2018 are taken into account and the ECOI considers it proper to use WACC for the year 2018 to decide the annual investment costs for this investment base.

6.3 Opex

6.3.1 Mila cost analysis

(63) Mila states that in calculations on operational costs, shared costs were divided between buildings (and those buildings that belong to the Highway Tender were deducted). In addition to this, electricity costs were not included in the analysis. It was however stated that from 2012 until 2018, the building index increased by about 22% while at the same time, opex only increased by about 6%⁸, see table⁹ here below:

	2018	2012	Change	In %
Building and other rental ...	[...]	[...]	[...]	[...]
Insurance, house fees, property and other taxes	[...]	[...]	[...]	[...]
Maintenance costs	[...]	[...]	[...]	[...]
Service agreements.....	[...]	[...]	[...]	[...]
Service purchased from Skipti...	[...]	[...]	[...]	[...]
Water utility ...	[...]	[...]	[...]	[...]
Internal service	[...]	[...]	[...]	[...]
Senior management and support department costs ...	[...]	[...]	[...]	[...]
Other costs.....	[...]	[...]	[...]	[...]
	[...]	[...]	[...]	[...]
Electricity and 48 volt.....	[...]	[...]	[...]	[...]
Not included ...	[...]	[...]	[...]	[...]

(64) It was stated by Mila that building rental had increased by about [...] % from 2012 to 2019. The increase had resulted from indexed agreements.

(65) Insurance, house fees, property taxes and other taxes had increased by about [...] %. The increase in property taxes amounted to [...] %

(66) Maintenance costs have decreased by about [...] % while service agreements had increased by about [...] %. Mila pointed out that costs had decreased by about ISK [...] when one considers these two items together. Opex in 2018 had been at an absolute minimum.

(67) Mila also stated that subsequent to the agreement with the Competition Authority, bookkeeping service, procurement management and other support service moved to Mila. This meant that service purchased from Skipti decreased by about ISK [...] million. Against this, internal work increased for Mila. Senior management, internal work and service purchased from Skipti decreased in total by just under ISK [...] million. Under normal circumstances, these

⁸ Revised with the revised cost analysis dated 26 August 2019.

⁹ Revised with the revised cost analysis dated 26 August 2019.



costs should have increased by about [...] % which is approximately ISK [...] million if one were to apply the general index increase.

(68) As one can see with a comparison with 2012, costs in 2018 are abnormally low. This can be explained by the company having exercised significant restraint in opex.

(69) Mila then pointed out that electricity costs are not part of this analysis as the leasing parties pay for electricity in accordance with consumption.

(70) The PTA requested further comparison of Mila opex during the years and on 9 July 2019, Mila submitted the following table¹⁰ which shows a comparison between the years 2015-2018.

	2018	2017	2016	2015
Building and other lease rental ...	[...]	[...]	[...]	[...]
Insurance, house fees, property and other taxes	[...]	[...]	[...]	[...]
Maintenance costs.....	[...]	[...]	[...]	[...]
Service agreements.....	[...]	[...]	[...]	[...]
Service purchased from Skipti...	[...]	[...]	[...]	[...]
Water utility ...	[...]	[...]	[...]	[...]
Internal service	[...]	[...]	[...]	[...]
Senior management and support department costs ...	[...]	[...]	[...]	[...]
Other costs.....	[...]	[...]	[...]	[...]
	[...]	[...]	[...]	[...]
Electricity and 48 volt.....	[...]	[...]	[...]	[...]
Not included ...	[...]	[...]	[...]	[...]
	[...]	[...]	[...]	[...]

(71) With respect allocation of opex to buildings, the following was stated in the Mila cost analysis:

“By far the largest part of opex is allocated directly to the relevant building. About [...] % of hosting opex is joint costs. Various allocation methods are used and the methodology used depends on the nature of the costs.

Some cost items are allocated to buildings such that [...] % is on the basis of revenue and [...] % is allocated equally to buildings. This is a case of opex that is categorised as joint costs or that was not possible to allocate directly to a building. The following cost items were divided in this way:

- Senior management costs
- Internal service
- Service agreements
- Operation of real estate
- Opex
- Other costs

¹⁰ Revised with the revised cost analysis dated 26 August 2019.



- *Maintenance costs*

The following costs were allocated equally to each building

- *Telephone costs*
- *Insurance*

Mila categorises all its equipment space in the same manner as in the previous analysis, that is to say in hosting halls in the Capital City Area and in Akureyri, in urban areas, rural areas and equipment space in uninhabited areas.

The costs are divided in the following manner into areas:

Halls Urban, Rural”

(72) The following table shows the division between opex between areas in the year 2018 with a comparison with costs from 2012:

	Halls	Urban	Rural	Uninhabited	Total	Highway Tender	Total
Building and other lease rental	[...]	[...]	[...]	[...]	[...]	[...]	[...]
Insurance, house fees, property and other taxes	[...]	[...]	[...]	[...]	[...]	[...]	[...]
Maintenance costs	[...]	[...]	[...]	[...]	[...]	[...]	[...]
Service agreements	[...]	[...]	[...]	[...]	[...]	[...]	[...]
Water utility	[...]	[...]	[...]	[...]	[...]	[...]	[...]
Internal service	[...]	[...]	[...]	[...]	[...]	[...]	[...]
Senior management and support department costs	[...]	[...]	[...]	[...]	[...]	[...]	[...]
Other costs	[...]	[...]	[...]	[...]	[...]	[...]	[...]
	[...]	[...]	[...]	[...]	[...]	[...]	[...]
Year 2012	[...]	[...]	[...]	[...]	[...]	[...]	[...]
Increase	[...]	[...]	[...]	[...]	[...]	[...]	[...]
OPEX	[...]	[...]	[...]	[...]	[...]	[...]	[...]

(73) Mila stated that the change between the years 2012 and 2018 varied, that is to say from [...] % in Urban to [...] % in Halls. The increase is by far the greatest in Halls, which results from an increase in rent [...] % as rent in Halls was tied to the building index. Costs other than rental in Halls increased by about [...] %, which is much lower than the general price level.

6.3.2 Position of ECOI

(74) Mila has submitted information on opex for the company’s hosting service for the year 2018, in addition to the information that was submitted in the last analysis. The ECOI uses information supplied by Mila in its assessment. The ECOI also builds on data that shows financial separation in Mila’s operations in accordance with the obligation for separation of accountancy.

(75) Opex for 2018, which belongs to the tariff for leasing facilities amounts to a total of ISK [...] million in buildings and masts. As this cost analysis does not cover hosting the belongs to the Highway Tender, the cost for that hosting to the amount of ISK [...] million is not included, so the calculation is based on ISK [...] million.



(76) As can be seen in the Mila table for opex from 2015-2018 here above in paragraph 68, opex has decreased in recent times, though one can see an increase in opex in 2016. If opex for 2018 is however compared with the year 2012, which was the reference year for the last analysis, then opex has increased by approximately [...] % during this period. At the same time, the building price index has increased by about 22% which means that there is a real reduction of opex of [...] % during the period.

(77) It is worthy of note in this connection the equivalences have decreased significantly during the same period¹¹ and opex for each equivalence has thus increased significantly more, see the following table:

	2018	2012	Increase in %
Opex	[...]	[...]	[...]%
Proportion of hosting in division of costs	[...]%	[...]%	[...]%
Proportion of masts in division of costs	[...]%	[...]%	[...]%
Calculated opex - hosting	[...]	[...]	[...]%
Calculated opex - masts	[...]	[...]	[...]%
Equivalents - hosting	[...]	[...]	[...]%
Equivalents - masts	[...]	[...]	[...]%
Opex per equivalent - hosting	[...]	[...]	[...]%
Opex per equivalent - masts	[...]	[...]	[...]%

(78) In general, one may expect opex to decrease in real terms, with a reduction of equivalents in the long term, as the part of opex is variable. In this instance, opex per equivalent has increased more than the amount of the index increase. The reason for this is that opex of hosting service is rather dependent on the number of hosting locations than on the number of equivalents. The decrease in the number of equivalents has led rather to less efficient use of hosting locations than to a decrease in number of hosting locations in proportion to the decrease of equivalents. While equivalents in hosting have decreased by about [...] %, the number of hosting locations has only decreased by about [...] %.

(79) The ECOI endorses the cost basis for hosting as submitted by Mila. Total opex for the year 2018 is estimated at ISK [...] million, which is allocated to Mila hosting operations.

6.4 Investment costs

6.4.1 Mila cost analysis

(80) The following was stated in the Mila cost analysis with respect to calculation of capex:

“Mila investment in hosting is divided into the following categories of investment:

1. Buildings, divided into concrete or timber buildings

a. Security systems and buildings

b. Ventilation systems

c. Refrigeration equipment

¹¹ When deciding equivalences in the last cost analysis, the reference was the number in June 2013.



- d. Diesel engines
- e. Emergency power generators
- f. Key systems
- g. Building surveillance systems

2. Masts, divided into timber and steel masts

The assessment of investment cost of equipment space is based on the same methodology as was used as a basis for the 2010 cost analysis where the Efla civil engineering company calculated value in use for Mila buildings. The conclusion according to the Efla methodology is indexed to the average price in 2018, having taken into account changes that have taken place in Mila buildings. A number of properties have been decommissioned and they are omitted from the analysis, while against this, new buildings and investments are added.

The following buildings were decommissioned during the period:

[...]

The following buildings were sold during the period:

[...]

The following buildings were sold, but Mila continues to manage ventilation, cooling and security systems, which means that their replacement cost is still included in the analysis.

[...]

[...] The investment in these buildings is based on real costs.

An investment was made in an emergency generator in the buildings at Ennishöfði, Seyðisfjörður and Hvolsvöllur, and in a diesel generator at á Holt and in a generator at Húsavíkurfjall.

A number of corrections were made to replacement cost from the previous analysis, [...].

A number of investments were added in addition to this. All real investments in systems that had already been calculated for replacement cost in prior analyses were omitted, except in the case of a real addition. Nor are investments in batteries and rectifiers calculated.

Investments during the period 2013 to 2018 in surveillance systems and key systems were added. When calculating investment in key systems, investments were divided into types of key systems, as key systems vary in price. Real investment amounted to ISK [...] million at 2018 price level (from the beginning). The value of the systems amounted to



ISK [...] million. The remainder, ISK [...] million, was divided equally between each location, and this cost should cover system set up, ISK [...] thousand per location.

Investment in masts was calculated in the same manner as in the analysis from 2013. All masts in use were reviewed and those that were not in use, or no longer owned by Mila were removed from the analysis. A number of masts were added that were not in the last analysis.

In the analysis, investments to the amount of ISK [...] million are added, and real investment during the period was ISK [...] million.”

(81) According to Mila calculations, investment cost of buildings and related equipment is indexed to the price level of 2018, as per the following:

	Halls	Urban area	Rural area	Uninhabited area	Total	Lifetime
Concrete buildings ...	[...]	[...]	[...]	[...]	[...]	50
Timber buildings ...	[...]	[...]	[...]	[...]	[...]	30
Machine in continuous operation (24/7 diesel engine)...	[...]	[...]	[...]	[...]	[...]	13.34
Emergency engines.....	[...]	[...]	[...]	[...]	[...]	25
Ventilation	[...]	[...]	[...]	[...]	[...]	15
Refrigeration equipment.....	[...]	[...]	[...]	[...]	[...]	10
Security systems/ security.....	[...]	[...]	[...]	[...]	[...]	6.67
Building surveillance.....	[...]	[...]	[...]	[...]	[...]	6.67
Access control and key systems	[...]	[...]	[...]	[...]	[...]	6.67
	[...]	[...]	[...]	[...]	[...]	

(82) Investment cost in total, according to Mila calculations is ISK [...] million and Mila specified that it had increased from ISK [...] million in 2012, which is about [...] %.

(83) According to Mila, replacement cost for masts is calculated in the same manner as was done in the prior cost model which was based on the year 2012:

Category	Halls	Urban area	Rural area	Uninhabited area	Total
Steel ...	[...]	[...]	[...]	[...]	[...]
Timber double pole..	[...]	[...]	[...]	[...]	[...]
Timber...	[...]	[...]	[...]	[...]	[...]
Antenna on building ...	[...]	[...]	[...]	[...]	[...]
	[...]	[...]	[...]	[...]	[...]

(84) The Mila conclusion is that when changes in masts have been taken into account and additional investment, their replacement cost is ISK [...] million. Mila specified that the investment cost had increased by [...] % from prior analysis.

(85) In the revised Mila analysis dated 26 August 2019, Mila submitted calculations on annual capital cost on the basis of 6.9% WACC (2018) and unchanged useful life from prior analysis.



(86) According to Mila calculations the annual capital costs for buildings and related equipment is as follows:

	Halls	Urban area	rural area	Uninhabited area	Total
Concrete buildings ...	[...]	[...]	[...]	[...]	[...]
Timber buildings ...	[...]	[...]	[...]	[...]	[...]
Machine in continuous operation# (24/7 diesel engine)...	[...]	[...]	[...]	[...]	[...]
Emergency engines.....	[...]	[...]	[...]	[...]	[...]
Ventilation	[...]	[...]	[...]	[...]	[...]
Refrigeration equipment.....	[...]	[...]	[...]	[...]	[...]
Security systems/ security #.....	[...]	[...]	[...]	[...]	[...]
Building surveillance.....	[...]	[...]	[...]	[...]	[...]
Access control and key systems	[...]	[...]	[...]	[...]	[...]
	[...]	[...]	[...]	[...]	[...]
Year 2012	[...]	[...]	[...]	[...]	[...]
Increase/decrease	[...]	[...]	[...]	[...]	[...]%

(87) Annual capital cost of masts are as follows

Category	Halls	Urban area	Rural area	Uninhabited area	Total
Steel ...	[...]	[...]	[...]	[...]	[...]
Timber double pole..	[...]	[...]	[...]	[...]	[...]
Timber...	[...]	[...]	[...]	[...]	[...]
Antenna on building.	[...]	[...]	[...]	[...]	[...]
	[...]	[...]	[...]	[...]	[...]
Year 2012	[...]	[...]	[...]	[...]	[...]
Increase/decrease	[...]	[...]	[...]	[...]	[...]%

6.4.2 Position of ECOI

(88) In article 32 of the Electronic Communications Act no. 81/2003 it states that the PTA (now ECOI) can demand that calculations of costs take into account the operations of analogous services that are considered to be efficiently run and can use cost analysis methodologies that are not dependent on methodologies employed by an electronic communications company. It furthermore states in Regulation no. 564/2011 that when capex is based on historical costs the PTA (now ECOI) shall for the purposes of comparison have the estimated investments that would result from an efficiently operated electronic communications company in the field in question.

(89) Mila investments are assessed by taking into account replacement cost which is based on the same methodology as the PTA used in the administration's Decisions nos. 41/2010 and 11/2010 and reference is made to these decisions with respect to further discussion on the ECOI criteria and conclusion.



(90) The ECOI accepts the Mila methodology with respect to the investment base as it is based on the PTA Decisions nos. 41/2010 and 11/2014, and all amounts are at the prices of the year being analysed in each instance.¹²

(91) ECOI reviewed the criteria for calculations of replacement cost of buildings, compared Mila assets in the current analysis with those in the prior analysis, reviewed the investments added since the prior analysis and the assets that were sold or decommissioned during the period.

(92) In the revised Mila analysis dated 26 August 2019, Mila submitted calculations on annual capital cost on the basis of 6.9% WACC and unchanged useful life from prior analysis. Minor adjustments were also made in accordance with comments from the PTA.

(93) ECOI endorses the Mila conclusion to the effect that the investment base in buildings and related equipment is assessed at ISK [...] million at the average prices of the year 2018, while the investment base was assessed at ISK [...] million in the prior analysis for the year 2012 and had thus increased by [...] % during the period, and the building index had increased by about 22% during the same period.

(94) In the same manner, the ECOI endorsed the Mila conclusion that the investment cost of masts was ISK [...] million having taken into account changes to masts and additional investments, and the investment cost was ISK [...] million according to the analysis from 2012 and has thus increased by about [...] %.

(95) The annuity of buildings and related equipment is ISK [...] million, which is a [...] % increase from the last analysis, where it was ISK [...] million, see PTA Decision no.11/2014.

(96) The annuity for masts is ISK [...] million, which is a decrease of about [...] % from prior analysis where the annual capital cost amounted to ISK [...] million.

6.5 Number of lease equivalents:

6.5.1 Míla cost analysis

(97) When calculating lease equivalents, Míla basically uses the number of lease units in each category in January 2019.

Buildings

(98) The following table shows the number of leased units in buildings.

¹²The PTA refers among other things in its Decision no. 1/2009 on reference offer for open access to local loops and to the ruling of the Appellate Committee for Electronic Communications and Postal Affairs no. 2/2009 with respect to that decision. The PTA refers also in its Decision no.13/2009 on reference offer for open access to copper local loops and the ruling of the Appellate Committee for Electronic Communications and Postal Affairs no. 4/2009 with respect to that decision.



	Halls	Urban area	Rural area	Uninhabited area	Total
Cabinet space 60x60x220...	[...]	[...]	[...]	[...]	[...]
Cabinet space 80x80x220...	[...]	[...]	[...]	[...]	[...]
Space for fibre optic splice closures 60x60x220.	[...]	[...]	[...]	[...]	[...]
Square metres ...	[...]	[...]	[...]	[...]	[...]
Total	[...]	[...]	[...]	[...]	[...]

(99) It is stated by Mila that leased units have decreased significantly in halls, and that there has also been a decrease in housing categorised as in Uninhabited area

(100) Leased space 60x60x220 cm² has the coefficient 1, 80x80x220 cm² has the coefficient 1.6, optical connectors have the coefficient 0.5 (for 60x60 cm²) and lease space in cable cellars which is used for routing cable to the Mila distribution frame has the coefficient 0.08 and is on the basis of square metre.

(101) A half shelf unit has a 50% lower equivalence than a whole unit.

(102) Lease units with 15% discount are calculated as 85% of lease units with no discount.

(103) In the table here below one can see the number of lease equivalents in buildings in June 2019:

	Halls	Urban area	Rural area	Uninhabited area	Total
Cabinet space 60x60x220...	[...]	[...]	[...]	[...]	[...]
Cabinet space 80x80x220...	[...]	[...]	[...]	[...]	[...]
Space for fibre optic connector 60x60x220.	[...]	[...]	[...]	[...]	[...]
Square metres ...	[...]	[...]	[...]	[...]	[...]
Total	[...]	[...]	[...]	[...]	[...]

(104) Mila points out that lease equivalents have increased by about [...] since the price for hosting was last calculated. There is a decrease in hosting halls and buildings in Uninhabited area.

Masts

(105) It is stated by Mila that leasing of units on masts are divided into four categories where each category is based on a specific size and location on the mast. The higher the leased unit is on the mast, the higher the price will be and also the larger the surface area of the unit the higher the price. A large parabolic antenna at the top of a mast is thus much more expensive than a small unit at a low position on the mast. The categories are divided as follows:



Over 20 m	2	3	4	4
10-19.9 m	1	2	3	4
0-9.9 m	1	1	2	3
On building	1	1	2	3
	0-0.24	0.25-0.74	0.75-2.6	Over 2.6

Square metres

(106) In the same manner as in the last analysis, lease units up to 0.25 m² are in Category 1 up to 20 m, but in Category 2 if they are located above 20 m.

(107) Lease units from 0.25 and up to 0.75 m² are in Category 1 up to a height of 10 m, in Category 2 if they are located at a height of between 10 and 20 m and in Category 3 if they are above 20 m.

(108) Lease units from 0.75 to 2,6 m² are in Category 2 up to a height of 10 m but are in Category 3 if they are located at a height of between 10 and 20 m and in Category 4 if they are above 20 m.

(109) Lease units larger than 2.6 m² are in categories 3 up to 10 m but in Category 4 if they are located above 10 metres.

(110) The number of lease equivalents on masts is as follows:

	Halls	Urban area	Rural area	Uninhabited area	Total
Category 1.....	[...]	[...]	[...]	[...]	[...]
Category 2.....	[...]	[...]	[...]	[...]	[...]
Category 3.....	[...]	[...]	[...]	[...]	[...]
Category 4.....	[...]	[...]	[...]	[...]	[...]
	[...]	[...]	[...]	[...]	[...]

(111) The number of mast equivalents was [...] in the previous analysis and has thus decreased by about [...] or by [...] %.

6.5.2 Position of ECOI

(112) Mila states that when calculating line equivalents, Mila uses the number of lines in each category in January 2019.

(113) Lease units are divided into two main types, i.e. buildings and masts.

Buildings

(114) The number of lease units in buildings totalled [...] at the beginning of 2019 which is calculated as [...] equivalents. Most equivalents are in Urban area followed by Halls and Rural area, but by far the fewest equivalents are in buildings classified as Uninhabited area.

(115) Mila points out that lease equivalents have increased by about [...] or by about [...] % since the price for hosting was last calculated. In the following table, one can see how the number of equivalents has increased or decreased since the last analysis:



Category	Halls	Urban area	Rural area	Uninhabited area	Total	%
Cabinet space 60x60x220.....	[...]	[...]	[...]	[...]	[...]	[...]
Cabinet space 80x80x220...	[...]	[...]	[...]	[...]	[...]	[...]
Space for fibre optic splice closures 60x60x220.	[...]	[...]	[...]	[...]	[...]	[...]
Square metres ...	[...]	[...]	[...]	[...]	[...]	[...]
Total	[...]	[...]	[...]	[...]	[...]	[...]
%	[...]	[...]	[...]	[...]	[...]	[...]

(116) As can be seen in the table here above, lease spaces have decreased by [...] % in Halls and Uninhabited area, but the proportional change is small in buildings classified under Urban area and Rural area.

(117) When calculating lease equivalents, discounts are taken into account and those lease units that have a 15% discount are calculated as 85% of lease units with no discount.

(118) ECOI makes no comments on the number of lease equivalents used as a basis for the Mila calculations of tariff for lease of facilities in buildings. The number of equivalents for calculation of tariff for facilities in buildings totals [...] after having taken into account discounts where appropriate.

Masts

(119) Leasing of units on masts was divided into four categories where each category was based on a specific size and position on the mast. The higher the leased unit is on the mast, the higher the price will be and also the larger the surface area of the unit the higher the price. A large parabolic antenna at the top of a mast is thus much more expensive than a small unit at a low position on the mast. The following table shows the division of lease units into categories:

Location/surface area	0-0.24	0.25-0.74	0.75-2.6	over 2.6
20 m and higher	2	3	4	4
10-19.9 m	1	2	3	4
0-9.9 m	1	1	2	3
On building	1	1	2	3

(120) The category number represents the equivalence of the category so one can also see the equivalents from the table above.

(121) ECOI endorsed the structure of the Mila tariff in accordance with the above specified categorisation for facilities in masts with the PTA Decision no.11/2014, and this structure is unchanged in this cost analysis.

(122) The number of equivalents was [...] units with reference to end of year 2019, but was [...] in the previous analysis, and has therefore decreased by about [...] % during the period. The number of equivalents is most in Rural area, [...] equivalents, and next after that is the



number of equivalents in Urban area. In the following table, one can see how the number of equivalents has increased or decreased since the last analysis:

Category	Urban area	Rural area	Uninhabited area	Total	%
Category 1.....	[...]	[...]	[...]	[...]	[...]
Category 2.....	[...]	[...]	[...]	[...]	[...]
Category 3.....	[...]	[...]	[...]	[...]	[...]
Category 4.....	[...]	[...]	[...]	[...]	[...]
Total	[...]	[...]	[...]	[...]	[...]
%	[...]	[...]	[...]	[...]	[...]

(123) As can be seen in the table, the number of equivalents decreases most in Urban area, or [...]%, but one should note that masts are now also categorised in Halls, which was not previously the case, and if Halls are included with Urban area, the decrease would be [...]%. The smallest decrease is in the category Rural area.

(124) ECOI makes no comments on the number of lease equivalents used as a basis for the Mila calculations of tariff for lease of facilities in masts. In the calculations of equivalents, the discount is taken into account that the service purchasers are offered if they make a 3 year agreement for lease of facilities. The number of equivalents for calculation of tariff for facilities in buildings totals [...] after having taken into account those discounts that applied at the beginning of 2019.

6.6 Total costs

6.6.1 Mila cost analysis

(125) According to the Mila revised cost analysis dated 26 August 2019, the total cost of hosting was as follows:

	Halls	Urban area	Rural area	Uninhabited area	Total
Opex.....	[...]	[...]	[...]	[...]	[...]
Annual capital cost.....	[...]	[...]	[...]	[...]	[...]
Deducted income.....	[...]	[...]	[...]	[...]	[...]
Total	[...]	[...]	[...]	[...]	[...]

(126) Mila stated that the total costs of operation of hosting in masts had not increased significantly since the last analysis, but that lease units had on the other hand decreased, which led to an additional increase.

(127) In the table here above, revenue that is not part of lease units is deducted from costs as these costs are allocated to hosting. This is revenue from another kind of hosting than traditional hosting [...].



Division of costs between lease on masts and buildings

(128) Mila notes that division of total costs between masts and buildings is based on the same methodology as in the cost model for the year 2012. The proportion of revenue in hosting and masts has not changed much, so Mila considers there to be no reason to alter the proportion.

(129) The table here below shows the division of total costs of hosting:

	Halls	Urban area	Rural area	Uninhabited area	Total
Opex.....	[...]	[...]	[...]	[...]	[...]
Annual capital cost....	[...]	[...]	[...]	[...]	[...]
Deducted income.....	[...]	[...]	[...]	[...]	[...]
Total	[...]	[...]	[...]	[...]	[...]
Share of masts ...	[...]	[...]	[...]	[...]	
<i>For calculation for buildings</i>	[...]	[...]	[...]	[...]	[...]
<i>For calculation for masts</i>	[...]	[...]	[...]	[...]	[...]

6.6.2 Position of ECOI

(130) The ECOI accepts Mila's methodology and conclusion in cost analysis for the lease of facilities in buildings and masts, with the amendments that were made in the processing of the cost analysis as shown here above. The Mila analysis is fundamentally based on the criteria shown in analysis of lease of facilities in the PTA Decision nos. 41/2010 and 11/2014.

(131) Mila divides capex and opex between hosting in buildings and masks in the same proportion as was used in the last analysis, that the PTA (now ECOI) endorsed. The ECOI makes no objections this division.

6.7 Calculation of lease price

6.7.1 Míla cost analysis

(132) According to the Mila revised cost analysis dated 26 August 2019, the total cost of hosting was as follows:

	Halls	Urban area	Rural area	Uninhabited area	Total
Opex.....	[...]	[...]	[...]	[...]	[...]
Annual capital cost....	[...]	[...]	[...]	[...]	[...]
Deducted income.....	[...]	[...]	[...]	[...]	[...]
Total	[...]	[...]	[...]	[...]	[...]
Share of masts ...	[...]	[...]	[...]	[...]	
<i>For calculation for buildings</i>	[...]	[...]	[...]	[...]	[...]
<i>For calculation for masts</i>	[...]	[...]	[...]	[...]	[...]

(133) Number of lease equivalents in buildings are:



	Halls	Urban area	Rural area	Uninhabited area	Total
Cabinet space 60x60x220...	[...]	[...]	[...]	[...]	[...]
Cabinet space 80x80x220...	[...]	[...]	[...]	[...]	[...]
Space for fibre optic splice closures 60x60x220.	[...]	[...]	[...]	[...]	[...]
Square metres ...	[...]	[...]	[...]	[...]	[...]
Total	[...]	[...]	[...]	[...]	[...]

(134) Mila states that, according to the calculations, there is a significant need for an increase in Halls and the calculated price is now similar to Urban area. For this reason, Mila proposes the change that the same price be calculated for Halls and Urban area.

(135) According to the above, the lease price for hosting in buildings is as follows:

	Halls	Urban area	Rural area	Uninhabited area
<i>Increase</i>	<i>31%</i>	<i>4%</i>	<i>6%</i>	<i>22%</i>
Cabinet space 60x60x220...	22,348	22,348	24,183	48,411
Cabinet space 80x80x220...	35,757	35,757	38,693	77,457
Space for fibre optic splice closures 60x60x220...	11,174	11,174	12,092	24,205
Square metres ...	1,788	1,788	1,935	3,873

(136) Number of lease equivalents in buildings are as follows:

	Halls	Urban area	Rural area	Uninhabited area	Total
Category 1....	[...]	[...]	[...]	[...]	[...]
Category 2...	[...]	[...]	[...]	[...]	[...]
Category 3....	[...]	[...]	[...]	[...]	[...]
Category 4....	[...]	[...]	[...]	[...]	[...]
	[...]	[...]	[...]	[...]	[...]

(137) Lease price for masts will be as follows:

Price per Category	Urban/Rural	Uninhabited area	Urban area	Rural area
<i>Increase</i>	<i>13%</i>	<i>10%</i>	<i>17%</i>	<i>10%</i>
Category 1...	5,531	7,190	5,737	5,396
Category 2...	11,063	14,380	11,475	10,792
Category 3...	16,594	21,570	17,212	16,188
Category 4...	22,126	28,760	22,950	21,584

6.7.2 Position of ECOI

(138) The ECOI accepts Mila's methodology and conclusion on analysis of the tariff for the lease of facilities in buildings and masts, with the amendments that were made in the processing of the cost analysis as shown here above. The Mila analysis is fundamentally based on the criteria shown in analysis of lease of facilities in the PTA Decision nos. 41/2010 and



11/2014. It is clear that the total cost of operating hosting and masts has not increased since the last analysis, taking into account price development and that lease units have decreased, which leads to an increase in unit prices.

(139) About two thirds of total costs belong to Rural area and Urban area.

(140) The tariff for hosting in buildings increases from the prices in force by about 31% in Halls, 6% in Rural area, 4% in Urban area and 22% in Uninhabited area.

(141) The tariff for hosting in masts increases from the prices in force by about 13% in Urban/Rural area and 10% in Uninhabited area.

6.8 Electricity

(142) On 29 November 2019, Mila submitted cost analysis for electricity and access to the company's rectifier system. As stated here previously in Section 5, the PTA (now ECOI) endorsed the division of cost analysis for hosting in equipment spaces and masts on the one hand and access to electricity and rectifier equipment on the other. In Mila's reply, the company requested that this practice be used except with respect to electricity where there was no capex cost. Mila therefore requested that the tariff for electricity would be according to a decision on price for hosting and the PTA/ECOI has scrutinised the Mila calculations. ECOI will on the other hand, deal with access to the Mila rectifier system in a separate case.

6.8.1 Mila cost analysis

(143) In the Mila cost analysis dated 29 November 2019 the following was stated with respect to Mila tariff for electricity:

"The price for electricity varies significantly depending on whether it is a case of Urban area or Rural area.

Calculations for price for electricity are based on tariff from the utilities, and it is thus normal that Mila should offer varying prices depending on whether it is a case of Urban area or Rural area.

Here below is a tariff from a number of parties for the sale of electricity:

Sala rafmagns	Taxti	Kr/kwst
HS orka.....	AS1	6,54
Fallorka.....	AS1	6,38
Orkubú Vestfjarða.....	A10S	5,9
Orkusalan.....	OT	6,44
Veitur.....	AS1	6,43
Rafveita Reyðarfjarðar.....	OO1	6,14
	meðaltal	6,305

Here below is a tariff from a number of parties for the distribution of electricity:



Dreifing rafmagns	Taxti	Þéttbýli		Dreifbýli	
		Verð kr/kwst	Fastagjald kr. á ári	Taxti	Verð kr/kwst
Veitur.....	AD1	5,98	12.356		
Rarik.....	VO110	5,67	18.340	VO130	9,06 29.116
Norðurorka.....	A1	5,96	13.588		
Orkubú Vestfjarða.....	A10T	6,5	17.988	A10D	9,25 28.891
Rafveita Reyðarfjarðar.....	D01	5,42	18.735		
	Meðaltal	5,906	16.201		9,155 29.004

When calculating price for electricity, Mila takes into account the HS Orka tariff and that of Rarik, and Mila purchases the sales part of electricity from HS Orka and Rarik has the largest market territory in transport and distribution of electricity. It is assumed that [...]. Calculated price is as follows:[...]

[...] According to this, the price for sale and distribution is ISK 10.9/kWh in Urban area and ISK 14.29/kWh in Rural area.

Calculated on a monthly basis, the price is ISK 7,958/kW/month in Urban area and ISK 10,433/kW/month in Rural area. One should assume that part of the electricity will be used for cooling the space and cooling is about 20% of electricity use, which amounts to ISK 1,592 in Urban area and ISK 2,087 in Rural area. It is assumed that customers pay about 10% weighting for participation in the fixed charge in Urban area and 25% in Rural area. The weighting is based on the proportion of the fixed charge of electricity costs per building.

An allowance is also made for a 10% uncertainty weighting. This weighting is intended to meet uncertainty in cost, e.g. because of changes in quantity with customers and the price changes from utilities. Customers specify an estimated quantity when making an order, but over time, it is common that consumption increases their use.

According to the above, Mila plans to collect ISK 10,700 kW/month in Urban area and ISK 14,400 kW/month in Rural area. Where customers have their own meters, Mila will collect ISK 2,675 kW/month in Urban area and ISK 3,680 kW/month in Rural area, in order to meet joint costs for heating/cooling spaces.

Mila considers it normal that a tariff for electricity and rectifiers should be subject to amendment immediately when tariffs of electricity utilities change, in such a manner that it is not necessary to send a new analysis for endorsement by the PTA, but where a notification will suffice.”

(144) On June 9, 2021, Mila updated its calculations of the electricity cost, taking into account increase in rates for the distribution:



	Urban	Rural
Sale.....	[...]	[...]
Distribution.....	[...]	[...]
Kr/w/month.....	[...]	[...]
Cooling.....	[...]	[...]
Share in fixed charge.....	[...]	[...]
Uncertainty and levy.....	[...]	[...]
	11,000	13,110

6.8.2 Position of ECOI

(145) The ECOI considers it normal that the Mila resale price take into account tariffs of energy and distribution companies, and raises no objections to Mila using the tariffs of HS Orka and Rarik in this connection.

(146) Mila used the following criteria in its calculations:

- [...]
- It is assumed that part of the electricity is used for cooling the space. The proportion is assumed to be 20%.
- It is assumed that customers pay a weighting for participation in the fixed charge. A 10% weighting is assumed in Urban area and 25% in Rural area.
- A 10% uncertainty weighting it is assumed.

(147) ECOI agrees that the above criteria be used when calculating resale of electricity in Mila hosting.

(148) Mila calculations of electricity use can be represented in the following formulae:

Price urban areas = [...]

Price rural areas = [...]

Where:

[...]

(149) In the above specified calculations, the tariffs of HS Orka and Rarik are taken into account according to specific rates. It is thus a simple matter to revise the prices when tariff changes take place at the companies in question. While Mila uses the above specified formulae and rates, it is not necessary to obtain the endorsement of the ECOI for tariff changes that result from changes in tariff of these energy companies.

(150) The conclusion of the calculations on the basis of the current HS Orka and Rarik tariffs is ISK 11,000 kW/month in Urban area and ISK 13,110 kW/month in Rural area.



(151) Where customers have their own meter, one must allow for a charge to meet joint costs for heating/cooling spaces. In accordance with the above, it is assumed that 20% of electricity will be consumed in heating. ECOI agrees that a 20% of the Mila charge for electricity consumption be used, i.e. that the charge be ISK 2,200 kW/months in Urban area and ISK 2,622 kW/month in Rural area.

6.9 Summarised conclusion of ECOI

(152) Prices for lease of facilities (hosting) based on historic costs for 2018 in accordance with the company's obligation for price control can be found in the above specified Mila cost analysis for facilities (hosting), delivered to PTA in 2019, in accordance with the obligation for price control of the company's tariff. When a tariff is based on historic costs, the burden of proof that the tariff is based on costs rests on the electronic communications company in question, see paragraph 2 of article 32 of the Electronic Communications Act no. 81/2003. The matter in hand here is the lease of facilities that cover Markets 4, 5, 6 pursuant to ESA Recommendation from 2008 and the older Market 14 and also services that may not be subject to the ECOI price control.

(153) It is the opinion of the ECOI that the basis provided in the PTA Decision nos. 41/2010 and 11/2014 is the basis for the methodology used in the revision of the Mila tariff for hosting.

(154) The cost analysis covers hosting in buildings, masts and electricity costs, and the lessees pay for electricity in accordance with consumption. This cost analysis does not cover the lease of rectifier equipment.

(155) The discount terms that apply to buildings shall also apply for masts. Discounts will continue to be 5%, 10% or 15% depending on the length of the agreement being 1, 2 or 3 years in each instance.

(156) The ECOI agrees that the Mila cost analysis dated 26 August 2019, be used as a basis for calculation of a new tariff for hosting in the company's buildings and masts as the cost analysis harmonises in most respects with the prior PTA Decision nos. 41/2010 and 11/2014.

(157) The tariff for hosting in buildings, has increased from prices currently in force by about 4-31% and the tariff for hosting in masts has increased by about 10-13%. The average increase in revenue pursuant to the new tariff is 13% on the basis of the number of sold units at the beginning of 2019. In the Mila cost analysis it is stated that the total cost of equipment spaces and masts has increased by about [...] % during the period 2012 to 2018, while by comparison, the building cost index at the same time, has increased by 22% and real costs have therefore decreased by about [...] % during the period in question. During the period, sold equivalence units decreased by about [...] %.

(158) The increase in the price of leasing varies significantly according to region, where the factor carrying the most weight is the decrease in the number of lease units in the regions in question since the last cost analysis which was based on the year 2012 and in addition to this there are the cost increases during the period 2012 to 2018.

(159) The tariff for hosting and electricity in accordance with the above is attached in Appendix II.



(160) Míla shall update the cost analysis for facilities with cost data and WACC for the year 2021 and submit to the ECOI no later than April 1st 2022.



The Decision

- (1) The ECOI endorses the Mila ehf. cost analysis for lease of facilities with the amendments prescribed in this Decision.**
- (2) The monthly lease price and terms of discount shall be as shown in Appendix II to this Decision and they shall apply for hosting in Mila ehf. buildings and masts until a new cost analysis has been made. The charges for electricity are also specified in Appendix II and Mila ehf. is authorised to update the charges in accordance with the agreed calculations in this decision in the event of tariff changes of the energy companies in question.**
- (3) The new Míla ehf. tariff shall come into force on XX XX 2021. The tariff shall be part of the Mila ehf. reference offer for hosting.**
- (4) Míla shall update the cost analysis for facilities with cost data and WACC for the year 2021 and submit to the ECOI no later than April 1st 2022.**
- (5) This Decision can be appealed to the Appellate Committee for Electronic Communications and Postal Affairs see Article 20 of Act no. 75/2021 on the ECOI. The appeal shall have reached the Appellate Committee within four weeks from the time that the party in question became aware of the decision of the ECOI. Costs for an appeal are according to Paragraph 5 of Article 20 of the same Act, and in addition to this there is a special appeal charge to the amount of ISK 150,000 to be paid pursuant to Article 6 of Regulation no.36/2009 on the Appellate Committee for Electronic Communications and Postal Affairs. Pursuant to Act no. 75/2021 on the ECOI, a party can also refer a decision from the ECOI directly to the courts without the case being first put to the Appellate Committee. Such cases shall be brought within three months from the time that the party in question received information about the decision made by the Administration. Appeal does not postpone the legal impact of decisions by the Administration. Appeal direct to the courts hinders the Appellate Committee being authorised to take a case for processing.**

Reykjavík, XX XX 2021

Hrafnkell V. Gíslason

Hulda Ástþórsdóttir

Appendix I: WACC

Appendix II: Tariff for Hosting