



RC.F-0001-2023

DETAILED REPORT

Subject: Detailed Report - Sabesp's 2022 Extraordinary Tariff Review

MARCH/2023



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1. INTRODUCTION

Artesp conducted Public Consultation 14/2022 from December 22, 2022, to January 06, 2023, to receive contributions on Artesp's analysis regarding the request for the economic-financial rebalances presented by Sabesp and detailed in the Preliminary Technical Note NT.F-0063-2022, available on Artesp's website. The proposal for rebalance was also presented at Public Hearing 02/2023, held on January 05, 2023.

This Detailed Report presents ARSESP's analysis and clarifications on all contributions received within the scope of the aforementioned public consultations and public hearings. The description of each contribution is presented in summary format and the full text and presentations are available on ARSESP's website. Contributions were made by:

- Sabesp;
- Espaço Cultura e Assistencial Juan Gajardo;
- Federação Nacional dos Urbanitários;
- Francisca Adalgisa Silva/Fórum Popular da Natureza;
- SIGLASUL.

The Agency's responses regarding the contributions were classified as accepted, partially accepted, and not accepted, with due justification. The inquiries and comments received were also responded to.

The final amounts adopted based on such contributions will be presented on the Final Technical Note, including those fully or partially accepted in this process.



2. ANALYSIS OF CONTRIBUTIONS RECEIVED

- **Sabesp**

Contribution: Sabesp points out that the reduction in the compensatory adjustment calculations of the amounts referring to the Commercial Programs is undue. In general, the company argues that the amounts referring to the programs have not been included in the required revenue of the 3rd OTR, but were included in the new tariff structure, which is still under implementation. Thus, SABESP requested that discounts referring to the Commercial Programs be removed from the calculation of the compensatory adjustments given that, according to the Company, one cannot deduct from compensatory adjustments what was not included in the Company's revenue.

Answer: Not accepted.

Justification: The purpose of the commercial programs is to encourage consumption in specific sectors that bring an associate volume that contributes to gain in scale during the provision of services, as defined in article 3 of Resolution 1,150/2021, regardless of the New Tariff Structure. Accordingly, it maintains its understanding, considering that the non-implementation of the commercial programs by Sabesp until such date is at the company's discretion. And said programs shall be equally applied to specific market niches, taking into consideration that the use of water and sewage differs in specific fields of activity, with submission for prior approval by Artesp.

Also as part of this technical assessment, we verified that no commercial program has been presented so far, as determined by Artesp Resolution 1,150/21, reinforcing the agency's positioning of not recognizing any amount before the creation of said programs, the approval by Artesp, and the implementation and confirmation of its results by Sabesp before this agency.



Contribution: SABESP reiterates its claim presented in the Technical Note referring to its Request for Clarification and Reviews (NT-FR-008-022_PedidoEsclarecimentos-IRT22.pdf), as it considers the use of the “half-rate” concept to be inadequate. Because these events took place throughout a year and will be recomposed also throughout a year, the Company requests that the amounts be capitalized for 12 months, when applied in 2022, or for 24 months, when applied in 2023. Therefore, the capitalization period is 1 year, entailing the application of a rate of 8.10% on the calculated amount.

Answer: Partially accepted.

Justification: In fact, revenue is received over the period of application of the adjustment, similar to revenue frustration, and Arsesp will make the final adjustment in the calculation to change the period of the financial effects of the capitalization throughout the period for compensatory adjustment purposes, maintaining the concept of “half-rate” when calculating them.

Contribution: In SABESP’s view, the “Adjusted P0 2021” should start from R\$5.1228, instead of R\$5.1223 (Feb 2021 prices). As Arsesp finely presented, the annual tariff adjustment equation is based on last year’s full tariff, to which IPCA, the X Factor, and the GQI are applied. The “adjusted P0 2022” shall be calculated as follows:



2021 Adjustment - Adjusted Flow

Adjusted P0 (R\$ Oct/20)	4.9544
IPCA Oct/20 - Feb/21	3.3892%
GQI 2020	0.0875%
GQI 2019 Adjustment	-0.0038
P0 2021 Adjusted (R\$ Feb/21)	5.1228

2022 Adjustment - Adjusted Flow

Adjusted P0 2021 (R\$ Feb/21)	5.1228
IPCA Feb/21 - Feb/22	10.5437%
X Factor	0.2142%
GQI 2021	0.0030%
P0 2022 with GQI 2021 (R\$ Feb/22)	5.6521

This adjustment impacts not only the rebuilding of the flow, as can be seen below, but also all other calculations considering the “adjusted P0”.

Accordingly, the adjustment arising from the correction of the flow shall consider the amount of R\$26,844,932.79, instead of R\$28,669,547.81 (Feb 2022 prices). The total adjustment referring to the GQI shall therefore be R\$38,395,839.77 (Feb 2022 prices).

Answer: Not accepted.

Justification: Arsesp maintains the understanding that GQI is not part of P0 and, therefore, it should be neutral between years. However, the agency will consolidate the understanding of the application with a specific resolution.

Contribution: According to article 5 of ARSESP Resolution 1,150/2021 of April 08, 2021, SABESP included the clients in the vulnerable residential tariff between May and November 2021. However, to proceed with the inclusion, SABESP identified that it needed definitions from ARSESP. Furthermore, SABESP reiterates that the study carried out by the Company and forwarded through the document “Apoio Item 7_NT-ImpactoCADUNICO.doc” should be analyzed by ARSESP, in the case of changes in registration rules, especially regarding the anticipation of the inclusion of beneficiaries in the vulnerable tariff. Increasing this condition will have a significant impact on revenues, requiring a real tariff increase to ensure a balanced cash position and the provision of services, which, in this case, will not be simply covered by



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compensatory adjustments. According to the rule, compensatory adjustments are received every month “a posteriori” during their application until the next tariff adjustment. In other words, compensatory adjustments do not incorporate revenue losses from these changes, as they promote economic balance during their implementation. However, they do not guarantee a balanced short-term cash position.

In this sense, SABESP understands that, given the impact on the Company’s cash position, the tariff increase in question should occur “ex-ante” the increase in the number of beneficiaries under the social/vulnerable tariffs, rather than “a posteriori”.

Answer: Not accepted.

Justification: As stated in Artesp Resolution 1,150/21 and detailed in NT0017-2021, the registration should have occurred over 2021 and 2022, ending in May/23. If this had already occurred, such an impact would have already been considered in the material presented herein. Accordingly, considering the uncertainties regarding Sabesp’s initiative to carry on with the due registration of units with the social residential and vulnerable residential categories, Artesp will prudently make the eventual compensatory adjustment after the effective verification of the registrations, as well as its impact on revenue imbalance, considering the conditions of Resolution 1,150/2021.

Contribution: SABESP reinforces that, as pointed out by ARSESP, if market conditions change, including structural changes arising out of increases in the base of users under social/vulnerable tariffs, the need for a new tariff repositioning should be reevaluated. Considering that the market is adjusting itself to the measures determined by ARSESP through Resolution 1,150/21, we request that the tariff composition adjustments be maintained – albeit on a straight-line basis – until the new tariff structure is effectively implemented, to preserve economic and financial balance and minimize the impacts on the Company’s cash position.



Answer: Not accepted.

Justification: As already stated in the response to the previous contribution, Arsesp understands that the rebalance proposed herein already includes the result expected to be obtained with the linearized adjustments, considering the current market conditions, so there is no need, for the time being, of new adjustments. Arsesp continues monitoring the Company's ceiling revenue, according to Resolution 1,150/2021, to preserve its economic-financial balance, and this ETR is the result of such a follow-up.

Contribution: The Company would also like to emphasize the Tariff Adequacy Plans for the municipalities of Tapiratiba (the 3rd year of TAP is effective) and Tejupá (the 2nd year of TAP is effective).

The Tariff Adequacy Plan of Tapiratiba is expected to be equalized in April/May 2023 (the last year when TAP will be implemented). The tariffs for the municipality of Tejupá will be calculated according to the criteria established in the contract for the 3rd year of the “Tariff Adequacy Plan - TAP” also in April/May 2023 (the full tariff table is expected to be equalized only in April/May 2024).

Thus, as the municipalities of Tapiratiba and Tejupá use reference tariff tables from the general resolutions, it is recommended that the reconstitution and tariff adjustment be implemented in said municipalities.

Answer: Accepted.



Justification: TAP tariffs will also be adjusted based on the established contractual conditions and formalized in specific resolutions. It is worth noting that this ETR does not change the adjustment dates of the TAPs.

- **Espaço Cultura e Assistencial Juan Gajardo;**

Contribution: Request for review of the registration requirements for access to the tariffs of the assistance commercial categories, such as the recognition of the classification recorded in the corporate taxpayer's ID (CNPJ), among other means.

Answer: Not accepted.

Justification: This contribution is not part of the scope of the public consultation. However, Arsesp will internally send the request to the responsible area.

- **Federação Nacional dos Urbanitários;**

Contribution: Articles 4 and 5 of Complementary Law 1025 of 2007 establish the minimum periods for public consultations and hearings, of at least 15 days and 10 days, respectively, between the publication and availability of the documents and their closing. Public Consultation 14/2022 was published in the Official Press on December 22, 2022, and ends on January 06, 2023, so there were only 10 business days to become aware of the matter, excluding the publication day and the final date for manifestation. Furthermore, it occurred during Christmas, New Year, and the tenure of federal and state governments, which jeopardized the availability of time for study and preparation of proposals. It is also worth noting that Sabesp's request occurred on March 31, 2022, and, according to Arsesp, it demanded time for analysis because of the complexity of the matter, which resulted in a new charge by Sabesp on December 9, 2022. Furthermore, Public Consultation 14/2022 was held at the same time as Public Consultation 11/2022 and 13/2022, which had already been



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postponed by 16 and 7 days, respectively. Finally, the public hearing was held one day after the end of the term of the Public Consultation, with no time to analyze Artesp's and Sabesp's presentations, as well as the other contributions. This problem is not new in the consultations and public hearings held by Artesp and we understand that this factor limits and jeopardizes social participation and, in this specific case, we did not receive an email informing us about the consultation and public hearing.

In this sense, check whether the deadlines have been met, why no emails have been sent, and reconsider the deadlines of consultations and public hearings based on benchmarking and preparation of a proposal for resolution by Artesp that extends the deadlines to increase participation of interested parties and improve the quality of contributions.

Answer: Not accepted.

Justification: The deadlines were met according to articles 4 and 5 of Complimentary Law 1,025/2007, respecting the minimum of 15 days. It is worth noting that this public consultation had 16 days for receipt of contributions. It is also worth noting that the public hearing was held within the deadline for public consultation, held from January 05, 2023, and ending on January 06, 2023.

Contribution: We would like to understand if the resolution of Public Consultation 11/2022 was approved, would there be any change in what was proposed in this ETR, and if it fits the criteria proposed in Public Consultation 14/2022 because although its risk matrix application is expected to start as of the 4th OTR to be held in 2025, it is nearly ready and its applicability could be tested in this ETR.

In this sense, add another item to the Final Technical Note clarifying the simultaneity of public consultations and the adherence between them.

Answer: Not accepted.



Justification: As presented, the risk matrix may be applied as of the 4th OTR, with no interference with this ETR.

Contribution: The presentation of the units registered in the social/vulnerable category, as it has been carried out by Sabesp, does not allow us to evaluate the company's effort and/or lack of such classification, as the total number of units that still need to be registered again considering CADÚNICO data is not being made available. In this sense, the projection of units in these categories and subsequent revenue loss with the subsidy should also be projected considering the stock of units using the federal government system.

Accordingly, complement item 4.2.1 of NT.F-0063-2022 in the Final Technical Note with information that discriminates social from vulnerable categories and stock of units to be registered, and review the projection of volumes measured and billed for these units.

Answer: Not accepted.

Justification: Arsesp understands that this contribution requests the availability of the number of units registered in the social residential and vulnerable residential categories considering the estimated number of eligible families according to Resolution 1,150/2021. Thus, NT.F-0063-2022 made available the performance of units registered in the social and vulnerable categories given that such a number is an important factor for the calculation of the adjustment proposed herein.

Regarding Sabesp's total number of units eligible for the social and vulnerable tariffs not yet registered, this agency understands that the contribution does not apply to the scope of this public consultation.

Contribution: The discussion regarding the commercial programs is necessary and Arsesp is right, in our understanding, in not addressing it as an incentive, making a deduction from Sabesp's decision not to present proposals, especially considering higher delinquency, loss of consumers, and public cases of overcharging based on the average, evidencing serious



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problems in commercial management.

In this sense, Arsesp could add to the Final Technical Note information regarding item 5 of NT.F-0063-2022, presenting a lack of compliance that may have been found in Sabesp's commercial inspection that evidence the company's need to maintain commercial programs and solutions.

Answer: Not accepted.

Justification: This contribution is not part of the public contribution.

- **Francisca Adalgisa Silva/Fórum Popular da Natureza;**

Contribution: There is no clear policy of subsidies for poorer social categories with more transparent and strong public policies, which burdens Sabesp.

Answer: Not accepted.

Justification: This contribution is not part of the public contribution.

São Paulo/SP - March 01, 2023.

Sincerely,



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