



## **DETAILED REPORT**

**Subject: Proposal to Review the Tariff Structure of Companhia de Saneamento Básico do Estado de São Paulo - Sabesp**



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## 1. INTRODUCTION

ARSESP carried out Public Consultation 04/2021, from February 9, 2021 to March 10, 2021, to receive contributions on the Proposal to Review the Tariff Structure of Companhia de Saneamento Básico do Estado de São Paulo - SABESP, which is detailed in the Preliminary Technical Note NT.F-0006-2021, available on the ARSESP website. The proposal was also presented on Public Hearing 02/2021, held on March 2, 2021.

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

- Associação de Clubes Esportivos e Sócio-Culturais de São Paulo - ACESC
- Claritas Investimentos
- Companhia de Saneamento Básico do Estado de São Paulo - SABESP
- Condomínio London Residence Service
- Congresswoman Carla Morando
- Federação das Indústrias do Estado de São Paulo – FIESP
- Federação Nacional dos Urbanitários – FNU / CUT
- Gabriel Alexandre Gonçalves
- Instituto Democracia e Sustentabilidade – IDS
- Maria Cecília Boni
- Observatório dos Direitos à Água e ao Saneamento – ONDAS
- PROCON
- Ricardo de Souza Moretti (UFABC)
- Sindicato da Indústria da Construção Civil do Estado de São Paulo - SINDUSCON-SP
- Sindicato das Indústrias de Fiação e Tecelagem do Estado de São Paulo - SINDITÊXTIL-SP
- Vinci Partners



In this detailed report, ARSESP grouped contributions by topic. The Agency's responses were classified as: accepted, partially accepted and not accepted, and all are justified. Contributions that were in agreement with the methodological aspects were only listed. Questions, when pertinent, were answered.

The final values adopted in the new tariff structure will be presented in the Final Technical Note, incorporating the contributions that were fully or partially accepted in this process.

## 2. RESIDENTIAL CATEGORY

### 2.1 Collective Residential

- **Maria Cecília Boni**

**Question:** With the creation of the Collective Residential category, ARSESP eliminated the fee per unit in residential buildings that do not have individualized meters under the allegation of encouraging individual meters. How will ARSESP solve this issue when a residential building is so old that it can not have individualized meters?

**Answer:** Law 11,445/2007 establishes that condominiums must adopt individualization measures. Article 29, Paragraph 5, of this Law states that: "Buildings and condominiums that were built without individual meters until Law 13,312, of July 12, 2016, became effective, or in which individual meters are not feasible, due to cost or technical reasons, may sign special contracts with service providers, in which responsibilities, apportionment criteria and the form of collection will be established".

Therefore, condominiums that can not have individual meters for the reasons established by law will be billed according to the Collective Residential fee. Through the use of the regulatory instrument of the Commercial Programs, even if this cycle is focused on



non-residential users, SABESP may apply different tariffs to this subgroup of users.

**Question:** How does ARSESP intend to maintain equality between Individual Residential and Collective Residential users, since the adjustment assumption for residential tariffs is based on payment capacity and limited to 3% of household income?

**Answer:** As presented in NT.F-0006-2021, for this structure review, ARSESP proposes to limit the use of household income for the Individual Residential, Social Residential and Vulnerable Residential categories at 3.0%.

Therefore, the Collective Residential category was not adjusted according to the limit of household income. However, it is worth highlighting two aspects: (i) although we are no longer billing by unit, consumption ranges of the Collective Residential considers the average consumption profile according to the capacity of the hydrometers and proposed tariffs are only slightly higher than the Individual Residential tariffs (also arising from the contributions received in this public consultation). Thus, we expect that the average tariff for the Collective Residential category, when considering invoices per unit, should not exceed the limit of household income since it is similar to the Residential tariff; and (ii) for low-income collective residences (such as slums and vertical units resulting from the urbanization of favelas), who are currently beneficiaries of the Social Residential fee, ARSESP will maintain the Social Residential benefit.

- **SABESP**

**Contribution:** Our understanding is that ARSESP's proposal for the creation of the “Residential Collective” should be better assessed for it to be compatible with the need for individualized measuring in residential condominiums. Article 29 of Federal Law 11,445/2007 (paragraphs 3 and 5) addresses this matter and its mandatory nature.



As the Agency is also aware, there is a “parallel market” for individualized measurement services in residential condominiums and this should be addressed in the proposal for the new tariff structure.

We request that ARSESP provides more details on how to charge the fixed and variable portions for the “Collective Residential” segment, notably in buildings that do not have individualized meters according to SABESP’s model, given that buildings with individualized meters pursuant to the service provider’s standards must be incorporated immediately as an “individual residential connection”.

**Answer: Accepted.**

**Justification:** The charging of a fixed and variable portion for the Collective Residential category will be based on the capacity of the water meters, whose measurement capacity is proportional to the volume required by the property. The consumption ranges for the Collective Residential category were also defined, using the consumption ranges for the individual residential category as a reference, proportionally to the expected consumption of that collective property. It should be highlighted that there will be no further billing per unit, and the condominium’s management shall be responsible for the apportionment and collection of the total invoice amount. We also highlight that properties with alternative water resources will be charged according to the fixed portion and the capacity of the water meter, plus a variable portion according to the registered consumption level.

If condominiums individualize meters according to SABESP’s standards, in which invoices are issued individually by SABESP according to the consumption of each housing unit, these units are classified under “individual residential connection”.

The expectation is that there will be an incentive for individualized meters, where each unit is charged according to its own consumption level and this will encourage the rational use of water.

- **SINDUSCON-SP**



**Contribution:** The SP Master Plan encourages the use of active facades (requirement to occupy the horizontal extension of the facade) and condominiums that serve different segments (social interest, popular market, etc.) in the same development project. Encouraging individualized measurement is therefore an essential measure to capture this trend to achieve greater differentiation.

**Answer: Accepted.**

**Justification:** The proposed model sought to present average tariffs for the collective residential category that equals to the individual residential category. Considering the contributions received and Article 29, Paragraph 3, of Law 11,445/2007<sup>1</sup>, the average tariffs for the Collective Residential category will be revised and have average tariffs slightly higher than the tariffs for the Individual Residential category to include an incentive for individualization.

### 3. SOCIAL TARIFF AND PAYMENT CAPACITY

#### 3.1 Social Residences and Vulnerable Residences

- **FIESP**

**Contribution:** As honorable as the objective of increasing the number of households served by the social tariff is, we believe it should not contaminate the calculation for water and sewage tariffs. If the goal is to build a subsidized policy for the lower income classes, this should be supported by contributions from the State Government, which is responsible for defining public policies. ARSESP's role, as a regulatory agency, is to design sanitation tariffs that are economically fair and provide the right incentives for the rational use of water. Subsidizing tariffs for 2 million consumers can ultimately reduce the security of supply for the entire population with the the increase in consumption levels.

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<sup>1</sup> Article 29. (...) Paragraph 3. New condominium buildings will adopt environmentally sustainable standards that



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include, among other procedures, individualized water meters to measure consumption per household unit, pursuant to Law 13,312, of July 12, 2016.



**Answer: Not**

**Justification:** Article 7 of State Law 1,025/2007, establishes that ARSESP must execute, within its scope and responsibilities, sector policies and norms. Article 12 of Law 11,445/2007, which is the regulatory framework for the sanitation sector, establishes that the regulator must define “the economic and financial norms related to tariffs, subsidies and payments for services provided to users and among the different service providers involved”. Article 23, in turn, more generally defines that “the regulatory entity, in compliance with the guidelines determined by ANA, shall issue rules related to the technical, economic and social aspects of rendering public sanitation services, which shall cover at least the following aspects: (...) IX - tariff and non-tariff subsidies”. Additionally, the creation of sanitation tariffs shall observe, among others, the “increase of access to services by low-income individuals and locations” (Article 29, Paragraph 1, Item II). Paragraph 2 of the same article also establishes that “measures such as tax incentives and non-tariff subsidies may be adopted for users who do not have payment capacity to cover the full cost of services”.

- **FNU/CUT**

**Contribution:** In 2021: the re-registration and the remaining of the methodology foreseen for the first range of the CadÚnico registry must be extended to the following two ranges, from R\$ 178 and up to 50% of the minimum monthly wage per capita.

The brutal loss of income at the base of the State’s social pyramid, caused by a recession that has lasted a few years and aggravated by the fundamental social distancing measures to reduce contamination during the pandemic, does not allow us to wait until the final year of the tariff cycle to give access to all who will be entitled to receive the social tariff benefit. Reality imposes urgency. The mechanisms established in the transition rules already include the necessary adjustments for the required tariff to be maintained and the contracts to achieve a financial balance.



**Answer: Not**

**Justification:** Although the assessment carried out is correct, it would not be possible to immediately apply social tariffs to a large group of new users since there is a risk of generating economic and financial imbalance for the service provider or tariffs for other residential categories would have to significantly and immediately increase.

- **IDS**

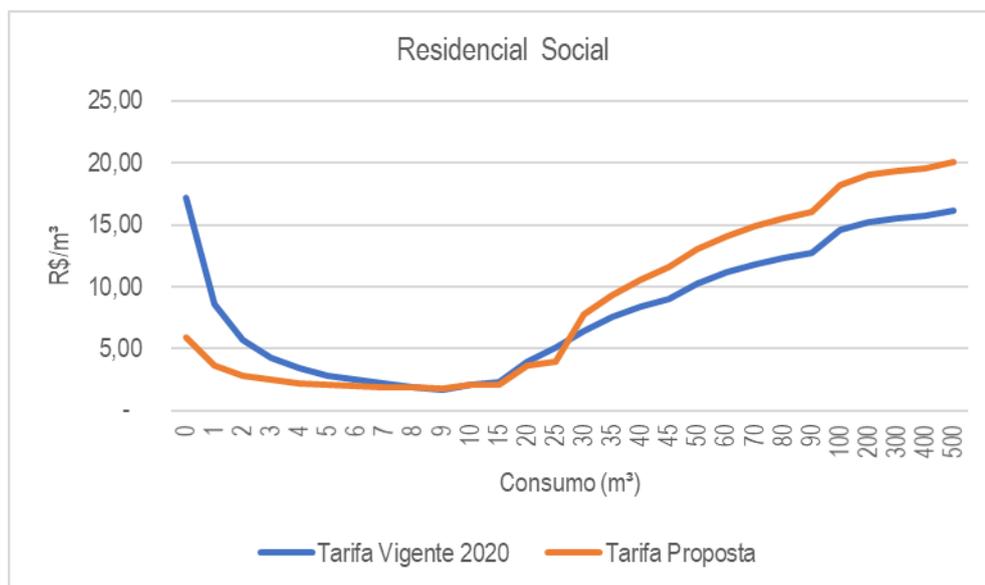
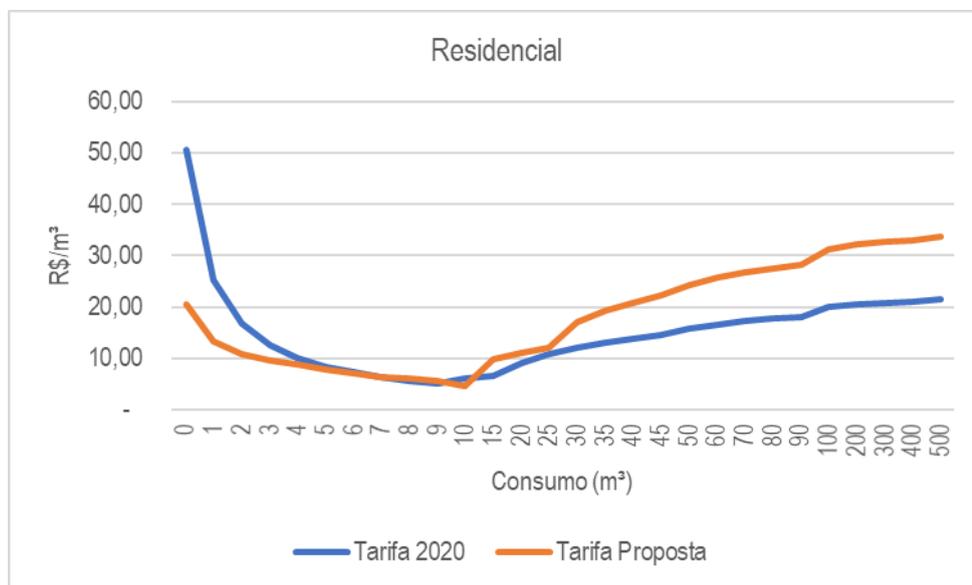
**Contribution:** Regarding the progressiveness per consumption group of the amounts charged for the two social tariffs, we suggest ARSESP to carry out an in-depth study on the profile of these poor families in the areas where SABESP operates. Based on IBGE indicators, we know that there is a significant number of low-income families in Brazil, and a large number of people reside in a same household, which implies higher monthly consumption and not necessarily irrational water use.

**Answer: Not accepted.**

**Justification:** In fact, there is a trade-off between the use progressiveness in the residential category and the actual consumption per capita. However, according to data from PNAD-IBGE, the number of people per household in the State of São Paulo ranges from 2 to 4, depending on the income level.

In terms of progressiveness, the tariff structure for the residential categories had the highest increase, starting from 30 m<sup>3</sup>. The healthy consumption used as reference for the proposal was 3.3 m<sup>3</sup> per person. In other words, the proposed structure begin to increase significantly only for households with more than 9 people, which is quite far from the average size of households in the State.

The graphs below illustrate the evolution in progressiveness for the new Residential and Social Residential tariffs.



**Question:** How will the new social tariff be applied? What will be the registration process for these users? Will the registration for the social tariff (in any of the two ranges) be automatic for those who fall under the new rules? Or will the past rationale be maintained, in which users must apply to be included in the social tariff?



**Answer:** As indicated in NT.F-0006-2021, Sabesp will be responsible for updating its user registry, based on the CadÚnico databases. Only exceptionally, if the Company is not able to identify the CPF of the user, he/she must request to be included.

**Contribution:** Is timely payment still a criterion for receiving the social tariff benefit? If yes, what are the conditions? What delinquency period would trigger a loss of benefit? What would be the reasons for ARSESP to not reassessed this criterion, since it can reinforce situations of extreme vulnerability, especially considering the context of the Covid-19 pandemic?

**Answer: Accepted.**

**Justification:** A rule will be established so that users do not lose their benefit in case of default.

**Question:** Why didn't ARSESP revise the progressiveness per consumption group of the amounts charged for the two social tariffs?

**Answer:** As indicated in NT.F-0006-2021, ARSESP proposed a level of progressiveness in its public consultation process.

- **Maria Cecília Boni**

**Question:** How does ARSESP intend to maintain the equality of users who will not have access to the social tariff if they live in a residential building?

**Answer:** Users who live in collective housing units considered social residences, such as slums and



urbanized favela regions, will have access to the Social Residential tariff. In other situations, it will only be possible to qualify for the other social tariff criteria through individualized connections.

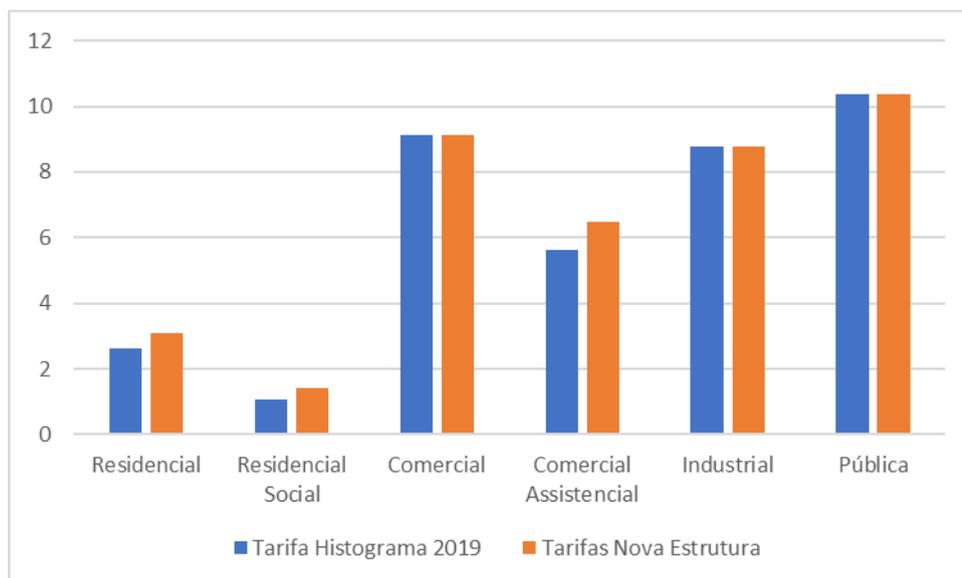
- **PROCON**

**Contribution:** We agree with the expansion of the social tariff base and the subsidy concept that meets this purpose, but, on the other hand, we are greatly concerned on the proposed cross-subsidies, which, from what has been informed, will be financed only through other residential categories.

In this regard, we believe that an adequate tariff for the most vulnerable individuals could involve the Government, through certain mechanisms, in addition to the participation of non-residential users from the commercial and industrial categories, whose proposal does not foresee a real increase for this consumer class.

**Answer: Not accepted.**

**Justification:** ARSESP cannot determine a direct subsidy obligation from public authorities. It should be noted, however, that non-residential users continue to be the key agents responsible for subsidizing residential users. Even Residential users not classified as low-income continue to be subsidized, as shown in the proposed average tariff.



- **SABESP**

**Contribution:** An important attention point for this user segment is that clear rules must be defined to effectively guarantee benefits to those who need to be protected. Within this context, there are currently large numbers of informal workers who do not declare a monthly income and are therefore “invisible” in the Cadastro Único, and this number may be higher than the parameters established for the eligibility of the proposed benefit. For the granting of the benefit, SABESP suggests that an inspection of the property of the future beneficiary is carried out, to ensure that the tariff subsidy is being correctly granted.

**Answer: Not accepted.**

**Justification:** The criteria for qualifying for the Social Residential and Vulnerable Residential tariffs essentially consists of being registered in the CadÚnico database (except for temporarily unemployed users and low-income vertical units in the current model). The eligibility will be confirmed by SABESP based on information from the



CadÚnico database. In situations in which SABESP is not able to immediately register the user based on its CPF, users may request to be registered in the social tariff, but only after proving they are included in the CadÚnico registry and, if they are not able to be included, they should provide proof of income or a payslip.

**Contribution:** A relevant point to be observed in the “vulnerable residence” segment is the very low progressiveness rate for these consumption ranges. SABESP suggests that, after a monthly consumption of 20m<sup>3</sup>, a certain progressiveness should be applied to encourage rational consumption and inhibit uses aside from the family's own consumption (i.e.: sale of water gallons, production of homemade cleaning products, etc.).

**Answer: Accepted.**

**Justification:** The progressiveness of the tariffs will be adjusted in order to guarantee greater progressiveness for higher consumption profiles.

### 3.2 Payment Capacity

- **Claritas**

**Contribution:** Once the access by the poorest income class has been solved, what’s left is to know the weight of water, collection and sewage treatment costs on a family’s budget. For this, we refer to the 2018 POF family budget survey by the IBGE. As can be seen, water and sewage service fees have a very low weight in the budget of families in São Paulo and, therefore, should not be an obstacle in the debate regarding the pace of universalization of services.

**Answer: Not accepted.**



**Justification:** The result arises precisely from ensuring a cap for the monthly bill of residential users. If there is no payment capacity limit, increasing tariffs to levels that will have a higher relative weight on family budget is a risk.

- **IDS**

**Question:** Regarding the population's payment capacity mentioned by ARSESP, did the Agency carry out an in-depth study on the payment capacity of SABESP's customers? Was this disclosed? If not, is there an expectation for this type of study to be carried out?

**Answer:** No, ARSESP used existing household surveys as a basis, and no primary surveys were carried out. The assumptions used for income commitment (healthy consumption levels; number of people per household; average income; percentage of commitment) were made available for public consultation.

#### **4. NON-RESIDENTIAL CATEGORIES**

##### **4.1 Commercial and Industrial**

- **IDS**

**Contribution:** We recommend ARSESP to review the rationale applied to industrial users, which includes a regressive amount of approximately 5% as the consumption levels increase. The proposal presented here contradicts the principles of rational use, an elementary guideline of the National Water Resources Policy and also the principles of Federal Law 11,445/07;

What justifies the fact that only for the industrial category has a rationale of regressive amounts as consumption levels increase? Isn't this rationale in disagreement with the sector's legal principles and the guidance regulation



standards that recognize water as a non-renewable resource and that incentives for rational use should be created?

**Answer: Not accepted.**

**Justification:** It was indicated in NT.F-0006-2021 that the regressive proposal was linked to the principle of economic rationality. In the case of the industrial category, it was understood that rationality, which is typical for economic activities, would overcome the need to discourage wasteful consumption. This is due to the fact that sanitation services are part of the industrial production cost, hence, regardless of the amounts, they would already be in the center of economy measures and rational use. The same could also apply to commercial users. However, ARSESP assessed that for commercial users, there are mixed consumption use (commercial/residential). Therefore, the option was to maintain some level of progressiveness for the tariff structure of this cycle.

However, based on the contributions received, ARSESP considered it reasonable to zero the progressiveness of the commercial segment.

It is important to point out that the progressiveness assumptions for all categories are made from a starting point in the model. In the end, to ensure neutrality, some level of progressiveness or regressiveness can be adjusted.

- **FIESP**

**Contribution:** The most critical point in the proposal made by ARSESP was on how the applicable tariffs for non-residential categories was defined. After calculating the economic tariffs (that is, without cross-subsidies and allocating costs according to responsibility), the Agency defines which tariff will be effectively applied. It is at this stage that ARSESP deliberately chooses to punish the industrial and commercial categories.

What the industry pointed to years ago is now transparent – a heavy subsidy goes from the economic categories to the residential category. However, instead of solving this issue – albeit partially – ARSESP decided to maintain this distortion.



We request that ARSESP reviews this proposed tariff structure for the non-residential categories. In the composition of the concessionaire's economic revenue, these categories represent only approximately 10%. Therefore, non-residential consumers will not be the ones responsible for the lack of balance in the tariff table, or to recover the required revenue. It is important to note that this tariff gap was created solely by ARSESP by quadrupling the consumer base served by subsidized tariffs.

**Answer: Not accepted.**

**Justification:** As shown in NT.F-0006-2021, in fact, non-residential users are primarily responsible for subsidizing the tariffs for the residential category. Also, as indicated, it would be possible to increase residential tariffs beyond the proposed percentages, while still maintaining the proposed income commitment level limited to 3%.

However, such significant increases could cause an increase in delinquency rates or the exit of these users from the regulated sanitation market, bringing losses to these users and other users (who would have to pay higher tariffs to compensate for any reduction in revenues by SABESP arising from these users) and society as a whole, as basic sanitation generates positive externalities.

Thus, it was not considered appropriate to immediately eliminate subsidies. ARSESP's proposal includes a gradual reduction in subsidies. In this current cycle, in addition to the important changes in the tariff structure's design, ARSESP proposed an average industrial tariff without nominal variation, maintaining the current average tariffs. This treatment will reduce cross-subsidies, but not eliminate it. As the universalization of sanitation advances, ARSESP will be able to advance further towards the elimination of the cross-subsidies.

- **FNU/CUT**

**Contribution:** Change the criteria from regressive to progressive using a scale that is similar to the commercial category. Regressiveness harms smaller industries, which have lower payment capacity and are responsible for generating a greater proportion of



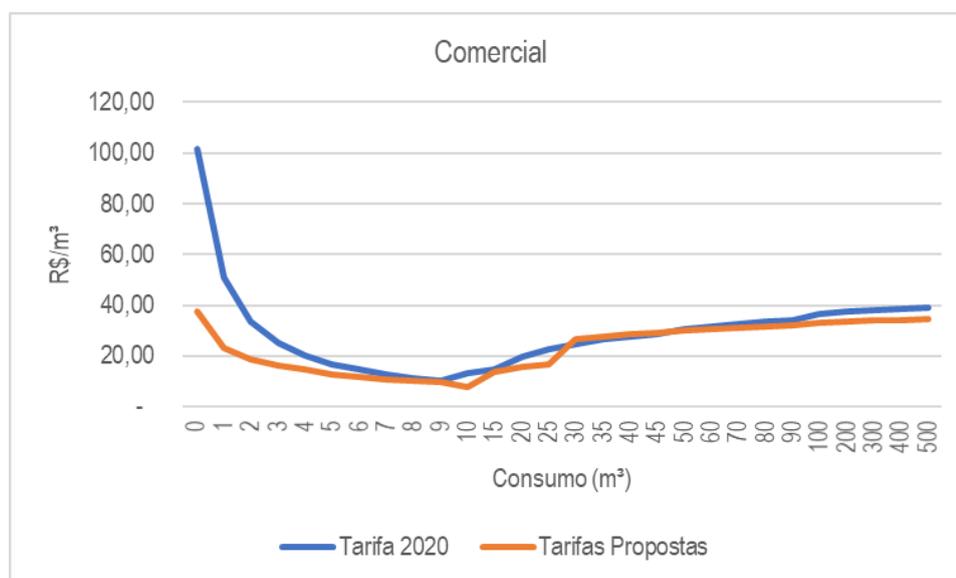
job positions, unlike large industries, which, in general, are capital intensive and their revenues can support higher tariffs.

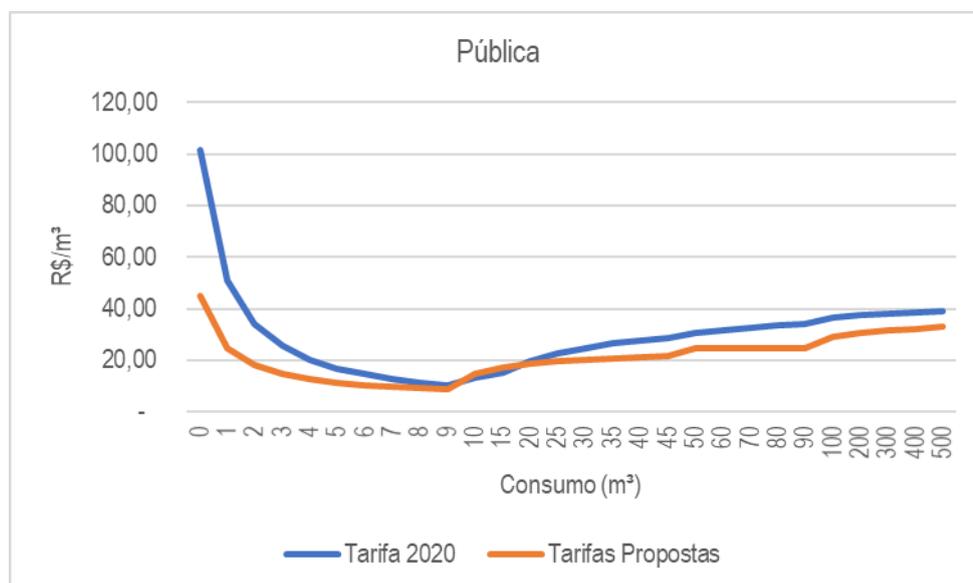
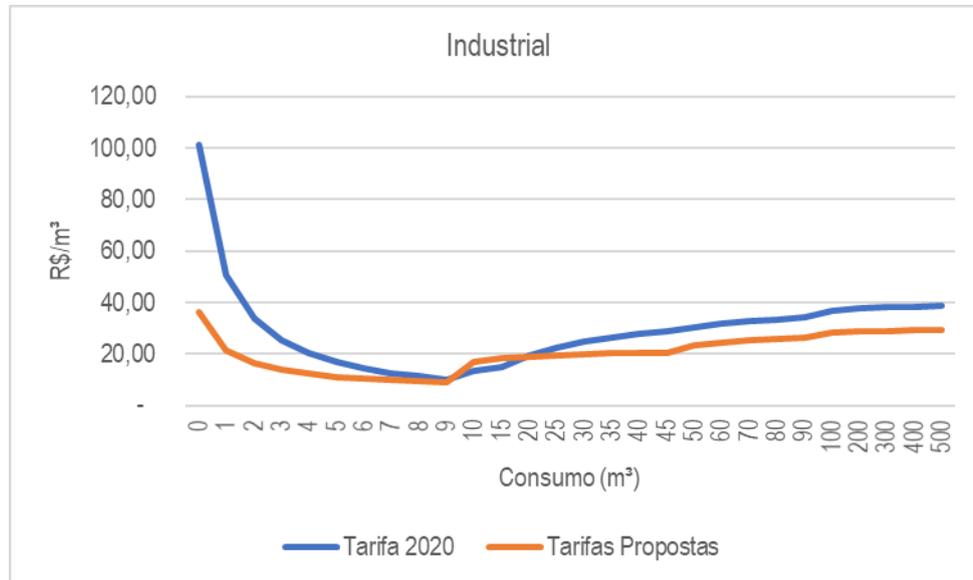
Also, there is no evidence proving that the economic rationale applies for the industrial category, as stated on page 43 of the NT, and that this logic is present, in the same way, in the residential, commercial and public use categories.

**Answer: Not accepted.**

**Justification:** In relation to the non-residential category, we maintained the regressiveness, or low progressiveness, criteria as it was understood that the economic rationality is higher than the need to discourage wasteful consumption. It should be noted there is an important economy of scale factor to be considered, particularly for industrial consumers with very high consumption levels, which cannot be ignored in such a way that it also reinforces the regressive proposal.

In any case, it must be considered that the proposed tariff structure for the non-residential categories included lower average tariffs for low-consumption users, as shown in the graphs below.





- **SABESP**

**Contribution:** SABESP has observed a change in the consumption profile in the commercial segment, leveraged by the effects of the pandemic. Many businesses have literally moved “into the home” and others have significantly changed their consumption profile. The mixed



use of buildings is a trend in the real estate market, and in our view, this deserves a new approach by the regulatory body.

**Answer: Not accepted.**

**Justification:** SABESP did not provide detailed information for this type of consumption, which would have made it possible to propose specific tariffs for this cycle. Thus, tariffs for this user segment will not be presented at this time. ARSESP will carry out specific studies on the matter throughout the cycle and may introduce a new category based on the outcome of these studies.

- **SINDUSCON-SP**

**Contribution:** We suggest not charging the sewage tariff during the project's construction period, as there is no sewage generation and 95% of water consumption is for the construction itself.

**Answer: Not accepted.**

**Justification:** The tariffs applied to properties through temporary connection (in the case of construction works) are determined by Article 4 of ARSESP Resolution 106/2009. The revision of this resolution is not the object of this public consultation.

**Contribution:** Each construction site of a construction company is seen as a separate consumer unit and is not aggregated by the construction company. This segregation makes tariffs more expensive. Thus, most of the construction sites end up searching for alternative sources of water, harming the entire system. The suggestion is that every construction site be considered as an aggregate of the same construction company, that is, as a single industry.



**Answer: Not accepted.**

**Justification:** As in the previous contribution, the topic is addressed by ARSESP Resolution 106/2009. These are very relevant contributions, so they will be analyzed to be included in a possible reassessment of ARSESP's current regulations.

## 4.2 Commercial Programs

- **FIESP**

**Comment:** ARSESP compares its commercial programs with the ones in the gas sector, without highlighting that, in those cases, the concessionaires do not have tariff coverage – but do so by choice. Additionally, these programs do not exist to fix distortions in the tariff framework, but because natural gas is a fuel that competes with other energy sources.

Furthermore, ARSESP does not specify the most important information. It boasts itself for creating a commercial program of R\$420 million in the Tariff Cycle, when the annual subsidy will be R\$3.82 billion (or, more than R\$15 billion in the Cycle). In other words, in addition to the uncertain application, the amount allocated to the commercial programs is absolutely below the tariff subsidy that will be paid mainly by the commercial and industrial categories.

**Answer:** The use of commercial programs in the sanitation sector was not proposed aiming to reduce cross-subsidies between residential and non-residential users. It is aimed at focusing on the discount policy for users who will be able to increase their volume, benefiting all users with reduced tariffs because of the higher volumes.

The commercial programs, within the established limits, will be included in the tariff, precisely because they contribute with reasonableness. The same may also occur in the piped gas segment, which recently included connection expenses.



- **SABESP**

**Comment:** Regarding the creation of sector programs for large consumers, SABESP agrees with the Agency's proposal and reiterates the need to reassess ARSESP Resolution 818/2018, which provides for the criteria for signing and inspecting water supply and sewage contracts for large users of the non-residential categories.

We emphasize that the migration from the current loyalty model to sector programs requires that current contracts are considered so that loyal customers are not jeopardized during the transition period.

**Answer:** It is important to note that commercial programs are not exclusively aimed at large consumers. The proposal is to establish programs to serve users under specific conditions that, by benefiting from lower tariffs, can increase the total volume distributed by SABESP, contributing to tariff moderateness.

ARSESP Resolution 818/2018, which deals with large consumers, is not being revoked at this time. SABESP may continue to apply contractual discounts, considering they are not regulatory, in the sense they do not make up the tariffs, unlike the discounts that will be approved for the commercial programs.

#### 4.3 Collective Commercial

- **SABESP**

**Question:** ARSESP maintained the commercial, industrial and public categories in the proposal submitted for public consultation and in the creation of a “Collective Commercial” category,



for which we ask the Agency to present details on how fixed and variable portions will be collected in this segment.

At first, our understanding is that ARSESP's proposal for the creation of the "Commercial Collective" category requires a better assessment, given ARSESP's previous intention in Public Consultation 04/2014 and stipulated in Resolution 564/2015, which suspended the application of the economies concept for the non-residential segment.

SABESP reiterates its proposal that there should be no progression in this segment, avoiding questions on how to adapt this segment into the economies concept.

**Answer:** As presented in NT.F-0006-2021, seeking to standardize the billing criteria between residential and non-residential units for collective use, ARSESP proposes the creation of the Collective Commercial category, with the same criteria for defining the fixed portion (type of water meter) and the same consumption ranges defined for the Collective Residential category. Considering the nonexistence or imprecision of information about the quantity of units in non-residential collective connections, SABESP must prepare a field survey, or another way of consolidating this information, so that ARSESP can balance the ranges and define the amounts of the fixed portion, using the type of water meter and the historical consumption of these units as a reference.

The charging of a fixed and variable portion for the Collective Residential category will be based on the capacity of the water meters, whose measurement capacity is proportional to the volume required by the property. The consumption ranges in the Collective Non-Residential category will be defined according to the information to be sent by SABESP, to be implemented in 2022.

The tariff proposal for this segment will be presented prior to the annual adjustment, to take place in May 2022, when it will be used.

It should be highlighted that there will be no further billing per unit, and the condominium's management shall be responsible for the apportionment and collection of the total invoice amount. We also highlight that properties with alternative water resources will be charged according to the fixed portion



and the capacity of the water meter, plus a variable portion according to the registered consumption level.

Thus, the concept of billing per unit will not be used, but only as a reference for the study that will present the tariffs for this segment.

Just as in the collective residential category, if condominiums do not individualize meters according to SABESP's standards, in which invoices are issued individually by SABESP according to the consumption of each housing unit, these units are classified under "individual residential connection".

The expectation is that there will be an incentive for individualized meters, where each unit is charged according to its own consumption level and this will encourage the rational use of water.

#### **4.4 Commercial Assistance Category and Public Tariffs**

- **SABESP**

**Question:** There are also other subcategories that currently receive tariff benefits, such as the "Assistance" and the "Public" segments. In these specific situations, SABESP requests the Agency to explain the criteria for qualification, given that no guidelines were established in Resolution No. 866/2019, in such a way that no questions arise on this matter.

**Answer:** The categories benefited by the Commercial Assistance tariff are the same currently benefited by the Commercial tariff: Social Assistance Entities

No regulatory discount categories for Public users were proposed in the public consultation. These may be subject to discounts through Commercial Programs or at SABESP's discretion.

#### **4.5 K Factor**



- **IDS**

**Question:** Regarding ARSESP's establishing that "the pollutant load in the sewage of a certain segment, or differences in the minimum structure to meet a certain volume, will be directly treated through differentiation in user ranges or specific tariff components" (page 17) Where is the specific information regarding the K Factor? Where are the rules and application amounts? How will this regulatory instrument be communicated with society?

**Answer:** Pursuant to Articles 19 and 19-A of State Decree 8,486/1976 (which provides for the prevention and control of environmental pollution), given that the proper functioning of the sewage systems is not affected, the service provider may receive effluents in its sewage collection system with parameters that differ from the limits foreseen, and CETESB must be adequately informed.

Additionally, State Decree 41,446/1996 establishes that sewage monitoring, collection and treatment services shall have their prices fixed according to polluting load, toxicity and discharge flow. SABESP adopted the K1 and K2 factors (K1 = Polluting Load Factor for releases into the public sewage network and K2 = Polluting Load Factor for releases at SABESP's receiving stations) in its Tariff Notice 03/19. ([http://site.sabesp.com.br/site/uploads/file/asabesp\\_doctos/comunicado\\_fatork\\_3\\_2019.pdf](http://site.sabesp.com.br/site/uploads/file/asabesp_doctos/comunicado_fatork_3_2019.pdf)).

ARSESP will develop a specific study on the matter, respecting the limits of the Agency's attributions in relation to the interface with environmental legislation.

- **SABESP**

**Question:** Regarding the treated portion itself, ARSESP did not provide detail on how the current billing condition will be addressed for the polluting cargo (Factor



K), for which we request clarifications. In SABESP's opinion, ARSESP should regulate this billing procedure.

**Answer:** The K1 and K2 factors currently used by SABESP in its Tariff Notice 03/19 have been substantiated exclusively by State Decree 41,446/1996.

ARSESP will develop a specific study on the matter, respecting the limits of the Agency's attributions in relation to the interface with environmental legislation.

## 5. DESIGN OF THE TARIFF STRUCTURE

### 5.1 Consumption Ranges

- **FIESP**

**Contribution:** We can observe that, for the first ranges, the average consumption is relatively in the middle of the established limits, suggesting that the design is well calibrated. As for the last range, the average consumption is well above the minimum limit, suggesting that more ranges should be created.

**Answer: Accepted.**

**Justification:** Consumption ranges for non-residential users have been re-calibrated.

- **FNU/CUT**

**Contribution:** Expand the number of residential ranges, from three to five, introducing two new ranges with higher consumption levels.

The criteria proposed in NT penalizes consumption levels that are slightly above the average amount, harming low/medium income users and benefiting high income users, in addition to not encouraging rational water use, inducing waste of resources.



**Answer: Partially accepted.**

**Justification:** The number of ranges was expanded to four, taking into account the average number of users according to residential range.

**Contribution:** Expand the number of commercial ranges, from four to six, introducing two new ranges with higher consumption levels. The increase of more than 100% in the tariff for the fourth range compared to the third range penalizes small commercial establishments that have intensive water use, such as bars and restaurants, which are key employers.

**Answer: Partially accepted.**

**Justification:** The number of ranges was expanded to five, taking into account the average number of users according to range.

**Contribution:** Expand the number of industrial ranges, from four to six, introducing two new ranges with higher consumption levels.

**Answer: Partially accepted.**

**Justification:** The number of ranges was expanded to five, taking into account the average number of users according to range.

- **IDS**

**Contribution:** What were the justifications adopted by ARSESP to reduce the number of consumption ranges? We recommend that ARSESP reviews the reduction in the number of consumption ranges by blocks. The ranges have always been an important instrument



used to manage demand, with a clear disincentive on wasteful use of water, and works for all consumer categories.

**Answer: Accepted.**

**Justification:** The number of ranges were revised, as informed in the answers of the previous contributions.

## 5.2 Binomial Tariff

- **IDS**

**Question:** In light of the legal requirements established by the new sanitation legal framework (Federal Law 14,026/20), will the collection of the fixed portion be automatic for all users who have available infrastructure and, even so, refuse to connect? If so, what actions can enable, strengthen, and provide support for connecting poor families to the network? Will the “Se Liga na Rede” (Connect to the Network) program be strengthened? If so, what does this represent in relation to past investments?

**Answer:** This topic is not an object of discussion within the context of the review of the tariff structure. It should be addressed and regulated by ARSESP through specific discussion forums, which may include mechanisms to enable and strengthen actions aimed at connecting low-income users.

- **ONDAS**

**Contribution:** The tariff model is highly progressive for fixed tariffs and has low progressiveness for variable tariffs, which adds burdens the average user and discourages rational water use. Not having higher levels that inhibit this higher consumption creates a problem for managing demand of these higher consumption levels. Therefore, we suggest changing these parameters.



**Answer: Accepted.**

**Justification:** The tariffs were adjusted.

- **SABESP**

**Contribution:** An important aspect of the migration to a binary tariff is regarding possible legal lawsuits requiring refunds of the “minimum tariffs” that have been charged in the current structure. It is important that the regulatory body ratifies that the mechanism to be implemented are not retroactive, given the risk of this type of demand.

**Answer: Accepted**

**Justification:** ARSESP will reinforce that changes in rules are not retroactive.

### 5.3 Tariffs according to Service Categories

- **IDS**

**Question:** What are the technical reasons for the decision to not create and define a fixed portion for the sewage treatment tariff?

**Answer:** As indicated in NT.F-0006-2021, the reason for the above proposal is the because externalities exist in sewage treatment services. Thus, it was considered reasonable for all users to contribute to the universalization of services and not just users who currently have treated sewage.

- **PROCON**

**Contribution:** Once the decision has been made to put the provisions herein proposed into effect (differentiated tariffs), Fundação Procon-SP believes they must be duly informed in the bills sent to consumers, in clear, precise and objective language, as determined by Article 6, Item III, and Article 31 of the Consumer Protection Code, with



information on all costs that make up the final tariff, detailing the services and their respective tariffs, fixed and volumetric.

**Answer: Accepted.**

**Justification:** The current treatment will be maintained, in which we provide detailed information for the tariffs applied. If necessary, ARSESP will update the commercial rules, presented in Resolution 106/2009.

- **SABESP**

**Contribution:** SABESP reiterates its understanding that sewage services are indivisible between collection and treatment, and proposes the adoption of the “Sanitation Tariff” to encourage adherence to complete services (water + sewage).

**Answer: Not accepted.**

**Justification:** The cost structure enables the disaggregation of the collection and treatment stages, so there is no technical justification for the indivisibility of services.

#### 5.4 **Single Tariff (non-regionalized)**

- **FIESP**

**Contribution:** Would it be possible to define different rates for the different regions served, as it would be desirable that the tariffs applied be as close as possible to the ones calculated by the economic criteria. Once again, the Agency takes on the role of formulator of public policies when deciding who should be subsidized. Therefore, we are against the unification of tariffs among the regions served by SABESP.



By unifying tariffs, ARSESP creates (illegal) discrimination between consumers, choosing the ones who should benefit and who should be punished. And this is done without any manifestation of the Granting Power, for example.

**Answer: Not accepted.**

**Justification:** As already reinforced in previous answers, ARSESP has the legal attributions to address tariff structure issues, including the subsidy structure, in compliance with legislation and public policy assumptions.

The unification of the tables was aimed at precisely reducing cross-subsidies between regions, without eliminating them (as indicated in NT.F-0006-2021), since such measure would create a significant tariff increase for certain regions and could make services unfeasible.

The application of region-specific tables, using the criteria of economic tariffs, would immediately eliminate cross-subsidies and the consequences of this were already discussed.

- **IDS**

**Question:** Considering that in the previous tariff structure model, certain locations in the countryside of São Paulo already had lower tariffs in relation to the metropolitan region and, since the unification of tariff tables implies a standardization, did ARSESP take into considered that the impact and increase in tariffs will be significantly higher for users in the countryside region?

**Answer:** Yes. The reduction of cross-subsidies leads to a need for greater adjustment in regions that were most benefited by subsidies. The model sought to calibrate these increases, limiting the impacts of increases to users.

## **6. TARIFF STRUCTURE MODEL**

### **6.1 Calculation Model for the Tariff Structure**



- **IDS**

**Question:** Due to the change in the regulatory methodology, which now adopts a revenue cap, what have been the changes and improvements in the Agency's management and governance practices to adapt and prepare to ensure adequate and recurring monitoring and inspection in light of public interest?

**Answer:** ARSESP will approve the economic and financial revenue inspection through a specific Resolution for this tariff cycle.

**Question:** Regarding the statement in the Agency's Technical Note: "The graph shows that the economic tariffs of the business units in the interior and coast should be higher than SABESP's average, considering their efficient costs and prudent investments. However, in the current tariff structure, the average tariffs are all lower than SABESP's average tariff. Thus, the Metropolitan Officer is subsidizing the other regions" (page 24), what can we achieve with this conclusion? Shouldn't the destination of the investments made be part of the rationale and calculation of these flows between subsidies? For example, if the majority of investments included in SABESP's Business Plan are mostly destined for the São Paulo Metropolitan Region, would it still be possible to sustain the affirmation made by ARSESP?

**Answer:** The conclusion comes from the costs observed in each region. The tariff, in principle, should reflect the costs of the services provided. Deviations from costs reflect the cross-subsidies policy.

It is important to highlight that the costs mentioned are operating and capital costs, which include investments.

- **FIESP**



**Contribution:** FIESP understands that the transition proposed by ARSESP distorts the tariff model applicable to the sanitation sector – namely, the “tariff cap” model – by ensuring the concessionaire's revenue for the next tariff cycle – the “revenue cap” model. This is not an exceptional change in the tariff model, but a reconfiguration of it, without any legal basis (the proposal is not even mentioned in the Regulatory Impact Analysis, which appears in Annex II of NT.F-0006-2021). It is essential that ARSESP revises its proposal, under penalty of creating a dangerous regulatory precedent in the State.

**Answer: Not accepted.**

**Justification:** As justified in NT.F-0006-2021, the exceptional adoption of a revenue cap model for this cycle is due to the high levels of uncertainty for the market projected by segment throughout the cycle, arising from the change in the tariff structure. The objective is to reduce risks for both users and the service provider.

It should be noted that the revenue cap model also fits into the incentive regulation models.

As for the Regulatory Impact Analysis contained in the NT.F Annex, this was used particularly to support the design of the tariff structure.

- **SABESP**

**Contribution:** Updated calculations and resulting amounts in the future tariff tables for the new structure, which were carried out by ARSESP based on the year 2019.

**Answer: Partially accepted.**

**Justification:** The 2019 histogram was used as the basis for determining the market composition to ensure the neutrality of the tariff structure. That is, the average tariff obtained in the model was applied to a specific market composition in order to



replicate the required revenue. However, it is worth highlighting that for this cycle, revenue will be evaluated annually.

For the purpose of disclosing the applicable amounts of the tariff tables, they will be evaluated in the applicable reference currency (February 2021).

**Contribution:** Just as in the electricity sector, SABESP understands that the tariff flags mechanism can be assessed by the regulatory agency as an important instrument to refrain demand during water scarcity situations. This mechanism consists of applying an additional rate on the service invoice, signaling two flags (“attention” and “alert”) as a specific indicator for monitoring the situation of water supply. Given its representativeness, the adoption of the Water Security Index (ISH) was suggested for the metropolitan springs as a way to track the level of the reservoirs that supply the integrated system of the Metropolitan Region of São Paulo. We suggest the assessment regarding possible tariffs of +40% (forty percent) to be applied to the attention range and +60% (sixty percent) to the alert range, and these rates should be applied over the total amount of the water bill. If ARSESP agrees to adopt the sewage tariff, for users who have both water and sewage services, the suggested rates would be +20% (twenty percent) for the attention range and +30% (thirty percent) for the alert range, to be applied over the total invoice amount.

**Answer: Not accepted.**

**Justification:** The matter is very relevant and could be the object of specific study by ARSESP. However, for now, this matter has not been included as the object of this public consultation.

- **Vinci Partners**

**Contribution:** By definition, the P0 is what guarantees the economic and financial balance of the concession, as it ensures the recovery of the required revenue (at present value) and, therefore,



a return rate equal to the required WACC. Any amount other than the P0 will cause an imbalance, positive or negative, so it must have a neutral application (same NPV) ex ante. The return actually earned by the concessionaire will certainly be different than the regulatory return, which we will only know ex post and is natural to the process.

We believe a reconciliation between the defined adjustment amounts and the revenue required for the four years of the tariff cycle should be disclosed to ensure there will be the necessary balance. We also believe that the proposal for adjustment in deferral may be inconsistent with the required revenue comparison year over year (as is intended with the implementation of revenue ranges), since, to settle the account line, revenue should remain below the required amount at the beginning of the cycle so that it ends above the required amount at the end of the cycle.

If this scenario is confirmed, the concessionaire's cash flow would be seriously compromised and would bring extreme lack of economic and financial balance, compromising the execution of investments, access to financing, liquidity and return to shareholders, among other losses.

If the Agency continues with the deferral proposal, we understand that the proposed percentages need to be revised, particularly for the first year. The indexes proposed for the first year will imply negative real readjustments for all classes, considering the accumulated inflation based on the projection issued by the latest Focus Bulletin (5.4% in 12 months). From our point of view, it goes in the opposite direction to the result of the P0 calculation, which in a public consultation indicated a need for an increase, in real terms, in the required revenue to face the business plan. We fear this will result in a higher risk perception and end up undermining the credibility of a technical process and, along with it, of the regulatory agency.

According to our understanding of the proposed application of the adjustments and projections, SABESP's revenue effectively billed would be significantly lower than the required revenue. In Annex 2 of the contribution, we detail the calculations we made, which can also be seen in the Reconciliation worksheet. In our projections, revenue will be



lower than the required amount every year, generating a deficit of R\$5 billion in the cycle, equivalent to 7% of the required revenue.

**Answer: Partially accepted.**

**Justification:** The adjustment amounts for the transition were adjusted, taking into account the expected revenue for each year and its proximity with the required revenue.

## 6.2 Impacts

- **Congresswoman Carla Morando**

**Contribution:** Proposal for a more equality between residential and commercial tariffs, in order to attract investments and jobs, reconciling with the expansion of the proposed social tariff.

**Answer: Not accepted.**

**Justification:** Equalizing residential and non-residential tariffs would imply a significant reduction or elimination of cross-subsidies between categories. Although this is the objective from a purely technical standpoint, it is impossible not to consider the expected impacts this treatment would bring to users. There would be a need for a significant increase in tariffs for residential users, with losses for all users, as discussed in this document and in NT.F-0006-2021.

- **FNU/CUT**

**Contribution:** Distribute the average impact of the tariff increase proportionally among the residential, commercial and industrial categories.



The residential segment should not exclusively bear the burden of correct expansion of social tariffs (social residential and vulnerable residential). The subsidy should be split among commercial and industrial users.

**Answer: Not accepted.**

**Justification:** The proposed change is not limited to expanding access to the Social Residential tariff. It also seeks to reduce cross-subsidies among categories and, in particular, reduce the subsidy received by residential users who do not meet the low-income criteria. Therefore, this is why these users essentially absorb the tariff increase proposed in SABESP's tariff review.

However, it is worth mentioning that, even with this significant increase, sanitation services will continue to represent less than 1% of the average income of households in this area.

- **IDS**

**Contribution:** What criteria was used by ARSESP, in detail, to guide the decision that resulted in Table 13 (page 49) and the average impacts according to user category? What justifies the fact that the individual residential category had a 17.8% impact while the commercial, industrial and public categories had a 0% impact?

We suggest that ARSESP makes it a priority to review the average impact calculations by category (Table 13, page 49), since the lack of equality of these projections remains evident. Primarily the the fact that the individual residential category has to absorb a 17.8% impact while the commercial, industrial and public categories had a 0% impact. Considering that the National Water Resources Policy determines that, among its multiple uses, water for human and animal supply must have priority in relation to other uses and, therefore, the impact projected by ARSESP does not seem to be well calibrated.



**Answer: Not accepted.**

**Justification:** The criteria were presented in NT.F-0006-2021 and in the calculation backup that accompanied it during the public consultation.

The proposed change is not limited to expanding access to the Social Residential tariff. It also seeks to reduce cross-subsidies among categories and, in particular, reduce the subsidy received by residential users who do not meet the low-income criteria. Therefore, this is why these users essentially absorb the tariff increase proposed in SABESP's tariff review.

However, it is worth mentioning that, even with this significant increase, sanitation services will continue to represent less than 1% of the average income of households in this area.

- **ONDAS**

**Contribution:** We suggest that the burden from the increase in the social tariff should be reflected in the commercial and industrial tariffs.

**Answer: Not accepted.**

**Justification:** These categories are already responsible for the subsidies given to residential users. Even with the proposed increase, residential users not classified as low-income will continue to receive subsidies. Increasing the tariff for non-residential users in the cycle would precisely imply increasing the subsidies received by residential users.

- **PROCON**

**Contribution:** The report being examined points out that the Individual Residential tariff will increase around 17.8%, which we consider too high to be absorbed



only by consumers of the Individual Residential category. However, the Consumer Defense Code recognizes the vulnerability of consumers in the consumption market, as well as establishes drinking water as an essential good for human life, which must have adequate and ongoing supply, and moreover, its tariffs must be affordable in a way that its value is compatible with the population's ability to pay. We highlight two proposals made by Instituto Democracia e Sustentabilidade – IDS, in the document named Recommendations for improving SABESP's tariff, namely: (i) the use of a direct subsidy, and (ii) reinvestment of the amount collected by the State government, through dividends originating from SABESP itself, that, in our opinion, can be allocated to the social tariff.

In addition to these, it would be important to (iii) create other consumption ranges in the Individual Residential category, whose progressiveness can be used, in whole or in part, to subsidize this same tariff aimed at low-income users.

Lastly, we understand that the (iv) Industrial and Commercial categories must have their share of the social tariff subsidy, creating a triad comprised by the government (direct subsidy and dividends), non-residential consumers (private initiative) and residential consumers, with the objective of financing the basic sanitation policy for the most vulnerable population.

**Answer: Not accepted.**

**Justification:** ARSESP cannot determine a direct subsidy obligation from public authorities (direct subsidy or reinvestment of dividends). The hypothesis of a direct subsidy can be discussed directly by the granting authorities.

Regarding the proposal to use tariff resources for the highest levels of consumption is already contained in the proposal presented. Regarding the last point, these are precisely the users who bear the cross-subsidies.



However, it is worth mentioning that, even with this significant increase, sanitation services will continue to represent less than 1% of the average income of households in this area.

- **Ricardo de Souza Moretti (UFABC)**

**Contribution:** In view of water security, especially in the São Paulo metropolitan region, a reduction in tariff impacts the number of ranges and progressiveness to non-residential services, also increasing the concern with the region's water and environmental fragility. Therefore, the suggestion is to change these parameters.

**Answer: Not accepted.**

**Justification:** On the contrary, by not revising these parameters, ARSESP would be increasing cross-subsidies among users. The particularities of number of ranges and progressiveness were replied in previous answers.

### 6.3 Transition

- **Claritas**

**Contribution:** By analyzing NT.F-0006, we see that the regulator plans to apply the readjustment derived from the 3rd OTR in smooth installments throughout the tariff cycle, with a negative readjustment, in real terms, in the first year and higher readjustments in the following years. The proper procedure would be to immediately apply the readjustment in the tariff review, and from this new balanced tariff, initiate the tariff restructuring process.

**Answer: Not accepted.**

**Justification:** Note that ARSESP proposes a transition in the tariff design. If the adjustment provided for in the current table was applied without changing the structure, the effect could be very different from the one calculated in the model.



- **FIESP**

**Contribution:** It is essential that ARSESP abandon its transition proposal. The new tariff structure must be immediately applied, according to the economic criteria.

Any social impacts, if aimed by public policies, must be achieved by the Government. The Agency is responsible for providing services, within the limits of the current regulatory model, and only ensures the economic and financial balance of the concession, which has a matrix of associated risks.

Changing the concessionaire's risk matrix at this time, without considering the implications of this change, can generate significant impacts for the concessionaire and consumers. Therefore, we are against the transition rule.

**Answer: Not accepted.**

**Justification:** The immediate application of the new structure faces systemic difficulties. It is not possible to presume that the company will be able to change all its billing systems and records according to the new rules without a transition period.

Furthermore, there would be high revenue risk (for SABESP or users) due to the significant changes proposed.

Both arguments justify the adoption of a transition period.

- **Gabriel Alexandre Gonçalves**

**Contribution:** Include social and vulnerable residential users already in 2021 given the current economic situation.

**Answer: Not accepted.**



**Justification:** As indicated in other answers, a transition period is needed to adjust the registration bases. In addition, rapid expansions would lead to a potential drop in revenue at given the increase in uncertainty regarding the effects of the new structure on the market.

- **Ricardo de Souza Moretti (UFABC)**

**Contribution:** Suggested an annual monitoring and permanent monitoring of revenues, investments, tariffs and collection for treated sewage, in addition to an expansion of the social tariff. Also suggested the creation of annual forums for this information to be shared with society.

**Answer: Accepted.**

**Justification:** In terms of monitoring, this is already done through technical and economic-financial inspections of the contracts.

**Contribution:** Take advantage of the maintained tariff structure in 2021 to simultaneously carry out and present simulations for the new tariff structure.

**Answer: Accepted.**

**Justification:** It will be presented.

- **SABESP**

**Contribution:** An evaluation and adjustment mechanism for the transition period should be done so that the required revenue authorized by ARSESP in the 3rd OTR is preserved for all years of the cycle;

**Answer: Partially accepted.**



**Justification:** ARSESP proposed an annual monitoring mechanism for the actual revenue in relation to the required revenue to reduce risks for SABESP and users. However, a revenue range is applied to maintain some level of risk for both.

- **Vinci Partners**

**Contribution:** Considering the proposed measures to make tariffs more affordable (for those who need it), there should be no obstacle to apply the P0. We understand the focus should be on the tariff level and not the readjustment. Is the tariff level affordable and does it make the proposed business plan viable? If so, we think it should be fully implemented.

**Answer: Not accepted.**

**Justification:** The immediate application of the new structure faces systemic difficulties. It is not possible to presume that the company will be able to change all its billing systems and records according to the new rules without a transition period.

Furthermore, there would be high revenue risk (for SABESP or users) due to the significant changes proposed.

Both arguments justify the adoption of a transition period.

## 6.4 Revenue Ranges

- **Claritas**

**Contribution:** The tariff cycle that is now initiating has particularities that can lead to significant effects, positive or negative, on SABESP's economic and financial balance. Among these particularities, we can mention the regressive impact on the tariff mix due to



the pandemic, the equalization of tariffs in the newly served municipalities and the uncertainties inherent to tariff restructuring. In this context, NT.F-0006 already provides for compensation if the required revenue is different than the actual revenue by 5% in the first two years, 7.5% in the third and 10% in the fourth year. We consider a narrower range, of 2.5% over the 4 years, as a more suitable alternative, exceptionally in this tariff cycle, so it addresses these particularities and ensures the concession's economic and financial balance.

**Answer: Accepted.**

**Justification:** Considering the arguments brought up in the process, the range will be adjusted to a fixed amount of 2.5% throughout the cycle.

- **Vinci Partners**

**Contribution:** We consider that the limits proposed by the Agency are excessively broad, resulting in high risk in an industry which, under normal conditions, have highly predictable revenues. Also, since the tariff structure will be implemented gradually throughout the tariff cycle, ending only at the final year, we are concerned about the risk the concessionaire will be subject to, especially in the final years if the Agency's proposal for limits continues to grow.

In order to minimize the high risk the concessionaire and its consumers are subject to in this particular cycle, our proposal is that a lower limit should be considered and it should be kept constant throughout the four years of the cycle.

We estimate that a level of up to 2.5% would be more suitable for all parties involved. A limit of +/- 2.5% limits gains and losses to R\$900 million in the cycle. The IRR, on the other hand, will range from 7.7% to 8.6% (figures 3 and 4 in annex 1). In the worst-case scenario, cash flow would be 22% lower than the base-case scenario, which would already be a challenge. Higher levels may be too risky.



While the risk of a “few” percentage points in revenue may seem tolerable, at first glance, transforming this risk into return and cash flow leads us to believe otherwise. To illustrate the magnitude of the impacts, we apply the proposed maximum and minimum limits on the P0 cash flow (figures 1 and 2 of annex 1 of the contribution). The gain or loss may be up to R\$2.4 billion in the cycle and the IRR will range from 6.9% to 9.3%, a significant difference from what was expected.

**Answer: Accepted.**

**Justification:** Considering the arguments brought up in the process, the range will be adjusted to a fixed amount of 2.5% throughout the cycle.

## 7. COMMUNICATION

- **Condomínio London Residence Service**

**Contribution:** For purposes of transparency in the allocation and collection of revenue, provide an estimated percentage, on the invoice, of how much subsidy is being given in the municipality.

**Answer: Not accepted.**

**Justification:** This information is complex and difficult to evaluate without proper context and additional analysis. The cross-subsidies will be monitored periodically by ARSESP during the ordinary tariff reviews and made available to society in public consultation processes.

- **Gabriel Alexandre Gonçalves**



**Contribution:** Suggested communication actions to explain to the population their right to access the social tariff, with campaigns and monitoring forums for the public.

**Answer: Accepted.**

**Justification:** ARSESP will make vast communication across its networks. Additionally, SABESP should will out widely accessed campaigns (newspapers, radio, television, internet).

- **IDS**

**Contribution:** We recommend that ARSESP improves its public hearing dynamics so that this space, with all its formalities, effectively fulfills its purpose, which is to promote a broad and transparent dialogue with society and interested parties. The questions and concerns presented by the participants should, whenever possible, be commented on and answered by the Agency during the actual public hearing sessions.

**Answer: Partially accepted.**

**Justification:** ARSESP constantly seeks to improve its transparency and social participation processes. There is a certain difficulty in establishing a questions and answers structure at public hearings, in particular, since many questions will always require a deeper analysis by the Agency's technical teams. However, the topic will be evaluated in due course.

**Contribution:** We suggest that the Technical Notes be improved with more visual elements and explanation of the content presented, similar to the communication tools adopted in the presentations made by the Agency, in order to facilitate understanding by a wider audience. For example, the tariff structure transition steps (item 4.5.) could be presented in a timeline format.



**Answer: Accepted.**

**Justification:** ARSESP is preparing studies aimed at simplifying the language used in its technical documents.

**Question:** What actions are planned to widely communicate to society about this benefit, eligibility rules and other information? Will there be a specific campaign?

**Answer:** ARSESP will make vast communications across its networks. Additionally, SABESP should will carry out widely accessed campaigns (newspapers, radio, television, internet).

**Question:** Will the subsidies applied to the social tariff be disclosed to users? How will users who receive this benefit be informed about this? How will users who financially enable the viability of this benefit be informed?

**Answer:** Users are informed about the tariffs on their invoices. The subsidies discussion is presented to society through ARSESP's technical notes and evaluations.

**Contribution:** Considering the changes planned by ARSESP are effectively implemented, it is essential that this is carried out in a way that the consumer fully understands what and how he/she will be charged, both for the sanitation services and water consumed, depleted and treated, in addition to other sensitive matters.

Furthermore, we understand that the changes in the tariff model must be widely disseminated, with information and adequate guidance to consumers, in accordance with the provisions of the Consumer Defense Code.



We believe that the Agency and the sanitation company should promote the changes in a transparent manner, according to the execution calendar suggested by the regulatory body so that affected users can be reached through mass communication actions (radio, television, press, websites, social networks), taking into account the different user categories and regions where the service is provided.

ARSESP and SABESP should also offer service channels to provide clarifications and to answer questions, in addition to improving invoices (water/sewage bills) so they become simpler and more transparent, explaining the changes made and providing information on the costs of the sanitation services used by the consumer.

**Answer: Accepted.**

**Justification:** ARSESP will make vast communications across its networks. Additionally, SABESP should will carry out widely accessed campaigns (newspapers, radio, television, internet).

As for the user service channels, these already exist. Additionally, ARSESP is evaluating the need for adjustments to its regulations in terms of invoices so that it can implement the necessary changes.

- **SABESP**

**Contribution:** Changes in the tariff structure should be agreed with the Service Holders, observing any need to adjust contracts in force with the municipalities and the current tariff regulation, authorized by State Decree 41,446/1996 (or its substitution), to ensure the necessary legal certainty for its application and avoid future questionings.

**Answer: Accepted.**



**Justification:** The review of the tariff structure underwent public consultation and hearings, and may receive contributions from users and granting authorities.

As for the State Decree, the matter will be discussed by the Agency, which expects to send questions to the State Attorney General and the Executive Branch to define the appropriate treatment that should be given throughout 2021.

**Contribution:** All changes in the tariff structure should be associated with the extensive communication campaign carried out by SABESP and ARSESP.

**Answer: Accepted.**

**Justification:** ARSESP will make vast communications across its networks. Additionally, SABESP will carry out widely accessed campaigns (newspapers, radio, television, internet).

**Andre Luis Pinto Da Silva**

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