



# PREFEITURA DE ITANHAÉM

ESTÂNCIA BALNEÁRIA | ESTADO DE SÃO PAULO

## ANNEX 8 - PAYMENT MECHANISM



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## INDEX

<b>1. INTRODUCTION</b> .....	4
<b>2. EFFECTIVE MONTHLY CONSIDERATION (CME)</b> .....	4
<b>2.1. Maximum Monthly Consideration (CMM)</b> .....	5
<b>2.2. Performance Factor</b> .....	7
2.2.1. FD calculation in the first 6 (six) months of the CONCESSION .....	7
2.2.2. Calculation of FD throughout the Concession .....	7
<b>3. BONUS ON THE ENERGY BILL (BCE)</b> .....	8



# PREFEITURA DE ITANHAÉM

ESTÂNCIA BALNEÁRIA | ESTADO DE SÃO PAULO

## TABLE

Table 1 - Modernization and Efficiency Factor.....	6
Table 2 - Corresponding Values between IDG and FD .....	7



## **1. INTRODUCTION**

This ANNEX establishes the mechanism for calculating the payment of the pecuniary consideration due to the CONCESSIONAIRE for SERVICES provision.

From the beginning of Phase I, the CONCESSIONAIRE shall receive, monthly, for the SERVICES, the amount of the EFFECTIVE MONTHLY CONSIDERATION (CME), resulting from the adjustment of the MAXIMUM MONTHLY CONSIDERATION (CMM considering the performance presented by the CONCESSIONAIRE and compliance with the CONCESSION MILESTONE, pursuant to the CONTRACT and this ANNEX.

In addition to the CME payment, the CONCESSIONAIRE may be entitled to the BONUS ON THE ENERGY BILL (BCE). The BCE corresponds to the additional revenue obtained when the CONCESSIONAIRE achieves ENERGY EFFICIENCY greater than 105% (one hundred and five percent) of the EFFICIENCY GOAL. The BCE will be granted from the year following the year of compliance with the last CONCESSION MILESTONE and paid monthly, observing the rules described in this ANNEX.

## **2. EFFECTIVE MONTHLY CONSIDERATION (CME)**

This section establishes the set of procedures, rules and instruments for calculating the EFFECTIVE MONTHLY CONSIDERATION to be paid to the CONCESSIONAIRE.

The remuneration model presents two installments of Consideration, which make up the MAXIMUM MONTHLY CONSIDERATION (CMM):



# PREFEITURA DE ITANHAÉM

ESTÂNCIA BALNEÁRIA | ESTADO DE SÃO PAULO

- (i) installment to remunerate the Concessionaire's Investments, the Maximum Monthly Consideration - Parcel A (CMA) - after the issuance of the acceptance term for all concession milestones, the CMA will be equivalent to 58.0% of the CMM value presented in the COMMERCIAL PROPOSAL;
- (ii) installment to remunerate the services provided by the Concessionaire, the Maximum Monthly Consideration - Parcel B (CMB) - after the beginning of Phase 1 will be equivalent to 42.0% of the CMM value presented in the COMMERCIAL PROPOSAL.

The PERFORMANCE FACTOR (FD) shall affect the CMM, represented by the sum of the CMA and CMB, according to the following equation:

$$CME = CMM \times FD$$

On what:

CME = EFFECTIVE MONTHLY CONSIDERATION;

CMM = MAXIMUM MONTHLY CONSIDERATION;

FD = PERFORMANCE FACTOR, adjustment factor of the consideration to the performance presented by the CONCESSIONAIRE, determined as provided for in 2.2 of this ANNEX and ANNEX 7 (PERFORMANCE MEASUREMENT SYSTEM).

## 2.1. Maximum Monthly Consideration (CMM)

The Maximum Monthly Consideration (CMM) will be calculated according to the following equation:

$$CMM = CMA + CMB$$



# PREFEITURA DE ITANHAÉM

ESTÂNCIA BALNEÁRIA | ESTADO DE SÃO PAULO

On what:

CMA = MAXIMUM MONTHLY CONSIDERATION – PARCEL A

CMB = MAXIMUM MONTHLY CONSIDERATION – PARCEL B

The CMA and CMB are installments of the MAXIMUM MONTHLY CONSIDERATION presented in the COMMERCIAL PROPOSAL. Portion A will be subject to a Modernization and Efficiency Factor that will have a modular effect on the consideration depending on the pre-operational investment and compliance with the concession milestones.

Table 1 - Modernization and Efficiency Factor	
Períod	FME
Beginning of Phase 1 until the fulfillment of the 1st Concession Milestone	0,10
Subsequent to the fulfillment of the 1st Concession Milestone	0,40
Subsequent to the fulfillment of the 2st Concession Milestone	0,70
Subsequent to the fulfillment of the 3st Concession Milestone	1,00

Therefore, the installments will be calculated according to the following equation:

$$CMA = CMM \times 58,0\% \times FME$$

On what:

CMA = MAXIMUM MONTHLY CONSIDERATION – PARCEL A

CMM = MAXIMUM MONTHLY CONSIDERATION

FME = MODERNIZATION AND EFFICIENCY FACTOR



## 2.2. Performance Factor

The FD will be determined quarterly based on the correspondence with the GENERAL PERFORMANCE INDEX (IDG) which in turn will be calculated according to the methodology described in ANNEX 7.

The FD will assume a dimensionless value between 0.8 (eight tenths) and 1 (one) corresponding to the IDG for the reference period.

### 2.2.1. FD calculation in the first 6 (six) months of the CONCESSION

Exclusively during the first 6 (six) months of the CONCESSION, counted from the EFFECTIVE DATE, the result obtained in calculating the IDG will not affect the FD. During this period, the calculation of the IDG must be carried out normally, but the FD will be considered equal to 1 (one) for the purposes of calculating the EFFECTIVE MONTHLY CONSIDERATION.

### 2.2.2. Calculation of FD throughout the Concession

As of the 7th (seventh) month after the EFFECTIVE DATE, the FD will be determined based on the IDG result calculated in the immediately preceding quarter, as provided in Table 2.

IDG value	Corresponding FD value
$IDG \geq 0,94$	1,00
$0,90 \geq IDG < 0,94$	0,94
$0,80 \geq IDG < 0,90$	FD = IDG
$IDG < 0,80$	0,80

If the calculated value of IDG is greater than or equal to 0.94 (ninety-four hundredths), the FD will assume a value equal to 1 (one).



# PREFEITURA DE ITANHAÉM

ESTÂNCIA BALNEÁRIA | ESTADO DE SÃO PAULO

If the calculated value of IDG is greater than or equal to 0.90 (ninety hundredths) and less than 0.94 (ninety-four hundredths), the FD will assume a value equal to 0.94 (ninety-four hundredths).

If the calculated value of IDG is greater than or equal to 0.80 (eighty hundredths) and less than 0.90 (ninety hundredths), the FD will assume a value equal to the calculated IDG.

If the calculated value of IDG is less than 0.80 (eighty hundredths), the FD value will be equal to 0.80 (eighty hundredths).

### 2.2.3. General considerations about FD calculation

FD shall be calculated based on the GENERAL PERFORMANCE INDEX calculated in the previous quarter and shall impact the amount of the EFFECTIVE MONTHLY CONSIDERATION in the following three months.

The FD to be used in the quarter starting on the 7th (seventh) month counted from the EFFECTIVE DATE will be calculated based on the IDG referring to the quarter starting on the 4th (fourth) month counting from the EFFECTIVE DATE.

## 3. BONUS ON THE ENERGY BILL (BCE)

BCE may be granted from the year following the year of compliance with the CONCESSION MILESTONE and paid monthly, observing the rules described in this ANNEX, upon proof of the reduction of the amount paid by the GRANTOR related to the consumption of electricity intended for STREET LIGHTING.

By the 5th business day of the 13th (thirteenth) month after the conclusion of the CONCESSION MILESTONES, the GRANTOR shall forward to the





# PREFEITURA DE ITANHAÉM

ESTÂNCIA BALNEÁRIA | ESTADO DE SÃO PAULO

CONCESSIONAIRE all energy bills issued by the DISTRIBUTOR COMPANY from the date of compliance with the CONCESSION MILESTONES until the 12th month of its conclusion. After the first referral, the others must occur annually within the same period, always considering the last 12 (twelve) months of billing.

BCE shall be obtained for each period using the following equation:

$$BCE = 85\% \times \sum_{m=1}^{12} (CET_m - CE_m)$$

On what:

$m$ : reference month, ranging from 1 (one) to 12 (twelve);

$CE_m$ : Actual monetary value related to the consumption of electrical energy intended for STREET LIGHTING of the energy bill paid by the GRANTOR in the months following the achievement of the EFFICIENCY GOAL, with  $m$  ranging from 1 to 12 for each BCE calculation period;

The  $CE_m$ : must only include the consumption of electricity intended for STREET LIGHTING in the CONCESSION AREA and must not include any type of credit or meeting of accounts for activities not related to the provision of the STREET LIGHTING service by the CONCESSIONAIRE.

The  $CE_m$ : must consider the amount actually billed to the GRANTOR for the consumption of electricity intended for STREET LIGHTING in the CONCESSION AREA, from the tariff of energy B4a in (R\$/kWh) used by the DISTRIBUTOR COMPANY for the purpose of calculating the energy bill, including taxes and any additional flags.

$CET_m$ : Theoretical amount of the energy bill paid by the GRANTOR in the months following the achievement of the EFFICIENCY GOAL, ranging from 1 to 12 for each BCE calculation period.



# PREFEITURA DE ITANHAÉM

ESTÂNCIA BALNEÁRIA | ESTADO DE SÃO PAULO

$$CET_m = \sum_{m=1}^{12} (CM_{futura} \times QPIP_m \times MEC \times \#dias_m \times T_m \times Tarifa_m)$$

On what:

*CM<sub>futura</sub>*: Projected future average load of 58,74 W;

*QPIP<sub>m</sub>*: Number of STREET LIGHTING POINTS included in the REGISTRATION in the assessment month *m*;

*MEC*: Efficiency target for BEB sharing, equivalent to 105% (one hundred and five percent) of the EFFICIENCY GOAL;

*#dias<sub>m</sub>*: Number of days in the assessment month *m*;

*T<sub>m</sub>*: Time in hours (h) used by the DISTRIBUTOR COMPANY for the purpose of calculating the energy bill in the assessment month *m*;

*Tarifa<sub>m</sub>*: B4a energy tariff [R\$/kWh] used by the DISTRIBUTOR COMPANY for the purpose of calculating the energy bill in force in the month *m* of the assessment period, including taxes and any additional flags, as calculated for billing *CE<sub>m</sub>*.

In case BCE value is negative for the annual period, the CONCESSIONAIRE shall not be entitled to receive any amount as a BONUS ON THE ENERGY BILL in the period.