

Refuse Rates Administrator's (RRA) response to Recology's initial refuse rate change request (submitted March 7th, 2023)

3/24/23

This document is an update to the RRA's March 15th response letter, and includes only the request items which have been shared with Recology to-date in the share Questions And Requests workbook. As discussed in our previous meeting we will accept submissions not broken out by the Audited Financial cost centers, and that ratepayer class will be based on fee schedule breakout. Our initial review of you submission identified missing or incomplete schedules. This update identifies additional missing or incomplete schedules as well as additional exhibits which will be necessary for the RRA to conduct analyses which lead to recommendation on future rates. The RRA has not yet received the items outlined in the prior request, so they will be included in this request and any future updates. Please let us know when we can receive these tables to complete your submission as the timing by which they are submitted will impact the timeline of the rate review:

RRA Follow-up Request Date	Schedule	Current Status 3/24/23	Status As Of 3/15/23	Notes
3/24/2023	A.2 Total Sources and Uses	Incomplete	Incomplete	Breakdown of Total Uses needed. Missing Residential Multi-Family, 5 units or less.
3/21/2023	C.1 Ratepayer Revenue	Validate	Validate	Reconcile commercial revenue with rate reports (i.e. debris box?)
3/15/2023	C.2 Waste Collection Revenue Detail	Missing	Missing	Recology has said they will be able to provide this schedule
3/21/2023	C.3 Other Ratepayer Revenue	Missing	Missing	Include line-item for Contamination Fees
3/15/2023	D.2 Revenue Offsets	Missing	Missing	
3/24/2023	D.3 Recycling Revenue	Incomplete	Incomplete	Revenue by Customer Type missing, i.e., rows 34-78. Actuals would have to exist in order to have done accurate billings.
3/24/2023	D.4 Disposal Revenue	Incomplete	Incomplete	All but 2 rows missing from rows 13-129
3/24/2023	D.5 Processing Tonnage	Incomplete	Incomplete	Rows 46-48 Missing, and important for policymaker and public sightline, to know the impact on the Landfill Disposal Agreement's time-to-cap exceedance.
3/15/2023	D.6 Toxics Collection	Incomplete	Incomplete	RY23-RY25 projections not included. Recology has said they will be able to provide projections.
3/15/2023	E.1 Operating Expense Summary	Missing	Missing	

3/15/2023	F.1 Service Apportionment	Missing	Missing	Recology has said they are working on a cost allocation methodology and will provide
3/15/2023	G.1 Refuse Collection Detail	Incomplete	Incomplete	Identification of Fixed/Variable cost, and Combined and Eliminations columns are missing. Include columns to disaggregate RSF from SS/GG
3/15/2023	J.3 Depreciation Expenses	Incomplete	Incomplete	Actuals are missing
3/15/2023	K.1 Insurance Expenses	Incomplete	Incomplete	Actuals are missing
3/15/2023	L.2 Intercompany Processing	Incomplete	Incomplete	Some categories of recyclables are missing
3/15/2023	O.1 Professional Services Expenses	Incomplete	Incomplete	FTE and performing and requesting companies are missing
3/15/2023	O.2 Corporate Services Expenses	Incomplete	Incomplete	FTE and performing and requesting companies are missing

The RRA has also requested answers to the following specific questions pertaining to line items in Recology's submission:

RRA Follow-up Request Date	Schedule	Current Status 3/24/23	Question from Refuse Rate Administrator
3/21/2023	C.1 Ratepayer Revenue	Incomplete	What are assumptions for account growth/tonnage growth tied to these revenue projections for base FY23 and the 2% assumption for the rate years?
3/21/2023		Incomplete	What is the relationship between revenue, accounts, and tonnage?
3/21/2023	D.3 Recycling Revenue	Incomplete	What are assumptions for account growth/tonnage growth tied to these revenue projections for base FY23 and the 2% assumption for the rate years?
3/21/2023	D.4 Disposal Revenue	Incomplete	What are assumptions for account growth/tonnage growth tied to these revenue projections for base FY23 and the 2% assumption for the rate years?
3/21/2023	G.1 Expense Detail	Incomplete	Indicate line-items where enhancements have been included and amount (i.e. Pier 96 Study, Black Can Processing Pilot, Abandoned Material enhancement, outreach, City Can enhancement, etc.)
3/21/2023	L.1 Intercompany Disposal	Incomplete	Bulky item tonnage went up 159% and 42% in RY20 and RY21. Any idea what caused this?
3/21/2023		Incomplete	iMRF treated wood tonnage decreased 49% and 97% in RY20 and RY21. What was the cause?
3/21/2023	L.2 Intercompany Processing	Incomplete	What is driving the 16% increase in recyclable processing charges in RY24?

3/21/2023		Incomplete	Recyclable processing tonnage has dropped 31% from RY20-25, but cost is only down 10%. What causes this discrepancy?
3/21/2023		Incomplete	Why doesn't wood have figures for RY24-25?
3/21/2023		Incomplete	RY20-25 compostable, brush, sheetrock, and wood tons are 12% down and cost 11% up. What's driving this?
3/21/2023	M.1 Repair expenses	Incomplete	Why did iMRF parts/tires/tubes cost increase 473% in RY22?
3/21/2023		Incomplete	Why did Recycle central parts/tires/tubes cost increase 249% in RY22?
3/21/2023		Incomplete	Why do you project transfer station parts/tires/tubes cost will increase 68% in RY24?
3/21/2023		Incomplete	Why have repair costs for bulky/abandoned ceased in RY21?
3/21/2023		Incomplete	Why have repair costs for public cans ceased in RY22?
3/21/2023		Incomplete	What are the repairs to gen admin that increased 86% in RY22?
3/21/2023		Incomplete	What are the repairs to rear loaders that increased 84% in RY21?
3/21/2023		Incomplete	What are the repairs to iMRF that increased 118% in RY21 and 52% in RY23?
3/21/2023		Incomplete	What are the repairs to the transfer station that increased 37% in RY21 and 86% in RY22?
3/21/2023		Incomplete	What are the repairs to Organics Annex that increased 37% in RY21 and 77% in RY23?
3/21/2023	M.2 Fuel Expenses	Incomplete	Why do you project fuel units will increase 6.1% in RY23?
3/21/2023		Incomplete	Why don't submitted fuel costs match Rate Reports or Audited Financials?
3/21/2023	N.1 Contract Services Expenses	Incomplete	Is the Artist In Residence included in rates? Likely not prop 218 compliant, art products and education not provided to ratepayers as a whole, no/weak nexus to service. What are components of this contract (costs and services)?
3/21/2023		Incomplete	What was the RY22 increase in General and Administrative?
3/21/2023		Incomplete	What is the Fantastic 3 contract?
3/21/2023		Incomplete	Contract Expenses decreased YoY until the current Rate Year, now expected to increase. Why?
3/21/2023		Incomplete	Where would these expenses appear in the Audited Financial statements?
3/21/2023		Incomplete	Submission total in RY22 is 33% lower than the total in RY21 Rate Report. Why?
3/21/2023	O.1 Professional Services Expenses	Incomplete	Why is there a 71% increase in external Accounting fees in RY23?
3/21/2023		Incomplete	Why is there a 593% increase in external engineering fees in RY23 and anticipated 368% further increase in RY24?
3/21/2023		Incomplete	Why was there a 60% increase in legal fees in RY21, 51% decrease in RY22, and estimated 53% increase in RY23?
3/21/2023		Incomplete	What are the other professional fees that are anticipated to increase 34% in RY24 and 81% in RY25?
3/21/2023	O.2 Corporate Services Expenses	Incomplete	Recology has under projected corporate allocations by over 50% in the last 3 rate years. Why have these exceeded projections? What has been done to correct projection methodology?

3/21/2023		Incomplete	Corporate services expenses are projected to increase by 21.6% in RY23 but only 3.7% in 24 and 3.1% in 25. What is driving this projection and why does RY23 differ so much from RY24 and RY25?
3/21/2023		Incomplete	Why did RY22 increase only 3% while RY21 increased 13%?
3/21/2023		Incomplete	Submission totals are 4-8% lower than Audited Financials but 3-5% higher than Rate Reports.
3/21/2023		Incomplete	In RY22, Corporate Administration increased by 140% and Sustainability increased by 4671% YoY. What drove these changes? What does Sustainability include?
3/21/2023		Incomplete	In RY23, Commitment to Customer, Sustainability and Internal Audit are projected to increase 41-54%. What are the specific services that are being added or increased? What does Commitment to Customer include?
3/21/2023	P.1 Residential Rates Comparison	Incomplete	Why is population of SF 3.6M?
3/21/2023		Incomplete	Are rates averages or are they the lowest price available to ratepayers in that jurisdiction?
3/21/2023		Incomplete	Why does SF not show breakdown for dwelling unit charge, trash collection, recycling, and compost fees?
3/21/2023		Incomplete	Why are breakdowns not shown for same categories for most other jurisdictions where available?
3/22/2023	H.1 Salaries, Wages and Payroll Headcount	Incomplete	Non-union staff had dropped in RYs 20-22, but are now increasing. What is driving this trend, what additional tasks will Recology achieve with these FTE?
3/22/2023		Incomplete	There's a 42% increase in gen admin union clerical staff from RY20-24. 7 FTEs reduced from refuse collection and debris box, but 11 FTEs (42%) added in General Admin. What was the decision behind this reorganization and what additional activities will the 4 FTEs provide for rate payers?
3/22/2023		Incomplete	After a drop in RY21, union drivers/helpers are back to RY20 levels, but tonnage is down 14.2% RY20-22 and 19.8% down since RY2018. Why are the same number of helpers and drivers still needed to collect 14-20% less tonnage? This amounts to \$16.7M difference in RY24 payroll. For debris box and processing these positions are still down 30% and 14% from RY20, but for refuse collection these FTEs have actually increased 5.8% since RY20 despite the drop in tonnage and FTEs needed elsewhere. Recycling tonnage is also down 0.5% during this time, but Driver/Helper FTEs are up from 3 to 4 in RY23 and 5 in RY24 (33% and 67% increase in FTEs).
3/22/2023		Incomplete	Union sorter FTEs have halved since RY20. How does this impact our ability to sort and manage contamination? Are the new proposed contamination fees and policies compensating for these reduced FTEs in any way? Please identify any sorting machines which were added to compensate for the loss of these FTEs.
3/22/2023		Incomplete	Why did union utility person FTEs more than double after RY20?

3/22/2023		Incomplete	Total payroll saw a 4% reduction in FTEs during RY20-RY21, and a 1% reduction in RY21-22. RY22-23 projects a 2% FTE increase and 1% increase in 23-24. What is driving these changes in headcount?
3/22/2023	H.2 Non-Salary and Wage Personnel Expenditures	Incomplete	Why has workers comp grown as a % of payroll by 10% in RY22 and 6% RY23? Why did it drop by 6% in RY21?
3/22/2023	I.2 Property Description	Incomplete	What is APN 0005-152-310 (505 Tunnel) used for?
3/22/2023		Incomplete	What is 595 Tunnel used for? What is the lot size?
3/22/2023		Incomplete	What are the houses at 466 Tocoloma and 465 Wheeler used for?
3/22/2023	J.1 Depreciation and Lease	Incomplete	What is driving the increase in lease expenses? 6%-7% change in RY20-21 and 21-22, but 14% change in RY22-23, 18% the next year, 11% the following.
3/22/2023		Incomplete	Total depreciation saw a 19% increase from RY20-21, and then leveled off until RY24-25, with a 21% decrease. What is driving/drove those changes?
3/22/2023	J.2 Detailed Capital and Lease Expenses	Incomplete	Many items in Refuse Collection Operating Equipment are duplicated, but with different costs in the same rate year. Examples are CARB vehicles, carts, containers, etc. Why are they duplicated and what are the quantities for each item which has a price but no quantity?
3/22/2023		Incomplete	What number of split loaders, single loaders, autocars, flatbeds, pickups, rear loaders, etc. was Recology operating at the end of RY21 and RY22? What will the numbers be in RY23, 24, and 25?
3/22/2023		Incomplete	how many CARB compliance vehicles are being leased? What are the vehicle makes/models and which CARB regulations are the current vehicles not in compliance with?
3/22/2023		Incomplete	how many containers are being leased in RY23? What were the numbers in RY21 and 22? What are the projections for RY24 and 25?
3/22/2023		Incomplete	how many carts are being leased in RY23? What were the numbers in RY21 and 22? What are the projections for RY24 and 25?
3/22/2023	J.3 Depreciation Expenses	Incomplete	What is the daily capacity of the West Wing organics film screening system and how many contaminants per minute is it rated to screen?
3/22/2023		Incomplete	How many vehicles will the 3rd eye camera system be installed in at the beginning of each rate year? Will this cover all residential and commercial collections?
3/22/2023	K.1 Insurance Expenses	Incomplete	What are the actuals for RY20 and RY21?
3/22/2023		Incomplete	For each insurance expense, please list whether they are incurred or claims-made.
3/22/2023		Incomplete	For each insurance expense, please report the coverage amounts. Pollution insurance is projected to drop 76% from RY22-23, then increase 336% from RY23-24, then stabilize. What is causing these swings?
3/22/2023		Incomplete	Cyber risk and other costs increased 61% from RY22-23. What are the specific costs included in these figures? What caused the increase?

In addition to these schedules, we are requesting additional information and exhibits on changes described in the Narrative and Summary of Assumptions.

RRA Follow-up Request Date	Exhibits	Current Status 3/24/23	Status As Of 3/15/23	Notes
3/15/2023	Outreach	Missing	Missing	What are current services and costs associated with outreach. What changes to outreach are being made, and what are the associated cost changes?
3/15/2023	Abandoned Materials Collection	Missing	Missing	What is the current level of service for abandoned materials collections and what are the associated costs? What changes to abandoned materials collections are being made and what are the associated costs.
3/15/2023	Increased "City can" service	Missing	Missing	What is the current level of service for "City can" service and what are the associated costs? What are the current routes and schedules for "City can" service and how will this change? What are the associated cost changes?
3/15/2023	Changes to FTE count	Missing	Missing	Please specify what the additional FTE will support.
3/15/2023	List of Fees and Charges	Missing	Missing	Please provide list of all fees and charges. Please identify any fees not included in one of the 6 rate schedules
3/15/2023	Pension Costs	Missing	Missing	For the 2 year rate period, please explain what the annual cost is assumed for the cash-funded portion of the pension contribution, and what it is by month for each of the 24 month periods.
3/21/2023	Contamination Fees	Missing	Not addressed	Please provide current charges and procedures as well as proposed charges and procedures outlining changes, identify impacted populations and impact to customer waste collection costs.