Exhibit: COLA and Other Annual Rate Adjustments

Background

A cost of living adjustment (COLA) allows for annual rate adjustments for changes in the price of the goods and services used by the SF Recology Companies to provide service. A COLA helps keep rates more closely aligned with the SF Recology Companies' actual costs. It does not adjust rates for increases due to changes in service levels or mix of services, nor does it adjust for new costs. For example, if the price of fuel increases by 5%, this increase would be captured by the COLA. But if the use of fuel increased, a COLA would not adjust for this increase in operating costs.

A COLA has several benefits, including avoiding the time and expense of rate change proceedings each year and helping to reduce the likelihood of large jumps in rates when a new rate order is issued. A COLA mechanism has been used for San Francisco rates since the 2001 rate adjustment cycle, with some methodological modifications over the years.

The COLA mechanism adopted as part of the last rate order is comprised of various expense categories or "factors," such as fixed labor or fuel. By using a combination of factors to assemble a COLA – rather than using a single "inflation" number, such as the Consumer Price Index – a more granular calculation can be performed that accounts for different relative rates of inflation for different expense categories. The rate of inflation from the time of the immediately preceding rate change for each factor is calculated using data from an appropriate source, such as an index of diesel prices for the renewable diesel factor. The inflation percentages for each factor are then adjusted for their relative weight to calculate an overall COLA for RSF and, separately, for the Collection Companies. The factors, sources for inflation percentages, and weights adopted in the 2017 rate order are as follows:

COLA Factor	Source/Index	RSF Weight	RSS/RGG Weight
Fixed labor	As per Collective Bargaining Agreements	40.8%	52.5%
Variable labor	SF-CPI (U)	13.3%	6.7%
Health and welfare	Mercer Analysis or equivalent	10.4%	12.1%
Pension	City pension factor or rate from actuarial report	4.8%	6.8%
Renewable diesel	Weekly California No. 2 Diesel Retail Prices	1.4%	0.85%
Natural gas fuel	PG&E Series G-NGV1	0.9%	0.15%
Materials	PPI	23.6%	14.3%
Capital	No inflation	4.8%	6.6%
Total		**100%**	**100%**

Historically, the COLA adjustment for RSS/RGG is further modified by adjusting for any new rebate for unearned Zero Waste Incentive (ZWI) funds and for rebates included in the prior year's rate adjustment.

Current Proposal

A COLA would be applied to the rates beginning in RY 2026 and each rate year thereafter until new rates are set in a subsequent rate order. The SF Recology Companies' rate application proposes to continue a COLA mechanism similar to that described above but with several modifications.

1. Weighting

The SF Recology Companies propose to modify the COLA methodology described above by adjusting the relative weights of the COLA factors each year. Whereas in the past the weights were fixed at the time of the rate application, this application proposes that the weights in each rate year would be based on the actual costs reported in the annual rate report of prior rate year. For example, the cumulative costs for the period October 1, 2023 – September 30, 2024 would be used to determine the relative weighting of the cost components of the COLA factors used in the calculation of the COLA to be used for setting new rates for RY 2026 (effective October 1, 2025). Making this change allows a more accurate weighting of these cost categories and allows the relative weights to adjust year to year as the SF Recology Companies' actual costs and mix of costs change.

2. Period of Index Data

For the COLA factors based on an index, the SF Recology Companies will use the most recent available index data at the time of the COLA submission for each index listed above. These index values will be compared to the index value at the same point 12 months previously to calculate the change over the 12-month period (e.g., the change between June 2025 and June 2024). For the fixed labor factor, the change will be calculated by taking the fixed labor cost increases from the relevant collective bargaining agreements over the relevant time period. Because the SF Recology Companies' collective bargaining agreements provide for wage increases on January 1, that is, three months after the beginning of a rate year, the fixed labor factor will be calculated by multiplying the percent of the fixed labor increase by 0.75. For example, the wage increase that would be effective January 1, 2026 would be used in the COLA calculation for the rate change to occur on October 1, 2025.

3. ZWI

The SF Recology Companies propose that the impact of the expiry of the ZWI rebate and the new rebate for the upcoming rate year be calculated by dividing the ZWI dollar amount by the revenue estimated to be collected from ratepayers for RY 2025.

4. **Treatment of Pension**

The SF Recology Companies propose that the pension factor be removed from the list of COLA factors and instead that changes in pension contributions be treated similarly to the ZWI rebates. Rather than weight the increase or decrease in pension contributions as part of determining an overall COLA for RSF and for the Collection Companies, the change in the projected pension contribution, grossed up for the operating ratio, divided by the revenue estimated to be collected from ratepayers[1] for the upcoming rate year would be added to or subtracted from the COLA.

5. **Notional Balancing Account**

Any use of the notional balance of the balancing account will be applied at the same time as regularly scheduled rate changes and will be calculated by dividing the amount to be applied by the revenue estimated to be collected from ratepayers for the upcoming rate year. Any amounts used in the prior year will need to be added back and will be calculated by dividing the amount by the revenue estimated to be collected from ratepayers for the upcoming rate year.

Refuse Rate Administrator Review

The SF Recology Companies must follow the COLA methodology approved as part of this rate order in any submission of a COLA to the Refuse Rate Administrator. The Refuse Rate Administrator shall timely review the submission to ensure that it follows this methodology and accurately reflects the sources or indices required for each COLA factor. If the submission does follow this methodology and accurately reflects the required sources or indices, the Refuse Rate Administrator shall approve the COLA.

To allow the Refuse Rate Administrator sufficient time to review a proposed COLA and to allow the SF Recology Companies sufficient time to implement a rate adjustment, the SF Recology Companies will submit a proposed COLA by August 1 of the rate year preceding the rate year for which rates will be adjusted (e.g., August 1, 2025 for a RY 2026 COLA). The Refuse Rate Administrator will notify the SF Recology Companies by September 1 whether the COLA may be applied to the rates beginning on October 1.

Example

The accompanying file shows a sample calculation for RY 2026. Assuming (A) a COLA of 6% for both RSS/RGG and RSF, the sample calculation includes annual adjustments

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[1] Revenue from ratepayers for RSS/RGG is the revenue from billings to residential, apartment, commercial, and regulated debris box customers and excludes billings to contract customers and non-regulated debris box customers. Revenue from ratepayers for RSF is the revenue from all customers who pay the tipping fee and is not limited to revenue from billing RSS/RGG.

as a result of (B) a hypothetical rebate received in RY 2025 of the RY 2024 ZWI funding, i.e., an add back; (C) a hypothetical rebate to be received in RY 2026 of the RY 2025 ZWI funding, i.e., a use; (D) an add back of expired revenue offsets (used for RY 2025 rate adjustment); (E) a hypothetical change in the pension contribution projected in the rates for RY 2026 as compared to RY 2025; (F, G) an add back and deduction for the use of the December 2022 settlement agreement balancing account; and (H, I) an add back and deduction for the use of the ongoing balancing account.

		RSS / RGG	RSF	Comments
[A]	**COLA Adjustment**	6.00%	6.00%	Calculated using the updated weighting based on actuals from two rate years prior (e.g. for RY 2026 will use actuals from RY 2024)
	ZWI			
[B]	RY 2024 funding used as rebate in RY 2025	0.67%	1.02%	Add back Tier 1 and 2 RY 2024 ZWI funding used as Rate Offset for RY 2025
[C]	RY 2025 funding to use as rebate in RY 2026	-0.69%	-1.02%	Deduct Tier 1 and 2 RY 2025 ZWI funding as rebate
[D]	**Expired Revenue Offsets**	0.00%	0.00%	Add back expired revenue offsets
[E]	**Pension Contributions**	-3.60%	-3.70%	Adjust for projected change in RY 2026 pension contributions as compared to RY 2025 estimated contributions
	Notional Balancing Account - Dec 2022 Settlement			
[F]	Balance used in RY 2025 that expires	0.00%	0.00%	Add back expired adjustment for use of notional balancing account
[G]	Balance to use to in RY 2026	0.00%	0.00%	Deduct for use of notional balancing account
	Notional Balancing Account - Ongoing			
[H]	Balance used in RY 2025 that expires	0.00%	0.00%	Add back expired adjustment for use of notional balancing account
[I]	Balance to use to in RY 2026	-0.26%	0.00%	Deduct for use of notional balancing account
[J] = Sum [A] to [I]	**RY 2026 Rate Adjustment**	**2.12%**	**2.30%**	
[K]			$ 256.03	**RY 2025 Tipping Fee**
[L] = ([J]+1) x [K]			$ 261.92	**RY 2026 Tipping Fee**

	RY 2025 estimated revenue from Ratepayers			
	Rate Year 2025 Revenue from Ratepayers			
[1]	Actual for 9 months ending June 2025			
[2]	Projection for 3 months ending September 2025			
[3]=[1]+[2]	**Estimated total revenue for RY 2025**	$ 381,377,518	$ 152,265,146	
	ZWI			
[4]	RY 2024 funding as rebated in RY 2025	$ 2,574,145	$ 1,549,834	
[B] = [4] / [3]	as % of RY 2025 estimated revenue	0.67%	1.02%	
[5]	RY 2025 Funding Tier 1 and 2	$ (2,638,846)	$ (1,553,050)	amount per schedule B.1 in SSGG Rate Model in cell I27 divided by 2 / per B in RSF Rate model in cell C23 divided by 2
[C] = [5] / [3]	as % of RY 2025 estimated revenue	-0.69%	-1.02%	
	Expired Revenue Offsets			
[6]	RY 2025 revenue offsets other than ZWI	$ -	$ -	
[D] = [6] / [3]	as % of RY 2025 estimated revenue	0.00%	0.00%	
	Pension Contributions			**Combined**
[7]	Estimated RY 2026 Pension Contributions	$ -	$ -	$ -
[8]	RY 2025 Pension Contributions	$ 12,476,904	$ 5,122,626	$ 17,599,529.77
[9] = [7] - [8]	Change in pension contributions	$ (12,476,904)	$ (5,122,626)	$ (17,599,529.77)
[10] = [9] / 0.91	OR adjusted change in pension contributions	$ (13,710,883)	$ (5,629,260)	$ (19,340,142.60)
[E] = [10] / [3]	as % of RY 2025 estimated revenue	-3.60%	-3.70%	
	Notional Balancing Account - Dec 2022 Settlement			
[11]	Balance used in RY 2025 that expires	$ -	$ -	
[F] = [11] / [3]	as % of RY 2025 estimated revenue	0.00%	0.00%	
[12]	Balance to use to in RY 2026	$ -	$ -	
[G] = [12] / [3]	as % of RY 2025 estimated revenue	0.00%	0.00%	

	Notional Balancing Account - Ongoing				
[13]	Balance used in RY 2025 that expires	$ -	$ -		
[H] = [13] / [3]	as % of RY 2025 estimated revenue	0.00%	0.00%		
[14]	Balance to use to in RY 2026	$ (1,000,000)	$ -	Example	
[I] = [14] / [3]	as % of RY 2025 estimated revenue	-0.26%	0.00%		