

Recology Material Mistakes or Errors Disclosure (October 14, 2024)

Identified Confirmed Material Mistakes or Errors

On September 12, 2024, Recology San Francisco (“RSF”), Sunset Scavenger Company (“RSS”), and Golden Gate Disposal & Recycling Company (“RGG”) (collectively, the “Combined SF Companies”) disclosed that they were investigating two Suspected Material Mistakes or Errors. The Combined SF Companies have investigated these Suspected Material Mistakes or Errors and determined that they are Confirmed Material Mistakes or Errors.

Material Mistake or Error 1 involves the projection of certain lease expenses for RY24 and RY25 in the 2023 Rate Application. Lease expenses for certain vehicles used in RSF, RSS, and RGG operations that had not yet reached the end of their depreciable life, but that had passed the term of their lease, were incorrectly included in the lease expense projections for RY24 and RY25 in the 2023 Rate Application. In addition, the lease expenses for two RSF facilities, which had been scheduled to end at the conclusion of RY23, were included in the lease expense projections for RY24 and RY25 in the 2023 Rate Application.

Material Mistake or Error 2 involves the projection of revenue at current rates for RSS and RGG in the 2023 Rate Application. The projection of revenue at current rates was based on revenue projections for RY23. Historically, rate changes typically occurred at the beginning of a rate year. RY23 rates, however, were adjusted on January 1, 2023, or the beginning of Q2 2023, rather than on October 1, 2022, the beginning of Q1 2023. As a result, the revenue projected for RY23 includes revenue at the lower rates charged in Q1 2023. The projection of revenue at current rates for RY24 should have adjusted for the rates in effect on and after January 1, 2023, which were not reflected in the Q1 2023 revenue projection.

On or after September 18, 2024, the Combined SF Companies identified an additional Suspected Material Mistake or Error. The Combined SF Companies investigated this Suspected Material Mistake or Error and determined that it is a Confirmed Material Mistake or Error.

Material Mistake or Error 3 results from a spreadsheet calculation error in the 2023 Rate Application for RSF lease expenses. A cell in a spreadsheet file that was meant to reflect the total of the cells above it was improperly linked to another spreadsheet file that calculated lease expenses. As a result of this technical error, the correct total did not flow through the calculations used in the 2023 Rate Application.

Actions to Address These Material Mistakes or Errors

On September 30, 2024, the Combined SF Companies presented a proposal to the Refuse Rate Board to address Material Mistakes or Errors 1 and 2. For RY24, the Combined SF Companies will issue credit adjustments as follows:

- For RSS and RGG, credit adjustments to ratepayers equivalent to 1.91% of billings for services provided between October 1, 2023 and December 31, 2023, and 3.24% of billings for services provided between January 1, 2024 and September 30, 2024; and
- For RSF self-haul customers, credit adjustments equivalent to 1.78% of the total per-ton tipping fees paid on refuse tons delivered to the RSF transfer station between October 1, 2023 and September 30, 2024.

For RY25, the Combined SF Companies will adjust rates as follows, effective October 1, 2024:

- For RSS and RGG, decreasing collection rates for ratepayers by 1.01% instead of the planned increase of 2.47%; and
- For RSF, increasing the per-ton tipping fee charged to self-haul customers by only 1.39% instead of the planned increase of 3.08%.

On September 30, 2024, the Refuse Rate Board approved a motion endorsing this proposal.

Because Material Mistake or Error 3 resulted in lower rates than would have been the case in the absence of this error, a correction of this error would result in an insignificant rate increase. The Combined SF Companies do not believe that action to address this error is appropriate at this time.

At the request of the Refuse Rate Administrator, the Combined SF Companies plan to issue revised financial rate reports for Q1 and Q2 RY24 concurrently with year-end RY24 reporting.

I declare under penalty of perjury, under the laws of the State of California, that all statements contained in this Disclosure of Material Mistakes or Errors are true and correct, to the best of my knowledge. Executed this 14th day of October 2024, in San Francisco, California.

Signed by:

Terry Duong

Regional Controller, Recology San Francisco Companies

**Material Error Disclosure
Increase (Decrease)**

			Rate Application	
Adjustment #	Company	Line Item	RY2024 Projections	RY2025 Projections
1	RSF	Lease Expense	\$ (2,283,051)	\$ (2,210,173)
1	SSGG	Lease Expense	\$ (1,298,040)	\$ (3,439,363)
2	SSGG	Revenue @ Current Rates	\$ 7,315,642	\$ 7,561,447
3	RSF	Lease Expense	\$ 9,441	\$ 18,184

* Adjustments are in reference to the "RY2024 RRA City Template Version 8.4.2023" file on the Refuse Rate Administrator's website.