

Recology Material Mistakes or Errors Disclosures (April 15, 2022)

Identified Confirmed Material Mistakes or Errors – RY18-RY21


From January 6, 2022 to present, Recology San Francisco, Sunset Scavenger Company, and Golden Gate Disposal & Recycling Company (collectively, “SF Recology Companies”) have responded to a number of inquiries from the City Controller’s Office. In the course of responding to those inquiries, SF Recology Companies have identified the Material Mistakes or Errors set forth in Attachment A, as defined in the Stipulated Injunction filed June 30, 2021 in San Francisco County Superior Court (“Stipulated Injunction”). The SF Recology Companies have informed the City Controller’s Office and the San Francisco City Attorney’s Office of the Suspected Material Mistakes or Errors, including on March 28, 2022. The SF Recology Companies investigated the Suspected Material Mistakes or Errors and have determined that they are Confirmed Material Mistakes or Errors.

The causes of these Confirmed Material Mistakes or Errors are set forth in Attachment A.

The SF Recology Companies plan to address all Material Mistakes or Errors except for 1, 2, and 3 in Attachment A by issuing revised Rate Reports by the end of May 2022.

Material Mistakes or Errors 1, 2, and 3 in Attachment A were errors made in the course of the 2017 Rate Application. The net effect of these errors is that the SF Recology Companies received approximately \$3.3 million less revenue in RY18 than they should have, as well as a smaller amount of revenue than they should have in subsequent years. Under the filed rate doctrine, which sets forth that there is no retroactive ratemaking, there are no corrections to be made for these Material Mistakes or Errors. Material Mistakes or Errors 4-29 in Attachment A are errors in the actual and projected revenues, expenses, sources of funds, and uses of funds provided in the Rate Reports. Because these are errors only in the reporting of certain amounts, there is no impact on the rates charged to ratepayers.

I declare under penalty of perjury, under the laws of the State of California, that all statements contained in this Disclosure of Material Mistake or Error are true and correct, to the best of my knowledge. Executed this 15th day of April 2022, in San Francisco, California.

DocuSigned by:

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Terry Duong
Group Controller, Recology San Francisco Companies

Attachment A

**Material Error Disclosure
Increase (Decrease)
RY18 - RY21**

#	Rate App	Rate Reports	SSGG / RSF	Rate Report Table	Item	Description	Cause	Rate Report - Actuals				Rate Report - Projections					
								RY18	RY18	RY19	RY20	RY21	RY18	RY19	RY20	RY21	
1	Yes	No	SSGG	n/a	RY 2018 Tier 3 & 4 Pier 96 Improvement Reimbursement	The release of funds from ZWI to offset capital expenditures are distinct events and should not have been included in the 2017 RAP as a reduction of the required revenue for RY18	Misunderstanding about how release of funds from ZWI to offset capital expenditures should be treated in the rate application	(3,247,570)									
2	Yes	No	SSGG	n/a	Property Rental	Tunnel & Beatty credit is missing from Property Rental projections for RY18 in the 2017 RAP.	Clerical error	(240,000)									
3	Yes	No	RSF	n/a	Property Rental	Pier 96 Maritime surcharge is missing from Property Rental projections for RY18 in the 2017 RAP	Clerical error	313,206									
4	No	Yes	SSGG	Table 6	Project Paid by ZWI Funds	Reimbursements from ZWI for capital projects is not part of ongoing operations and should be excluded.	Prior reporting format did not reflect the true economics of the release of funds from ZWI to offset capital expenditures	(3,247,569)	(3,980,252)	(7,903,951)	(3,247,569)		(3,980,252)				
5	No	Yes	SSGG	Table 9	Project Paid by ZWI Funds	Costs of capital projects for which reimbursements from ZWI were received is not part of ongoing operations and should be excluded.	Prior reporting format did not reflect the true economics of the release of funds from ZWI to offset capital expenditures				(7,903,951)						
6	No	Yes	SSGG	Table 11	ZWI Approved Projects (Not OR Eligible)	Costs of capital projects for which reimbursements from ZWI were received is not part of ongoing operations and should be excluded.	Prior reporting format did not reflect the true economics of the release of funds from ZWI to offset capital expenditures	(3,247,569)	(3,980,252)								
7	No	Yes	SSGG	Table 9	Sustainability	Misalignment for Sustainability and Taxes in the Projections in RY18 Rate Reports	Clerical error					(1,446,539)					
8	No	Yes	SSGG	Table 9	Taxes	Misalignment for Sustainability and Taxes in the Projections in RY18 Rate Reports	Clerical error					1,446,539					
9	No	Yes	RSF	Table 10	Sustainability	Misalignment for Sustainability and Taxes in the Projections in RY18 Rate Reports	Clerical error					(1,802,429)					
10	No	Yes	RSF	Table 10	Taxes	Misalignment for Sustainability and Taxes in the Projections in RY18 Rate Reports	Clerical error					1,802,429					
11	No	Yes	SSGG	Table 9	Payroll	Non-rate related project costs should be excluded from RY20 Actuals	Clerical error			(374,147)							
12	No	Yes	SSGG	Table 9	Payroll Taxes	Non-rate related project costs should be excluded from RY20 Actuals	Clerical error			(27,948)							
13	No	Yes	SSGG	Table 9	Pension	Non-rate related project costs should be excluded from RY20 Actuals	Clerical error			(36,955)							
14	No	Yes	SSGG	Table 9	Health Insurance	Non-rate related project costs should be excluded from RY20 Actuals	Clerical error			(73,334)							
15	No	Yes	SSGG	Table 9	Workers Compensation	Non-rate related project costs should be excluded from RY20 Actuals	Clerical error			(36,249)							
16	No	Yes	SSGG	Table 9	I/C Disposal	Non-rate related project costs should be excluded from RY20 Actuals	Clerical error			(275,578)							
17	No	Yes	SSGG	Table 9	Property Rental	Remove from RY21 actuals the imputed rent expenses under GAAP for 900 7th	Clerical error related to an extraordinary expense				(3,195,154)						
18	No	Yes	RSF	Table 10	Property Rental	Add to Projections for RY19, RY20 and RY21 the West Wing Property Rental amounts as per the 2017 Director's Report	Clerical error						1,696,201	1,696,201	1,696,201		

19	No	Yes	RSF	Table 10	Lease	Remove adjustments made to lease expense actuals in RY19 and RY20 rate reports for 6 months of West Wing intercompany rent. Expense should be recorded in Property rental and not Equipment Leasing.	Clerical error	(659,444)	659,444
20	No	Yes	RSF	Table 10	Property Rental	Correct actuals in RY19 and RY20 for West Wing intercompany rental expense.	Clerical error	659,444	(659,444)
21	No	Yes	SSGG	Table 9	Corporate Allocations	Adjust RY20 and RY21 Actuals for financial statement topside adjustment for impact on the calculation of corporate allocations on FY20 for FY20 and prior payments to ratepayers	Adjustments identified after rate reports were prepared	(1,179,912)	1,179,912
22	No	Yes	SSGG	Table 9	Corporate Allocations	Add to RY20 and RY21 actuals the adjustment to FY20 recorded in Q4 FY20 for the impact to corporate allocations of change in GAAP treatment of Franchise Fees.	Adjustments identified after rate reports were prepared	(635,206)	(211,735)
23	No	Yes	SSGG	Table 9	Corporate Allocations	Add to RY21 actuals the adjustment to FY21 recorded in Q4 FY21 for the impact to corporate allocations of change in GAAP treatment of Franchise Fees.	Adjustments identified after rate reports were prepared		(934,665)
24	No	Yes	SSGG	Table 9	Corporate Allocations	Correction in RY21 of the actual expenses excluded for rate reporting purposes.	Adjustments identified after rate reports were prepared		156,372
25	No	Yes	RSF	Table 10	Corporate Allocations	Add to RY20 and RY21 actuals the adjustment to FY20 recorded in Q4 FY20 for the impact to corporate allocations of change in GAAP treatment of Franchise Fees.	Adjustments identified after rate reports were prepared	222,584	74,194
26	No	Yes	RSF	Table 10	Corporate Allocations	Add to RY21 actuals the adjustment to FY21 recorded in Q4 FY21 for the impact to corporate allocations of change in GAAP treatment of Franchise Fees.	Adjustments identified after rate reports were prepared		119,818
27	No	Yes	RSF	Table 10	Corporate Allocations	Correction in RY21 of the actual expenses excluded for rate reporting purposes.	Adjustments identified after rate reports were prepared		(13,522)
28	No	Yes	SSGG	Table 9	Liability Insurance	Remove from actuals for RY21 the allocation of supplemental and tail D&O insurance costs	Clerical error related to an extraordinary expense		(803,797)
29	No	Yes	RSF	Table 10	Liability Insurance	Remove from actuals for RY21 the allocation of supplemental and tail D&O insurance costs	Clerical error related to an extraordinary expense		(514,858)