

## **Recology Material Mistakes or Errors Disclosures (March 1, 2023)**

### Identified Confirmed Material Mistakes or Errors

On or after January 30, 2023, Recology San Francisco, Sunset Scavenger Company, and Golden Gate Disposal & Recycling Company (collectively, "SF Recology Companies") identified the Suspected Material Mistakes or Errors set forth in Attachment A. The SF Recology Companies investigated the Suspected Material Mistakes or Errors and determined that they are Confirmed Material Mistakes or Errors.

Material Mistake or Error 1, impacting the reported actual expenses, occurred due to interest income recorded on outstanding invoices to the City and County of San Francisco (the "City"). Because the contract with the City does not permit the charging of interest, these amounts should not have been recorded. These amounts were not billed to or paid by the City. The interest income has been presented as an offset to "Other" expenses in past Rate Reports.

Material Mistake or Error 2, impacting the reported actual expenses, is an intercompany processing expense for cardboard that should not have been included as an expense in any Rate Report.

As a result of Material Mistake or Error 1 and 2, the total actual expenses that the Sunset Scavenger and Golden Gate Disposal & Recycling Companies reported in the Rate Reports in each period other than the twelve months ending September 30, 2022 was overstated by the sum of Material Mistake or Error 1 and 2. Because the amounts listed in Attachment A are small (total annual impact of no more than \$63,613 in any rate year), the SF Recology Companies do not believe that issuing revised Rate Reports is appropriate.

Material Mistake or Error 3, impacting the reported actual expenses, occurred due to the incorrect classification of interest income as an offset under the expense line "Other" in Table 9 in past Rate Reports. Interest income should have been listed as a revenue line item in Table 6.

Material Mistake or Error 4, impacting the reported actual revenues, occurred due to the incorrect classification described in the preceding paragraph.


The net effect of Material Mistake or Error 3 and 4 on net profits is zero because these mistakes or errors involve the reclassification of income and do not change the net profit in any period. As a result, the SF Recology Companies do not believe that issuing revised Rate Reports is appropriate.

Material Mistake or Error 5, impacting the reported projected expenses, corrects the projected Property Rental expenses reported in the Rate Reports for the fifteen months and the twelve months ending September 30, 2022. The actual Property Rental expenses reported in these Rate Reports are not affected by this Material Mistake or Error. Because this Material Mistake

or Error affects only projected numbers, the SF Recology Companies do not believe that issuing revised Rate Reports is appropriate.

Because these Material Mistakes or Errors affected only the reporting of total revenues and expenses, 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 1st day of March 2023, in San Francisco, California.

DocuSigned by:  
  
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Terry Duong

Regional Controller, Recology San Francisco Companies  
March 1, 2023 | 4:16 PM PST

**Material Error Disclosure**  
**Increase (Decrease)**

#	Rate App	Rate Reports	SSGG / RSF	Rate Report Table	Item	Description	Cause	Rate Report - Actual						
								RY18	RY19	RY20	RY21	RY22 ending 6/30/22	15 mths RY22 ending 9/30/22	12 mths RY22 ending 9/30/22
1	No	Yes	SSGG	Table 9	Other	To remove interest income recorded in error on overdue receivables from contract customer.	Accounting error	\$ (612)	\$ (241)	\$ 319	\$ 2,942	\$ 8,857	\$ 11,410	\$ 9,338
2	No	Yes	SSGG	Table 9	I/C Processing	To remove expense for cardboard processing.	Accounting error	\$ (63,001)	\$ (52,311)	\$ (23,085)	\$ (26,766)	\$ (48,488)	\$ (17,880)	
3	No	Yes	SSGG	Table 9	Other	To reclassify interest income from Other Expense in Table 9 to Interest Income in Table 6	Classification error	\$ 202,777	\$ 263,526	\$ 248,717	\$ 279,559	\$ 323,425	\$ 412,668	\$ 367,131
4	No	Yes	SSGG	Table 6	Interest Income	To reclassify interest income from Other Expense in Table 9 to Interest Income in Table 6	Classification error	\$ 202,777	\$ 263,526	\$ 248,717	\$ 279,559	\$ 323,425	\$ 412,668	\$ 367,131

#	Rate App	Rate Reports	SSGG / RSF	Rate Report Table	Item	Description	Cause	Rate Report - Projection						
								RY18	RY19	RY20	RY21	RY22 ending 6/30/22	15 mths RY22 ending 9/30/22	12 mths RY22 ending 9/30/22
5	No	Yes	RSF	Table 10	Property Rental	To correct calculation of Property Rental Projection.	Accounting error						\$ (373,184)	\$ (446,271)