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55 Second Street
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Independent Accountants' Agreed-Upon Procedures Report

The Board of Directors of Sunset Scavenger Company, Golden Gate Disposal & Recycling Company, and Recology San Francisco (Recology San Francisco Companies):

We have performed the procedures enumerated below related to the accompanying Notional Balancing Account schedule prepared by Recology San Francisco Companies as of September 30, 2023. Recology San Francisco Companies are responsible for the Notional Balancing Account schedule.

Recology San Francisco Companies have agreed to and acknowledged that the procedures performed are sufficient and appropriate to meet the intended purpose of assisting users in evaluating the activity in the Notional Balancing Account. This report may not be suitable for any other purpose. Additionally, the City and County of San Francisco has agreed to and acknowledged that the procedures performed are sufficient and appropriate for its purposes. No other parties have agreed to or acknowledged the appropriateness of these procedures for the intended purpose or any other purpose.

The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes. We make no representation regarding the appropriateness of the procedures either for the intended purpose or for any other purpose. Additionally, we make no representation regarding the appropriateness of the activity in the Notional Balancing Account as described above.

The procedures and the associated findings are as follows:

1. We obtained from management the San Francisco Annual Rate Report for the 15 months ending September 30, 2022 last updated on April 24, 2023 ("15 months ending September 2022 Rate Report"), the San Francisco Annual Rate Report for the 12 months ending June 30, 2022 last updated on August 30, 2022 ("12 months ending June 2022 Rate Report"), the San Francisco Rate Report for the 3 months ending December 31, 2022 issued on March 1, 2023 ("3 months ending December 31, 2022 Rate Report") and the San Francisco Annual Rate Report for the 12 months ending September 30, 2023 issued on February 28, 2024 ("12 months ending September 2023 Rate Report").
2. We obtained from management the Settlement Agreement between the City and County of San Francisco and the Recology San Francisco Companies, effective December 22, 2022 ("2022 Settlement Agreement").
3. We obtained from management the Contract and City Service Customers schedule for Sunset Scavenger and Golden Gate for the 3 months ending September 30, 2022 and 3 months ending December 31, 2022 ("Contract Customers schedule").
4. We obtained from management the Regulated Debris Box Customers schedule for Sunset Scavenger and Golden Gate for the 3 months ending September 30, 2022 and 3 months ending December 31, 2022 ("Regulated Debris Box schedule").
5. We obtained from management the Rate Year COLA Mechanism Effective with the Rate Increase July 1, 2022 schedule ("COLA Rate Calculation").



Profit Variance Schedule for the 15 months ending September 30, 2022

6. We obtained from management the Profit Variance schedule for the Recology San Francisco Companies for the 15 months ending September 30, 2022 (“Profit Variance – 9.30.22”).
7. We compared the Combined Recology OR Eligible Expenses amount in cell [A] of the Profit Variance – 9.30.22 schedule and the Combined Recology Actual Net Profit amount in cell [B] of that schedule to the corresponding amounts in Table 13 of the 15 months ending September 2022 Rate Report and did not identify any differences.
8. We recalculated the Target profit @ 91% OR amount in cell [C] of the Profit Variance – 9.30.22 schedule using the formula from Article 9 of the 2022 Settlement Agreement and did not identify any difference.
9. We calculated the result of deducting the amount in cell [C] from the amount in cell [B] of the Profit Variance – 9.30.22 schedule, compared the result to the Excess (Shortfall) Profit amount in cell [D] of that schedule, and did not identify any difference.
10. We compared the COLA Deferral for July 1 – September 30, 2022 amount in cell [E] of the Profit Variance – 9.30.22 schedule to the corresponding amount in cell [12] of the COLA Deferral – 9.30.22 schedule and did not identify any difference.
11. We summed the amounts in cells [D] and [E] of the Profit Variance – 9.30.22 schedule, compared the resulting total to the Net Excess (Shortfall) Profit amount in cell [F] of that schedule, and did not identify any differences.
12. We recalculated the Profit Variance for the 15 months ending September 30, 2022 amount in cell [G] of the Profit Variance – 9.30.22 schedule by multiplying the Net Excess (Shortfall) Profit amount in cell [F] of that schedule by 50% as per Articles 8.2(a) and 9 of the 2022 Settlement Agreement and did not identify any difference.

COLA Deferral Schedule for 3 months ending September 30, 2022

13. We obtained from management the COLA Deferral schedule for Sunset Scavenger and Golden Gate for the 3 months ending September 30, 2022 (“COLA Deferral – 9.30.22”).
14. We compared the amounts in column [A] of the COLA Deferral – 9.30.22 schedule to the corresponding amounts in Table 6 of the 15 months ending September 2022 Rate Report and did not identify any differences.
15. We compared the amounts in column [B] of the COLA Deferral – 9.30.22 schedule to the corresponding amounts in Table 6 of the 12 months ending June 2022 Rate Report and did not identify any differences.
16. We recalculated the amounts in column [C] of the COLA Deferral – 9.30.22 schedule as the difference between the amounts in column [A] and the amounts in column [B] of that schedule and did not identify any differences.
17. We summed the amounts in cells [1] to [5] of column [C] of the COLA Deferral – 9.30.22 schedule, compared the resulting total to the amount in cell [6] of that schedule, and did not identify any difference.
18. We compared the Revenue from Contract and City Service customers amount in cell [8] of the COLA Deferral – 9.30.22 schedule to the Revenue from Contract and City Service Customers for 3 months ending September 30, 2022 amount in the Contract Customers schedule and did not identify any difference.



19. We compared the Revenue from Regulated Debris Box customers amount in cell [9] of the COLA Deferral – 9.30.22 schedule to the Revenue from Regulated Debris Box customers for 3 months ending September 30, 2022 amount in the Regulated Debris Box schedule and did not identify any difference.
20. We summed the amounts in cells [6] to [9] of column [C] of the COLA Deferral – 9.30.22 schedule, compared the resulting total to the amount in cell [10] of that schedule, and did not identify any difference.
21. We compared the COLA rate in cell [11] of the COLA Deferral – 9.30.22 schedule to the corresponding 5.22% in the COLA Rate Calculation and did not identify any difference.
22. We compared the COLA Deferral for the 3 months ending September 30, 2022 amount in cell [12] of the COLA Deferral – 9.30.22 schedule to the product obtained by multiplying the figures in cells [10] and [11] of that schedule and did not identify any difference.

COLA Deferral Schedule for 3 months ending December 31, 2022

23. We obtained from management the COLA Deferral schedule for Sunset Scavenger and Golden Gate for the 3 months ending December 31, 2022 (“COLA Deferral – 12.31.22”).
24. We compared the amounts in column [A] of the COLA Deferral – 12.31.22 schedule to the corresponding amounts in Table 6 of the 3 months ending December 31, 2022 Rate Report and did not identify any differences.
25. We summed the amounts in cells [1] to [5] of column [A] of the COLA Deferral – 12.31.22 schedule, compared the resulting total to the amount in cell [6] of that schedule, and did not identify any difference.
26. We compared the Revenue from Contract customers amount in cell [8] of the COLA Deferral – 12.31.22 schedule to the Revenue from Contract and City Service Customers for 3 months ending December 31, 2022 amount in the Contract Customers schedule and did not identify any difference.
27. We compared the Revenue from Regulated Debris Box customers amount in cell [9] of the COLA Deferral – 12.31.22 schedule to the Revenue from Regulated Debris Box customers for 3 months ending December 31, 2022 amount in the Regulated Debris Box schedule and did not identify any difference.
28. We summed the amounts in cells [6] to [9] of column [A] of the COLA Deferral – 12.31.22 schedule, compared the resulting total to the amount in cell [10] of that schedule, and did not identify any difference.
29. We compared the COLA rate in cell [11] of the COLA Deferral – 12.31.22 schedule to the corresponding 5.22% in the COLA Rate Calculation and did not identify any difference.
30. We compared the COLA Deferral for the 3 months ending December 31, 2022, amount in cell [12] of the COLA Deferral – 12.31.22 schedule to the product obtained by multiplying the figures in cells [10] and [11] of that schedule and did not identify any difference.

Profit Variance Schedule for the 12 months ending September 30, 2023

31. We obtained from management the Profit Variance schedule for the Recology San Francisco Companies for the 12 months ending September 30, 2023 (“Profit Variance – 9.30.23”).
32. We compared the Combined Recology OR Eligible Expenses amount in cell [A] of the Profit Variance 9.30.23 schedule and the Combined Recology Actual Net Profit amount in cell [B] of that schedule to the corresponding amounts in Table 13 of the 12 months ending September 30, 2023 Rate Report and did not identify any difference.



33. We recalculated the Target profit @ 91% OR amount in cell [C] of the Profit Variance – 9.30.23 schedule using the formula from Article 9 of the 2022 Settlement Agreement and did not identify any difference.
34. We calculated the result of deducting the amount in cell [C] from the amount in cell [B] of the Profit Variance – 9.30.23 schedule, compared the result to the Excess (Shortfall) Profit amount in cell [D] of that schedule, and did not identify any difference.
35. We compared the COLA Deferral for October 1, 2022 – December 31, 2022 amount in cell [E] of the Profit Variance – 9.30.23 schedule to the corresponding amount in cell [12] of the COLA Deferral – 12.31.23 schedule and did not identify any difference.
36. We summed the amounts in cells [D] and [E] of the Profit Variance – 9.30.23 schedule, compared the resulting total to the Net Excess (Shortfall) Profit amount in cell [F] of that schedule, and did not identify any difference.
37. We recalculated the Profit Variance for the 12 months ending September 30, 2023 amount in cell [G] of the Profit Variance – 9.30.23 schedule by multiplying the Net Excess (Shortfall) Profit amount in cell [F] of that schedule by 50% as per Articles 8.2(a) and 9 of the 2022 Settlement Agreement and did not identify any differences.

Notional Balancing Account Schedule

38. We obtained the Notional Balancing Account schedule as of September 30, 2023 from management.
39. We traced and agreed the initial ratepayer notional credit amount of \$25,000,000 in cell [1] of the Notional Balancing Account schedule to Article 8.1 of the 2022 Settlement Agreement.
40. We compared the Profit Variance – 15 months ended September 30, 2022 amount in cell [2] of the Notional Balancing Account schedule to the corresponding amount in cell [G] of the Profit Variance – 9.30.22 schedule and did not identify any difference.
41. We compared the COLA Deferral – 3 months ended September 30, 2022 amount in cell [3] of the Notional Balancing Account schedule to the corresponding amount in cell [12] of the COLA Deferral – 9.30.22 schedule and did not identify any difference.
42. We compared the COLA Deferral – 3 months ended December 31, 2022 amount in cell [4] of the Notional Balancing Account schedule to the corresponding amount in cell [12] of the COLA Deferral – 12.31.22 schedule and did not identify any difference.
43. We compared the Profit Variance – 12 months ended September 30, 2023 amount in cell [5] of the Notional Balancing Account schedule to the corresponding amount in cell [G] of the Profit Variance – 9.30.23 schedule and did not identify any difference.
44. We summed of the amounts in cells [1] to [5] of the Notional Balancing Account schedule, compared the resulting total to the Ending balance as of September 30, 2023 in cell [6], and did not identify any difference.

We were engaged by Recology San Francisco Companies to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants, which involves us performing the specific procedures agreed to and acknowledged above and reporting on findings based on performing those procedures. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the accompanying Notional Balancing Account schedule. Accordingly,



we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of Recology San Francisco Companies and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

KPMG LLP

San Francisco, California
February 29, 2024

Recology San Francisco Companies
Notional Balancing Account
As of September 30, 2023

| | <u>Activity</u> | <u>Notes</u> |
|---|-----------------------|--------------|
| Initial ratepayer notional credit | \$ 25,000,000 | [1] |
| Offsets: | | |
| Profit Variance - 15 months ending September 30, 2022 | \$ (6,628,465) | [2] |
| COLA Deferral - 3 months ending September 30, 2022 | \$ (4,227,529) | [3] |
| COLA Deferral - 3 months ending December 31, 2022 | \$ (4,225,607) | [4] |
| Profit Variance - 12 months ending September 30, 2023 | <u>\$ (8,494,058)</u> | [5] |
| Ending balance as of September 30, 2023 | <u>\$ 1,424,341</u> | [6] |

Notes:

[1] Article 8.1 of the 2022 Settlement Agreement states the Recology San Francisco Companies will establish a notional balancing account with an initial ratepayer notional credit of \$25,000,000.

[2] Article 8.2 of the 2022 Settlement Agreement states the Recology San Francisco Companies shall decrease the notional balance by 50% of the profit above or below the target profit at 91% OR for the 15 months ending September 30, 2022 (July 2021 - September 2022).

[3] Article 8.3 of the 2022 Settlement Agreement states the Recology San Francisco Companies shall decrease the notional balance for the amount foregone for the 3 months ending September 30, 2022 (July 2022 - September 2022) as a result of forgoing implementation of the COLA for July 1, 2022 through December 31, 2022 for Recology Sunset Scavenger and Recology Golden Gate.

[4] Article 8.3 of the 2022 Settlement Agreement states the Recology San Francisco Companies shall decrease the notional balance for the amount foregone for the 3 months ending December 31, 2022 (October 2022 - December 2022) as a result of forgoing implementation of the COLA for July 1, 2022 through December 31, 2022 for Recology Sunset Scavenger and Recology Golden Gate.

[5] Article 8.4 of the 2022 Settlement Agreement states the Recology San Francisco Companies shall decrease the notional balance by 50% of the profit above or below the target profit at 91% OR for the 3 months ending December 31, 2022 (October 2022 - December 2022), for the 3 months ending March 31, 2023 (January 2023 - March 2023), for the 3 months ending June 30, 2023 (April 2023 - June 2023) and for the 3 months ending September 30, 2023 (July 2023 - September 2023).

[6] The Final Balance has been adjusted from the 2023 Audited Financial Statements, and will be used to offset future rate increases across RY2025 and RY2029 per Article 8.4 of the Settlement Agreement.