| Beverage Container Recycling Program Reform<br>Workshop #5 - Comment Capture – October 16-17, 2012 |
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| **II. Modernize Program Operations** |
| **II.B: ) B. Calculation & Application of Commingled Rates** |
| II.B: 1.0) 1. Develop definition of commingled rate paid by recycling centers to consumers |
| II.B: 1.1) The total amount of post filled (means any container which had been previously filled with a beverage or food) material equals just the volume of curbside material claimed. |
| II.B: 1.2) There is a definition for the commingled rate. That definition is the statewide average from surveys. This is unenforceable for compliance and enforcement activities associated with redemption at buyback centers. |
| II.B: 1.3) Lower load limits producing smaller loads at buyback is easier to inspect to determine the load being commingled and/or segregated. |
| II.B: 1.4) "Commingled Loads" is open for interpretation. Would like to see a set number (a percentage of non-CRV material). |
| II.B: 1.5) Purchases of commingled materials at certified recycling centers should match the published state wide average rate. If the load falls below the state wide average the consumer would have to sort the load to at least meet the statewide average. Get explicit compliance and enforcement guidelines for the recycler to be able to use for purchasing practices. |
| II.B: 1.6) State should provide posters with defined guidelines for what constitutes a load that is commingled and that the commingled rate would be paid for those loads. Loads that do not meet those guidelines would be scrap only. The consumer has the option to sort. |
| II.B: 1.7) The "commingled rate" referred to, is the published statewide rate. This value as a percentage is currently not published it is obtained by dividing the commingled rate paid by the segregated rate paid per pound; this is the percentage that is being discussed. |
| II.B: 1.8) Potentially could have negative impacts on RC operators that would enforce a published commingled rate by pushing customers to RC operators that are more flexible in their interpretation. |

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| II.B: 1.9) The shrinkage allowance for contamination is an element that could affect implementing commingled rates. Shrinkage is contamination and that is the purpose for shrinkage. |
| II.B: 1.10) Commingled definition in regulations is defined as mix of CRV and non-CRV UBC's. The issue for recyclers is the interpretation of this regulation. PRs cannot adjust loads due to mix of materials in the load it is not practical to implement. This was tried in the past and did not work. Enforcement currently reduces loads based on observations and the presenter of this comment takes issue with this practice. |
| II.B: 1.11) Adopt a regulation to establish a wet-rate for recyclers that would allow them to reduce the amount paid to consumers for a load of containers that has excess moisture. Currently there are no regulations for this. Adopt this for aluminum and possibly plastic. Initial recommendation of 20% reduction for wet-rate. |
| II.B: 1.12) This idea could potentially reduce the quantity of non-CRV material purchased at buy backs, though it will probably be minimal and the non-CRV material will likely end up in curbside material. |
| II.B: 1.13) Pay segregated only for HDPE, there is too much non-CRV HDPE in the market causing excessive purchases of non-CRV material in commingled loads. Each material type should be evaluated to determine the impacts of the non-CRV material on the commingled purchases. Materials should be considered individually for application of commingled. |
| II.B: 1.14) Recommend that the department suspend (commingled is temporarily not a basis for consumer purchases) commingled rates for a 2-year period at buy back centers for all materials. Non CRV material is not paying its way in the program. This is to address issues identified under this topic B1. This still provides the consumer the opportunity to get their CRV back. This is for buy back centers only. |
| II.B: 1.15) Eliminating commingled rates at buy back centers would not substantially address the issue of program integrity due to loss of CRV funds based upon commingled loads with minimal amount of CRV in it. This potentially would bring the buyback center into conflict with the consumers over amounts paid for material received. |
| II.B: 1.16) Commingled loads account for processing payments made on non CRV material in excess of the published state wide rates. |
| II.B: 2.0) 2. Pay segregated refund value only |

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| II.B: 2.1) move to E. |
| II.B: 3.0) 3. Abolish the ICRS program |
| II.B: 3.1) An issue was identified that the current survey methodology overstates the statewide rate for CS. |
| II.B: 3.2) ICRS participants are excluded from the CS statewide survey. |
| II.B: 3.3) The current self-survey process has the potential of bringing the integrity of the ICRS rate into question, by allowing a large amount of unsupervised survey activity to occur. |
| II.B: 3.4) The process providing program participant the opportunity to choose the statewide rate or ICRS results should be stopped and the participant honors the ICRS or does not participate in the ICRS. The participant should be paid at the ICRS rate if it is lower than the statewide rate. |
| II.B: 3.5) ICRS has merit and should be subject to state verification of independent results. The participant has the ability to pre-survey material prior to the state verification survey. The participant should not have the right to choose between ICRS results and the statewide rate. |
| II.B: 3.6) ICRS is an excellent program. It is an education for the operator and increases the quality of the material. It helps the sorters to receive as much material as possible. It provides the maximum benefit for CRV materials placed in curbside bins to consumers and curbside operators. It has the potential to reduce the rate structure. MRF operators currently are surveying 6 times a year; this may not be necessary, it could be just 4 times a year. There is a lot of data that is electronic about this material and there could be an improved process for using electronic data to validate these ICRS results. The majority of material is CRV aluminum and is reasonably accurate; plastics could use more containers per survey to increase the accuracy. |
| II.B: 3.7) Contracting survey work out to independent contractors that are prequalified by the state this would supplant self-surveying. Participants would not survey their own material. This introduces arm's length transaction third party. Contractor fees would be paid by the participant. |
| II.B: 4.0) 4. Pay program participants based upon results of their ICR survey |
| II.B: 4.1) Would include the four primary commodities. You would have to perform a full survey on all of them and once you participated it would be for a fixed period with no opting out. |

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| II.B: 4.2) The issue being addressed is CRV being paid for non CRV material based upon ICRS results. The statewide average is potentially imposing lower payments on some program participants that are being paid less for the CRV material. |
| II.B: 5.0.0) 5. Administrative & Operational |
| II.B: 5.a.0) a) Suspend the ICRS program |
| II.B: 5.a.1) This is currently implemented to address other issues. The issue being addressed was the redirection of department staff and resources to perform the commingled rate surveys associated with $800 million of all programs. |
| II.B: 5.a.2) This locks in rates for participants potentially providing an advantage over competitors, by not resurveying and lowering ICRS rate for participants that were locked in at higher rates. |
| II.B: 5.a.3) The majority of ICRS participants are good operators that have made substantial capital investments to capture high-quality material and increase profitability. This creates jobs. The 2-year cycle is a good time frame. |
| II.B: 5.a.3) If the ICRS program is suspended and rates are frozen then the state should survey and review ICRS participants to ensure the accuracy of the rates. |
| II.B: 4.b.0) b) Realign ICRS objective/purpose to our financial objectives |
| II.B: 4.b.1) This is to address paying CRV for Non- CRV material. Includes modifications to statute and or regulations to reconfigure the ICRS. |
| II.B: 5.c.0) c) Modify the sampling methodology currently used to set the commingled rate for all program types |
| II.B: 5.c.1) This can be affected by policy and is currently being worked. This is to address changes in business practices in the private sector and the markets to realign the survey methodology to match what's going on in the market. |
| II.B: 5.c.2) For curbside programs the percentage shrinkage and or contamination issues associated with managing curbside material should be part of the rates for curbside programs. |
| II.B: 5.c.3) The methodology is based on the inbound material being surveyed but it should also include a survey of the outbound recovered material to account for losses in material management. Factor the variance into the commingled rate. |
| **II.E: ) E. Topic: Refund Value Payment Structure** |
| II.E: 1.0) 1. CRV payments at commingled rate only for all loads redeemed by weight. |
| II.E: 1.1) This provides more control over the cash flow addressing the structural imbalance. |

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| II.E: 1.2) Alternative is to view this as a singular redemption by weight rate with the ability to redeem by count making the program a 2 tier system. Redemption by count or by weight with a single rate for weight. This concept is the same as segregated only. It allows for non CRV content in weight purchases and provides the ability to account for the structural imbalance making the fund solvent. |
| II.E: 1.7) The single commingled rate per pound for purchases by weight would encourage fraud by encouraging loads with very little CRV to be redeemed as a high percentage of all program transactions. This is an additional opportunity for fraud to take place. |
| II.E: 1.1) Another implementation would have the loads be 100% CRV material and pay a rate lower than what would be the statistical segregated rate. This would be a variance between paid in and paid out providing surplus to address program imbalance. |
| II.E: 1.2) There is the potential the public would not accept a variance between paid in and paid out. |
| II.E: 1.7) This would result in large increases of material volume in the program. Down the road this could have severe consequences caused by new material and/or beverages added to consumer loads would upset the structure. |
| II.E: 1.8) 1B. Pay segregated refund value only |
| II.E: 1.9) Particular to CZ recyclers, a large operator adopted segregated only practices with an expectation of a loss in volume based upon 2.2 million transactions. But the pounds per day went up and not down. It appears that not accepting commingled did not impact volumes. Based on analysis of 758 comments only 3 were complaints regarding not purchasing non CRV material (commingled). |
| II.E: 1.10) Currently, training has many barriers because of the complexity of implementing commingled purchases. Paying segregated only facilitates training and operations due to the simplification for RC operators. The lack of a hard definition for commingled is the issue that is being addressed by this solution. |
| II.E: 1.11) Another large operator has adopted the segregated only model and it is working very well. At the beginning of the program there were fewer beverages in the program. Allowing commingled purchases contributed to the overall litter reduction goals of the program. New beverage types that have been added to the program made commingled purchasing obsolete. Of those that have non CRV in their loads, 98% leave the non CRV to be recycled and do not take it back to recycle elsewhere. Consumer education was key to successfully implementing segregated only |

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| II.E: 1.12) Curbside scavengers have loads with low CRV content and rely on commingled purchasing to cash in on their scavenged material. Segregated only could help local jurisdictions efforts to reduce and or stop curbside scavenging. |
| II.E: 1.13) Industry representative contacted several large brick and mortar scrap yards & CZ operators. They indicated they are either currently doing this or see no issue with adopting segregated only and endorse segregated only at buy back centers. |
| II.E: 1.14) Possible net sum gain for curbsides if segregated only is implemented at buy back. |
| II.E: 1.15) Would greatly simplify compliance and enforcement efforts. |
| II.E: 2.0) 2. Allow CRV by count for up to 200 containers (as an example) |
| II.E: 2.1) For large operators daily operations are negatively impacted by count transactions. They consume time and staff and move substantially smaller amounts of material for the same effort. The conversion of count transactions to weight has an inherent loss to the recycler. |
| II.E: 2.2) Multiple operators second the idea that 50 is acceptable and that increasing this substantially (e.g. 200) will have negative effect on the operations and profitability of RC/buy back centers. |
| II.E: 2.3) Processing payments offsets for plastic purchases by count help minimize the loss to RC buy back centers. |
| II.E: 3.0) 3. Conduct study of the allowable % reduction taken & shrinkage adjustment |
| II.E: 3.a.0) a) Reduce the allowable % reduction taken<br>b) Eliminate the allowable % reduction taken<br>c) Increase the allowable % reduction taken |
| II.E: 3.a.1) 2.5% reduction was an industry standard for aluminum and was adopted for the program and all material types. This reduction is to allow for loss of received weight between the consumer transaction and delivery to processor so that there was not a loss of refund value claimed due to material management. This is a normal process in business. Today aluminum should be higher than the 2.5% possibly 3%. Percentage reduction should be material specific and could provide tighter cash management for RC operators. |
| II.E: 3.a.2) Industry vernacular shrinkage equals percent reduction. |
| II.E: 3.a.3) Adopt industry standards for shrinkage used by end users for specific materials ISRI and/or major corporations that are end users can assist in obtaining this information. |

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| II.E: 2.b.1) Not clear if there are industry standards for material types other than aluminum. |
| II.E: 2.b.2) Can refer to 'wet-rate' comment. |
| II.E: 3.b.3) Going to segregated only purchased by weight could have impacts on, or be impacted by, percentage reduction taken due to the change in the composition of the material redeemed. May require a total of 3-4% reduction taken/shrinkage due to the lack of non-CRV material to increase received weight in order to avoid taking a reduction in claimed redemption payment. Purchasing commingled loads results in a lower claimed redemption weight which is less susceptible to being reduced due to percentage reduction and or shrinkage. |
| II.E: 3.c.0) The processor does not have the methodology to reduce payment based on the composition of the load. |
| II.E: 3.c.1) If purchases by segregated only were implemented RC buybacks would be encouraged to accept non CRV material and process it for a consumer adding to the received weight providing enough support to receive 100% reimbursement of claimed refund value based on segregated purchases. |
| II.E: 3.c.2) To effectively manage percentage reduction there has to be an accompanying auditing presence by the department otherwise it encourages collusion and laziness. Auditing presence should be at the processor and recycler levels. |
| II.E: 4.0) 4. CRV payments for segregated loads only redeemed by weight or by count at recycling centers |
| II.E: 4.1) Pass. Already discussed and dialogued. |
| II.E: 5.0) 5. CRV payment only for segregated material by count redeemed at recycling centers |
| II.E: 5.1) Pass. Already discussed and dialogued. |
| II.E: 6.0) 6) Establish % of loss into the refund value rates paid out to consumers and groups |
| II.E: 6.1) This would be a small percentage applied. One factor is dry weight equals paid on weight this needs to be considered when comparing dry wet versus redeemed weight. Moisture reductions and other considerations of contaminations would be considered separately. |
| II.E: 6.2) Public education could increase the quality of material redeemed in place of percentage reductions adjustments and/or percentage of loss factored into refund value rates. |

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| II.E: 6.3) This is another form of a variance between amount paid in and amount paid out per container pay in 5 pay out 4. This topic should be merged and or considered with recycling fee and other topics that have the same concept. |
| II.E: 7.0) 7. Established calendar periods for completing shipping reports. Tighten up the reporting associated with consumer activity. |
| II.E: 7.1) This would force recyclers to ship when it may not be economically feasible. These are logistic issues. |
| II.E: 7.2) The Division has multiple instances where material is being held for more than 24 months and we would like to explore possibly calendar fiscal year close out. |
| II.E: 7.3) Non-issue |
| II.E: 7.4) Limit the number of claims a recycling center can submit (e.g., maximum number of submissions per day, per month, etc.) |
| II.E: 7.5) There are precedents in DTSC universal waste reporting requirements. |
| NEW IDEAS FGW #5 |
| No New Ideas Offered / Captured |
| END FGW #5 Comments |

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