
CARE Sustainable Funding Oversight Committee

Q1 2013 AB 2398 Summary &
Recommendations for Approval

Updated 6/27/13



Agenda

- Quarterly Overview of Results
- Manufacturers Report
- Recyclers Report
- Rolling Forecast
- CalRecycle Update
- AB 2398 Fund Recommendations



A Message from CARE

CARE wishes to thank all those who invested time and energy into preparing feedback over the last 2 quarters. We have been listening. At the same time we want to share how very challenging this program is as we go through start-up. We have continued to learn, share, modify and tighten our procedures. We have evolved our reporting and graphical displays in an effort to better communicate in a transparent and clear fashion.

CARE tries hard to be an enabler and as such, when problems arise our first response is to work to understand, then enable solutions. Sometimes we are successful, but occasionally technology, economics and systems get in the way. We then must turn our attention to corrective actions, share the learnings and move forward. Such is the case with what we hoped would be a major opportunity for PCC generally referred to as CARs. We now know CARs is not viable and we have taken steps to correct our quarterly reporting numbers. Thus, should you compare past reports you will note a drop in pounds for Type 2 output.

CARE continues to work on derivative outlets based on this novel concept and hope to be able to report on success in the future.

We have also taken steps to understand and support the shutdown of The Carpet Recyclers. The good news is they have restarted as of late June. All this is to say we are working very hard to understand, enable and support recyclers of PCC.

As a result of our diagnostic efforts you will note in this package a new set of initiatives approved by the SFOC at our quarterly review meeting. While many, many hours of work went into analyzing and running “what if” scenarios, we were not able to share this during the June 25th public session as we did not yet have final approval. We are now prepared to move forward with the next major phase of PCC recycling in California.

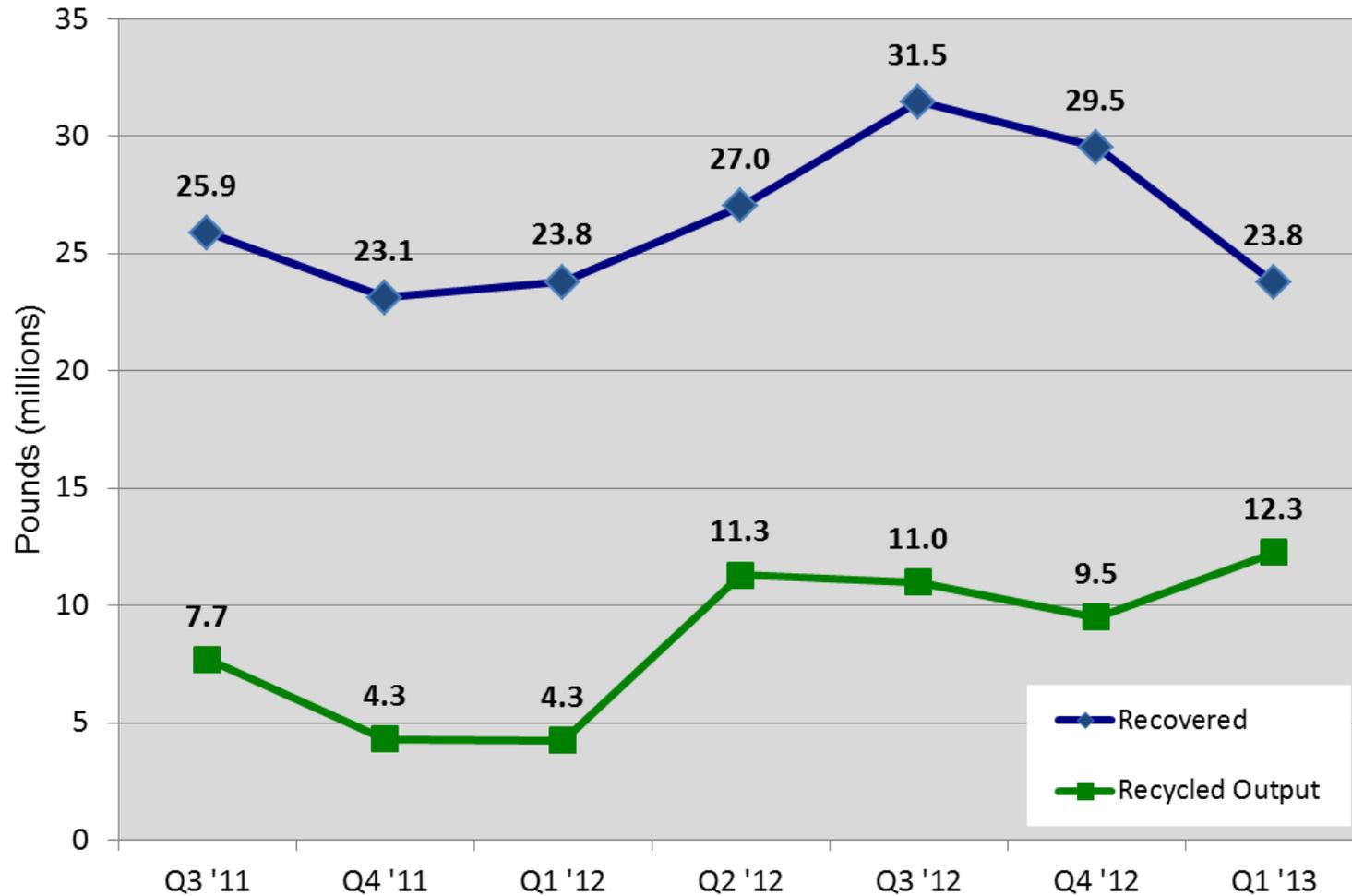
CARE hopes you will see the glass as half full, making good progress on tough issues. Recycling PCC is NOT the same as recycling aluminum cans, plastic bottles, paint or tires. We appreciate the opportunity to work in partnership with CalRecycle and the people of California.



AB 2398 Results to Date



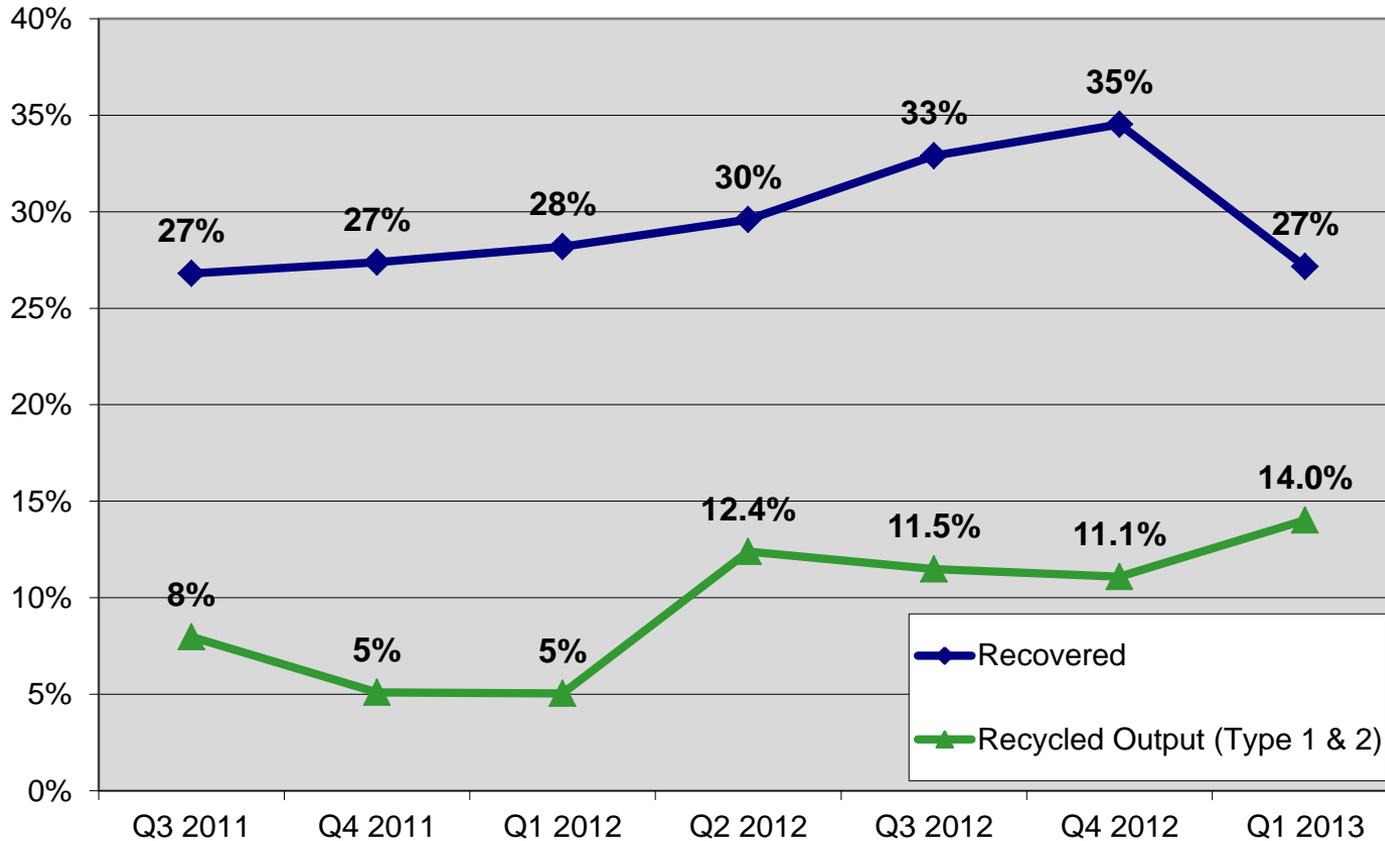
AB 2398 Performance Trends (pounds)



Recovered = Collected



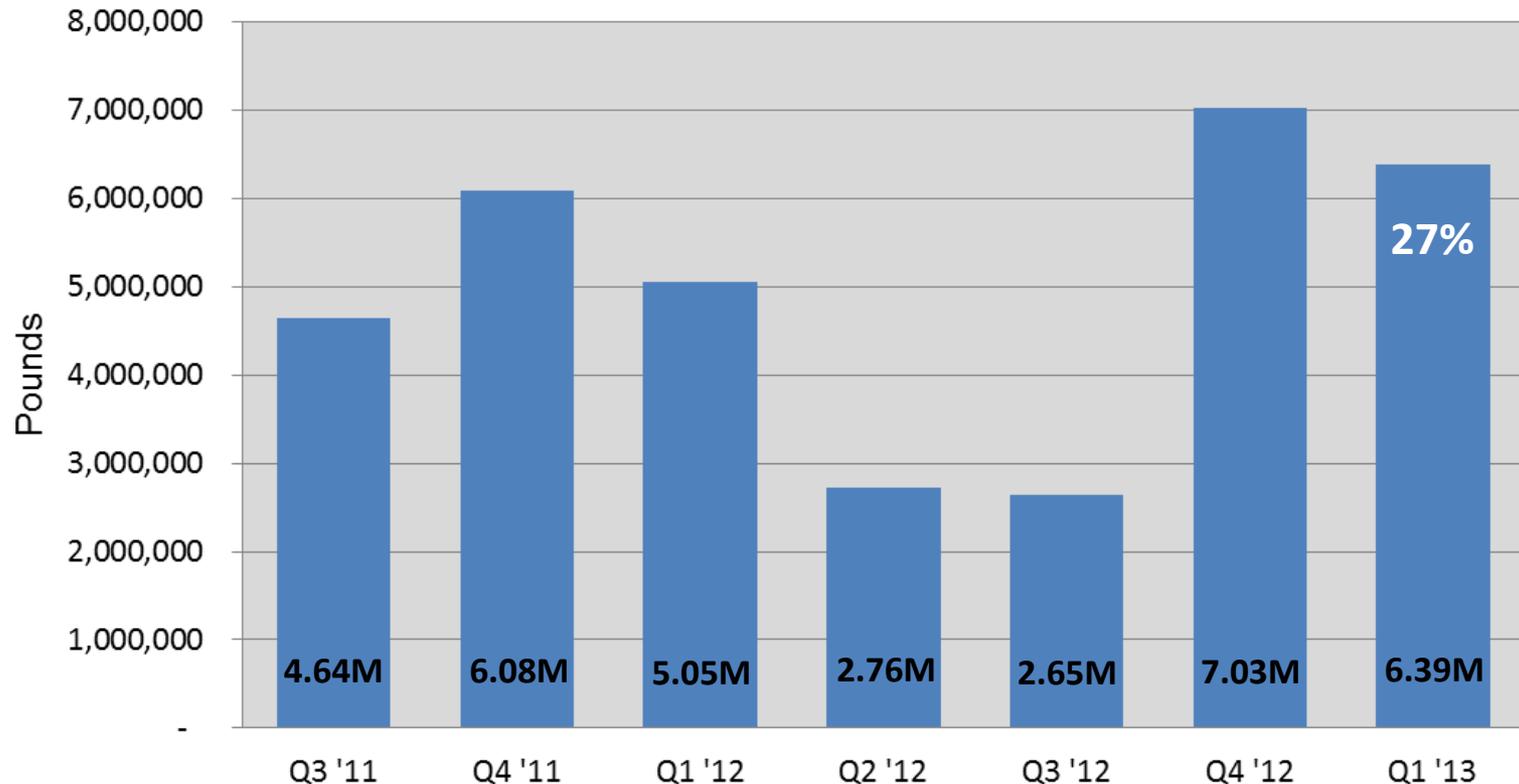
AB 2398 Performance Trends (percentage)



Recovered = Collected



Diverted PCC Sent Back to Landfill



Q1 Recovered: 23.8M pounds – 6.4M sent back to landfill
Cumulative back to landfill: 34.6M lbs

Note percentage shown is Recovered PCC that actually goes to landfill.



AB 2398 Manufacturers/Mills Q1 2013 Report



AB 2398 Manufacturers' Summary#

Manufacturers	Q3 '11	Q4 '11	Q1 '12	Q2 '12	Q3 '12	Q4 '12	Q1 '13
# Mills Registered	80	80	80	81	81	80	80
# Mills Not Reporting	0	0	0	9	6	7	9
Non-response Rate				11%	7%	9%	11%
Remittance Collection Figures							
Total Sq Yd Sold (millions)	26.7	23.4	23.1	25.3	26.5	23.7	24.2
Total Remittances (\$M)	\$1.36	\$1.17	\$1.12	\$1.26	\$1.32	\$1.20	\$1.21
Top 10 Remittances (>\$10K)	\$1.26	\$1.06	\$1.04	\$1.17	\$1.25	\$1.10	\$1.11
Top 10 Percentage of Total	93%	91%	92%	93%	94%	92%	92%

Cumulative SQYD sold: 173M

Cumulative Remittances: \$ 8.6M

As of June 13, 2013

Note: Q3 2012 down from 9

Note: Q4 2012 down from 13



Manufacturer Performance Compared to Plan

Quarter Results

	2013			
	Actual Q1	Plan Q1	Delta	%
Carpet Sales (Myd2)	24.2	25.0	(0.8)	-3%
Stewardship Fee Collected	1.2	1.3	(0.0)	-3%

Cumulative Figures

	Actual	Plan	Delta	%
Carpet Sales (Myd2)	173	175	(2.277)	-1%
Stewardship Fee Collected	\$ 8.6	\$ 8.8	\$ (0.109)	-1%



AB 2398 Recyclers Q1 2013 Report



AB 2398 Q1 2013 Recycler's Data

Recyclers Performance* [formula]	Pounds (M)	
a. Estimated Discards	87.5	
b. Total Volume Recovered [b/a]	23.8	27%
c. Beginning Inventory Whole Carpet	17.2	
d. Total Volume Available [b+c]	41.0	
e. Total Volume Diverted [e/a]	20.7	24%
f. Total Recycled Output [Type 1 & 2]	12.3	14%
g. Ending Inventory Whole Carpet [g-c/c]	21.4	0.5%**
h. Beginning Inventory Processed	0.496	-0.50%
i. Ending Inventory Processed [(i-h)/h]	0.680	37%
j. Total Dollars Requested (\$'000)	\$ 722	

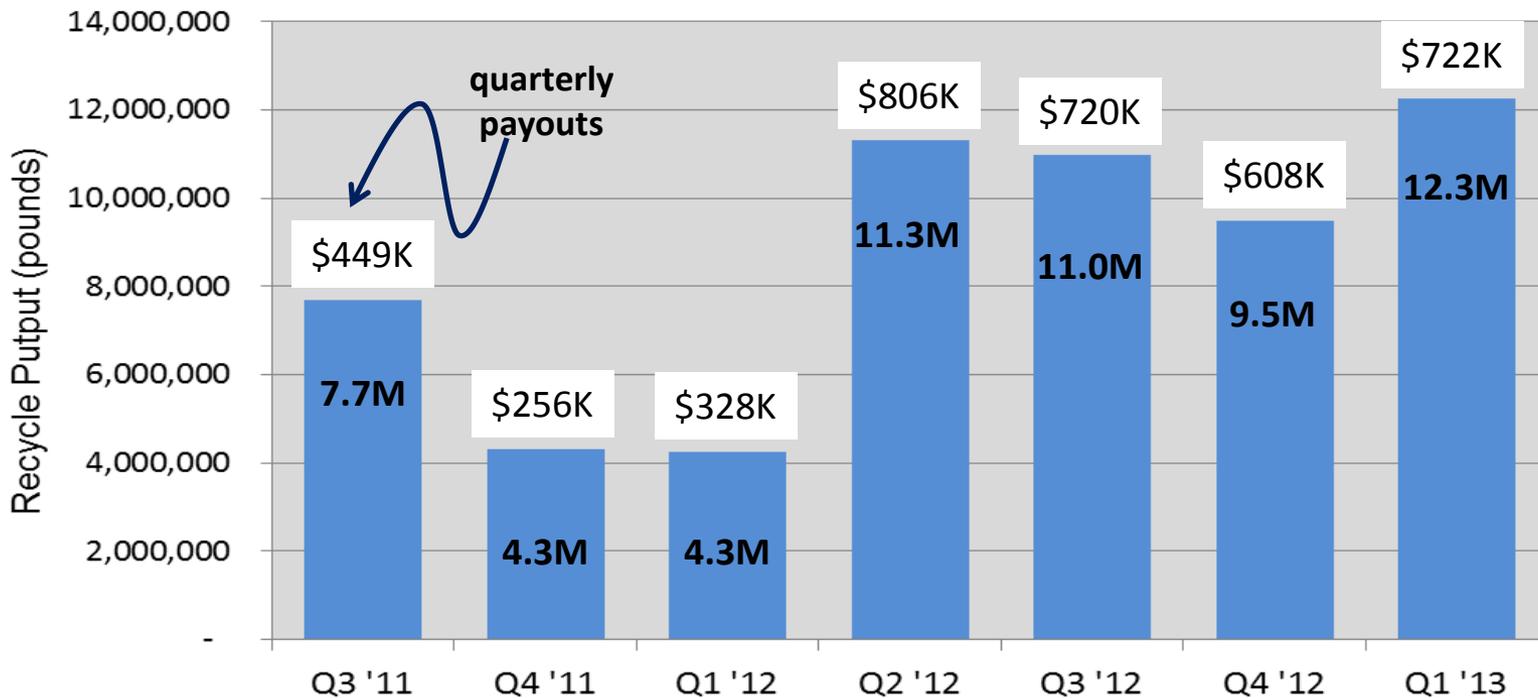
Note: estimated discards assumes the average weight of carpet is 4.2 lb/yd²

* 11 of 11 recyclers reporting (100%)

** vs. previous quarter



Recycle Output Summary*



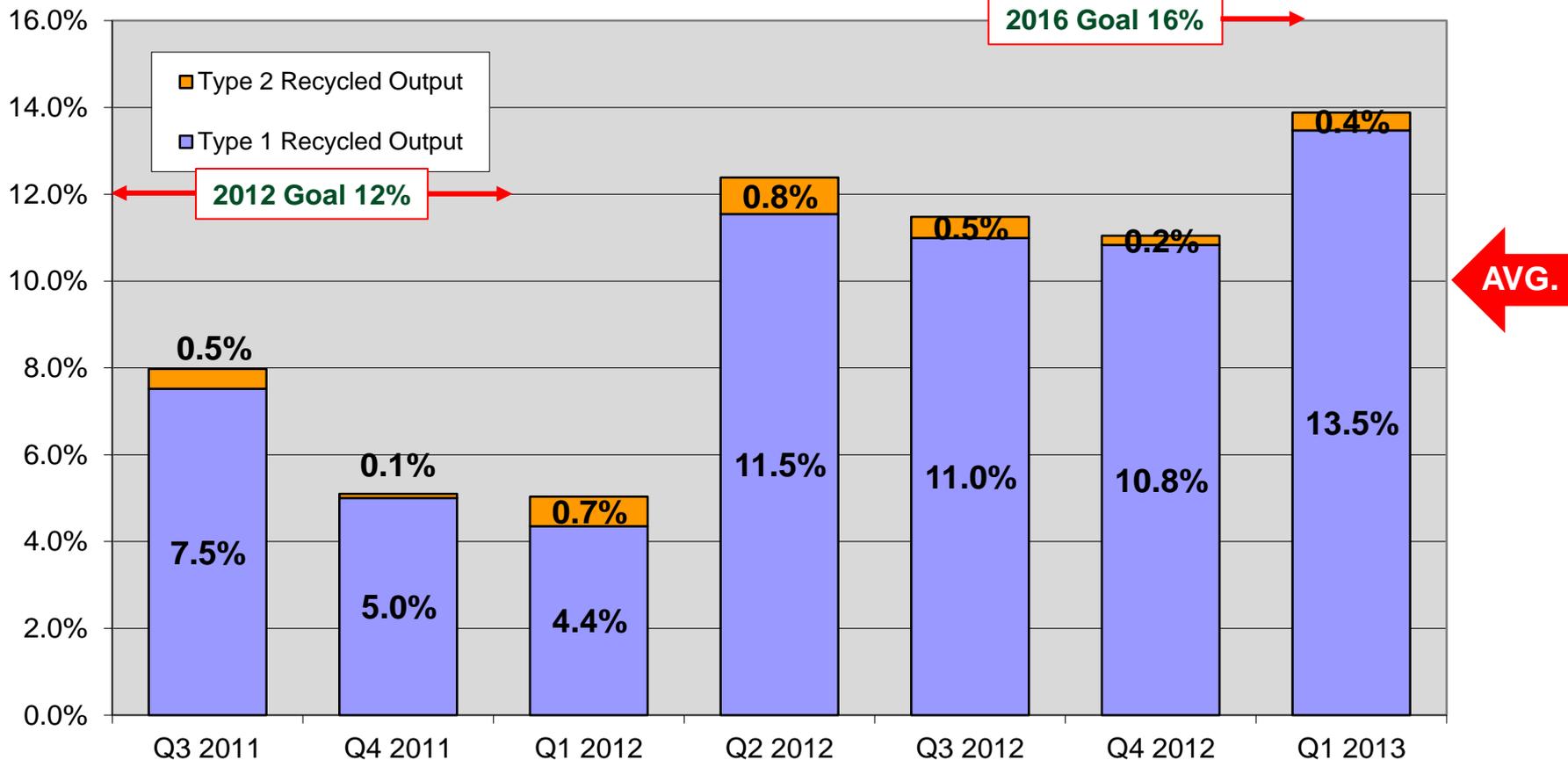
Cumulative pounds recycled: 60.4M

Cumulative Payments - Processors: \$ 3.5M



Recycled Output Results Compared to Plan*

Recycle output average over 7 quarters = 10% ■



- Recycled output is 14% (17% above Goal)
- Type 2 = 3% of recycled output



Additional Information

- Revised Plan submitted to CalRecycle May 31st
- CARE requested expedited review of SFOC approved shortened reporting cycle: 30 days with no grace period
- Expect cycle time approval in time to implement for 2Q review period beginning July 1st - **Approved**
- First public comment session June 25th Sacramento
- CARE expects to hear feedback on:
 - Large amount of funds in bank
 - Increase in PET sales with limited recycle options
 - Resource hire in CA to facilitate program expansion



12 Month Rolling Forecast Carpet Recyclers

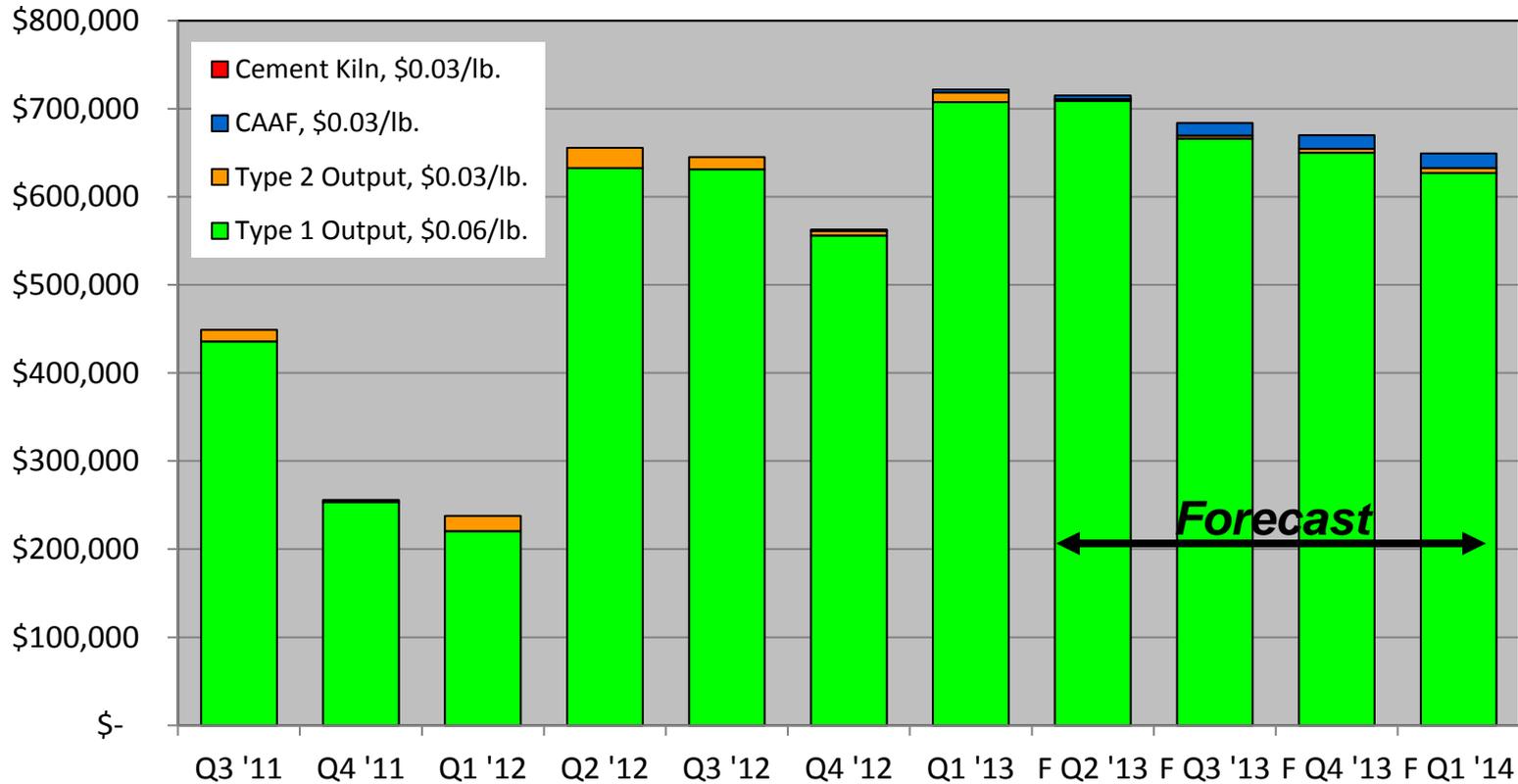


Summary

- In Q1 2013, 9 of 11 Recyclers submitted forecasts
- 2 recyclers did not process this quarter
- Inbound (diversion) PCC decreased during quarter
- Recycled Output increased for quarter
- All data restated after removing CARS Type 2 outlet
- PET remains a significant and growing concern
- Balance in AB fund a concern
- First feedback June 25th on revised plan



Actual and Forecast for Recycle Payout



Actual and Estimated Payouts*, 2011-2013 (\$000)

	Actual						
	2011	2011	2012	2012	2012	2012	2013
Funding Distributions	Q3 '11	Q4 '11	Q1 '12	Q2 '12	Q3 '12	Q4 '12	Q1 '13
Type 1 Output, \$0.06/lb.	\$ 436	\$ 254	\$ 221	\$ 633	\$ 631	\$ 556	\$ 708
Type 2 Output, \$0.03/lb.	\$ 13	\$ 2	\$ 17	\$ 23	\$ 14	\$ 5	\$ 11
CAAF, \$0.03/lb.	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4
Cement Kiln, \$0.03/lb.	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1	\$ -
TOTAL Requested (\$)	\$ 449	\$ 256	\$ 238	\$ 656	\$ 645	\$ 563	\$ 722

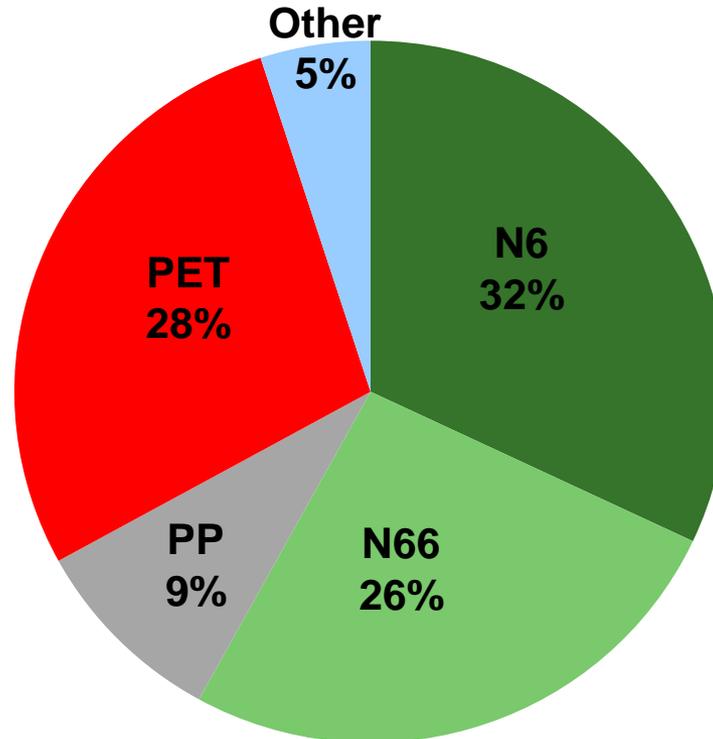
	Forecast				
	2013	2013	2013	2013	Forecast
Funding Distributions	F Q2 '13	F Q3 '13	F Q4 '13	F Q1 '14	TOTAL
Type 1 Output, \$0.06/lb.	\$ 709	\$ 666	\$ 650	\$ 627	\$ 2,652
Type 2 Output, \$0.03/lb.	\$ 2	\$ 4	\$ 5	\$ 5	\$ 15
CAAF, \$0.03/lb.	\$ 4	\$ 14	\$ 15	\$ 17	\$ 50
Cement Kiln, \$0.03/lb.	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL Requested (\$)	\$ 715	\$ 684	\$ 670	\$ 649	\$ 2,718

Quarter Split: Type 1 = 97%
Type 2 = 03%

** Restated with CARS removed*



Quarterly Collection: Face Fiber Breakdown*

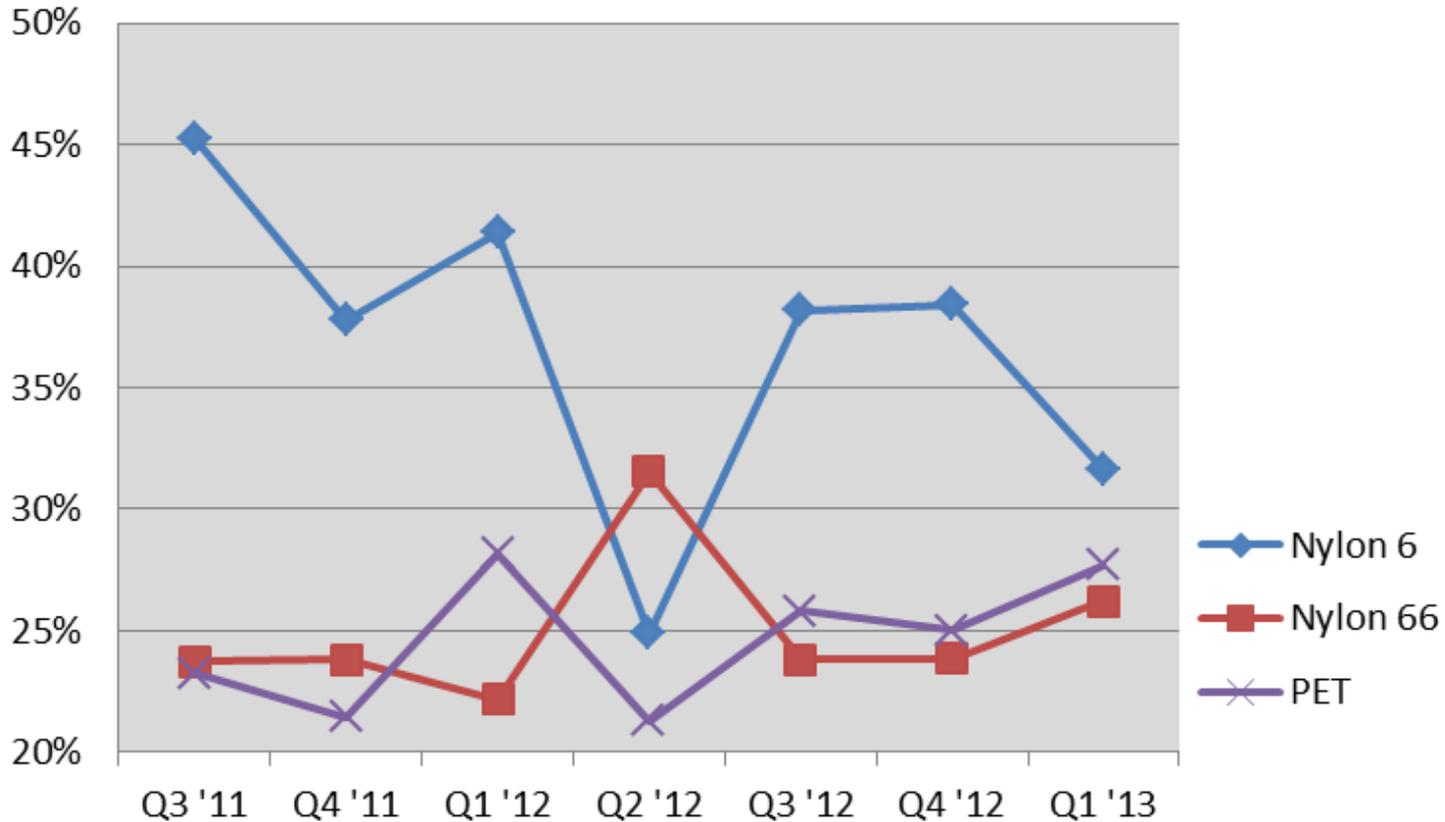


Quarterly data from
Recycler's Reports

* Data based on reported percentages by CA recyclers, however, may not be accurate due to preferential selection of higher value nylon.



PCC Collection Face Fiber Trend*



* Data based on reported percentages by recyclers of CA PCC. Data may not be accurate due to preferential selection of higher value nylon.



CalRecycle Update



CalRecycle

- Rural Counties Project (as of 6-24-13)
 - Project completed end of February
 - Pilot program will continue during analysis phase
 - Analysis of data is underway
 - 22 trailers (28') have been filled
 - Total cost \$39,630 = \$1,801/trailer
 - Avg. weight per trailer estimated at 13,500 pounds
 - Total estimated weight = 297K pounds
 - Costs ~\$0.13/lb.



CalRecycle

- **Rural Counties Plan** (submitted May 31, 2013)
 - Go from 6 to 10 rural counties by January 2014
 - Go from 10 to 16 rural counties by July 2015
 - Implement remaining rural county expansion as experience and interest dictate between July 2015 and June 2016.
 - Develop new marketing/communication materials and public outreach messaging to inform rural county residents, and local personnel at the collection sites.
 - CARE will make resources available to aid in set up, signage and on-going logistics.



AB 2398 Fund Recommendations



Definition: “A Company in Good Standing”

- The company must complete all required CARE reporting of activities in accordance with the time-frame required by the Carpet Stewardship Plan.
- The company must be compliant with all federal state and local OSHA, DOT Fire Department, EPA and all other regulatory agencies requirements.
- The funds being requested will be compliant with CARE's agreed upon procedures and be able to be verified through sales bills and/or a document from a certified scale.
- CARE Dues are current.
- Signature on the request for funds verifies that the company is operating in good standing with CARE.



Recommendations for SFOC Approval

- 1) Approve Processor Distribution of \$722K for Q1 2013
- 2) Continue withholding full payout to CARs recycler until issues resolved
- 3) Approve reimbursement of CARE, HA&W and CalRecycle expenses \$96K

Total Payout 1Q: \$ 818K

- 4) Approve non-nylon incentive program
- 5) Approve hire CARE representative in CA
- 6) Approve 20% allocation of rPET project to AB 2398
- 7) Approve research grant



End of Review

Following slides are for reference



CalRecycle*

- Revised draft plan is in works
 - Baseline
 - Agreed to use CARE baseline methodology

$$\text{Discards} = (((\text{Sales} * R) * P) + D)$$

- S= actual CA sales as reported
- R= replacement estimate (85%)
- P= average weight (4.2 lb/sqyd)
- D= demolition not replaced (1.3%)

* CalRecycle would like to see more detail and transparency



Definitions

The report contains numerous abbreviations:

- CAAF – carpet as alternate fuel
- CARE – Carpet America Recovery Effort (www.carpetrecovery.org)
- Company in good standing – see next page
- Diverted – PCC removed from waste stream for reuse, recycle, CAAF or WtE
- HA&W - accounting firm responsible for independent audits
- Kiln – cement kiln
- Manufactures – manufacturers of carpet and carpet tile products
- Mills – manufacturers of carpet and carpet tile products
- PCC – post-consumer carpet
- Processors – companies who process post-consumer carpet
- Recovered – pounds of CA PCC diverted from landfill to a collector or processor
- Recycled Output – processed pounds of product produced from CA PCC
- SFOC – Sustainable Funding Oversight Committee
- WtE – waste to energy



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