



June 8, 2018

Scott Smithline, Director
CalRecycle
1001 I St
Sacramento, CA 95814

Re: Request for Extension to Submit CARE Revised California Carpet Stewardship Plan

Dear Director Smithline:

This letter responds to your May 31, 2018 reply (attached) to my May 25, 2018 request for an extension of time for the Carpet America Recovery Effort (CARE) to submit to CalRecycle a Revised Carpet Stewardship Plan 2018-2022. CARE and its members were deeply disappointed to receive CalRecycle's May 15, 2018 Request for Approval (RFA) disapproving CARE's prior submitted Plan. As you know, CARE's chief aim during the Plan process always has been to produce a Plan that can earn CalRecycle's approval, and CARE has worked extensively and cooperatively with the agency to achieve that result. To that continued end, CARE has committed to prepare and submit a Revised Plan for approval. At the direction of its Sustainable Planning Committee (SPC) and Sustainable Fund Oversight Committee (SFOC), CARE staff is already working intensively to accomplish this objective. Putting aside any disagreement with aspects of the RFA, we intend to address all of the concerns raised therein and furnish additional explanation and detail requested by CalRecycle to the best of our ability.

CARE's current deadline to submit its Revised Plan to CalRecycle is July 14, 2018. As a result of AB 1158's intervening 30-day prior deadline for submission to the Advisory Committee (AC), CARE's actual deadline to complete its Revised Plan is June 14, 2018 – mere days from now. Simply put, this is insufficient time to resubmit a complete Revised Plan given the number of topics in the RFA and the internal and external steps required to fully respond. Accordingly, CARE respectfully requests a 30 extension of time until August 14, 2018, to submit its Revised Plan.¹ CARE concurs with CalRecycle that, as it has done in the past, the agency may exercise its enforcement discretion to effectively grant this request.

Your May 31 reply asked for additional explanation of why this additional time is needed. In a nutshell, this time is required to adjust a number of integrated parts of the Plan and rewrite an existing 308 page document, including tables and graphics, in response to the number and scope of issues raised in the RFA. The reasons justifying an extension include but not are limited to the following:

¹ This 30-day request is a result of your subsequent statement that CalRecycle is "only willing to consider a request of this type once," and our corresponding need to ensure that a further extension of time will not be needed.

- Most fundamentally, CARE is a non-profit carpet stewardship organization with 77 participating mill/distributor members. Any Plan changes require substantial, time-consuming coordination and consensus among these different entities prior to any external submission. CARE's leadership cannot bypass these critical internal processes to yield information and garner agreement.
- The statutory 60-day Plan resubmission window in the original AB 2398 was codified before the mandatory, earlier 30-day AC submission deadline was imposed under AB 1158.
- At the same time it is preparing its Revised Plan, CARE is processing the 2017 annual report (which also requires review by the AC and for which a similar extension has been granted) and working to complete our 4 independent audits.
- CARE continues to administer the existing Plan toward increased recycling rates, which demands considerable monthly attention.
- As CalRecycle has seen, several of the topics in its RFA implicate novel legal requirements that do not readily lend themselves to resolution. As a result, considerable time and resources are being spent to resolve these issues among CARE's members and with various outside stakeholders, including updates of models and solicitation of information from a number of contributors to the Plan.
- CARE intends to further communicate with CalRecycle staff and AC members during the resubmission window, including sharing of draft language and other information as warranted, to ensure that CARE's final Revised Plan is sufficiently responsive to the RFA.
- A major holiday (Memorial Day) occurred during our resubmission window, and a second major holiday (July 4th) will occur just before the current resubmission deadline. During these personal high travel periods, it is particularly difficult to assemble key people in California and elsewhere to move the Plan forward. Indeed, it took a week for CalRecycle to reply to our extension request submitted before the Memorial holiday. The compressed timeline only magnifies these interruptions.

Your May 31 reply additionally requested that CARE affirmatively commit to and explain how its disapproved Plan will be revised to respond to four specific points. As recognized by CalRecycle, it is infeasible to require CARE to presently provide answers or revisions to justify its extension request; indeed, if revising the Plan were a straightforward task, CARE would have no need to request an extension in the first instance. Moreover, as noted above, prior to submitting its Revised Plan, CARE will work regularly with CalRecycle staff to maximize our understanding of and provide information to meet the agency's reasonable expectations under the statute for our Plan. Those discussions may yield different or additional steps. Finally, the drafting of the Revised Plan will need to account for rapid and ongoing changes in the unique carpet recycling market.

Considering the above, for purposes of this extension request, CARE commits to revise its Plan to address each of the four points (reproduced below from your May 31 reply) as follows.

- “Include methodology to define highest recyclability and the process for future updates to methodology and rankings of highest recyclability;”

CARE Response: CARE will revise its Plan to clarify its approach to defining “highest recyclability,” given the lack of any statutory or regulatory definition or published guidance. Among other things, CARE will modify Table 6 and the associated text in its Plan regarding

highest recyclability to: (i) more fully describe the derivation and inclusion, or exclusion, of factors; (ii) expand the list of carpet materials including adding wool, (iii) separate residential and commercial uses, and (iv) eliminate arguably redundant or extraneous considerations. Next, CARE will reassess the rankings scale and scores for comparing recyclability across different product types, and attempt to reconcile any changes with prior comments received from the AC. As CARE implements an approved Plan, we will track market conditions via output volume flow of polymer types (newly added to reporting in Q1 2018) and market pricing. We will monitor output flows monthly and make adjustments as needed annually. Such information will be shared with CalRecycle during quarterly reviews. CARE will also engage in stakeholder dialogue on how the highest recyclability approach is working and at least annually make a determination whether market conditions require revisions to the approach and definitions in the Plan. If a Plan amendment is warranted, CARE will go through the requisite process with CalRecycle.

- “Incentivize carpet materials with the highest recyclability;”

CARE Response: Employing the definitional refinements above, CARE’s Revised Plan will better explain how it structures its grants and subsidies for recycling of postconsumer carpet to incentivize the recycling of carpet materials that have the highest recyclability. The Revised Plan will reflect and attempt to reconcile multiple perspectives in fashioning grant and subsidy programs that incentivize highest recyclability and also maximize realization of the overarching statutory recycling rate goals. The Revised Plan may include fuller explanation of currently functioning incentives for highest recyclability, and any necessary changes to realign grant and subsidy programs with that criterion. As part of the Plan revision process, we will examine and propose a path forward that takes into consideration notification commitments made to recyclers under the currently extended Plan in an effort to avoid disruptions in recycled output growth. CARE will also examine the current Cycle 2 round of grants which have been fully vetted and staged for fulfilment pending Plan approval. We will address how the existing grants align with highest recyclability and how to transition the next round of grants to be fully compliant while not completely disrupting those currently in the queue, and for which some have already made investments.

- “Provide incentives and/or grants for state-approved apprenticeship programs;”

CARE Response: CARE will propose an earmarked dollar amount in the Revised Plan’s budget for state-approved apprenticeship programs training installers in proper carpet recycling practices, describe grants for such programs (including existing programs), and provide a timeline for providing these financial grants or subsidies. Initial dialog with union representative Steve Belong has begun and CARE will assess performance and refine support for this aspect of the Plan annually. The revised Plan will also specifically describe existing apprenticeship training programs. We are currently engaged in opening a dialogue with the union representative to better understand their ideas and how we can leverage effective materials and training tools we have already developed.

- “Include a description of its economic analysis along with a summary of supporting data (including the cost of achieving the 24% recycling rate by January 1, 2020) that demonstrates the proposed assessment is sufficient to implement the Plan and meet the statutory goals. (As I noted at the last public meeting, we are willing to work with you on protecting any confidential information that would have to be included even in a summary).”

CARE Response: CARE and its consultants, most notably Aprio and Marketing Collaborative, with whom CalRecycle also has met during the Plan process, are intensively working on revising and updating our economic, cost conversion, and financial models to be consistent with the latest market information for carpet recycling inputs and outputs, which is continually changing. The Revised Plan will provide additional discussion of the economic models and their considered variables, and how CARE arrived at its proposed assessment. Updating the models, as it involves a number of contributors, is taking considerable time. Once the updates are completed, we will reexamine the subsidy structure in the context of model predictions and also real-world information to justify subsidy levels. CARE will share the work with CalRecycle as transparently as possible. The process will, in part, discuss the following: (i) sales projections and thus targeted pounds of recycled output (RO) required to hit the 24% recycling rate; (ii) how those RO pounds are distributed across the subsidy categories; (iii) based on subsidy dollars, the total subsidy payouts projected on a monthly basis; (iv) other program costs including grant budget justification; and (v) total program costs divided by the sales to obtain a true cost per square yard for the proposed assessment in the Plan. CARE is also working to secure detailed costs for collection and refine our processing cost estimates. We are currently seeing the kind of investment and RO growth necessary to hit or exceed the 24% target, and will more fully explain why that is. CARE will plan to confidentially share capacity growth projections on a company blinded basis and aggregate basis. Payouts associated with that anticipated growth in RO will factor into the grant and subsidy payouts, including for the state-approved apprenticeship programs identified above. Such information will be shared with CalRecycle staff, but may not be included in the public version of the Plan. Dialogue with CalRecycle staff will guide that Plan incorporation process.

CARE's Revised Plan will respond to each of the other issues raised in the RFA as well.

I would like to conclude by acknowledging the open and sincerely helpful dialogue with CalRecycle staff, and by thanking you in advance for your careful consideration of this reasonable request for a brief extension of time to submit CARE's Revised Plan.



Robert Peoples, Ph.D.
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