

Conceptual Plan Annual Review

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3M PFAS Settlement Work Group Meetings

January 18, 2022

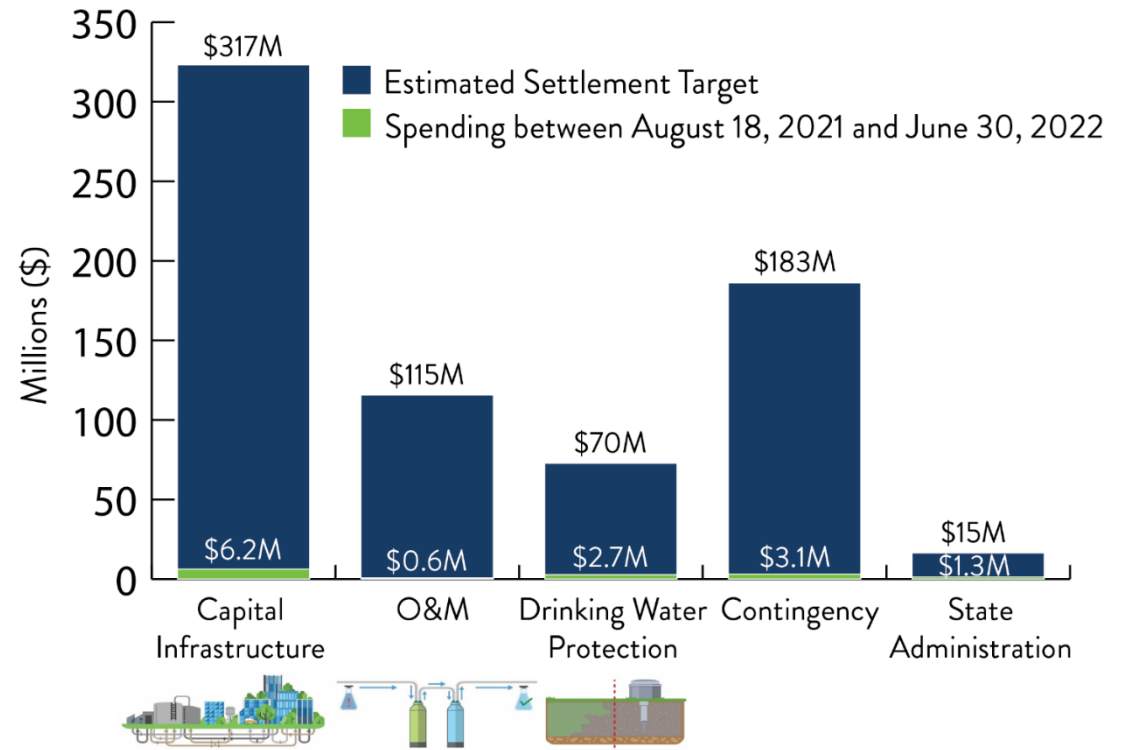
- Co-Trustees will provide and annual update to the work groups and public on implementing the Conceptual Plan
- The Conceptual Plan (10.4) states:
 - "The Co-Trustees will at a minimum conduct an annual review of the [Conceptual] Plan implementation efforts and obtain feedback from the work groups. This review will include consideration of new information that has evolved over the previous year, a review of actual costs of projects, reallocation discussions as needed, and discussion of any other adjustments that may be necessary to ensure the effectiveness of the plan."
 - "...Co-trustees will continue to use the Minnesota 3M PFAS website (<https://3msettlement.state.mn.us/>) to update the public on project implementation."

- Annual Review includes:
 - Section 1. Annual Review Purpose
 - Section 2. Progress on the Implementation of the Conceptual Plan
 - Section 3. Impacts to Implementation from New Information
 - Section 4. Projects in Fiscal Year 2023
 - Section 5. Contingency Funding and Fund Reallocation
- Annual Review focuses on implementation of the Conceptual Plan from its release through the end of Fiscal Year (FY) 2022: August 18, 2021 – June 30, 2022
 - The document is intended to be produced on a fiscal year basis: FY 2023, FY 2024, etc.
- The document is for work group members and the public

Section 2 – Implementation Progress

Section 2.1 & 2.2 – Implementation

- Approximately \$13.9 million spent in Settlement funding across the five funding allocations
- 20 grant agreements executed
- Projects include:
 - Land purchases and planning and design work for water treatment plants
 - Connecting homes in various neighborhoods to municipal water
 - Installing POETs for private wells

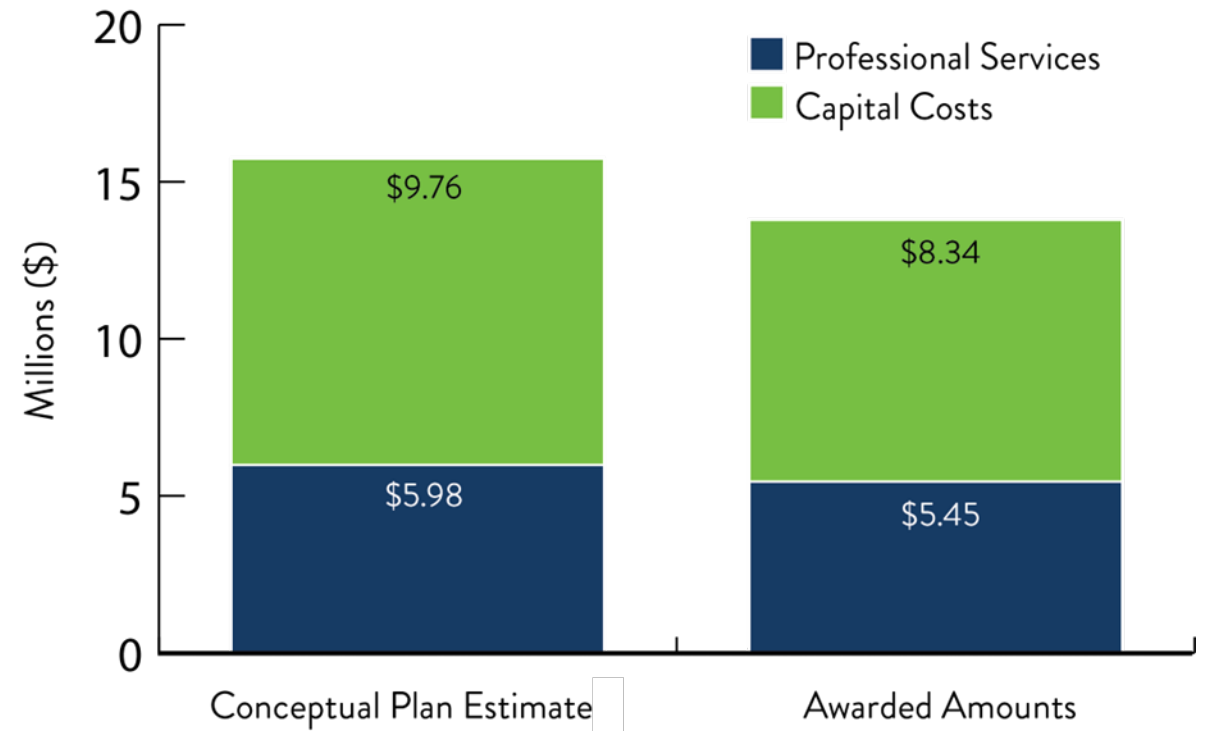


Funding Spent Across Funding Allocations, August 2021–June 2022

Section 2 – Implementation Progress

Section 2.3 – Comparison of Estimated Costs to Awarded Funding

- Capital grant funding awarded was slightly lower than Conceptual Plan estimates
 - Professional services awarded amount was \$0.53 million less than estimated
 - Capital services awarded amount was \$1.42 million less than estimated



Cost Comparison of Conceptual Plan Estimates and Grant Awards for Cottage Grove and Woodbury (combined) Municipal System Infrastructure, August 2021–June 2022

Section 3 – Impacts from New Information

- New information has resulted in additional implementation costs
 - Changing PFAS health values for drinking water
 - Inflation and other cost increases
 - Accounting for temporary drinking water treatment systems on-going O&M
- Conceptual Plan built with a degree of resiliency (e.g., conservative assumptions), but may need to use contingency funds or the fund reallocation process to cover additional implementation costs in the future



Discussed on
next three
slides

Section 3 – Impacts from New Information

Section 3.1 – Changing PFAS Health Values for Drinking Water

- January & March 2022: MDH released health-based values (HBV) for PFHxA of 0.2 (parts per billion [ppb]) and PFBS of 0.1 ppb (was 2 ppb), respectively
 - 20 private wells and 0 public wells received a health advisory
 - All 20 wells were previously identified to receive treatment in the Conceptual Plan
- EPA plans to release draft MCLs for PFOA and PFOS in 2023, with final MCLs January 2024
 - MDH also reviewing new information on health effects of PFOA and PFOS, and is in the process of updating their HBVs
- Design costs for providing PFAS treatment to existing municipal wells, not currently included in the Conceptual Plan to receive treatment, are Settlement-eligible for Cottage Grove and Woodbury

Section 3 – Impacts from New Information

Section 3.2 – Inflation and Other Cost Increases

- Conceptual Plan assumed 3% annual inflation based on past trends and professional judgement; current inflation is higher at about 7%
 - Higher inflation, labor shortages, and supply chain issues have made cost harder to predict and are driving price increases
 - For example, material and equipment costs have increased by approximately 35% for water treatment and ductile iron, and over 100% for plastics and rubber from 2020 to 2022

Section 3 – Impacts from New Information

Section 3.3 – Accounting for Temporary Drinking Water Treatment Systems

- Temporary municipal treatment systems currently operating in the East Metro
 - 3M provided up to \$40 million to fund temporary drinking water treatment systems (in addition to the Settlement funding) for up to 5 years or until the long-term plan is put in place
 - Once this provision expires on February 20, 2023, Settlement funds will cover the O&M costs of these temporary systems until the long-term water systems are in place
 - Co-Trustees are gathering data on how much funding is needed to cover these costs

Section 4 – Fiscal Year 2023 Projects

- Co-Trustees sent a voluntary Annual Review questionnaire in November 2022
 - Purpose was to accurately report on community plans to use Settlement funds to start, continue, or finish projects in FY 2023, and to monitor progress of Settlement implementation
 - Co-Trustees plan to conduct questionnaire annually in conjunction with Annual Review

Section 4 – Fiscal Year 2023 Projects

Anticipated major projects in FY 2023

- ✓ Continue planning and construction of new and expanded water treatment plants in Cottage Grove, Oakdale, and Woodbury
- ✓ Begin planning and construction of improvements to the St. Paul Park water distribution system to connect 3rd well
- ✓ Begin planning for water system interconnections between the Newport and Woodbury and Cottage Grove
- ✓ Connecting homes to municipal drinking water supply systems in various neighborhoods and communities
- ✓ Continue the connection of homes with private wells to municipal water supplies
- ✓ Continue sampling private wells and installing whole-home water filter systems or POETSs
- ✓ Continue to fund the Project 1007 feasibility study under the drinking water protection allocation

Section 5 – Contingency Funding & Fund Reallocation

- Conceptual Plan is flexible and resilient to help address uncertainties into the future
 - **Contingency fund** reserves funding to address different areas of future uncertainty, and does not require fund reallocation (Section 10.3 in Conceptual Plan)
 - **Fund reallocation** is process of evaluating progress on project implementation, compare actual costs to plan estimates, and monitor where and when funds may warrant reallocation (Section 10.4 in Conceptual Plan)
 - The Conceptual Plan provides a framework to reallocate funding that includes incorporating work group and public feedback, should it be necessary

Section 5 – Contingency Funding & Fund Reallocation

Using the 2021-2022 Annual Review process, the Co-Trustees have determined that a fund reallocation is not necessary right now because:

- Implementation costs are overall within the estimates in the Conceptual Plan
- EPA MCLs and MDH HBVs for PFOA and PFOS have not yet been released
- Co-Trustees will have a better sense of construction and other project implementation costs, including future cost increases for materials and labor, as communities continue implementation
- Co-Trustees will continue to consider project costs and new information, and how it may affect the need for reallocation in the 2022-2023 Annual Review

Questions?

We plan to finalize and post the Annual Review on the 3M Settlement website:

<https://3msettlement.state.mn.us/>

If you have additional questions or comments, please email them to

pfasinfo.pca@state.mn.us