

## Minnesota 3M PFC Settlement

### Notes for Technical Subgroup 1 Meeting

Wednesday, September 22, 2021

1 – 4 p.m.

Virtual Webex meeting

### Work group members in attendance

- Brian Bachmeier
- Brian Davis
- Dan DeRudder
- Erik Henningsgard
- Gary Krueger
- Jack Griffin
- Jason Moeckel
- Jim Westerman
- Jon Herdegen
- Karla Peterson
- Marian Appelt
- Richard Thron
- Ryan Burfeind
- Stephanie Souter
- Stu Grubb

### Presenters

- Gary Krueger, Minnesota Pollution Control Agency (MPCA)
- Jason Moeckel, Minnesota Department of Natural Resources (DNR)
- Hannah Albertus-Benham, Wood
- Mark Lorie, Abt Associates
- Heather Hosterman, Abt Associates
- Jennifer Peers, Abt Associates/consultant

### Welcome

Mark Lorie (Abt Associates) welcomed Subgroup 1 to the meeting and reviewed the agenda. The purpose of the meeting was to review some of the core elements of the Final Plan, discuss the next phase of the Settlement, and discuss the grant process. Jason Moeckel (DNR) and Gary Krueger (MPCA) welcomed the Subgroup. Jason asked the Subgroup for water usage trends and behaviors they have seen given the dry conditions in Minnesota. He was wondering if citizens had cut back on their water use. Gary thanked the group for pushing back the meeting by a week and for their continued insight.

### Summary of the Final Plan and Implementation

Mark presented on the core elements of the Final Plan. The Final Plan was designed to be:

- Comprehensive. The Final Plan covers private and municipal wells throughout the 14 communities, including capital costs and contingency for potential future issues. The Final Plan addresses both water at the tap and sets aside funds for treating water at the source. The Final Plan includes drinking water protection as the Settlement was initially the product of a natural resources damage court case. In addition, the O&M funds provide financial assurance and allows the communities to plan for long-term financial impacts.

- Safe and sustainable. The Final Plan meets and exceeds the Minnesota Department of Health's (MDH) standard for safe drinking water. As part of the planning process, the Co-Trustees and consultants conducted modeling to ensure sustainable groundwater use using 2040 demands. The infrastructure systems outlined in the Final Plan are reliable, sustainable systems for the long-term.
- Resilient. The Final Plan currently uses a health index (HI) lower than MDH's health advisory level, which allows the Final Plan to be proactive. The Final Plan funds treatment for wells without current health advisories to deal with potential future issues and changes in health-based values.

Flexible. The Final Plan accounts for individual community circumstances, allowing communities to tailor the plan to fit their needs and implement projects at their own pace. Mark also explained the priorities of the Final Plan, which include:

- Capital infrastructure for all drinking water projects (e.g., treatment, water mains)
- O&M funding over the long-term
- Drinking water protection, which focuses on treating contamination at the source

Overall, capital and O&M represent over 60% of the total funding allocations.

Mark reviewed key decision points in the Final Plan that had not yet been decided when the Subgroup last met in June. These key decision points include:

- The Final Plan treats drinking water wells with an HI at or above 0.5. This allows treatment for additional wells
- Increased capital for pre-treatment, stormwater, and inflation
- West Lakeland Township will remain on private wells and will receive POETSs for treatment. This was more cost effective than a municipal system; additional considerations are outlined in the Final Plan.
- O&M durations: Municipal system O&M is allocated approximately \$87 million, estimated to cover 20 years, and private wells (point of entry treatment systems [POETSs]) are allocated approximately \$28 million, estimated to cover 30 years of O&M. The O&M durations are shorter in the Final Plan than the draft Plan because capital and the contingency funds were increased as a result of feedback received. O&M costs are expected to ramp up as projects are implemented. The costs will be covered as they arise until the Settlement funds are depleted. The O&M durations are longer for private wells because it typically costs more to maintain a POETS than the annual costs associated with a municipal water service.
- The fund allocation for additional neighborhood municipal connections has been removed. This fund was originally to connect additional homes to a municipal system where the Co-Trustees needed more information on these homes/their private wells. After balancing other priorities, the Co-Trustees decided to eliminate this funding allocation. However, the contingency in the Final Plan will cover future treatment needs that arise.
- The fund for conservation and sustainability has been removed. The Co-Trustees heard from all of the work groups and Subgroup that this should be a lower priority than drinking water.
- The fund for contingency has been increased. It now represents approximately 26% of the total funding allocations.

- The Co-Trustees have developed a reallocation strategy to cover shortfalls and surpluses. These details are outlined in Chapter 10 of the Final Plan.
- Pre-treatment may be covered if it is shown to be cost-effective and could reduce O&M costs. The Co-Trustees will work with communities to conduct cost-benefit analyses to determine where pre-treatment should be implemented. An estimated \$25 million is set aside for potential pretreatment.
- Drinking water protection was included in the Final Plan because it has a clear connection to Priority 1 in the Settlement Agreement. Potential projects under this fund could include groundwater restoration beyond 3M's action at the disposal sites, restoration of contaminated surface water or sediment, or multi-benefit wells. Multi-benefit wells would protect groundwater resources because the pumped water could be treated and used for drinking water.

Mark also discussed the contingency fund in more detail. The Co-Trustees expect the contingency to help cover:

- Future treatment needs as the plume moves or if health-based values or health risk limits change
- Potential cost overruns which could occur in large construction projects
- Alternative drinking water sources that may be required as a result of the White Bear Lake court order

The Co-Trustees allocated \$183 million for a standalone contingency fund, in addition to the 25% contingency that is already included in capital cost estimates. The Co-Trustees primarily used cost estimates for potential future treatment and potential alternative sources of water as the basis for the contingency allocation.

## Feedback

A meeting participant asked that with West Lakeland staying on municipal wells, was there a need for additional study on PFAS to ensure it was not affected by people irrigating their lawns with contaminated water. Gary explained that one purpose of Project 1007 and the drinking water protection fund is to evaluate if the State should be treating large irrigation wells. It will be part of a future investigation and will continue to be looked at.

The same meeting participant asked about money set aside for surface water and other natural resource protection. Gary said that there is \$20 million set aside for Priority 2, which is not part of the Final Plan. Funding for Priority 2 (\$20 million) was set aside by the Settlement.

The meeting participant also expressed concern about the potential use of multi-benefit wells given the definition of clean surface water may not be the same as clean groundwater. They said that if the State would be doing recharge, then it is important that the water meets groundwater cleanliness standards. Gary explained that they would ensure the groundwater is treated fully. The State plans to conduct a feasibility study and will look at other data to ensure groundwater standards were met and water was being reused in the best way. Rebecca Higgins (MPCA) explained that any groundwater treatment occurring through recharge would meet necessary criteria and would be communicated to communities.

Hannah Albertus-Benham (Wood) then discussed some key points of how the Final Plan was put together. She pointed out that:

- Chapters 8-10 describe the Final Plan. Chapter 8 is an overview of what is in the Final Plan. Chapter 9 has more detail and summarizes Appendix E, which contains all of the detailed cost estimates. Chapter 10 provides an overview of the implementation process. She also mentioned specific figures in Appendix E that provide more detail.

- There is an interactive map online that shows homes that are going to be connected to POETs and municipal systems.
- There is a 15% addition to the cost estimates to cover professional services, generally including preliminary design, feasibility studies, final design of infrastructure, construction management, and administrative costs.
- The O&M durations of 20 years for municipal systems and 30 years for POETs are estimates and could change as things evolve during implementation.
- Gary Krueger added that if there are wells with a health advisory after the Settlement O&M runs out, then treatment is covered under the Consent Order.

### Implementation and next steps

Jennifer Peers (Abt Associates/consultant) discussed the implementation of the Final Plan, which is now the focus for the Co-Trustees. There will be separate implementation processes for municipal wells and private wells, which include:

- Private wells: MPCA will continue to manage the installation and management of POETs. After notifying homeowners that they are eligible for a POET, the homeowner will need to sign access agreement with MPCA to enable installation of filter. MPCA will be responsible for maintenance of filter, with a standard schedule for media change-outs (approximately once per year). There is an [interactive map](#) that identifies wells that have already been approved to receive a POET.
- Municipal supply: Municipal home connections where a municipal supply is readily available (e.g., a water line in the street in front of a home) will be reimbursed by MPCA. First, MPCA will contact the homeowner with their eligibility for connection and reimbursement, and coordinate with the community as needed. The resident will obtain a contractor to complete the connection, and then their private well will be sealed. Neighborhood-wide connections will be implemented through community grants. Private wells for these neighborhoods will also be sealed.

Jennifer also explained the details of municipal capital projects. She explained that, via grant agreements, the Co-Trustees will distribute funds for the capital project design phase. Funding for construction and O&M will follow.

### Feedback

One Subgroup member asked when MPCA would start contacting homeowners about home connections. Gary explained that MPCA would be contacting homeowners in early to mid-October.

### Review of the Online Grant Form

Communities will use an [online grant form](#) to request funding. Heather Hosterman (Abt) walked through the grant form for planning and design. She emphasized that communities should reach out to the State with any questions since they would be working closely with communities throughout this process. The grant form has three parts:

1. Background: The first part of the grant form provides background information about the grant and the Conceptual Plan.
2. Instructions: The second part of the grant form notes that if a community has multiple capital projects, they should submit one grant form for each project. They should also submit a grant form for each

phase of the planning and/or design efforts for a capital project if they are different. Additionally, users can save the grant form and come back to it later if they need or print out the form as a PDF. Lastly, the grant form is considered public information and could be made public at any time (including names and emails).

3. Questions: There are six sections with a total of 21 questions. They are all on one page so all of the questions that are required can be viewed at once. Heather walked through the specific questions with sample answers and noted the following:
  - a. If it is a new project, enter not applicable for question five, which asks about a SWIFT contract number. If the grant is for follow-on work, use the SWIFT contract number from the previous grant agreement. This allows the State to track capital projects as they move through all phases.
  - b. Grantees must explain how their project is consistent with the Final Plan and how the budget is consistent with the Final Plan. Communities can reference Chapter 9 tables 9.1-9.13, which provide budget details for the components of each community.
  - c. Grantees must describe their project in under 2000 characters.
  - d. Grantees have an opportunity to explain any conservation and sustainability aspects that are incorporated into projects. The Co-Trustees are not funding sustainability and conservation under the Final Plan but would like to track these efforts for future planning.
  - e. Grantees must enter the project location because the Co-Trustees would like to display the project on a map hosted on the 3M Settlement webpage.
  - f. Each community has a budget set aside for professional services. This budget includes the planning, design, permitting and construction management. The communities should keep in mind that the professional services budget should cover management and other items in the construction phase as well. It is 15% of the estimated capital cost.
  - g. There is a conflict-of-interest portion of the form that is required, similar to the expedited project request for funding.
  - h. There is an opportunity to upload additional documents, maps, report, or other documents. There is a limit of six documents in the form, but if communities have additional documents to add, they can email them to [pfasinfo.pca@state.mn.us](mailto:pfasinfo.pca@state.mn.us).

One Subgroup member from Cottage Grove who had already filled out the form said it was user-friendly. They did note that in the reporting form, it was difficult to see what was being typed in the longer questions. Additionally, when they saved and went back to the form, it would sometimes have information missing that had previously been filled out.

## Feedback

One Subgroup member asked if the professional services budget included city staff time. Hannah explained that it does and would need to be tied to the specific planning efforts.

Another Subgroup member asked if a community is working on a project that requires professional services from a neighboring community, should that be included on the primary application or would the neighboring community need to submit their own grant form. Gary said that if there was a contractual agreement, like a joint powers agreement, in place with the secondary community, then the money probably would flow to them

through that. Therefore, only the primary requestor would have to submit a grant form. However, this is a topic to discuss in more detail.

### **Public comments and questions**

There were no questions or comments from the public.

### **Implementation and next steps (continued)**

Jennifer further explained the grant process for municipal projects, highlighting that at the end of the grant process, any additional funds would need to be returned to the Settlement. Throughout the life of the grant, communities will be required to provide updates to MPCA. Advance payment can be made available to help cover initial costs. Cost reimbursements for approved invoices will start with the first invoice. Upon grant closeout, communities must return any unexpended funds to the State.

Media change-outs will also be managed by grant agreements for O&M. The frequency of change-outs will vary across communities and MPCA will coordinate with each community to determine the Final Plan for reimbursable change-outs.

Jennifer reviewed how the contingency would be used to treat additional wells using two criteria: resilience (additional wells that exceed the treatment threshold of 0.5 using the HI calculation at the time of the Final Plan's release) and health advisory (additional wells that receive a health advisory).

Jennifer also discussed the idea for an annual review. As implementation progresses, actual costs may differ from the amounts initially allocated. The Co-Trustees plan to meet regularly (at least annually) with work group members to reevaluate the Settlement's progress, monitor costs, consider fund reallocation, and obtain feedback from the Subgroup and the public. Additionally, Jennifer discussed how funds would be reallocated if there are surpluses which includes:

- Additional capital funds will be used for additional capital projects or moved to capital projects where there are shortfalls. If there are additional capital funds once all projects have been implemented, the Co-Trustees will determine how to spend the money with input from the Subgroup and public.
- Excess O&M funds will be used to extend O&M duration (i.e., if annual costs are lower than expected, or returns on the investment portfolio are higher).
- Additional contingency funds will remain as contingency for future uncertainties unless there is a compelling reason to reallocate them.

Jennifer then discussed Priority 2 of the Settlement, which focuses on restoring natural resources. Priority 2 is expected to ramp up in early 2022. Finally, Jennifer covered next steps. The next Subgroup 1 meeting is scheduled for Wednesday, October 20, which could be virtual or in person.

### **Public comments and questions**

There were no questions or comments from the public.