



# Conceptual Plan Annual Review

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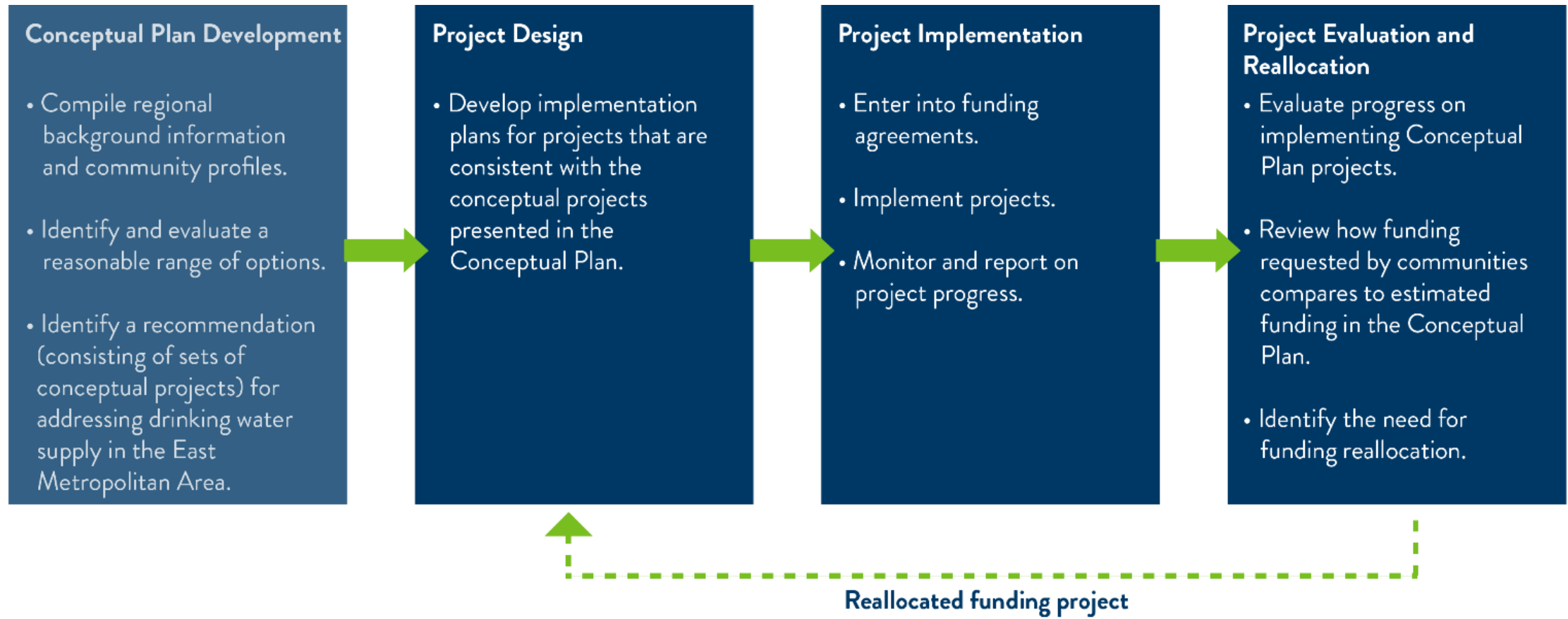
3M PFAS Settlement Work Group Meetings

October 18, 2023

- 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 2024 and Anticipated Impact on Settlement Funds
  - Section 5. Contingency Funding and Fund Reallocation
- Annual Review focuses on implementation of the Conceptual Plan over Fiscal Year (FY) 2023: July 1, 2022 – June 30, 2023
  - 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 1 – Annual Review Process

- Co-Trustees will provide and annual update to the work groups and public on implementing the Conceptual Plan

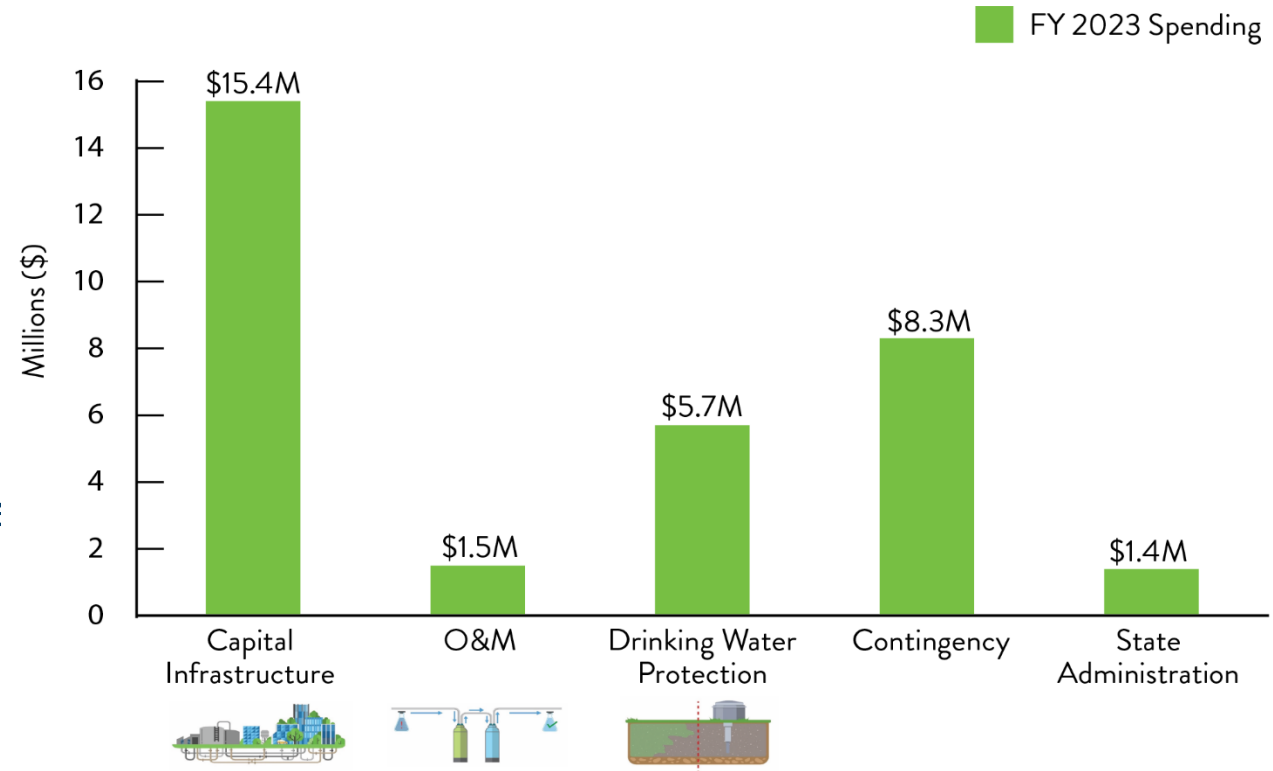


# Section 2 – Implementation Progress

## 2.1 Awarded Implementation Funding

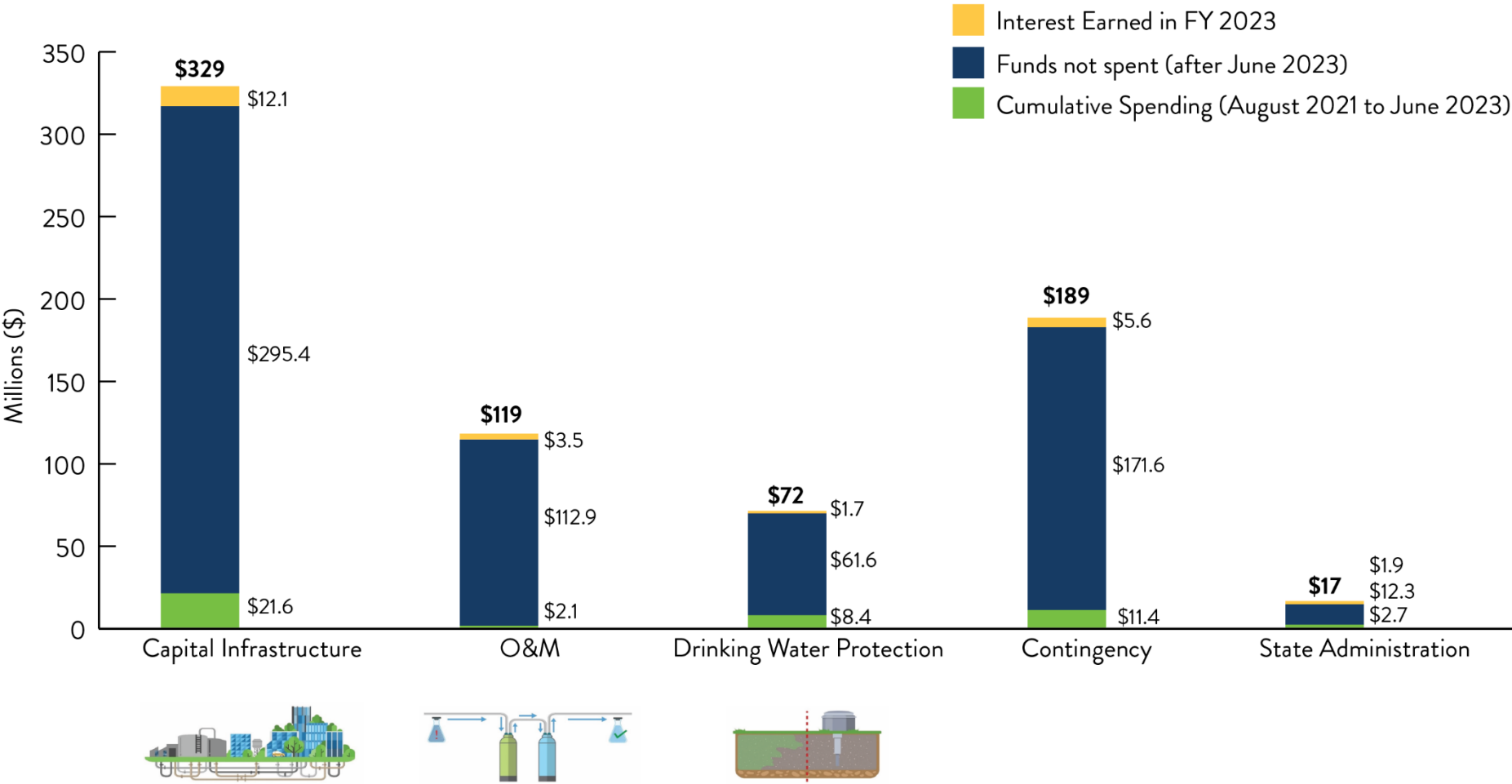
## 2.2 Implementation of Grant Agreements

- Approximately \$32.3 million spent in FY 2023 Settlement funding across the five funding allocations
- 31 active grant agreements
- Projects include:
  - Ion exchange pilot programs
  - Interconnect planning for Newport
  - Land purchases, planning, and design work for water treatment plants
  - Connecting homes in various neighborhoods to municipal water
  - Installing POETSs for private wells
  - O&M for permanent well treatment



Funding Spent Across Funding Allocations, FY 2023

# Section 2 – Implementation Progress

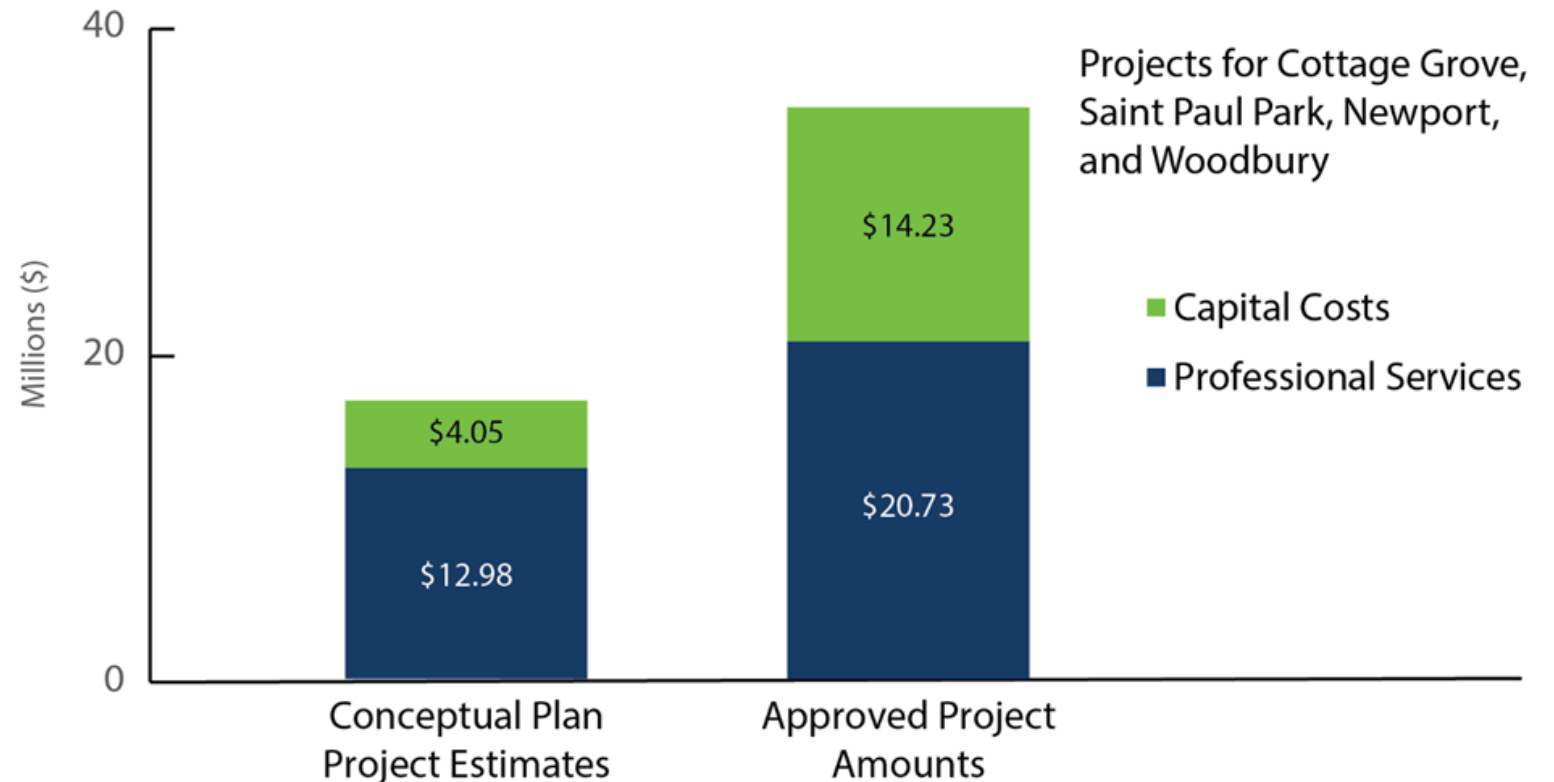


Funding Spent Across Funding Allocations with Interest Earned, August 2021–June 2023

## Section 2 – Implementation Progress

### 2.3 Comparison of Estimated Costs to Awarded Funding

- Four communities submitted grant forms and subsequently had grants awarded during the review period
- In most cases, costs were higher than Conceptual Plan estimates
- Large cost differences from Conceptual Plan estimates can be mostly attributed to changes in design assumptions



**Cost Comparison of Conceptual Plan Estimates and Grant Awards for Cottage Grove, St Paul Park, Woodbury, and Newport (Combined) Municipal System Projects, July 2022–June 2023**

## 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
  - 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*

- Final maximum contaminant levels (MCLs) for PFOA and PFOS and MDH's updated health-based values (HBVs) are anticipated by late 2023 or early 2024
- MDH has increased sampling at public wells, and MPCA continues to sample private wells based on plume location and resident requests
- New MCLs and HBVs could increase the number of municipal wells eligible for treatment, increase treatment plant size, require more water mains to new wells, and spur other additional costs

# 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
  - Higher inflation, labor shortages, and supply chain issues have made cost harder to predict and are driving price increases
  - Cost indices show a stabilization of costs over the last 6 months
- Some Settlement funds are in an SBI interest-bearing account and earned 4% over the past fiscal year
  - Outperform that original 1% annual earnings anticipated in the Conceptual Plan for funds allocated to capital projects and the 3.5% anticipated for O&M

## Section 3 – Impacts from New Information

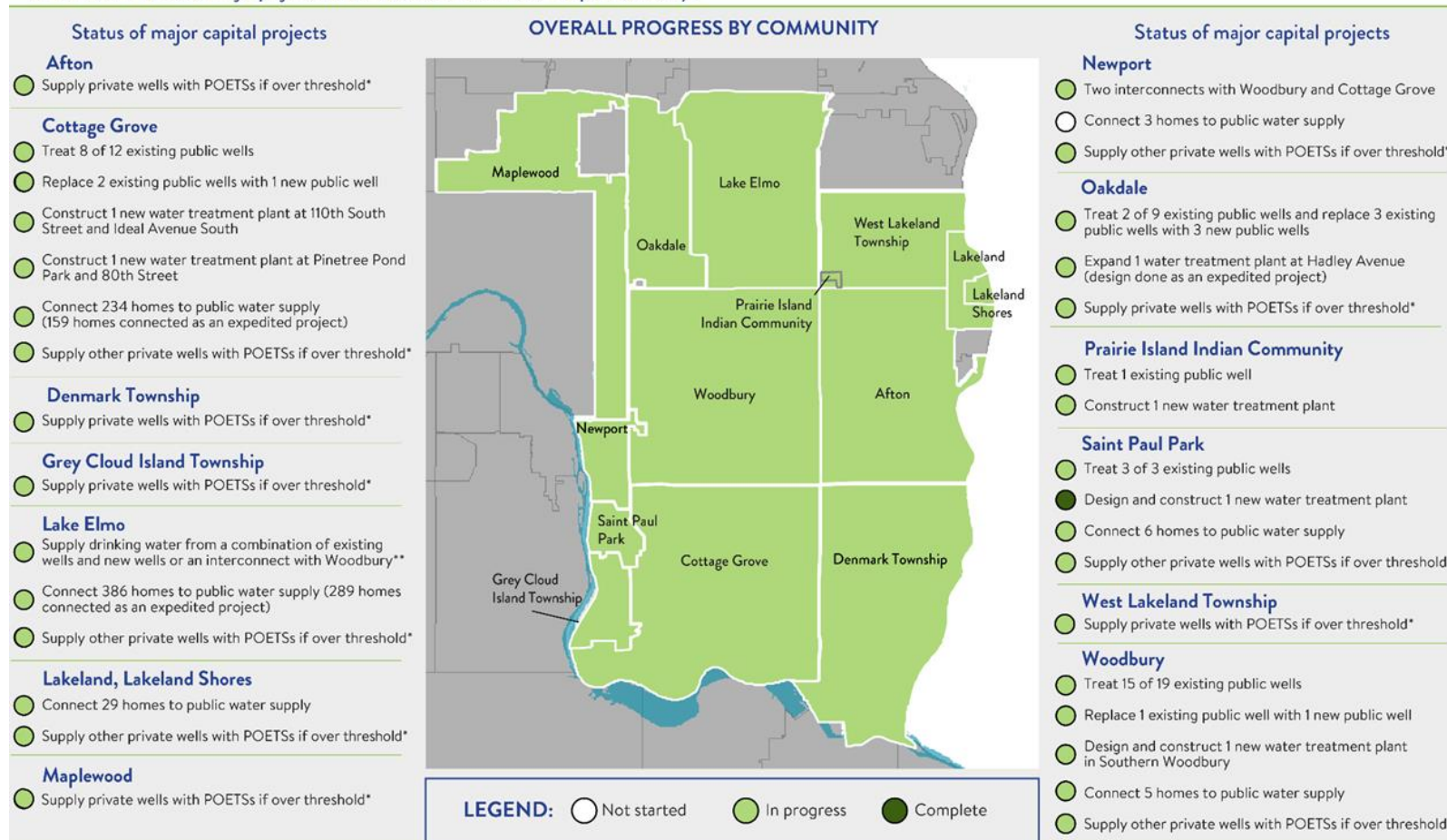
### *Section 3.3 Accounting for Temporary Drinking Water Treatment Systems*

- Provision for 3M to fund \$40 million in temporary drinking water treatment expired on February 20, 2023, and the O&M costs of these temporary systems until the long-term water systems are in place must now come from the Settlement Funds
- Temporary municipal treatment systems currently operating in the East Metro (Cottage Grove, Woodbury, and Oakdale)
- Cottage Grove and Woodbury have since requested additional temporary treatment for wells that meet or exceed a health index (HI) of 1

# Section 4 – Projects in Fiscal Year 2024

## Tracking Conceptual Plan Progress

This page shows progress toward implementing the capital projects identified in the Conceptual Plan (<https://3msettlement.state.mn.us/full-plan-documents-conceptual-drinking-water-supply-plan>) or through expedited funding prior to the release of the Conceptual Plan. The map shows overall progress toward implementing projects, a process led by the communities. The list shows the status of major projects as of June 2023. This information is updated annually.



\*As stated in the Conceptual Plan, private wells throughout the affected communities that are not to be connected to municipal systems will be supplied with a point of entry treatment system (POETs) if they meet or exceed a Health Index (HI) value of at least 0.5 when the Conceptual Plan was released.

\*\*The Co-Trustees set aside sufficient capital funding for either an autonomous option or an interconnect between Woodbury and Lake Elmo, due to some uncertainty regarding their future water source.

# Section 5 – Contingency Fund Allocation & Fund Reallocation

## *Section 5.1 Contingency Fund Allocation*

- The **Contingency fund allocation** reserves funding to address different areas of future uncertainty and does not go through the fund reallocation process (Section 10.3 in Conceptual Plan)
- The Co-Trustees anticipate that the primary areas of uncertainty are:
  - Treatment for drinking water wells that receive a health advisory in the future but were not included in the Conceptual Plan
  - Project cost increases, such as increases in construction costs (e.g., inflation, labor increases) since the original estimates were completed, and/or change in construction and system operation assumptions or methods

# Section 5 – Contingency Fund Allocation & Fund Reallocation

## *Section 5.1 Contingency Fund Allocation continued*

- \$8.3 million (or 4.5%) of the \$183 million allocated in contingency funds have been used during FY 2023
  - 6.2% have been used since the release of the Conceptual Plan
- Given grant forms received since the end of FY 2023, the Co-Trustees anticipate that eligible projects will continue to utilize the capital fund allocation before drawing on the contingency fund allocation
  - Request for Funding projects and temporary treatment O&M are also anticipated to be funded using the contingency fund allocation in FY 2024

# Section 5 – Contingency Fund Allocation & Fund Reallocation

## *Section 5.2 Fund Reallocation*

- **Fund reallocation strategy** is the 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)
- Using the 2023 Annual Review process, the Co-Trustees have determined that a fund reallocation was not necessary for FY23 because implementation costs are overall within the estimates in the Conceptual Plan for that time period
- As 2024 progresses, Co-Trustees will continue to consider new information to determine whether reallocation is needed

# 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](mailto:pfasinfo.pca@state.mn.us)