



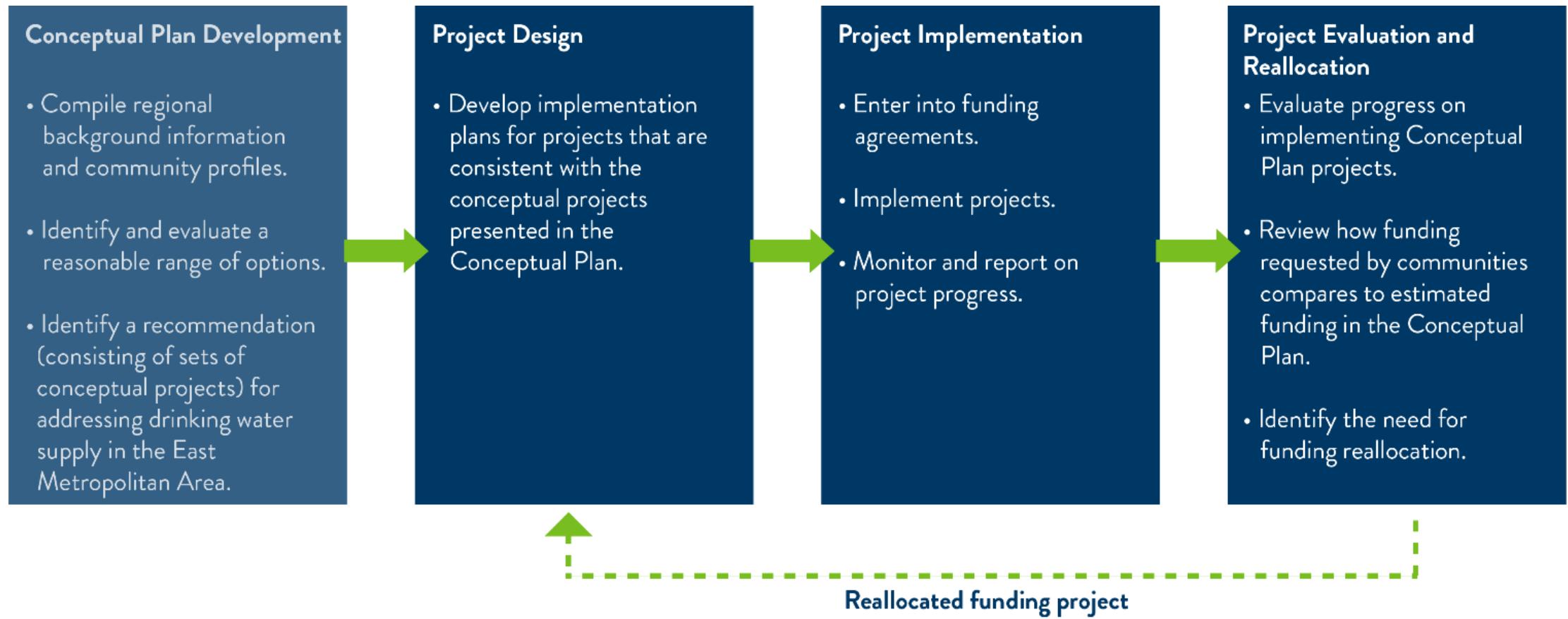
Conceptual Plan Annual Review

Rebecca Place, Settlement Coordinator
3M PFAS Settlement Work Group Meetings
November 20, 2024

- 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 2025 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) 2024: July 1, 2023 – June 30, 2024
 - 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 an annual update to the work groups and public on implementing the Conceptual Plan

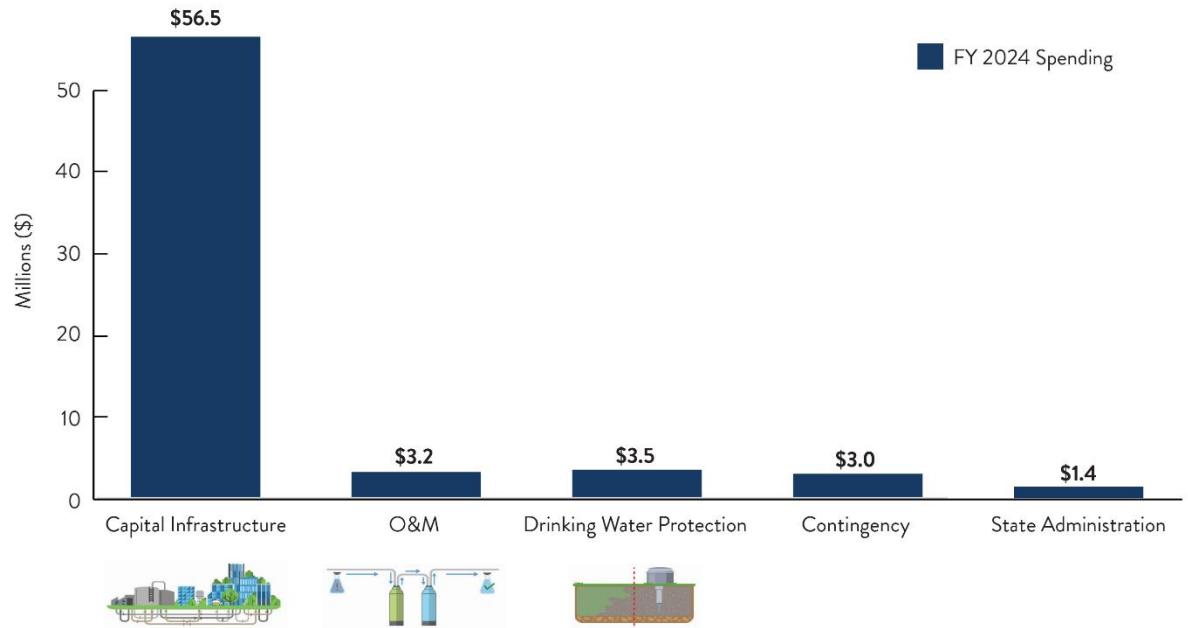


Section 2 – Implementation Progress

2.1 Awarded Implementation Funding

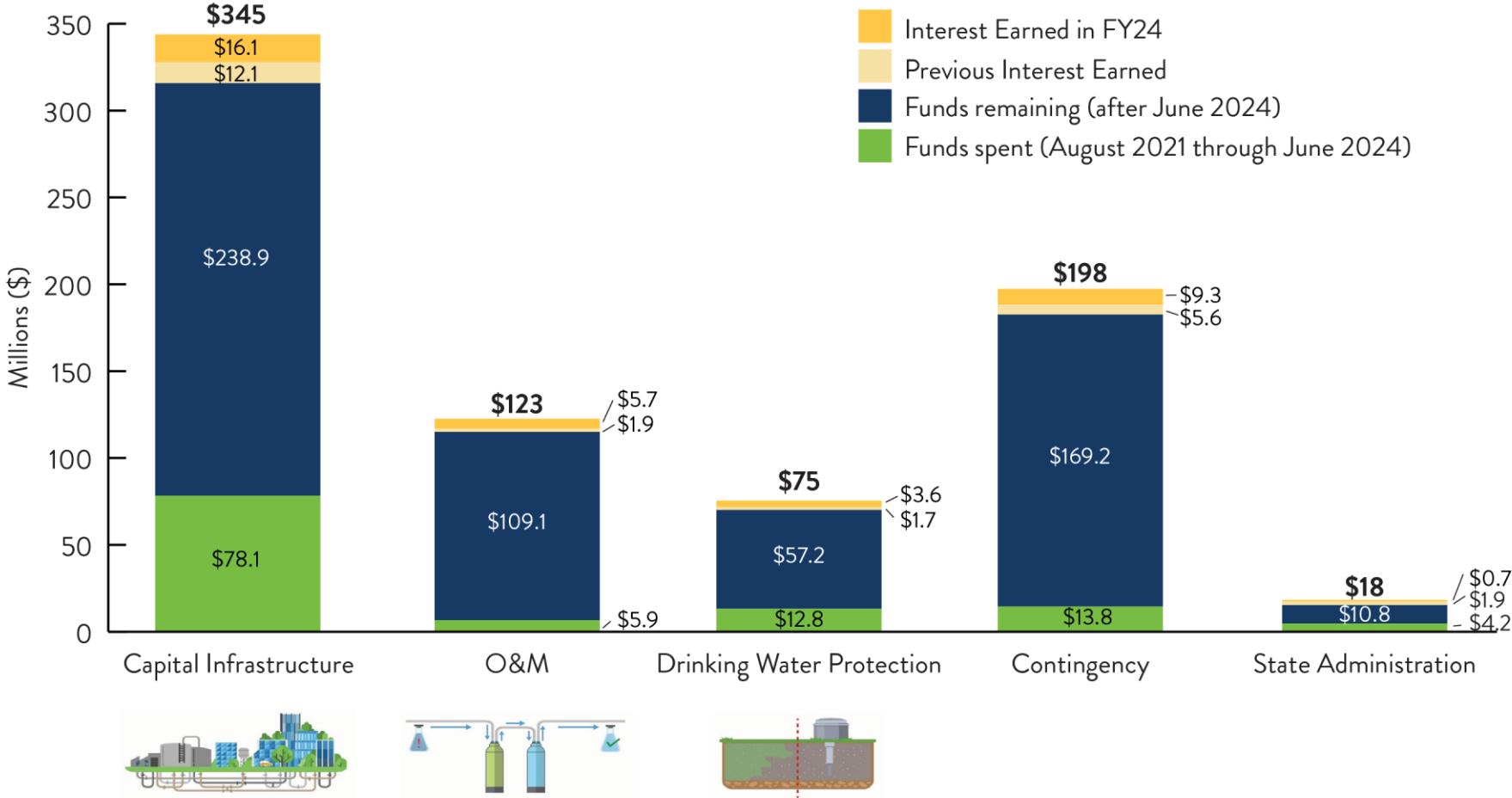
2.2 Implementation of Grant Agreements

- Approximately \$67.6 million spent in FY 2024
Settlement funding across the five funding allocations
- 38 active grant agreements
- Projects include:
 - Construction of additional temporary treatment and permanent treatment facilities
 - Ion exchange pilot programs
 - Interconnect planning
 - Land purchases, planning, and design work for water treatment plants
 - Connecting homes in various neighborhoods to municipal water
 - Installing POETSSs for private wells
 - O&M for temporary and permanent well treatment
 - Project 1007 Feasibility study
 - State administration, water sampling and lab analysis



Funding Spent Across Funding Allocations, FY 2024

Section 2 – Implementation Progress

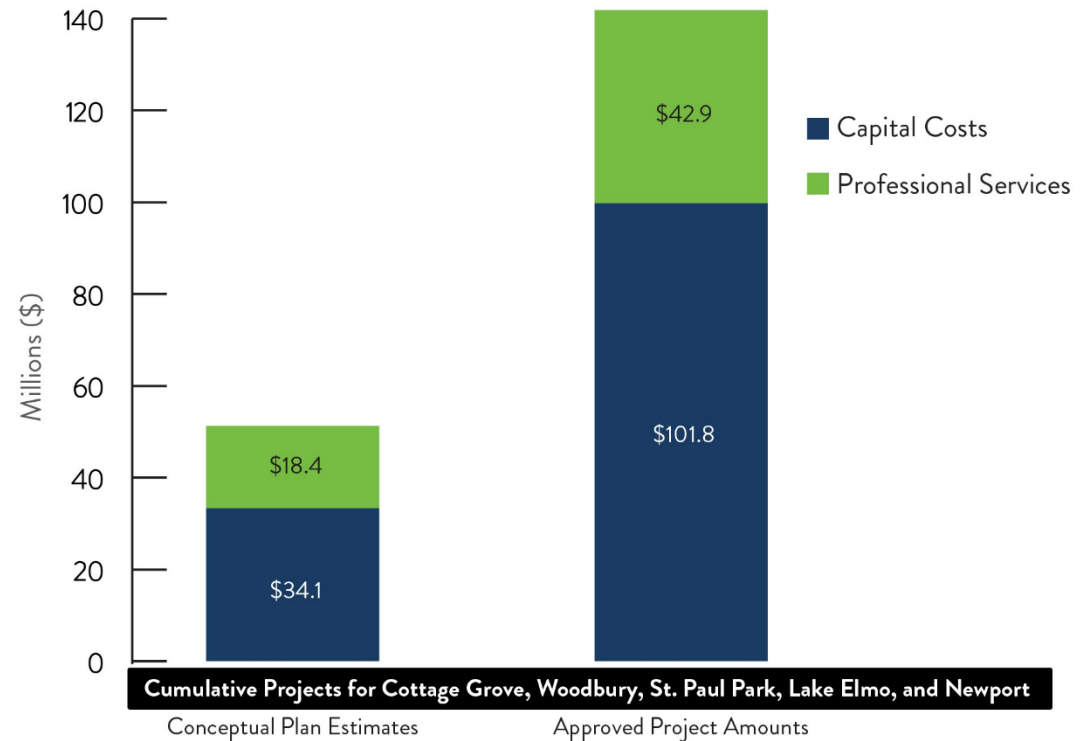


Funding Spent Across Funding Allocations with Interest Earned, August 2021–June 2024

Section 2 – Implementation Progress (Cumulative)

2.3 Comparison of Estimated Costs to Awarded Funding

- From August 2021 and June 2024
 - Twenty-nine grants awarded to 5 communities
 - In most cases, costs were higher than Conceptual Plan estimates due to:
 - Additional wells requiring treatment
 - Changes in growth projections
 - Changes in design assumptions
 - Inflation
 - Projects not included in the Conceptual Plan

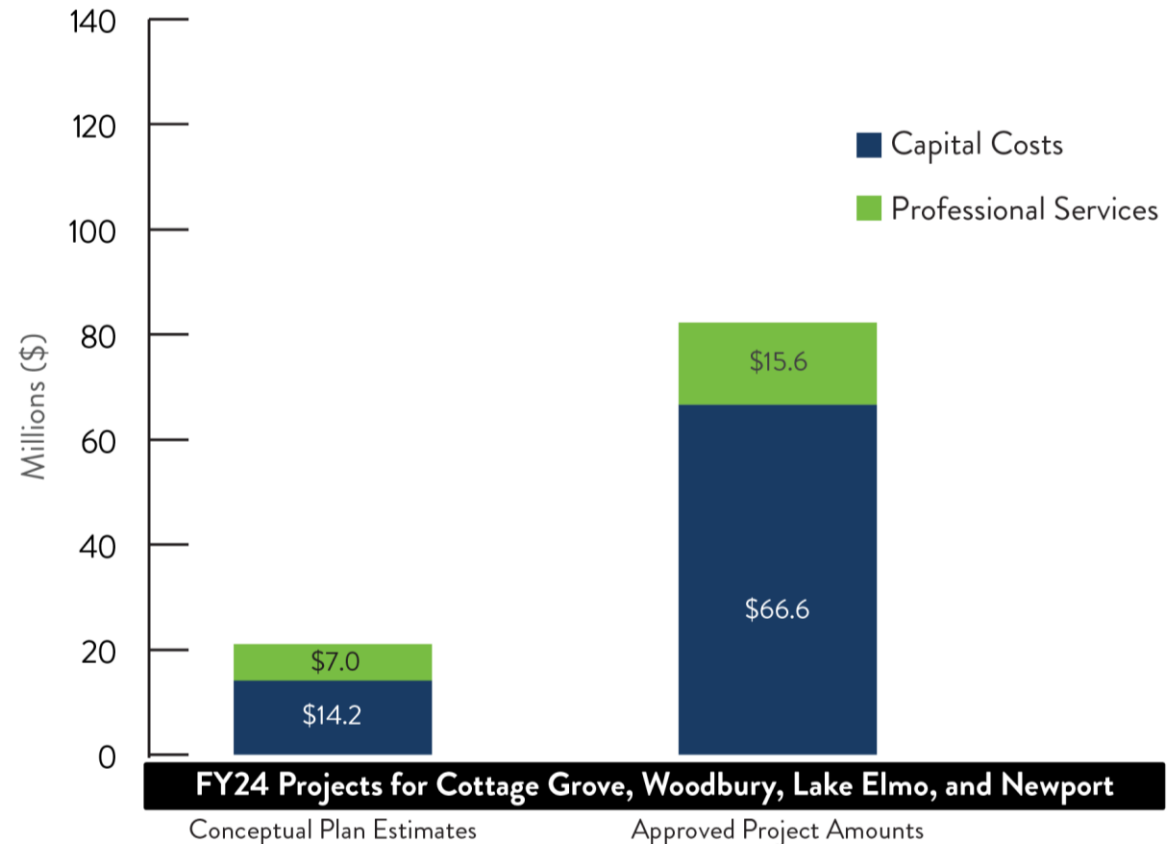


Cost Comparison of Conceptual Plan Estimates and Grant Awards for Cottage Grove, Woodbury, St. Paul Park, Lake Elmo and Newport (Combined) Municipal System Projects, August 2021–June 2024

Section 2 – Implementation Progress (Fiscal Year 2024)

2.3 Comparison of Estimated Costs to Awarded Funding

- In Fiscal Year 2024 (FY 2024):
 - Eleven grants awarded to 4 communities
 - In all cases, costs were higher than Conceptual Plan attributed to
 - Changes in design assumptions
 - Inflation
 - Projects not included in the Conceptual Plan



Cost Comparison of Conceptual Plan Estimates and Grant Awards for Cottage Grove, Woodbury, Lake Elmo and Newport (Combined) Municipal System Projects, July 2023–June 2024

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
- Although Conceptual Plan was built with a degree of resiliency (e.g., conservative assumptions), contingency funds and the fund reallocation process will need to be used 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

- MDH's updated health-based values (HBVs) released January 2024 and EPA final maximum contaminant levels (MCLs) for PFOA and PFOS released April 2024 have increased the number of municipal wells eligible for treatment, increased treatment plant size, required more water mains to new wells, and have spurred other additional costs
- MDH has increased sampling at public wells, and MPCA continues to sample private wells based on plume location and resident requests

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 increased costs between 2020 and 2023
 - Costs indices decreased over the last year
- Some Settlement funds are in an SBI interest-bearing account
 - SBI has historically outperformed the original 1% annual earning anticipated in the Conceptual Plan for funds allocated to capital projects and the 3.5% anticipated for O&M
- Changes from the Conceptual Plan have also led to cost increases
 - Increased demand and changing design conditions are associated with cost increases (see Section 2.3)

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 3 – Impacts from New Information

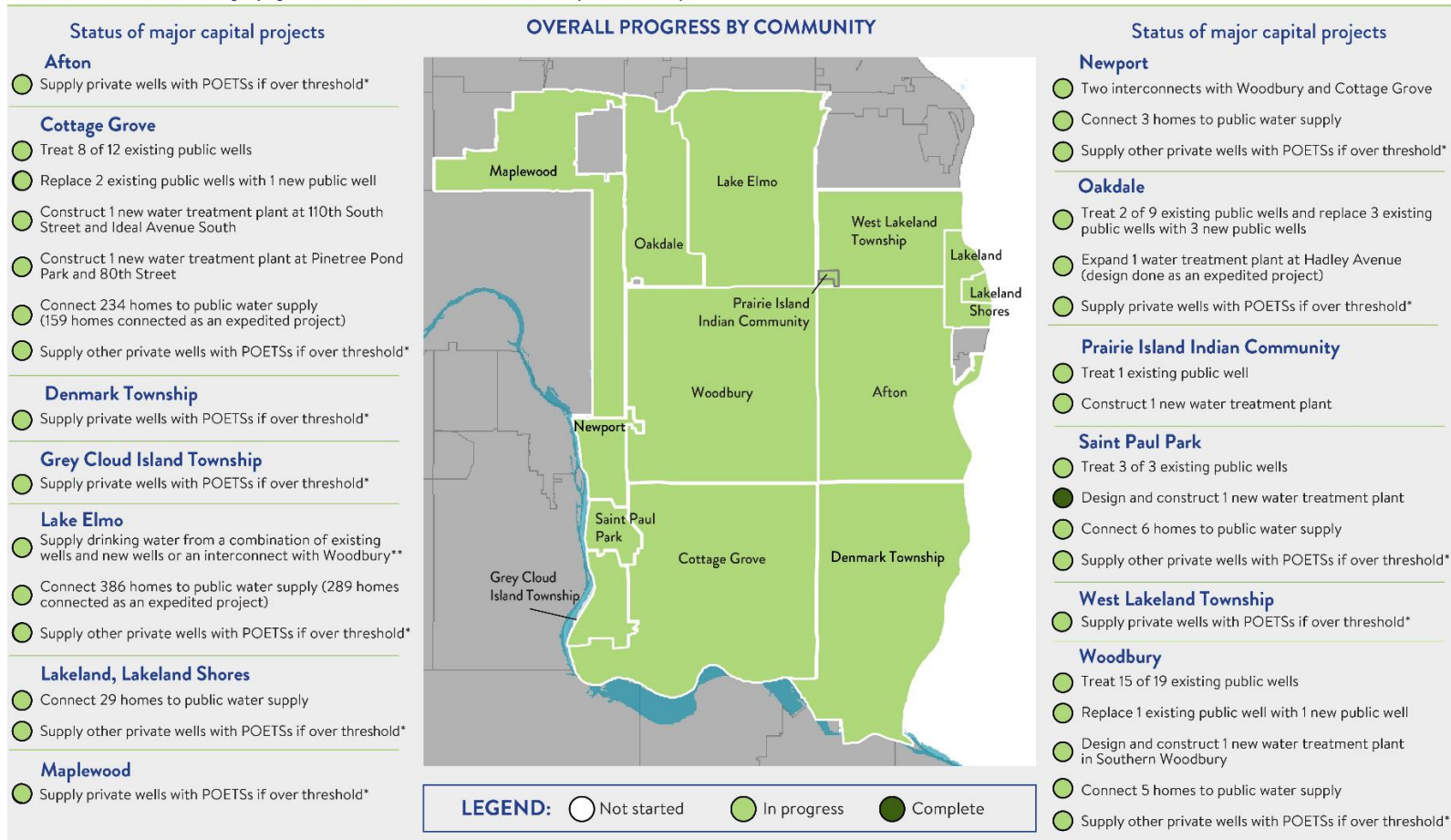
Section 3.4 Adapting to the Changes

- Settlement is being spent at a faster than anticipated rate
- Co-Trustees are planning on how to reallocate funds, as needed
- Certain neighborhood connections were paused in FY 2024 to direct capital infrastructure dollars to drinking water treatment
 - Residents in those neighborhoods either have point of entry treatment systems (POETS) on their homes or will get POETS if needed based on sampling

Section 4 – Projects in Fiscal Year 2025

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

- \$3 million (or 1.6%) of the \$183 million allocated in contingency funds have been used during FY 2024
 - 8.4% have been committed since the release of the Conceptual Plan
- Given grant forms received since the end of FY 2024, the Co-Trustees anticipate that eligible projects will continue to utilize the capital fund allocation before drawing on the contingency fund allocation

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)
- Co-Trustees determined that a fund reallocation was not necessary for FY 2024 because implementation costs for capital infrastructure projects are within the amount remaining in that allocation
- Based on current projections, a reallocation will be needed for FY 2025

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
Rebecca.Place@state.mn.us for 3M Settlement questions or
pfas.well.sampling.mPCA@state.mn.us for well sampling questions