

Minnesota 3M PFAS Settlement

Notes for Combined Working Group Meeting

Wednesday, May 21, 2025

9 a.m. – 12 p.m.

Hybrid Teams and in-person meeting

Combined working group members in attendance

- Clark Schroeder
- Dan Wietecha
- Jess Richards
- Jessica Stolle
- Karie Blomquist
- Kirk Koudelka
- Laurie Elliott
- Mark Jenkins
- Mary Van Milligen
- Melissa Kuskie
- Michael Madigan
- Monica Stiglich
- Nicole Miller
- Pam Anderson
- Ron Moorse
- Stephanie Souter
- Tony Brinkman

Presenters

- Kirk Koudelka, Minnesota Pollution Control Agency (MPCA)
- Jess Richards, Minnesota Department of Natural Resources (DNR)
- Rebecca Place, MPCA
- Debra Fleischer, Abt Global
- Emma Glidden-Lyon, Abt Global

Welcome

Debbie Fleischer (Abt Global) opened the work group meeting by walking through the hybrid meeting logistics, conducting roll call for work group members, and discussing the meeting agenda. Kirk Koudelka (MPCA) provided an update on community and neighborhood projects. The Cottage Grove Low Zone Treatment Plant will finish its construction this summer and be operational, Lake Elmo's Well 2 treatment construction will be done this summer, and other projects are underway, as well as private well sampling and treatment.

Update on Settlement Commitments, Disbursements and Planning for the Future Transition to Consent Order

Emma Glidden-Lyon (Abt Global) presented an update on Settlement commitments, disbursements, and planning for the future transition to consent order. Emma talked about the current commitments and earnings so far, the anticipated commitments in the future, and the fund reallocation and transition.

Since the November work group meeting (i.e., November 2024 through April 2025), there has been a total of \$111 million awarded for grants. In Fiscal Year 2025 to date (i.e., since July 2024), there has been \$22 million of interest earned. From the contingency fund allocation, \$61.3 million has been used to cover capital grant commitments. As of April 2025, \$470 million has been committed. The funds have continued to earn interest, albeit at a slower rate than in previous fiscal years as funds are spent on projects.

In the remainder of Fiscal Year 2025, there will be an anticipated total of \$127 million dollars in grants and amendments. These numbers, and those in the rest of this presentation, are estimates (not allocations or commitments) based on Community Surveys and professional judgement. Low projections and high projections were done, and this presentation uses the high projections as a more conservative approach to estimating future Settlement commitments.

The capital allocation has a total of \$351.9 million (\$317 million in capital allocation plus \$34.9 million in capital interest). The current capital cost estimate for Fiscal Year 2025 is \$539.8 million. Thus, the minimum needed from other allocations to cover capital costs is \$188 million. This \$188 million is covered by the contingency allocation fund, so no reallocation is anticipated to be needed for Fiscal Year 2025 as using funds from the contingency allocation does not require a reallocation. In November, the Co-Trustees did anticipate a possible need for reallocation, but project costs were lower than expected and other projects were not submitted in Fiscal Year 2025.

A reallocation is anticipated in Fiscal Year 2026 (i.e., July 2025 through June 2026). In Fiscal Year 2026, \$82 million in grants is anticipated, primarily in capital construction. Capital is expected to be \$64.1 million in excess of what is available between the capital and contingency allocations.

The Co-Trustees intend to use funds from the Operations & Maintenance (O&M), Drinking Water Protection, and State Administration allocations to cover these additional expenses. The withdrawals from these accounts will be made in proportion to the original distribution percentages, ensuring that the funding structure remains balanced and consistent with past allocations.

The following will be reallocated to capital when contingency funds are fully committed: \$20.9 million from drinking water protection, \$34.4 million from operation and maintenance (O&M), and \$4.5 million from state administration. This reallocation will leave \$110.7 million in all of the allocations after Fiscal Year 2026.

After reallocation, the next topic was the transition from the Settlement to the Consent Order. The Co-Trustee's make some key assumption when planning for this transition:

- Community data and best estimates are used to show a range in the timing of the transition.
- The point of transition from the settlement to the 2007 Consent Order is when funds are committed. A grant award means Minnesota has committed to that project and is a legal agreement, which contractually obligates the state to pay the award.
- Future interest is not included in the timing of the interest given uncertainty around the rate of interest.
- Projections for O&M, Drinking Water Protection, and State Administration spending are included for as long as funding is available in those allocations.

During November's work group meeting, it was estimated that Settlement funding would run out around Fiscal Year 2027 (calendar year 2026). Now it is estimated that the Settlement will transition in Fiscal Year 2027 (fall 2026) to Fiscal Year 2028 (winter/fall 2027). Changes since November include grant award reductions and reimbursements, \$22 million earned in interest, and lower project costs.

Funding will continue to be tracked as it is committed. The projections will be updated based on new community estimates. The Co-Trustees will continue to work to determine the timing and scope of the transition. The annual community survey will inform tracking efforts, especially for estimates of O&M and the timing of new grant submissions. The survey will be circulated this summer. When the allocations run out of funding, drinking water activities will revert to being reimbursed by 3M under the 2007 Settlement Agreement and Consent Order

(2007 Consent Order). The timing of the transition will depend on various factors like reductions and reimbursements of different grants, unused funds, and earned interest. The State is currently in mediation with 3M and providing 3M with review material. The mediation is scheduled for June.

Work Group Feedback

A work group member asked what the drinking water protection allocation is being reserved for given the Project 1007 study is complete. The work group member was curious why the approach is to pull equally from each of the funds. MPCA noted that the drinking water protection fund also funds the drinking water sampling, processing, and reporting. The Co-Trustees added that the Project 1007 feasibility study is not complete (e.g., a public comment phase remains). The Co-Trustees noted that this is the first reallocation, and it does not mean this is how all reallocations will happen in the future. Ultimately, all funds will be expended from all accounts, and where it is pulled from is a relatively minor detail.

A work group member said that they did not see anything in the presentation about funding Project 1007 and asked if any related construction would be covered by the Consent Decree or by MPCA. The Co-Trustees responded that right now Minnesota is focusing on doing the feasibility study, getting comments, and relaying that information. The first priority has been the drinking water systems, capital, and O&M. Some of the recommendations in the feasibility study do tie back to drinking water, but currently there is no money set aside for implementation of the feasibility study recommendations.

A work group member asked what the timetable for litigation would be if mediation is unsuccessful, and whether those expenses would be charged against the fund. The Co-Trustees are unsure what that will look like. Mediation is required for any disputes under the Settlement Agreement, but the timetable is unknown. Cost is something the Co-Trustees will have to discuss. There is money set aside for state administration, which could be used for these type of expenses.

A work group member asked if and how the recent EPA announcement regarding PFAS would impact Priority 1, and whether Priority 1 work is still operating based on thresholds of 0.5 parts per trillion (ppt) instead of 4 ppt. The Co-Trustees clarified that the work group member is referring to the change in the federal drinking water standard. At this time, all Priority 1 decisions are based on the Health-Based Values set by the Minnesota Department of Health, and those values are more stringent than even the federal numbers.

A work group member asked if the extension of the compliance date for the federal drinking water standard would mean that some Priority 1 projects could also be extended. The Co-Trustees clarified that the Settlement timeline is driven by when cities propose projects.

A work group member asked if there was any news on updated Minnesota health values. The Co-Trustees are unaware of any applicable Health-Based Values that are being changed with the Department of Health.

Public comments and questions

A member of the public asked how much money is at risk via the mediation with 3M regarding the Consent Order, noting that they believed litigation costs in 2018 were \$150 million. The Co-Trustees clarified the 2018 Consent Order was a different situation because the State had an outside party that collected a fee, whereas the current effort is in-house with the Attorney General's office. They added that the dispute concerns whether or not the projects selected were reasonable and necessary, and that the Co-Trustees firmly believe the decisions made by the communities, MPCA, and DNR meet those criteria.

The member of the public then asked if 3M was aware of decisions as they were being made by communities. Co-Trustees answered that 3M is part of the work group and was very involved through the development of the Conceptual Drinking Water Supply Plan. 3M has been part of the updates given twice a year through work group meetings. The State has had separate conversations with 3M and provided documentation on community projects. The member of the public asked what has changed that 3M now disagrees, and the Co-Trustees noted this would be a question for 3M.

A work group member stated they were concerned and frustrated with 3M's decision to question the reasonable and necessary decisions made by communities that are impacted by PFAS contamination. They noted communities are working hard to supply quality water for residents. They expressed feeling disheartened but thanked the State for representing the communities in this mediation.

Multiple work group members expressed agreement with the previous statement. They expressed that the process has been arduous and long because when spending someone else's money you want to make sure it is being spent appropriately. The work group member feels this group has been very careful and had many checks and balances in this process. They are unsure how 3M would be able to say the money has not been spent in an appropriate manner. Another work group member agreed that the level of rigor in this process has been challenging and appropriate. There has been effort and frustration to ensure the money has been spent as stewards of money that is shared between a number of communities. Looking at it as a steward, the process has been appropriately rigorous.

One work group member stated that 3M's actions could have been triggered by recent legislative activity. In response, a work group member asked whether the Settlement funds were always protected from the Legislature. This is the Co-Trustees' position.

Next Steps

Rebecca Place (MPCA) presented on next steps. Reviewing grant submittals, sampling and resampling private wells, communicating with residents the need for private well testing, and installing whole-home treatment systems will continue. She notes that the Department of Labor and Industry requires a permit and inspections for point-of-entry treatment systems (POETS). MPCA will be meeting with local governments to share information about the inspections and develop approaches as needed.

The Community Survey will be sent out this summer and will inform the transition plan, annual review, and planning for the legislative report. The Survey will cover timelines of existing grants, timing and cost for future grants, future O&M grants, and decommissioning of temporary systems. There will be another work group meeting in the fall.

Letter of Intent for Priority 2 funding are being evaluated. This summer, projects will be chosen to move forward, and a public meeting will be held for filling out the full request for proposal. Applicants will be notified in early 2026, and projects will begin in 2026.

Ms. Place thanked the community representatives for their hard work in supplying safe drinking water to their communities.

Work Group Feedback

A work group member asked how the Department of Labor has authority in private homes. MPCA responded that the Department of Labor and Industry has authority to interpret Minnesota plumbing code, and they interpret the code to say that a permit and inspection is needed.

A work group member asked if there were any updates on testing capacity for private wells and installation of GACs, given long wait times. MPCA said that it is a still months-long waiting period for a GAC installation but they working on ways to involve more contractors to reduce delays.

A work group member asked why the decision was made not to reallocate the Priority 2 funding (\$20 million) to clean drinking water and who made that decision. The Co-Trustees expressed that they understand the stress that communities are under, but emphasized that the Settlement is a natural resource damage assessment settlement and the \$20 million is the only part of the Settlement that can be used for natural resource damage beyond drinking water. There are significant natural resources damages beyond groundwater, and the Co-Trustees see this as the only opportunity to do something positive with that piece of the Settlement. They added that unlike the drinking water piece, there is not a Consent Decree to fall back upon.

Public comments and questions

There was no additional feedback at this time.