



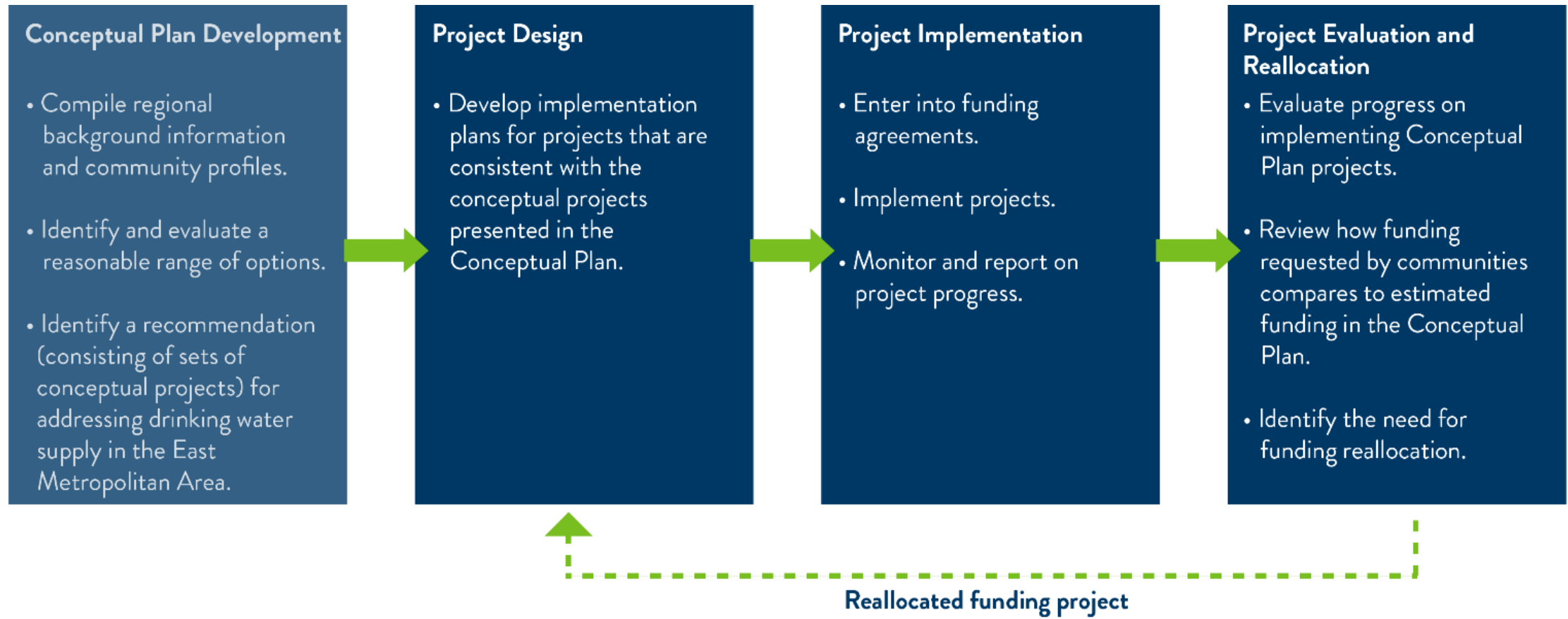
Conceptual Plan Annual Review

Rebecca Place, Settlement Coordinator
3M PFAS Settlement Work Group Meetings
November 5, 2025

- 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 2026 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) 2025: July 1, 2024 – June 30, 2025
 - The document is intended to be produced on a fiscal year basis: FY 2024 FY 2025, 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

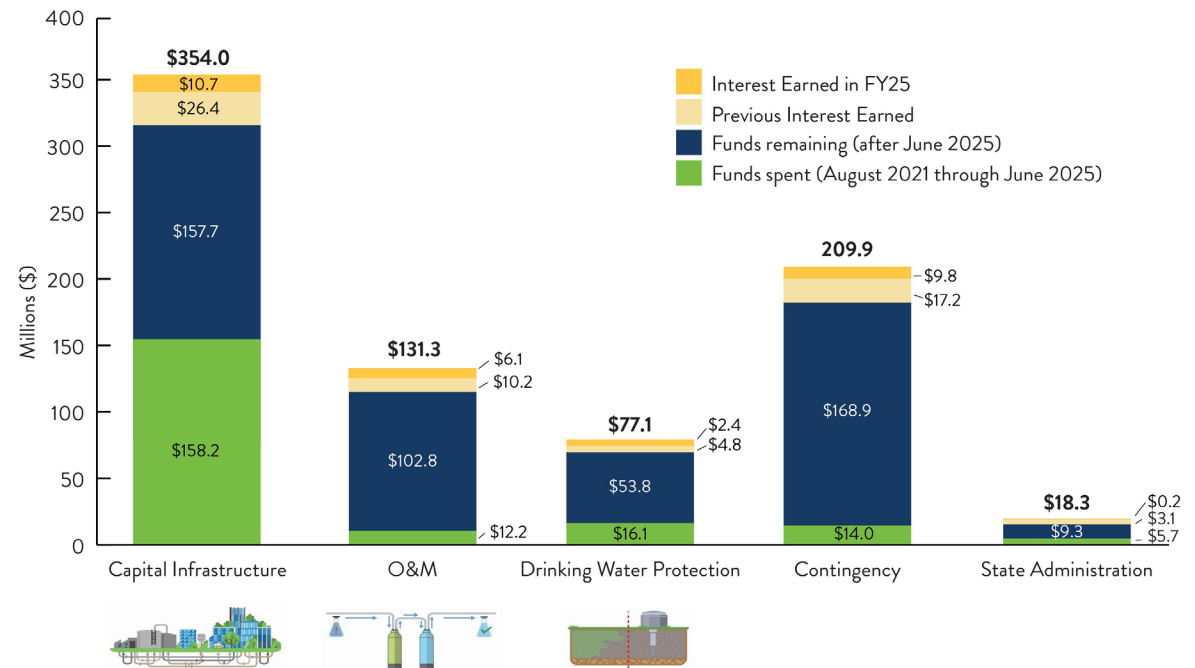


Section 2 – Implementation Progress

2.1 Awarded Implementation Funding

2.2 Implementation of Grant Agreements

- Approximately \$91.3 million spent in FY 2025
Settlement funding across the five funding allocations
- 48 active grant agreements, primarily capital projects:
 - Feasibility studies, planning activities for water treatment plants, water mains, and interconnection
 - Land acquisition and construction of water treatment plants and water mains
 - Municipal well connection to treatment and home connections to municipal systems
 - Well sealing
 - Completion of ion exchange studies
 - O&M for municipal water treatment and POETS
 - Project 1007 Feasibility study
 - State administration, water sampling and lab analysis

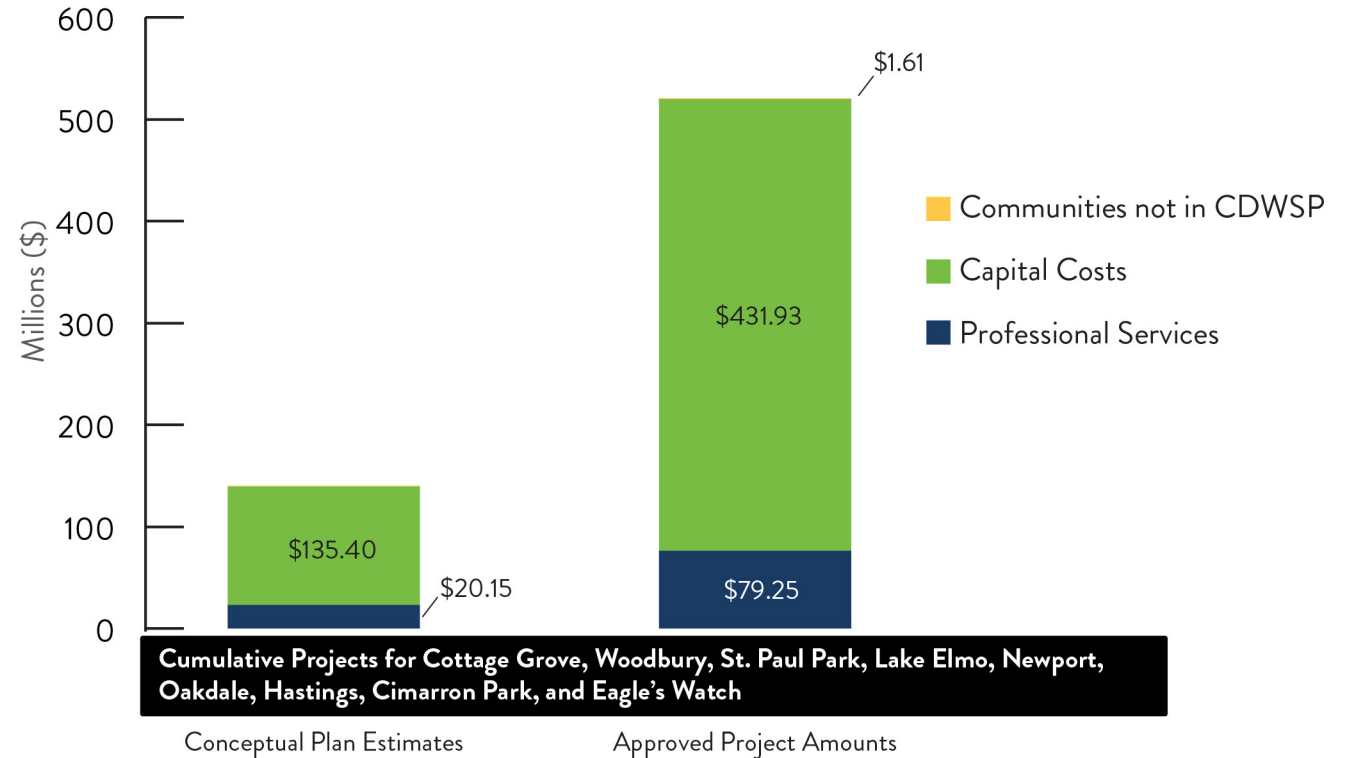


Funding Spent Across Funding Allocations, FY 2025

Section 2 – Implementation Progress (Cumulative)

2.3 Comparison of Estimated Costs to Awarded Funding

- From August 2021 to June 2025
 - 9 communities planning for municipal systems
 - 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

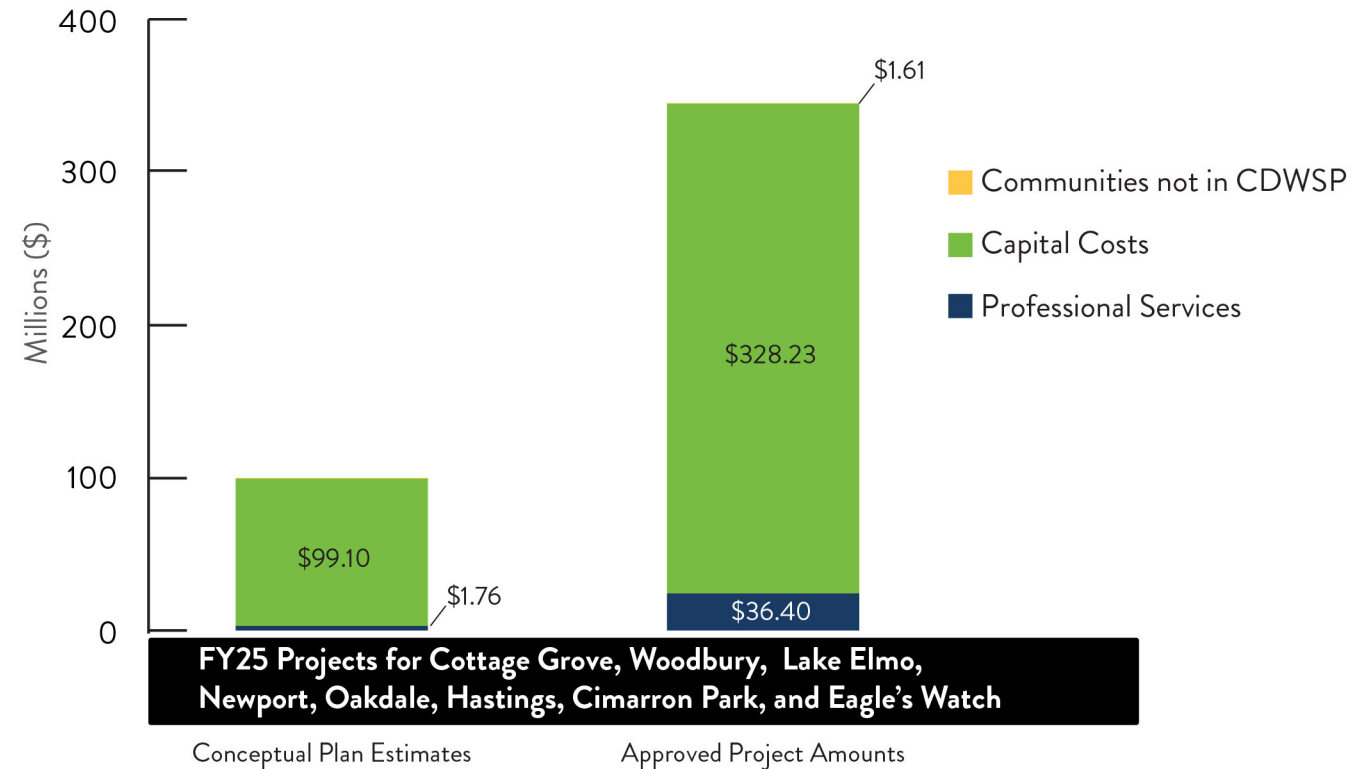


Municipal System Projects, August 2021–June 2025

Section 2 – Implementation Progress (Fiscal Year 2025)

2.3 Comparison of Estimated Costs to Awarded Funding

- In Fiscal Year 2025 (FY 2025):
 - 14 grants out of the capital allocation awarded to 8 communities
 - In all cases, costs were higher than Conceptual Plan attributed to
 - Changes in design assumptions
 - Inflation
 - Projects not included in the Conceptual Plan



Municipal System Projects, July 2024–June 2025

Section 3 – Impacts from New Information

- New information since the release of the Conceptual Plan 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) finalized in 2025
- The updated HBVs are non-regulatory values designed to provide context and guidance for policy makers.
- The 2007 Consent Order specifically requires the use of the HBVs and the settlement prioritizes exceedances of HBVs and health risk limits (HRLs).

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
 - Relevant costs indices have stagnated 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
 - Communities have been added to the settlement
 - Increased demand and changing design conditions are associated with cost increases

Section 3 – Impacts from New Information

Section 3.3 Accounting for Temporary Drinking Water Treatment Systems

- O&M costs of temporary systems until the long-term water systems are in place now come from the Settlement Funds
- Temporary municipal treatment systems currently operating in the East Metro (Cottage Grove, Woodbury, and Oakdale)
- Approximately \$5.2 million spent on temporary treatment in FY2025

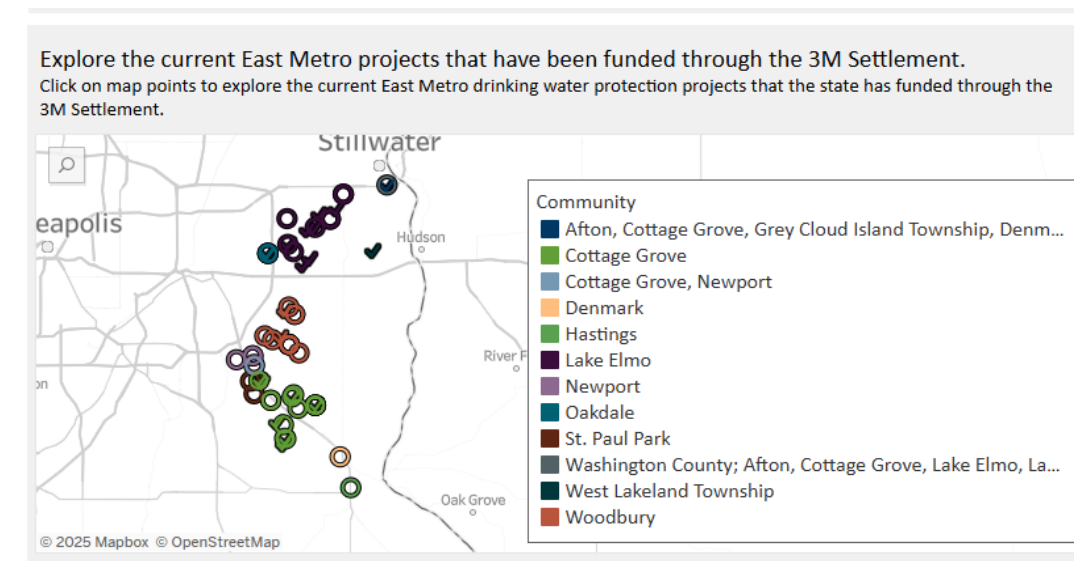
Section 3 – Impacts from New Information

Section 3.4 Adapting to the Changes

- Co-trustees have continued the pause on additional neighborhood connections where the majority of residences already have access to safe drinking water via POETS
- Resources added to private well sampling program to accommodate increased sampling requests, well advisories and installation of POETS
- Co-Trustees are planning on how to reallocate funds, as needed

Section 4 – Projects in Fiscal Year 2026

- Community survey collected information on future projects
- Received a 100% response rate
- Annual metrics can be found at: <https://data.pca.state.mn.us/views/3Msettlementsspending/Overview>



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

- Approximately \$300,000 (or 0.2%) of the \$183 million allocated in contingency funds have been used during FY 2025
 - 7.7% has been spent since the release of the Conceptual Plan
- The Contingency Fund Allocation is currently covering commitments needed for capital projects
- \$162.5 million has been committed from the Contingency Fund Allocation for capital projects

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 2025 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 2026
 - We will discuss reallocation in the Future Funding presentation

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