

Minnesota 3M PFC Settlement
Notes from the Citizen – Business Group Meeting

Tuesday, February 16, 2021
1:00 p.m. – 4:00 p.m.
Virtual WebEx Meeting

Group members in attendance:

Ann Pierce	Barbara Ronningen
Dave Schulenberg	David Filipiak
Jeff Holtz	Jess Richards
Julie Bunn	Kathryn Sather
Kevin Chapdelaine	Kirk Koudelka
Mark Jenkins	Michael Madigan
Monica Stiglich	Steven Johnson

Presenters:

- Kirk Koudelka Minnesota Pollution Control Agency (MPCA)
- Jess Richards, Minnesota Department of Natural Resources (DNR)
- Heather Hosterman, Abt Associates
- Hannah Albertus-Benham, Wood
- Mark Lorie, Abt Associates

Welcome

Mark Lorie (Abt Associates) welcomed the work group to the meeting. Mark reviewed the agenda. The purpose of the meeting was to review the public feedback and detailed cost updates, as well as discuss next steps. Kirk Koudelka (MPCA) reviewed recent updates. The Co-Trustees have been receiving and evaluating community feedback and work group feedback. The cost updates are primarily based on community feedback received in comment letters and from the one-on-one technical meetings. It is important to the Co-Trustees that the communities are comfortable with the cost estimates. Kirk also noted that MPCA recently released a PFAS Blueprint, which details their plan to address PFAS across the State. The Blueprint can be found here: <https://www.pca.state.mn.us/waste/minnesotas-pfas-blueprint>.

The Citizen-Business group liaisons provided a recap of December's Government-3M work group meeting. There was a detailed report on Project 1007. The presentation introduced multi-benefits wells, which raised some concerns. Questions also arose about the effectiveness of individual home units pulling contaminants out of the system. During December's meeting, most work group members were supportive of Option 2 because of the lower HI threshold. Some work group members in the Government-3M group were still waiting on input from their city councils. Last meeting also introduced the topic of centralized water softening, which could have benefits to the entire system.

Summary of feedback from work groups and public comments

Heather Hosterman (Abt Associates) presented the feedback that was received since the draft Plan was released in September. The comments came from three sources: comment letters from various communities and organizations, work group comments on specific elements of the draft Conceptual Plan, and comments submitted via the public survey. Several key themes included:

- There were many comments about administrative elements of the Conceptual Plan. Communities would like to begin preliminary work before the Plan is final. There were also concerns about how the funds would be distributed among the communities and whether the State would guarantee to implement everything included in the Plan regardless of capital costs. Some would also like an independent cost review.
- A lot of feedback centered on capital and O&M cost estimates. There were concerns about the high amount of O&M funding for Lake Elmo/Oakdale for Option 3 (connecting to St. Paul Regional Water Services) and the difference in O&M funding for public and private wells. Others felt the cost estimates were too low and that the cost difference would fall to communities and their residents.
- Many comments focused on funding categories. Many commenters wished to prioritize drinking water treatment before sustainability and conservation projects were funded. Others asked for more specific information about what was covered under drinking water protection versus sustainability and conservation.
- Most work group members prefer Option 2 due to the lower Health Index (HI) threshold. Some community members liked that all options include a treatment threshold below HI of 1.
- Municipal versus private wells. Many West Lakeland Township residents do not want to connect to a municipal system. If they are connected, many requested to keep their wells for irrigation. Commenters from Lake Elmo and Oakdale did not want to connect to other systems.

The public survey asked if each option is acceptable. For each option, there are more responses that it is not acceptable than responses that it is acceptable. Common themes from the public survey response include:

- Urging Co-Trustees to use the lowest possible HI threshold for treatment
- Urging Co-Trustees to prioritize capital and O&M to minimize water bill increases
- Too high a percentage of funds are going to funding allocations with little explanation of what they will cover (e.g., sustainability and conservation, drinking water protection)
- Some respondents felt that communities should not pay anything since they are not the source of contamination
- Many West Lakeland residents oppose a municipal system and would like to keep their wells for irrigation even if a municipal system is put into place

Feedback:

Work group members were concerned about the letter from 3M that claimed the Plan was legally baseless and outside the scope of the Settlement. Kirk said that it was one of many letters received and

considered by the Co-Trustees. The Settlement allows the State agencies to determine how the Settlement funds are spent and they feel they are working within Priority 1 goals. Another work group member asked if there could be a situation where 3M takes the money back or if they could sue the State and communities. Kirk explained that the Settlement clearly explains the agencies make final decisions. There is a resolution process written into the Settlement for 3M to challenge items they feel are outside the Priority 1 framework. The State and 3M are keeping the judge who ruled on the Settlement informed about progress. Another work group member stated they were not concerned about the 3M letter and said the scrutiny from 3M was to avoid setting precedent for treating wells under the State's HI limit.

One work group member stated that based on Next Door comments, West Lakeland residents may not be aware of the Plan or may have misinformation. Kirk explained that there were a number of public meetings, some specifically in West Lakeland. The State is not able to get on Next Door but they have been aware of posts and debates happening. The Co-Trustees are working with West Lakeland to have conversations on this feedback. No final decisions have been made for West Lakeland at this point. Another work group member said there was a lot of interest from West Lakeland in keeping their individual POETS. The Town Board has an upcoming meeting on this topic.

One work group member agreed that there should be an independent cost review. Kirk explained that they have chosen to use the community consultants on hand since they are already familiar with the Plan. A third-party reviewer who is not familiar with all of the intricacies of the Plan would only be able to provide a high-level review.

Updated cost estimates for recommended options

Hannah Albertus-Benham (Wood) presented updated cost estimates for the recommended options. The updated costs are compared to those originally released in September 2020 in the draft Plan. The costs were refined primarily based on one-on-one conversations with the communities. Wood will continue to refine costs after follow-up one-on-one meetings in February and March. The goal is to make costs as conservative and inclusive as possible at this point. Hannah clarified that the updated costs include 20-year operation and maintenance (O&M) costs both with and without interest. Kirk added that there has been some discussion with 3M on what the \$40 million temporary fund under the Settlement should include. 3M has had some issues with items billed under that temporary fund.

Key cost updates include:

- Options 1 – 3 (these costs include a West Lakeland municipal system and a Lake Elmo-Woodbury interconnect for options 1 and 2): there was an overall increase in capital of about \$180 million for Options 1 and 3 and an increase of about \$214 million for Option 2. The biggest difference is the lower HI threshold, which means additional wells and POETS are treated. The O&M costs were not impacted as much as capital costs.

	Capital cost (\$Ms)			Annual O&M cost (\$Ms)			Total 20 year costs (\$Ms)*		
	Sept 2020	Jan 2021	Difference	Sept 2020	Jan 2021	Difference	Sept 2020	Jan 2021	Difference
Option 1	302	481	179 (59%)	4.24	4.36	0.13 (3%)	417	599	182 (44%)
Option 2	320	534	214 (67%)	4.54	5.54	0.99 (22%)	441	684	243 (55%)
Option 3	299	479	180 (60%)	8.19	7.98	-0.20 (-2%)	520	694	174 (33%)

- Wood looked at several options for Lake Elmo and West Lakeland Township. Details on cost differences between these options were sent out to work group members on February 5th.
- Some overarching changes to costs included stormwater compliance costs, community-specific updates (e.g., Lake Elmo-Woodbury interconnect), updated service laterals costs to connect homes to the system, power factor adjustment for large water treatment plants in Cottage Grove and Woodbury, demolition of temporary facilities, costs of POETS installed after the Settlement in February 2018, well and tank costs prorated to include expedited projects, and reduced some O&M costs related to the St. Paul Regional Water Supply bulk water rate.
- There is an updated number of POETS estimated for West Lakeland. Previously, Wood included costs for all homes to be connected if a municipal system were put into place. However, after additional evaluation, it was determined that connecting some homes was not as feasible as providing them with POETS. In addition, more POETS were added based on updated sampling data from 2020.

Hannah also discussed in more detail the factors that influenced costs. Wood used an updated power factor to scale high-capacity water treatment systems based on feedback from the communities. They found, using an EPA tool, that 0.85 is appropriate. It makes sense to keep a smaller power factor (0.6) for smaller systems. This primarily impacts Woodbury and Cottage Grove that have plants over 6,000 gallons per minute. This creates an overall cost increase of \$8.3 million for Option 1 and \$17.1M million for Option 2.

Wood also worked to refine the service lateral connection costs. The updated costs incorporate the price to remove POETS (\$4,000 per POET) and community-specific conditions based on past experience, shallow bedrock, and City connection charges. This brings service lateral costs to \$19 million. This also brought up the importance of being consistent in what the Settlement covers across communities. One large factor is city connection fees that can include water availability charges, water connection charges, water meter charges, and permits. Each community has a different fee schedule. There are differences among communities on how they apply these fees in the expedited projects.

The most impactful cost update was stormwater compliance. The Valley Branch Watershed District requires stormwater management for all projects that create or reconstruct impervious surfaces equal to or greater than 6,000 square feet. Other construction permits have similar requirements. Based on a recent project in Cottage Grove, Wood estimated \$82/linear foot of pipe to account for stormwater compliance. However, these costs will not be fully known until the design phase. It is currently estimated that stormwater compliance accounts for \$70-90 million in additional capital costs across the options.

Hannah then discussed cost updates for Option 3. The increased costs primarily came from stormwater compliance costs. Under Option 3 SPRWS would provide softened water to Lake Elmo and Oakdale, which could save many homeowners money. Currently the O&M estimate for Option 3 includes the full bulk water charge for SPRWS. Subtracting out estimated cost savings to homeowners for softened water is being considered.

Overall, Wood incorporated a lot of feedback into the updated costs for Priority 1 funding categories. The estimates are a Class 4 level of accuracy with a margin of error +50%/-30%. More accuracy will occur in the detailed design phase. The increased costs create shortfalls of \$56-\$263 million under the previous funding allocations and O&M timeframes. The Co-Trustees do not plan to pull funds from the capital and O&M funds to cover the other funding categories; however, final decisions have not yet been made.

Feedback:

One work group member asked why the O&M costs for the Woodbury-Lake Elmo interconnect had decreased. Wood explained that the reduction in O&M was due to the removal of treatment for the Lake Elmo dedicated wells under Option 1 as they are assuming those wells would be located in Woodbury's southern well field where they would not need treatment under the $HI > 0.5$ threshold. Previously the cost of treating these wells under Option 1 was included.

One work group member asked if people are allowed to keep their POETS if they have non-detect levels of PFAS and the city water has detectable levels of PFAS. Residents in these areas do not want to pay for water. They would prefer to keep their wells on a POETS and be able to use it for irrigation. Hannah explained that if West Lakeland goes to a municipal system, people will not be able to keep their private wells. However, Co-Trustees have not made a decision about whether West Lakeland will move to a new municipal system or not.

Another work group member asked about the current methods for POETS disposal in Minnesota. Gary Kruger (MPCA) explained that when the carbon systems are removed from homes, the carbon is taken out of a container and can be recharged or incinerated. Hannah added that the media costs in the Plan include incineration, which is the common practice for disposal. It can be reused for drinking water purposes, but it has to meet certain standards and would have to be approved by the State. Karla Peterson from the Department of Health also explained that the carbon needs to be removed frequently to effectively remove PFAS and avoid bacteria buildup. For someone to just have the treatment infrastructure (e.g., containers) but not carbon, it would be prone to bacteria growth.

Other work group members asked for clarification about the cost differences between the West Lakeland options. Hannah said that the capital difference was approximately \$170 million (not including O&M costs) between POETS for West Lakeland and a municipal system.

One work group member asked if the updated costs were based on present value. Hannah explained that they provided two versions of the total 20-year cost estimates: one with only inflation, and one with inflation and interest.

City connection fees:

Hannah asked the work group if it is appropriate to cover City fees using Settlement funds and what those city fees cover. Kirk explained that they want to ensure that with city fees, the Settlement is not paying for the same thing twice. The Co-Trustees need clarity on what is covered in terms of home connections – what does the city pay for and what does the Settlement pay for?

Feedback:

One work group member explained that the fees vary drastically between communities. In many places, the fees have grown into a revenue stream to do other construction projects. They do not feel the Settlement should be funding things like park funds or general community funds or other ways the money from fees could be used. Communities need to justify to the State that the money spent on fees is spent directly on Settlement projects and reimbursement.

Another work group member suggested a memorandum of understanding with each city to specify which costs would be covered relating to city fees. They agreed that cities should not be gaining net revenue by having the Settlement cover things twice.

Stormwater compliance:

Hannah asked the work group if the stormwater compliance costs seem accurate based on previous experience and rules in place.

Feedback:

A work group member was concerned that the Settlement had incorporated such costs in expedited projects. They feel that the Settlement should cover stormwater compliance costs if that is the reason a street reconstruction needs to take place. However, they feel the cost estimates are very high since features like storm sewers do not occur on every foot of pipe or roadway. They estimate the actual cost could be 25-30% of the current estimate of \$70-90 million. They encouraged talking more to the technical Subgroup and with watershed districts. One work group member said they did not want to use the Settlement funds to accomplish watershed district goals and feel the money could be better used elsewhere. They also encouraged getting a more precise estimate.

Cost estimates:

Hannah asked if the work group members were comfortable with the updated cost estimates.

Feedback:

One workgroup member said they would like to prioritize capital costs. They are concerned about the cost estimates but more concerned about protecting public health. Others agreed.

Next steps

Mark reviewed the next steps in the process for finalizing the Plan. Over the next couple months, the Co-Trustees will continue to gather feedback and update the Plan based on that feedback. There will be one-on-one technical and leadership meetings throughout the next month. The Co-Trustees expect to have a final decision in May and release the Plan in June.

The next work group meeting will occur on Tuesday, March 16th. The agenda is not yet set but will most likely include additional updates made to the Plan.

Public comments and questions

A member of the public asked if the Co-Trustees had looked at the cost per 1000 gallons for each West Lakeland option. They felt a municipal system was an extremely expensive option especially since it did not have community support. Kirk explained that no decision had been made yet.