

Minnesota 3M PFC Settlement

Notes for Citizen-Business Working Group Meeting

Tuesday, January 18, 2022

1 p.m. – 4 p.m.

Virtual Webex meeting

Group members in attendance

- Alex Roth
- Ann Pierce
- Barbara Ronningen
- David Filipiak
- Jess Richards
- Kevin Chapdelaine
- Jamie Wallerstedt
- Mark Jenkins
- Michael Madigan
- Monica Stiglich
- Steven Johnson

Presenters

- Jamie Wallerstedt, Minnesota Pollution Control Agency (MPCA)
- Jess Richards, Minnesota Department of Natural Resources (DNR)
- Jim Kelly, Minnesota Department of Health (MDH)
- Mark Lorie, Abt Associates
- Jennifer Peers, Abt Associates/consultant

Welcome

Mark Lorie (Abt Associates) welcomed the work group to the meeting and reviewed the agenda. The purpose of the meeting was to (1) receive feedback on the Co-Trustee's plans for investing the Settlement funds; (2) discuss the preliminary approach for Priority 2; and (3) discuss recent state and federal actions on PFAS. Jess Richards (DNR) also welcomed the group. Jamie Wallerstedt (MPCA) introduced herself as the new Remediation Division Director (replacing Kathy Sather) and will be filling in for Kirk Koudelka for this month's meeting. She notified the work group that we have eight grant agreements in place; two with Woodbury and six with Cottage Grove, all generally for new municipal treatment and supply. She also announced that on February 8, 2022 from 1 – 4 p.m., MDH will be hosting a virtual advisory meeting for environmental health and biomonitoring in the East Metro Region related to PFAS. The meeting is open to the public.

The work group liaisons provided a recap of the Citizen-Business and Government-3M meetings in September 2021. During the September meeting, Co-Trustees and consultants reviewed community-by-community details of the Final Plan. There was discussion about Prairie Island Indian Community and concern from the workgroup that costs relating to growth were being included for that community. There were also questions about private well monitoring, which MDH and MPCA ensured would continue.

Investment Planning for the Settlement and Conceptual Plan

Mark presented on the investment planning for the Settlement funds. The Co-Trustees planned for Settlement funds to generate interest over time to achieve higher returns while managing risk. The State Board of Investment (SBI) has provided expertise and analysis to the Co-Trustees. Mark explained that:

- The Settlement funds are currently in a cash account that earns roughly 1% annual interest.
- While the SBI are financial experts, future performance of any investment is uncertain. Therefore, actual returns could be higher or lower than expected.
- The SBI and the Co-Trustees will meet regularly to review past performance and potential strategies. In turn, the Co-Trustees will provide updates to the work groups and communities.
- More information on how surpluses and shortages will be handled can be found in Chapter 10 of the Final Plan

Mark also explained that the Co-Trustees are making separate recommendations for capital, operation and maintenance (O&M), contingency, and state administration allocations:

- **Capital.** The Final Plan allocates \$370 million to capital, plus \$17 million to cover anticipated inflation. The Co-Trustees expect that capital spending will decrease over time, with increases in year 2 and year 6 as larger projects are built. SBI analyzed a ladder of treasury bonds that would mature over time to match the expected schedule of capital spending. This approach provides flexibility and should cover inflation greater than the 3% rate estimated for the Conceptual Plan. Co-Trustees recommend this investment approach for the capital funds.
- **O&M.** The Conceptual Plan allocates \$28 million for O&M for POETs and \$87 million for public water systems, estimated to cover 30 and 20 years of O&M, respectively. These costs assumed a 3% inflation rate and a 3.5% earning on the funds. After consulting with the SBI, the Co-Trustees must decide what portion of the funds will be invested in equities versus bonds. One of the key metrics that the Co-Trustees looked at was the probability of an O&M shortfall relative to the estimated 20- and 30-year durations. There is more potential return with a greater investment in equities, but also potential for a larger shortfall. The Co-Trustees recommend investing O&M funds with 40% in equities and 60% in bonds and cash due to a favorable tradeoff between risk and expected returns.
- **Contingency.** The Plan sets aside \$183 million to address various sources of future uncertainty. However, the timing of future contingency spending is highly uncertain. Therefore, the Co-Trustees recommend a lower risk approach by investing 87.5% of the funds in cash and 12.5% invested in equities.
- **State administration costs.** The Plan allocated \$15 million to cover these costs over the next 20 years. The Co-Trustees recommend keeping this money in a cash account.

While no set next steps have been established with the SBI, the Co-Trustees are prepared to move forward with these recommendations.

Feedback

One work group member felt that the investment strategy would have to be revisited more often than expected due to the rising inflation costs. However, they liked the ladder bond approach and are happy the SBI are

analyzing the Settlement fund. Another work group member was happy that a broad review was done and felt the approach was a responsible use of money.

Another work group member asked when the 20 and 30-year O&M costs were expected to start. Mark explained that the Co-Trustees anticipated a ramp-up for O&M costs. As projects are executed and POETs are installed, O&M costs will climb. The Co-Trustees planned conservatively for a fast ramp up of O&M funds.

One work group member asked if the project returns on the Settlement fund included the state administration costs that would now be kept in a cash account. Mark said they would have to check with SBI. The same work group member asked if this strategy considered the cost of having the SBI manage the fund. Jess Richards explained that having the SBI manage the funds was a very cost-effective option compared to outside firms.

Preliminary plan for Settlement Priority 2

Jennifer Peers (Abt Associates/consultant) presented on the Co-Trustees' plan for moving forward with Priority 2 of the Settlement. Jennifer explained that Priority 2 is for projects that restore and enhance natural resources and human use of those resources affected by PFAS. The Settlement includes language about creating a work group with representatives from the state, municipalities, and 3M to identify and recommend projects. There is \$20 million set aside for Priority 2, so the process will need to be more streamlined than Priority 1 efforts. The Co-Trustees' proposed approach for Priority 2 includes the following:

- Follow typical Natural Resource Damage Assessment restoration approach
- Incorporate work group feedback throughout the process
- The Co-Trustees lead the process
- DNR would provide a coordinator
- Resource teams would support the agencies
 - There would be two teams initially, one for recreation and one for ecosystem services
 - The resource teams would ideally be limited to approximately 20 participants that bring a range of perspectives on natural resource restoration
 - The resource teams, in partnership with the Co-Trustees and with feedback from work group, would use evaluation criteria to recommend projects
- The work groups would provide feedback on the overall priorities/goals for Priority 2

Jennifer also reviewed a proposed timeline for Priority 2. Key dates include:

- Winter 2022: Finalize approach and structure
- Spring 2022: Organize internal team and determine work group membership
- Late spring 2022: Work group up and running
 - Likely meet every other month for approximately one year

Ann Pierce (DNR) added that this process would pull expertise from across all of the State agencies.

Feedback

One work group member asked if there would be a formal plan written for Priority 2 like there was for Priority 1. This has not yet been decided. The same work group member mentioned Project 1007 as a good way to use the Priority 2 funds and added that fish seem to be the animal species most affected by PFAS.

Work group members asked about the Citizen-Business group's role in Priority 2. Some members wanted to continue the Citizen-Business group to receive updates about the Plan's implementation. Jennifer explained the Co-Trustees do not yet know exactly how existing work groups will fit under Priority 2. One work group member suggested that meetings may not be needed if there are no items to discuss with work groups and that updates on Settlement work can be communicated via summary reports and emails in lieu of meetings.

Public comments

There were no questions or comments from the public.

Updates on state and federal actions on PFAS

Jim Kelly (MDH) presented on PFAS updates at the state and federal levels and Mark reviewed their impact on the Final Plan. PFHxA is a breakdown product of stain- and grease-proof coating on food packaging and other household items.

Jim provided a brief history and background on establishing health-based values, reminding the group that health-based values and health risk limits represent a concentration of a chemical that is likely to pose little to no risk to human health. He also explained how MDH creates health-based values, beginning with examining effects of the chemical in animal studies. MDH then creates a reference exposure level, at which PFAS would be harmful. This number has added margins of safety and MDH only allows half of the reference exposure level to come from drinking water. PFHxA was selected for review in October 2020 but was delayed due to COVID-19. The updated health-based value is 0.2 parts per billion.

Mark explained that a new health-based value for PFHxA resulted in a new revised HI calculation. He reviewed the treatment decisions outlined in the Final Plan based on the health index:

- Regardless of how health values change, any well with an HI of 1 or greater will get treatment under the Conceptual Plan, or, when Settlement funds are depleted, under the Consent Order
- Wells with an HI between 0.5 and 1, based on the HI equation used in the Final Plan, will be treated in order to increase resiliency by deploying treatment in places now that may need it in the future
- Wells with an HI less than 0.5 will not be treated, but will continue to be monitored
- One municipal well and 14 private wells received new health advisories due to the new PFHxA health-based value. All of these wells were already slated to receive treatment under the resilience approach in the Conceptual Plan

Jim also presented updates about EPA's recent actions on PFAS. In November 2021, EPA released documents in support of proposed Maximum Contaminant Level Goals for PFOA and PFOS. MDH submitted comments on the documents. These comments, along with those from other stakeholders, will help EPA craft a PFAS National Primary Drinking Water Regulation, which is planned to be finalized in 2023.

Feedback

One work group member asked Jim if low birth weight was a developmental effect of PFHxA. Jim said it was, among other developmental delays.

One work group member asked for clarification on Minnesota's PFHxA requirements versus EPA's. Jim explained that the State could be more stringent than federal regulations for PFAS in drinking water but could not allow levels above the federal requirements.

Another work group member asked if future HI standards would be stricter than the current standards. Jim said that this uncertain at this time but was the reason the Co-Trustees built resiliency into the plan. Jim also felt that there would be many more conversations happening at both the state and federal levels.

One work group member asked for an update on the ion exchange pilot project in Cottage Grove. Gary Krueger (MPCA) said that the City of Cottage Grove is finishing their final report now.

Next steps

Mark provided an overview of the planned activities for MPCA and DNR. Activities include:

- Continuing to receive and review grant forms and establish grant agreements
- Updated grant request forms for construction and O&M
- Move forward with the SBI on the investment plan, incorporating work group feedback
- Share the final Cottage Grove pilot project report
- Continue work on Project 1007
- Continue preparing to ramp up Priority 2

The plan for February is to have a Subgroup 1 meeting, but not a Citizen-Business or Government-3M meeting. Potential topics include the Cottage Grove pilot project and Project 1007.

Public comments and questions

There were no questions or comments from the public.