

Minnesota 3M PFC Settlement

Notes for Drinking Water Supply Technical Subgroup 1 Meeting

Wednesday, June 17, 2021

1:00 p.m. – 4 p.m.

Virtual WebEx Meeting

Group members in attendance

- Brian Bachmeier
- Brian Davis
- Dan DeRudder
- Erik Henningsgard
- Gary Krueger
- Greg Johnson
- Jack Griffin
- Jason Moeckel
- Jim Westerman
- Jon Herdegen
- Karla Peterson
- Lucas Martin
- Marian Appelt
- Matt Moore
- Richard Thron
- Ryan Burfiend
- Ryan Stempski
- Stephanie Souter
- Steve Love

Presenters

- Gary Krueger, Minnesota Pollution Control Agency (MPCA)
- Jason Moeckel, Minnesota Department of Natural Resources (DNR)
- Cori Rude-Young, MPCA
- Mark Lorie, Abt Associates
- Heather Hosterman, Abt Associates

Welcome

Heather Hosterman (Abt Associates) welcomed the Subgroup to the meeting. Mark Lorie (Abt Associates) reviewed the agenda. The purpose of this meeting was to provide an update on the Conceptual Drinking Water Supply Plan (Plan) and associated activities. Gary Krueger (MPCA) then welcomed the Subgroup. Gary announced that Kathy Sather is retiring from MPCA as well as highlighted some requests for funding that have been approved, including land for a treatment plant in Woodbury and land for a treatment plant in Cottage Grove. In both cases, these purchases were components in all three recommended options in the draft Plan. Their execution included a clause that if the land was not used for its intended purposes, the money would be returned to the Settlement. Gary also explained that the meeting would provide an update on the elements of the Plan that need to be finalized before making higher-level policy decisions.

Update on the Final Conceptual Plan

Mark provided an update on the Final Conceptual Plan and decisions being made that affect the entire Plan. He reviewed the general timeline for the Plan. Key takeaways include:

- The Plan's release date is expected to be August.

- The Co-Trustees do not expect to have a July Subgroup meeting
- Whether or not the Subgroup meets after the Plan's release is to be determined. However, the Co-Trustees recognize the need for continued community engagement during implementation and when addressing Priority 2 under the Plan.

Mark also reviewed the process for developing the Plan, including how the Co-Trustees received and incorporated feedback. The comments generally fell into common themes:

- Administrative comments, which were primarily about allowing communities to do preliminary work before the Plan is released
- Capital and operation and maintenance (O&M) comments, which were about how funds were distributed, the length of O&M for private and municipal wells, and concerns about overall costs and communities paying more than expected
- Funding priority comments, which showed a strong desire to fund drinking water treatment before anything else
- Recommended option comments, which showed a desire to treat as many wells as possible

Feedback:

Mark then walked through some issues critical to developing the Plan. These issues, which need to be resolved before the Plan is finalized, include:

- City water fees: The Co-Trustees previously asked communities to provide information on city water fees, water availability charges, and related fees. Wood has been collecting formal input from communities on these items. The communities confirmed that the funds are generally used for covering capital costs (e.g., new development and recapitalization). The Co-Trustees have decided that the Settlement will cover these fees, but it will not cover pro-rated infrastructure items that are related to growth (e.g., some storage tanks). Following up from discussion during the Government-3M Working Group meeting earlier that day, Mark clarified that this decision addresses fees that are associated with homes getting connected to a public water system; no other fees are affected by this decision.
 - *Feedback:* Subgroup members were concerned that certain pro-rated costs were not going to be covered under the final Plan. One Subgroup member explained that because their community is moving from a decentralized to a centralized treatment system, they now need more water storage to accommodate more wells and peak water usage. They explained that these funds should be eligible under the Settlement because they would not be moving to a centralized treatment system if not for PFAS contamination. Others were concerned that items like storage tanks had been included in the draft Plan but not in the final Plan. Hannah explained that storage tanks would not be included in the costs. This primarily affects Lake Elmo and Cottage Grove whose prorated tanks are being removed from eligible funding. One subgroup member asked that the State follow up more formally since the community has submitted comments about why covering such costs would not be redundant with items covered by fees. Gary said that the State will follow up for more information.

- Pre-treatment: The Co-Trustees are evaluating the benefits and costs of potential pre-treatment. Water with high iron and manganese concentrations could benefit from pre-treatment by allowing for less frequent treatment media change-out.
 - *Feedback:* One Subgroup member asked if Minnesota Department of Health (MDH) would share the updated results from sampling iron and manganese. They felt it would be helpful for communities to understand how pre-treatment may affect their treatment systems. Gary and Lucas Martin (MDH) said they had sampled some community wells for iron manganese and believe they should be able to share the test data.
- Stormwater costs. This was a main topic of discussion in the February and March work group meetings. The feedback from communities showed that stormwater costs were not properly addressed in the draft Plan. The Co-Trustees and consultants worked with the communities and watershed districts to incorporate their feedback. Each community will have an add-on to their capital costs based on the expected costs of stormwater compliance. The difference between the expected costs for each community is based on different watershed requirements and past community projects. Overall, capital costs increase will be 5% to 30% for each community depending on location. Mark confirmed that stormwater costs will be included in the Plan.
 - *Feedback:* One Subgroup member asked if the updated stormwater costs has been incorporated into the Plan and if the estimated costs were still higher than the available funds. Mark explained that the Co-Trustees are working now to incorporate the updated costs. One member of the public asked how PFAS treatment would trigger stormwater costs. Hannah explained that anytime there is construction that involves ground disturbance, there may be stormwater costs. Under the Plan, projects that need stormwater compliance have an automatic contingency added in. Other items like land acquisition did not have any contingency added for stormwater costs because they do not include land disturbance.
- Centralized water softening. While there are some potential benefits to centralized water softening (e.g., water use savings), Co-Trustees decided that it will not be covered in the final Plan.

Mark explained that the Co-Trustees would continue to meet with the communities and review their feedback. He mentioned that West Lakeland Township recently released the results of a survey about switching to a municipal water system. The Co-Trustees will be looking at the feedback from that survey.

Mark also provided an update on investment options for Settlement funds, which were reviewed by the State Board of Investment (SBI). The draft Plan includes an expected investment return of 3.5%. Feedback on the draft Plan suggested that 5-6% may be feasible. For SBI's analysis, Co-Trustees indicated very low risk tolerance for investment of capital funds and slightly higher risk tolerance for investments of O&M funds. The capital funds will be invested in a low-risk way because the fund must cover the estimated costs of the Plan. Given these risk considerations, SBI concluded that while an interest earnings up to 3.5% is realistic, 5-6% is unrealistic because it carries too much uncertainty in future years.

Mark concluded his presentation by reiterating that the cost allocations under the Plan would need to handle a range of uncertainties and be flexible. The Co-Trustees may need to re-allocate funds in the

future to accommodate future shortfalls or surpluses. During the implementation phase, Co-Trustees will monitor expenditures and interest earnings.

Disseminating and Communicating the Final Conceptual Plan

Cori Rude-Young (MPCA) outlined the communications rollout that would happen alongside the release of the Plan. The communications strategy will focus on why PFAS is a problem in the East Metro and how the Plan is addressing that. There will be three key phases of the communications plan:

- Before the Plan is released. This phase is important because while people have been hearing about PFAS for a while, the Co-Trustees want to re-engage people before the Plan is released.
- At the Plan's release. Communications in this phase will focus on how the Plan will affect residents and the details of the Plan. This phase will include briefings with key stakeholders.
- After the Plan is released. This phase will involve continued communication on details of the plan and will include state-sponsored public meetings and participation in other community events.

The goal of all phases of the communications plan is to be flexible and focus on community needs. The Co-Trustees plan to use a variety of tools such as email, social media, and media outreach, as well as public meetings. The State is building a website dedicated to the Plan's release and implementation that highlight different pieces of the Plan. The State plans to use NextDoor to stay connected with community members.

Feedback:

A member of the public recommended that the State utilize nature centers to spread information about the Plan. This could include, for example, a permanent kiosk where residents could stop and pick up pamphlets or look at posted materials.

A Subgroup member recommended that the State share updates about the Plan in meetings that multiple watershed representatives attend. Another Subgroup member added that clear communication is key for both residents and community representatives and asked that the Subgroup members be given warning at least 24 hours before the Plan is released to the public. Another Subgroup member urged that as Minnesota and other neighboring states learn more about PFAS, that any new knowledge is shared with community members in a clear manner.

Grant Implementation Process for the Final Conceptual Plan

Heather Hosterman (Abt) presented on the process for establishing project implementation grants under the Plan. The application process aims to be simple and gather all documentation before entering the grant agreement. The process is similar to what was done for expedited projects. Grants are important for tracking and reporting spending. It also allows the Co-Trustees to effectively and adaptably allocate funds if the Plan changes during implementation. All projects will need to follow Minnesota State statutes and MPCA will continue to manage POETS installation.

Heather explained that the grant process will be a phased approach:

- The first phase is detailed information gathering, including project description, budget, and schedule, and other information. MPCA will begin their administrative process for grants, which

includes adding information into a project database and developing the internal single source justification. The State will also ensure that all of the grant elements are Settlement-eligible.

- The second phase is the grant agreement. Every project needs a grant agreement, and each grant is issued for up to five years. Projects that go beyond five years will need a new grant agreement to continue work. Agreements can be amended.
- The third phase occurs after the grant agreement is in place, and includes the community bidding process, contractor selection, and design or construction. This portion is managed by the individual community though must follow State statutes.

Heather also discussed advanced funding that would provide communities with funding to draw from as they start large projects instead of paying upfront and getting reimbursed by the State.

Feedback:

One Subgroup member asked what would happen if a project went beyond five years. Gary explained that a new agreement would be put into place at that time. The State and community would reassess the project budget and timeline before a new agreement was issued.

Multiple Subgroup members supported a method of advanced funding. They felt it would be helpful to have funding to draw from before making payments on projects of this size as they enter the construction phase. Gary said a key part of advanced funding would be firming up construction costs at the end of implementation.

Another Subgroup member said that project management and staff capacity were big issues. Gary explained that capacity grants were an option to help communities with planning. Another Subgroup member asked if there would be a construction management component implemented to help facilitate and plan projects. They were concerned that many communities would be using the same pool of designers and engineers. Gary said that the State would continue conversations about that issue.

Public Comments

One member of the public was concerned that the Plan was not addressing the unknowns of the White Bear Lake Court decision. Jason explained that the State has been meeting with the judge on the White Bear Lake case as well as affected communities. He said that the State is aware of how tight capacity limits are, especially in areas like Lake Elmo where many people have existing use permits. He stressed that the Co-Trustees have built flexibility into the Plan to address solutions for White Bear Lake in the future. The member of the public also asked if there would be need for more temporary treatment until the White Bear Lake court issue is addressed. Gary once again said the Plan would need to have flexibility to cover all options moving forward.