

Long-Term Planning and Cost Considerations

3M PFC Settlement Work Group Meetings

May 14-15, 2019

- The Conceptual Drinking Water Supply Plan (CDWSP) will develop and evaluate scenarios to enhance the quality, quantity, and sustainability of drinking water in the East Metropolitan Area
- We want to understand the priorities of the communities to be able to incorporate them into the CDWSP as needed, such as
 - Concept-level projects, long-term O&M costs, contingencies for unknown conditions

Funding Considerations

- 2018 Settlement provides flexibility to address current and future needs, but has a limit on funding (\$720 million)
 - Section IIA: “As the first and highest priority, the MPCA and/or the DNR shall utilize the Grant...to enhance the quality, quantity and sustainability of the drinking water in the East Metropolitan Area...The goal of this highest priority work is to ensure clean drinking water in sufficient supply to residents and businesses in the East Metropolitan Area to meet their current and future water needs...the State shall prioritize water supplies where health based values, health risk limits, and/or health risk indices for PFCs are exceeded.”
- 2007 Consent Order is focused on addressing current health-based values, and will remain in place
 - Section VIIIB: “3M’s response action obligations...include all response actions that are...reasonable and necessary to provide alternative sources of drinking water for all persons whose drinking water is contaminated with PFCs in a concentration that exceeds an HBV or HRL issued or adopted by the Minnesota Department of Health”

What can we do today to plan for tomorrow?

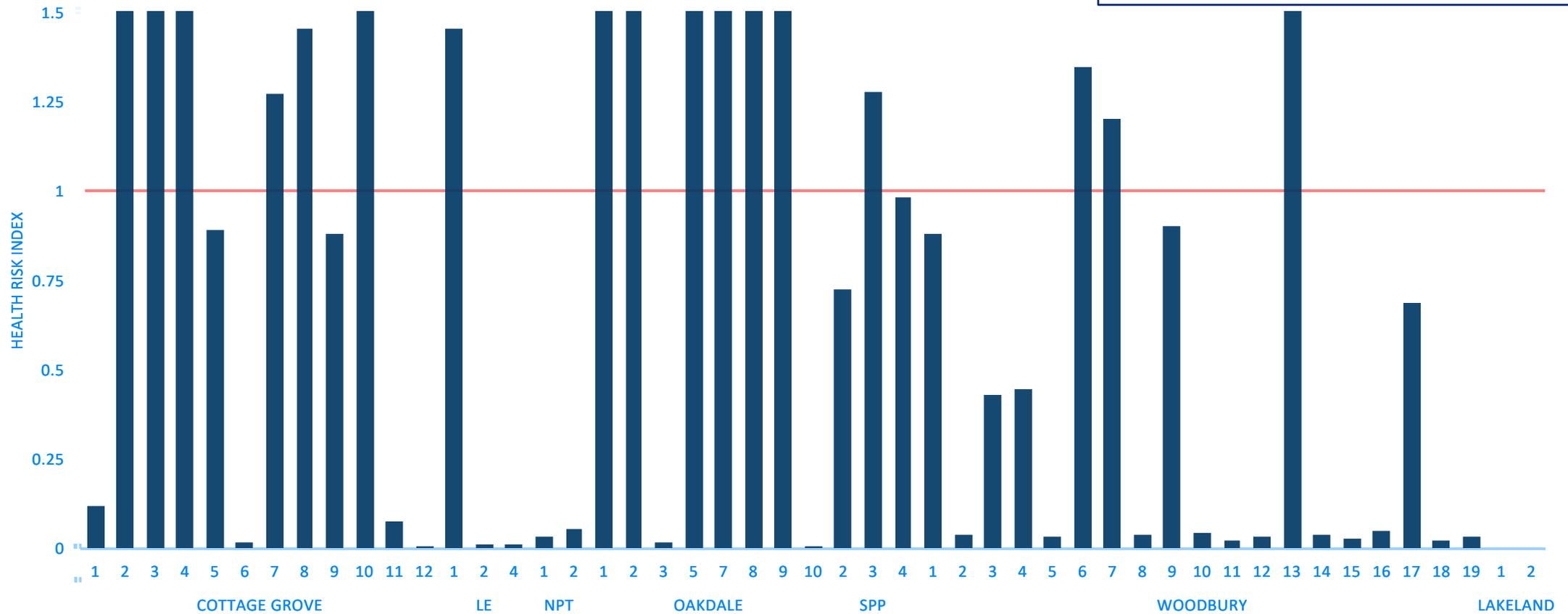
- What potential future issues do we need to consider? For example:
 - Plume movement / detection
 - More restrictive health-based values
 - Future maximum water use
 - Re-capitalization (e.g., infrastructure lifespan)

What can we do today to plan for tomorrow? (Cont'd)

- What can we do now to address potential problems in the future (e.g., projects to include in the CDWSP)? For example:
 - Set-up community inter-connects
 - Treat water supplies below health-based values (municipal and private wells)
 - Provide new water supply for wells in a contaminated area without current advisories
 - Acquire land for new wells in an uncontaminated area
 - Acquire an uncontaminated recharge location

Example: East Metro Municipal Well PFAS Values

1/3 of private wells tested in East Metro also have well advisories



What can we do today to plan for tomorrow? (Breakout)

Breakout Session #1:

- What potential future issues do we need to consider?
- What can we do now to address potential problems in the future (e.g., projects to include in the CDWSP)?

Contingencies

- What money do we want to set aside to address issues that may occur later on?

Operations and Maintenance

- Should Grant money be set aside to cover long-term O&M costs? If yes, what percentage of the \$720 million? For how long?
- Should some of the long-term O&M costs be covered by the communities? If yes, how much? In what situations?
- Do we prioritize projects with high capital costs and low O&M costs?
 - Given high capital and low O&M, how should overall project lifespan be considered?

Contingencies and O&M (Breakout)

Breakout Session #2:

- What money do we want to set aside to address issues that may occur later on?
- Should Grant money be set aside to cover long-term O&M costs? If yes, what percentage of the \$720 million? For how long?
- Should some of the long-term O&M costs be covered by the communities? If yes, how much? In what situations?
- Do we prioritize projects with high capital cost and low O&M costs?
 - Given high capital and low O&M, how should overall project lifespan be considered?

Lessons Learned on Financial Assurance: Costs

- Long Term Costs
 - Ongoing treatment/monitoring costs
 - Equipment and building maintenance
 - Recapitalization
- Add Contingency Factor
 - Unanticipated cost overruns
 - Drinking water standards - uncertainty

Lessons Learned on Financial Assurance: Coverage

- How long is long term?
- Establish amount needed for coverage of annual costs
- Determine contingency factor adjustment
- Use conservative rate for expected investment performance
- Establish the initial trust/corpus amount needed to provide long term returns
- Raid proof the trust/corpus

Questions or Comments?

2018 Settlement vs. 2007 Consent Order

