

**Minnesota 3M PFC Settlement**  
 Agenda for Government and 3M Working Group Meeting

Wednesday, November 18, 2020  
 9:00 AM-12:00 PM

**Webex link:** [Join WebEx meeting](#)

*(If using Webex, we request that you connect to the audio using your phone rather than the computer, and use the “Call me” option. Please refer to the Webex instructions for more information.)*

Conference line (if not using the Webex “Call me” option): 1-415-655-0002; Access code: 178 111 4554#

**Meeting Purpose:**

- Clarify details about the recommended options, including costs and impacts to community rates
- Achieve a common understanding of how Co-Trustees evaluate costs and how the Settlement fund will be managed as cost estimates are refined and updated
- Clearly identify next steps and the path forward to finalize the Conceptual Plan

1. Welcome a. Webex instructions b. Roll call c. Agenda d. Updates and email follow-up e. Liaison report(s)	Kirk Koudelka – MPCA Jess Richards – DNR Emma Glidden-Lyon – Abt Associates Mark Lorie – Abt Associates	9:00 AM
2. Update on cost estimates	Kirk Koudelka – MPCA Jess Richards – DNR Hannah Albertus-Benham – Wood	
3. Overview of cost coverage under Settlement versus Consent Order	Kirk Koudelka – MPCA Jess Richards – DNR Gary Krueger – MPCA	
4. Public comments and questions	Mark Lorie – Abt Associates	10:15 AM
BREAK	N/A	10:25 AM
5. Co-Trustee water rate study	Kirk Koudelka – MPCA Jess Richards – DNR Shannon Ragland – Abt Associates	10:35 AM
6. Next steps	Kirk Koudelka – MPCA Jess Richards – DNR Mark Lorie – Abt Associates	
7. Public comments and questions	Mark Lorie – Abt Associates	11:50 AM
ADJOURN		12:00 Noon

## Minnesota 3M PFC Settlement

### Notes for Government and 3M Working Group Meeting

Wednesday, November 18, 2020

9:00 a.m.-12:00 p.m.

Virtual Webex Meeting

Group members in attendance:

Chris Hartzell	Christina Volkers
Daniel Kylo	Jeff Dionisopoulos
Jennifer Levitt	Jess Richards
Kathryn Sather	Kevin Chapdelaine
Kathryn Sather	Kirk Koudelka
Kristina Handt	Lowell Johnson
Mary Hurliman	Monica Stiglich
Ron Moorse	

Presenters:

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

### Welcome

Emma Glidden-Lyon (Abt) and Kirk Koudelka (MPCA) welcomed the work group. Kirk reviewed updates since the last meeting. The November meeting agenda was built on questions heard in past meetings. December's meeting will be dedicated to receiving feedback from work group members on the Conceptual Drinking Water Supply Plan (Conceptual Plan).

Monica Stiglich and Kevin Chapdelaine provided an overview of yesterday's Citizen-Business Group meeting, including:

- The work group did not discuss the water rate study because of a lot of discussion on the cost updates. There were many people concerned about the lack of detailed costs, which will not be available until the design phase. Some work group members were concerned about demolishing the temporary treatment facilities that are in a few communities right now. There was some discussion about reusing tanks and other pieces of the systems.
- There was a question from the public about other communities trying to make claims for the Settlement dollars. These communities would have to bring a new suit against 3M; they would not be eligible to use Settlement funds.
- There will be an update on Project 1007 during the December meetings.

- Some folks are still worried about the health impacts of PFAS even though a presentation was given on this topic in the past. It would be beneficial to make this presentation available for work group and public consumption.
- There is a general feeling of concern and frustration among some in the Citizen-Business Group around these items.

### Update on cost estimates

Kirk and Hannah Albertus-Benham (Wood) provided an update on cost estimates used to develop the Conceptual Plan. Kirk said the State had received comments from the work groups about where costs could be improved. He urged work group members to consider the larger picture of the Conceptual Plan because many final costs will not be known until the design and implementation phase. He also acknowledged that there were requests to have a third-party come in and review the estimates. Because the State and communities have multiple consultants working on this effort, there are already many viewpoints and the State feels that an additional third-party review is not the best use of resources.

Hannah's presentation was organized into three main categories: sampling data updates and implications, cost updates in progress and general cost overrun discussion. Key points include:

- Sampling data updates and implications: Wood updates municipal well and POET system counts based on new sampling data. This added treatment for Well 11 in Cottage Grove under Option 2, since its HI is above 0.3. Even with new sampling data, Wood has kept \$41 million in contingency for neighborhood hookups. Additionally, Wood is updating Appendix E, section E.4 with new sampling data. They will also add more introductory language so that E.4 can act as a standalone document. Lastly, Wood is not redoing the particle tracking analysis since new well sampling data would not change it much.
- Cost details updates in progress: Wood is currently verifying treatment plant capacities and tank costs based on expedited projects. Additionally, they are refining estimates for neighborhood connections for some communities. Originally Wood had estimated \$2,500 per house connection, but some communities said that should be higher based on previous construction or average lot size. Wood is refining costs to demolish temporary treatment facilities in place and community-specific components that may vary across each community. There are also updates being made to address White Bear Lake considerations, particularly in Lake Elmo because they do not currently have the capacity to address future growth. Because of this, the Conceptual Plan includes an option for an interconnect with Woodbury. Including the interconnect in the Conceptual Plan is primarily to have a budgetary placeholder to account for future water needs for Lake Elmo; however, other options may be considered as well upon making a final decision. Oakdale also has a drinking water well within five miles of White Bear Lake, but they have capacity through 2040 and therefore, do not need to drill any new wells.
- General cost overruns: Wood will continue to refine the costs as they receive feedback from communities. Hannah reminded the work group that these are high-level cost estimates in order to compare options in the Conceptual Plan.

Kirk explained that there was confusion from the Citizen-Business group about temporary treatment systems. They asked why permanent systems would not just be placed on top of temporary systems.

Kirk explained that some of these temporary systems were built before the Settlement was even in place and cannot be expanded to meet current and future population needs. Monica felt there was a lack of knowledge about what is considered temporary that stems from a lack of detail of all the variations between the communities. Kevin added that sometimes the expense of moving equipment exceeds the cost of new equipment, but he felt that work group members' concerns were addressed during the Citizen-Business meeting.

*Feedback:*

One work group member asked about the magnitude of overall cost increase that occurred by making these updates. Hannah explained Wood does not have a sense of that yet since they are still working through updates. The work group member also asked where the money would come from as these costs increase since each of the options only have \$700 million to spend. Hannah said that the Co-Trustees will not know until the entire Plan has been updated. Kirk added that these cost estimates are a foundation to make decisions and that more detail would be needed to alter the funding buckets. He explained that inputs from the communities would be needed to help the Co-Trustees make these decisions.

Hannah also explained that because of the cost refinements to date, the estimates now meet Class 4 cost estimate level of accuracy, which is a lower class, compared to Class 5, than before. The cost estimates will reach Class 3 during the more-detailed design phase. Wood will be scheduling one-on-one meetings with the communities starting the week of November 30<sup>th</sup> to refine costs even more.

*Feedback:*

One work group member said that while the Class 4 classification provided a little more confidence, they still had many questions. This work group member from Woodbury explained that they had reviewed the proposal laid out for their community and estimated that they were 40-60% underfunded. Woodbury provided a technical memorandum and requested a longer one-on-one meeting to discuss. They also commented on their confidence in the current contingency amounts. They did not feel confident given they found their community to be underfunded. This work group member also stressed that contingency is only as good as the base cost estimates because it is a percentage of those costs. They felt Wood and the State need to continue refining costs to have confidence in the contingency set aside. This work group member also requested to have a conversation about where additional funding will come from. They felt that safe drinking water was the highest priority in the Plan and wanted to ensure capital and O&M would be fully covered by the \$700 million. They felt the State should sign a contractual agreement that they will fund and implement these baseline projects. Additionally, they felt contingency should be increased – 25% is only adequate if there is confidence in the original project cost estimates. Another work group member agreed that there was a need to continue refining costs. Without confidence in costs, they felt there would be arguing between communities as to where money should be spent. A representative from St. Paul Regional Water Services said they provided some comments on issues with option 3 and requested their questions be answered.

Another work group member asked about the contingency on future neighborhood connections and if estimated costs account for 100% of the communities being connected. Hannah explained that the \$40 million set aside for community hookups includes almost all capital costs. There were a few neighborhoods not included due to extremely high costs that nearly doubled the contingency budget.

## Overview of cost coverage under Settlement versus Consent Order

Gary presented on differences between the 2007 Consent Order and the Settlement Agreement. There were questions on this topic at the last work group meeting. Key points include:

- The Consent Order: This was developed in 2007 to cover releases of PFAS from three 3M disposal sites. 3M must provide an alternative drinking water source when unsafe PFAS levels are linked back to one of the disposal sites. The Consent Order covers treatment capital and O&M costs on wells where an HI is greater than or equal to 1. The Consent Order also covers some additional costs including contractor costs and sampling and lab costs. Once the Settlement funds are depleted, the Consent Order will again cover treatment for wells with an HI greater or equal to 1.
- Settlement Fund: The Settlement Fund is designed to cover a long-term drinking water treatment solution. It also covers Project 1007 costs and related contractor costs. Paragraph 19 also states that 3M is to provide up to \$40 million for temporary treatment measures over the first five years of the Settlement agreement.

Gary noted that there will be an update on Project 1007 during the December work group meeting.

### *Feedback:*

One work group member asked for clarification on which wells would be covered when the Settlement funds depleted. Gary explained that once Settlement funds were depleted, the Consent Order would cover the capital costs and O&M of wells with an HI greater than or equal to 1. The Consent Order would not cover wells with an HI over 0.3 or 0.5 (but less than 1), even if those wells were covered under the Settlement.

Another work group member said they felt comforted knowing the Consent Order funds were in place. However, they said Co-Trustees should take into consideration wells that are not currently covered under the Consent Order but may have PFAS contamination in the future. Gary explained that if the health values change, the HI would change with it and the Consent Order would need to cover wells that now fell above an HI of 1.

Another work group member asked how much of the \$40 million had been spent. Gary said he did not have the latest figures at hand, but believed they had spent about \$20 million so far.

### **Public comments and questions**

There were no questions or comments from the public at this time.

### **Co-Trustee water rate study**

Mark Lorie (Abt Associates) provided an update on the rate study, which aims to estimate how the projects in the Plan might affect community water rates and typical household water bills in the future. Costs that are not covered by the Settlement (e.g., costs related to growth, not PFAS contamination) will need to be covered by the communities. Mark emphasized that this was not as detailed of an analysis as a community would undertake to plan water rates and does not account for gradual increases in rates. Individual factsheets were sent to work group and subgroup members showing overall community household water bills, percent change in household bills, and household water bills compared to income

for each of the three options. There will be an opportunity to ask more detailed questions during the one-on-one meetings. A draft rate study report will be prepared after one on one meetings.

### *Feedback:*

One work group member was concerned that this rate study was showing much higher rate increases than their community predicted. They explained they just had a financial consultant come in and present to Council, who approved a 1% rate over 10 years. The work group member explained one reason could be because they did not include growth-related costs in their rate and are instead going to get that revenue from other connection charges. Mark explained that they assumed all costs would be covered by rate increases. Abt can build these assumptions into the model and discuss more during one-on-one meetings.

Another work group member also said their Council just accepted rates at a much lower percentage increase. One work group member asked if the results show median water users. Mark said the results are for mean water users, so some larger lots will have higher bills than what is shown. He also explained that some communities asked to incorporate senior rates instead of larger water users in the rate study. A few other work group members were concerned about how much their rates would be increasing. They also asked if those being connected to municipal systems could keep their wells for irrigation, which is something they have heard from community members.

Kirk asked about the overall usefulness of the rate study. One work group member said it was not very useful and other said they would need more time to review and discuss results.

### *Next steps*

Mark presented on next steps. Key deadlines include:

- December 10, 2020: Email spreadsheet for detailed comments on the Conceptual Plan to [pfcinfo.pca@state.mn.us](mailto:pfcinfo.pca@state.mn.us) by this date
- December 16, 2020: Government-3M Work Group meeting. The plan is to have few presentations and focus on work group feedback. Mark asked the group how they wanted to determine discussion topics for December's meeting – a survey, WebEx polls?
- December 2020 – February 2021: Finalize evaluation of options and select final decision, which will be outlined in Chapter 8 of the Plan
- February – March 2021: Finalize Conceptual Plan
- April 2021: Communicate final Plan and share with the public

### *Feedback:*

One work group member suggested discussing water conservation/groundwater sustainability strategies for the future during the December work group meetings (e.g. should conservation or water usage goals be set to correspond with investments in water treatment and water quality?).

One work group member asked how the spreadsheet feedback would be managed. Their Council plans to pass a resolution regarding which option they support. The work group member wants all of that feedback incorporated even though it does not fit the spreadsheet format. They also asked if the work group members would get to see resident feedback. Kirk explained that the spreadsheets help the Co-Trustees focus on specific pieces to highlight. Work group members should still send in letters and

additional pieces of feedback. They will use the feedback to find common themes. For example, one common theme from West Lakeland is the question of municipal wells versus private wells. The work group member was concerned about creating themes from only a very small group that attended the public meetings. Another work group member felt residents had very little opportunity to comment on the Plan. They felt there was a lack of information available to residents in a simplified, digestible format. Work group members felt they did not always have enough detail on cost to bring to their residents. Some work group members were concerned that the State would be making decisions about local water issues when typically that falls to local governments and elected officials.

### *Upfront Funding and Advanced Purchase of Property*

Mark also presented on upfront funding for Conceptual Plan projects, including:

- Communities have indicated their desire to have access to upfront funding to initiate major capital projects (instead of relying solely on post-project reimbursement)
- Co-Trustees have begun evaluating options for upfront funding. Co-Trustees would develop procedures for establishing grant agreements, setting amounts and granting upfront funds
- Mark asked for work group feedback on whether upfront funding would help communities implement Conceptual Plan projects. Work group members are encouraged to send data on what they have done in the past.

Mark also presented on the advanced purchase of property for Conceptual Plan projects. The Co-Trustees are still considering funding to communities to purchase select property needed under the Conceptual Plan to ensure its availability in fast-developing areas. Funding agreements will include additional clauses including recovery of funds to the Settlement if the property is not used for its intended purpose.

### *Feedback:*

One work group member was concerned that the delay in the Plan means communities are losing an entire construction season. They asked if there were certain projects that could move forward. Kirk explained that they would discuss these cases in more detail during the one-on-one meetings. Another work group member agreed that communities should be able to move forward with items that are non-controversial (e.g., required wetland and other geotechnical surveys).

A work group member from Woodbury supported making land purchases now. A location for their treatment plant is available now but will likely not be in the future. Lots that large are rare in Woodbury and Woodbury would like to move forward soon. They understand that the funds would be returned if not used to purchase that land.

### **Public comments and questions**

There were no questions or comments from the public at this time.