

# Update on the Final Conceptual Plan

3M PFC Settlement Work Group/Subgroup Meetings

June 15-16, 2021

# Overview and purpose

- Update on the process to develop the final Conceptual Plan, including updated timeline
- Approach for incorporating feedback and new information into the Final Plan
- Progress on foundational issues for the final Conceptual Plan
- Cost reallocation strategy

# Timeline for final Conceptual Plan

## Release Conceptual Plan in August

- Do not anticipate July work group meetings
- Work group briefing on the final Plan
- Future meetings after release in August determined later (more later when we cover communication and dissemination of the final Conceptual Plan)
- Additional discussion on future work group meetings as transition from current to future Settlement work

# Process for developing the Final Plan

- After the release of the Draft Conceptual Plan (September 2020), the Co-Trustees asked the public and government units for feedback and comments on the recommended options. Co-Trustees received substantial feedback:
  - **Work group members** provided technical comments on the Draft Conceptual Plan and overarching comments on the design of the three recommended options
  - **Approximately 120 members of the public attended the four virtual public meetings**, with most of the East Metro communities represented
  - **One-on-one technical and leadership meetings with government units** discussed remaining concerns with the characteristics and cost estimates for the recommended options and to understand concerns with the options
  - **90-day public comment period** in which East Metro communities submitted public comment letters and responded to a survey

# Process for developing the Final Plan

- Public feedback focused on several key themes, including:
  - **Administrative comments** with a request to allow communities to begin preliminary work before Conceptual Plan is final
  - **Capital and O&M comments** about how funds are distributed among communities, suggestions to extend O&M for municipal water system, and concerns that cost estimates are low and may require communities to cover the difference
  - **Comments on the funding priority** with a desire to prioritize and fund drinking water treatment systems before other projects
  - **Comments on the recommended options** stating preferences for a specific option or a desire to treat more wells
- Co-Trustees considering this feedback for revised engineering design and cost estimates

# Progress on foundational issues for the final Conceptual Plan

- City connection fees, water availability charges, and other similar fees
  - Wood gathered information about fees from communities via email survey
  - Communities confirmed that these fees are used to fund system expansions and/or recapitalization
  - Co-Trustees developed an approach to cover appropriate fees under the Settlement; however, the Settlement will not cover items that are paid for with these fees (e.g., storage tanks to serve growth)
- Pretreatment
  - May be cost-effective for wells with higher iron and/or manganese concentrations because it can reduce the frequency of treatment media (GAC or IX resins) change outs
  - Co-Trustees are evaluating the costs and benefits of potential pretreatment

# Progress on foundational issues for the final Conceptual Plan (continued)

- Stormwater costs
  - Feedback from communities makes it clear that projects under the Conceptual Plan will have to include additional costs for stormwater compliance
  - Information on compliance requirements and the associated costs was gathered from watershed districts and community governments
  - Stormwater compliance costs will be covered by the Settlement; applying variable percentage (5%-30%) increase in costs depending on location

# Progress on foundational issues for the final Conceptual Plan (continued)

- Stormwater costs

Communities	Percentage increase added to capital for stormwater compliance
Lake Elmo Oakdale Prairie Island Indian Community West Lakeland	30%
Woodbury Woodbury-Lake Elmo Interconnect	25%
Cottage Grove Newport St. Paul Park	5%



# Progress on foundational issues for the final Conceptual Plan (continued)

- Centralized water softening
  - Information from Cottage Grove and others demonstrate potential benefits of water softening
  - Given limited funds available and higher priorities related to PFAS contamination, centralized water softening will not be covered by the Settlement
- Gathering additional feedback from communities
  - Additional one-on-one leadership and technical meetings March-May to gather input on evolving issues
  - West Lakeland community survey results provided June 11

# Progress on foundational issues for the final Conceptual Plan (continued)

- State Board of Investment analysis and input on financial planning for the Settlement
  - Cost allocations in the draft plan were based on assumption of 3.5% interest for long-term O&M funding
  - Feedback on the draft Plan included suggestions that 5% to 6% interest would be more realistic
  - Co-Trustee objectives
    - Capital – very low risk tolerance – funds must cover estimated costs when they are needed
    - O&M – slightly more risk tolerance to potentially generate additional Settlement funds while still maintaining confidence in meeting estimated O&M duration
  - SBI results: given risk tolerance, interest earnings up to 3.5% is realistic, but 5% to 6% is not feasible because it carries too much risk of shortages in future years

# Cost reallocation strategy

- Final Conceptual Plan cost allocation will be designed to handle a range of uncertainties (e.g., cost overruns, White Bear Lake, changes in HBVs/HRLs, future movement of PFAS) by setting aside contingency funding
- May need to reallocate funding in the future in response to shortfalls/surplus in one or more of the funding categories
- During implementation, Co-Trustees will
  - Monitor expenditures and interest earnings and compare against plan
  - Have ongoing discussions internally and with key stakeholders (e.g., communities, work groups), including spending priorities should reallocation be necessary