

Minnesota 3M PFC Settlement

Notes for Government and 3M Working Group Meeting

Wednesday, September 15, 2021

9 a.m. – noon

Virtual Webex meeting

Work group members in attendance

- Ann Pierce
- Chris Hartzell
- Daniel Kylo
- Jeff Dionisopoulos
- Jess Richards
- Jessica Stolle
- Kevin Chapdelaine
- Kirk Koudelka
- Kristina Handt
- Lowell Johnson
- Mary Hurliman
- Monica Stiglich
- Ron Moose

Presenters

- Kirk Koudelka, Minnesota Pollution Control Agency (MPCA)
- Jess Richards, Minnesota Department of Natural Resources (DNR)
- Hannah Albertus-Benham, Wood
- Mark Lorie, Abt Associates
- Jennifer Peers, Abt Associates/JMHP LLC

Welcome

Mark Lorie (Abt Associates) welcomed the work group to the meeting and reviewed the agenda. The purpose of the meeting was to review some of the core elements of the Final Plan, discuss the next phase of the Settlement, and develop a shared understanding of the future role of the Government-3M work group. Kirk Koudelka (MPCA) thanked the work group for all of their help finalizing the Conceptual Plan.

The Citizen-Business group liaisons provided a recap of the Citizen-Business meeting, explaining it was a culmination of many discussion items at the September work group meeting. There were questions and comments from the Citizen-Business work group on the following items:

- The status of treatment technologies approved for use in Minnesota (e.g., ion exchange (IX) and nanofiltration)
- Operation and maintenance (O&M) duration. The work group discussed how the O&M durations in the Final Plan were fewer years than the durations in the draft Plan.
- Funding allocated for Prairie Island Indian Community. Work group members discussed concerns with Co-Trustees related to Prairie Island Indian Community drinking water plans.
- Residents who refuse to connect to the municipal system. The Co-Trustees explained that this is an issue that is managed by the community.

- Well testing. Some members were concerned that wells in high-priority areas were not being tested and that if the State required residents to request testing, it would place too high of a burden on them. The Minnesota Department of Health (MDH) continues to reach out to residents to request permission to test, especially in high-priority areas. In addition, homes that have already been tested are typically included in a rotation and are monitored at fairly regular intervals.
- Future of the work group. Members of the Citizen-Business work group expressed a strong interest to stay involved in Priority 2 discussions.
- Stormwater management costs. One work group member asked why the estimated stormwater compliance costs were different for each community. Hannah Albertus-Benham (Wood) explained that the costs differed based on watershed requirements, costs from past community projects, and community/watershed input.

Review and discuss the Final Plan

Mark presented on the core elements of the Final Plan. The Final Plan was designed to be:

- Comprehensive. The Final Plan covers private and municipal wells throughout the 14 communities, including capital costs and contingency for potential future issues. The Final Plan addresses both water at the tap and sets aside funds for treating water at the source. The Final Plan includes drinking water protection as the Settlement was initially the product of a natural resource damages court case. In addition, the O&M funds provide financial assurance and allows the communities to plan for long-term financial impacts.
- Safe and sustainable. The Final Plan meets and exceeds MDH's standard for safe drinking water. As part of the planning process, the Co-Trustees and consultants conducted modeling to ensure sustainable groundwater use for 2040 demands. The infrastructure systems outlined in the Final Plan are reliable, sustainable systems for the long-term.
- Resilient. The Final Plan currently uses a health index (HI) lower than MDH's health advisory level, which allows the Final Plan to be proactive. The Final Plan funds treatment for wells without current health advisories to deal with potential future issues and changes in health-based values.
- Flexible. The Final Plan accounts for individual community circumstances, allowing communities to tailor the plan to fit their needs and implement projects at their own pace.

Mark also explained the priorities of the Final Plan, which include:

- Capital infrastructure for all drinking water projects (e.g., treatment, water mains)
- O&M funding over the long-term
- Drinking water protection focusing on treating contamination at the source

Overall, capital and O&M represent over 60% of the total funding allocations.

Mark reviewed key decision points in the Final Plan that had not yet been decided when the work group last met in June. These key decision points include:

- The Final Plan treats drinking water wells with an HI at or above 0.5. This allows treatment for additional wells.
- Increased capital for pre-treatment, stormwater, and inflation.

- West Lakeland Township will remain on private wells and receive POETSs. This was more cost effective than a municipal system; additional considerations are outlined in the Final Plan.
- O&M durations. Municipal system O&M is allocated at approximately \$87 million, estimated to cover 20 years, and private wells (point of entry treatment systems (POETSs)) are allocated at approximately \$28 million, estimated to cover 30 years of O&M. The O&M durations are shorter in the Final Plan than the draft Plan because capital and the contingency funds were increased as a result of feedback received. O&M costs are expected to ramp up as projects are implemented. The costs will be covered as they arise until the Settlement funds are depleted. The O&M durations are longer for private wells because it typically costs more to maintain a POETS than the annual costs associated with a municipal water service.
- The fund allocation for additional neighborhood municipal connections has been removed. This fund was originally to connect additional homes to a municipal system where the Co-Trustees needed more information on these homes/their private wells. After balancing other priorities, the Co-Trustees decided to eliminate this funding allocation. However, the contingency in the Final Plan will cover future treatment needs, should they arise.
- The fund for conservation and sustainability has been removed. The Co-Trustees heard from all of the work groups that this should be a lower priority than drinking water.
- The fund for contingency has been increased. It now represents approximately 26% of the total funding allocations.
- The Co-Trustees have developed a reallocation strategy to cover shortfalls and surpluses. These details are outlined in Chapter 10 of the Final Plan.
- Pre-treatment may be covered if it is shown to be cost-effective and could reduce O&M costs. The Co-Trustees will work with communities to conduct cost-benefit analyses to determine where pre-treatment should be implemented. An estimated \$25 million is set aside for potential pretreatment.
- Drinking water protection was included in the Final Plan because it has a clear connection to Priority 1 in the Final Plan. Potential projects under this fund could include groundwater restoration beyond 3M's action at the disposal sites, restoration of contaminated surface water or sediment, or multi-benefit wells. Multi-benefit wells would protect groundwater resources because the pumped water could be treated and used for drinking water.

Mark also discussed the contingency fund in more detail. The Co-Trustees expect the contingency to help cover:

- Future treatment needs as the plume moves or changes in health-based values or health risk limits
- Potential cost overruns which could occur in large construction projects
- Alternative drinking water sources that may be required as a result of the White Bear Lake court order

The Co-Trustees allocated \$183 million for a standalone contingency fund, in addition to the 25% contingency that is already included in capital cost estimates. The Co-Trustees primarily used cost estimates for potential future treatment and potential alternative sources of water as the basis for the contingency allocation.

Feedback

One work group member asked about the drinking water protection fund. Mark explained that the projects under the drinking water protection fund are still in the planning stage. The fund could potentially support

Project 1007 work. The work group member said the work groups should be involved in deciding how to spend the drinking water protection fund.

One work group member asked about details of the pre-treatment cost-benefit analysis. Mark explained that the analysis would examine if the cost of pre-treatment would pay for itself over 20 years of O&M. However, more information will be coming in the following months.

One work group member asked how the decision would be made for Oakdale and Lake Elmo to move to St. Paul Regional Water Services. Jess Richards (DNR) explained that DNR is unable to issue a permit that could impact White Bear Lake. They will have to analyze individual circumstances on a case-by-case basis. DNR is scheduling a series of meetings with the affected communities to talk through different options. The Final Plan is not saying that Oakdale and Lake Elmo will have to move to St. Paul Regional Water Services, but the Co-Trustees wanted to ensure there was funding available if needed.

Another work group member asked if the Co-Trustees had a breakdown of the \$183 million contingency fund. They requested additional clarity on how that was decided. They recalled that earlier estimates showed it would cost approximately \$5 million per year for Lake Elmo and Oakdale to purchase water from St. Paul Regional Water Supply. Kirk explained that the contingency fund would cover approximately 93% of the costs for the potential projects listed in the contingency fund. Mark added that the contingency for the alternative source of water was the increment over and above the baseline costs, which were already built into the capital funds.

Details for the Final Plan

Hannah Albertus-Benham (Wood) then reviewed the Final Plan on a community-by-community basis. These costs are outlined in chapters 8-10 and Appendices E and F of the Final Plan. Hannah also noted that the cost estimates included a 15% professional services fee that covers costs associated with planning, construction management, and administration. A summary of the community-by-community details is below:

- Afton: POETSS only
- Cottage Grove: Municipal connections for some neighborhoods and individual homes; some POETSS; water treatment plants
- Denmark: POETSS only
- Grey Cloud Island: POETSS only
- Lake Elmo: Hannah explained that costs were included in the Final Plan for an interconnect with Woodbury because it is more expensive than the autonomous option, so budgeting for that represents a more conservative approach. The interconnect and autonomous options require the same number of POETSS and home connections.
- Maplewood: POETSS only
- Newport: Two interconnects; municipal connections for some homes; some POETSS
- Oakdale: Municipal system improvements; municipal connections for a few homes; no POETSS
- Prairie Island Indian Community: Municipal system improvements (including tank costs); municipal connections for homes
- St. Paul Park: Municipal system improvements to complete the temporary treatment system currently in place; municipal connections for a few homes; a few POETSS;
- West Lakeland Township: POETSS only

- Woodbury: Municipal system improvements; new water treatment plant; municipal connections for a few homes; a few POETSs

Feedback

A few work group members were concerned that the Settlement was covering costs associated with growth in Prairie Island Indian Community since it is the only community with tank costs included. Kirk explained that the Final Plan is not building additional wells for growth, which is consistent with other communities. The tank costs are due to the fact that the system improvements would not be made if it was not for PFAS.

Another work group member asked if the communities have a choice between drilling deeper wells and receiving a POETS on shallower wells. Kirk explained that the Co-Trustees have offered a choice to homeowners. Homeowners will be given an exemption for a shallow well if they have a GAC treatment system.

Two work group members expressed the need for a decision in the near future about Woodbury's interconnect with Lake Elmo. They requested a technical meeting on the matter in the next two weeks. Hannah agreed that a technical meeting was needed. The Co-Trustees have the construction estimates (e.g., line sizes) and cost estimates for both an autonomous option and an interconnect option.

Public comments

There were no questions or comments from the public.

Discuss implementation, future role for the work groups, and next steps

Jennifer Peers (Abt Associates/JMHP LLC) discussed the implementation of the Final Plan, which is now the focus for the Co-Trustees. There will be a separate implementation processes for municipal wells and private wells, which includes:

- Private wells: MPCA will continue to manage the installation and management of POETSs. After notifying homeowners that they are eligible for a POETS, the homeowner will need to sign access agreement with MPCA to enable installation of filter. MPCA will be responsible for maintenance of filter, with a standard schedule for media change-outs (approximately once per year). There is an [interactive map](#) that identifies wells that have already been approved to receive a POETS.
- Municipal supply: Municipal home connections where a municipal supply is readily available (e.g., a water line in the street in front of a home) will be reimbursed by MPCA. First, MPCA will contact the homeowner with their eligibility for connection and reimbursement, and coordinate with the community as needed. The resident will obtain a contractor to complete the connection, and then their private well will be sealed. Neighborhood-wide connections will be implemented through community grants. Private wells for these neighborhoods will also be sealed.

Jennifer also explained the details of municipal capital projects. She explained that, via grant agreements, the Co-Trustees will distribute funds for the capital project design phase. Funding for construction and O&M will follow.

Communities will use an [online grant form](#) to request funding. Key elements of the form include:

1. Grantee information

2. General project information, which includes a project description and how it aligns with the Final Plan
3. Budget information, including a breakdown of planning and design costs, and how the budget aligns with the Final Plan
4. Conflict of interest information
5. Supporting documents
6. Additional comments

Throughout the life of the grant, communities will be required to provide updates to MPCA. Advance payment can be made available to help cover initial costs. Cost reimbursements for approved invoices will start with the first invoice. Upon grant closeout, communities must return any unexpended funds to the State.

Media change-outs will also be managed by grant agreements for O&M. The frequency of change-outs will vary across communities and MPCA will coordinate with each community to determine reimbursable change-outs.

Jennifer reviewed how the contingency would be used to treat additional wells using two criteria: resilience (additional wells that exceed the treatment threshold of 0.5 using the HI calculation at the time of the Final Plan's release) and health advisory (additional wells that receive a health advisory from MDH).

Jennifer also discussed the idea for an annual review. As implementation progresses, actual costs may differ from the amounts initially allocated. The Co-Trustees plan to meet regularly (annually) with work group members to reevaluate the Settlement's progress, monitor costs, consider fund reallocation, and obtain feedback from the work groups and the public. Jennifer discussed how funds would be reallocated if there are surpluses, which includes:

- Additional capital funds will be used for additional capital projects where there are shortfalls. If there are additional capital funds once all projects have been implemented, the Co-Trustees will determine how to spend the money with input from the work groups and public.
- Excess O&M funds will be used to extend O&M duration (i.e., if annual costs are lower than expected, or returns on the investment portfolio are higher).
- Additional contingency funds will remain as contingency for future uncertainties unless there is a compelling reason to reallocate them.

Jennifer then discussed Priority 2 of the Settlement, which focuses on restoring natural resources, and the work group's future participation in Priority 2. Recognizing that the work groups met for a longer period of time than initially intended, the Co-Trustees want feedback from the work group members about their continued participation. Jennifer said there is no Government-3M work group meeting scheduled for October, but there is a community meeting on Tuesday, September 21 at 6:00 PM CST.

Feedback

One work group member asked when MPCA would begin contacting homeowners about connection eligibility. Gary Krueger (MPCA) said October.

Some work group members were confused how the contingency would cover additional wells that need treatment. They felt the final decision was inconsistent with past communications. Jennifer explained that once the Settlement funds are depleted, only wells with an HI of 1 will be treated and wells with an HI between 0.5 and 1 will not be treated. The Final Plan and contingency fund help cover wells that currently do not have a



health advisory to get ahead of any potential increasing PFAS contamination and provide a buffer for changing health advisory levels.

One work group member said that any additional funds in any allocation category should be used for additional O&M. Another work group member brought up some wording in the Settlement about Priority 3, which allows additional Settlement money to go to upstate Minnesota. They would prefer to keep the Settlement funds in the 14 affected communities. Kirk explained that additional money would be prioritized for additional contingency before going to Priority 3.

Multiple work group members expressed interest in being involved with Priority 2. One work group member suggested dissolving the current work groups and creating one with stakeholders most relevant to Priority 2. They feel the work group meetings are repetitive and that the work group have fulfilled their charters. Another work group member said that the institutional knowledge of the existing work group members could be helpful in the next phase of the Settlement. One work group member disagreed, saying that a fresh perspective may be more helpful moving into Priority 2. Another work group member suggested less frequent (e.g., quarterly) and shorter work group meetings.

Public comments and questions

There were no questions or comments from the public.