

## Environment Committee

Meeting date: July 9, 2013

For the Metropolitan Council meeting of July 24, 2013

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**Subject:** Adoption of MCES 2014 Wastewater Rates and Charges

**District(s), Member(s):** All

**Policy/Legal Reference:** MS 473.617; Water Resources Policy Plan (pages 43-44); and Council Administrative policies 3-2-3 (re. municipal wastewater charges), 3-2-4 (re. industrial charges), and 3-2-5 (re. SAC)

**Staff Prepared/Presented:** Jason Willett, 651-602-1196

**Division/Department:** MCES c/o Leisa Thompson, 651-602-1162

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### Proposed Action

That the Metropolitan Council adopts the following wastewater rates and charges to be effective January 1, 2014:

- Metropolitan Wastewater Charge (total of municipal wastewater charges) of **\$184,188,000**,
- Sewer Availability Charge (SAC): **\$2,485** per Residence or Residential Equivalent Capacity,
- Temporary Capacity Charge: **\$1.25** per thousand gallons,
- Industrial Strength Charge: **\$.185** per excess pound of TSS (total suspended solids),
- Industrial Strength Charge: **\$.0925** per excess pound of COD (chemical oxygen demand),
- Standard Load Charge: **\$54.71** per thousand gallons,
- Holding Tank Load Charge: **\$9.60** per thousand gallons,
- Portable Toilet Waste Load Charge: **\$70.26** per thousand gallons,
- Collar County Load Charge: **\$69.71** per thousand gallons,
- Strength component of Industrial Load Charge: **\$.373** per excess pound of TSS,
- Strength component of Industrial Load Charge: **\$.1865** per excess pound of COD,
- Out-of-Region Load Charge Component for hauled waste: **\$15.00** per thousand gallons, and
- Industrial Permit Fees as shown on Attachment A.
- I/I Surcharge Exceedance Rate: **\$407,000** per million gallons /day (rate of measured flow).

Further, that the Metropolitan Council un-designates the \$11 million in wastewater operating reserves currently designated for potential SAC shift.

### Background

On March 12 and June 11, staff presented information to the Environment Committee on the 2014 preliminary budget and rates. In June, this information was shared with community customers at two Municipal Customer Forums and with industrial customers at an Industrial Customer Forum. A combined total of 57 customer representatives attended the three meetings. A staff summary of customer questions and comments are on Attachment D.

The revenue to be raised through the Metropolitan Wastewater Charge in 2014 is a 3.0% increase from this charge in 2013 (although municipal charges vary depending on their flows). This increase and the other rate changes, together comply with the Council policy that wastewater charges should enable MCES to meet wastewater regulatory

requirements, implement MCES infrastructure rehabilitation and repair needs, and provide wastewater capacity for growth. Further, by Council policy, charges and rates are based on a regional cost-of-service philosophy.

Rates are based on the preliminary or "rate-setting" budget which has total revenues of \$239.0 million and \$239.5 million of expenses, with the \$.5 million difference, if it occurs, to be funded from the wastewater operating contingency reserve. This rate-setting budget is further detailed in Exhibit C. It is important to note that while the Council's 2014 budget is not adopted by this action, the MCES portion of that budget will be substantially constrained by the revenue anticipated from these rates and charges.

The SAC fund continues to recover from the recession, and receipts to date indicate sufficiency in the longer term, barring any new economic downturn. As with 2013, no SAC shift is proposed for 2014, and \$4.4 million of the previously shifted \$8.8 million is proposed to be shifted back for 2014. Staff anticipates no likely need for a SAC shift in 2015, and the statutory authority for such a shift expires thereafter, thus the un-designation part of the motion.

Once these charges are approved and flow measurements finalized, staff will notify customer communities and businesses.

The proposed 2014 "rate sheet" description of rates can be found on Attachment B.

### **Rationale**

Wastewater service rates for 2014 need to be set well in advance to allow communities time to plan their budget and rates and revise their ordinances, and businesses time to revise their pricing structures.

### **Funding**

100% of wastewater operations, maintenance, and debt service are funded by these rates. Revenue from these rates and charges are not used for non-wastewater purposes.

### **Known Support / Opposition**

The public forums did not elicit significant statements of concern regarding the proposed rates.

## ***2014 Industrial Discharge Permit Fees***

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Quarterly Reporters (SIU>50MGY).....	\$7,400
Quarterly Reporters (SIU<50 MGY).....	\$6,175
Semi-annual Reporters (SIU>10 MGY) .....	\$4,875
Semi-annual Reporters (SIU 5-10 MGY) .....	\$3,675
Semi-annual Reporters (SIU 2-5 MGY) .....	\$2,450
Semi-annual Reporters (SIU <2 MGY) .....	\$1,250
Semi-annual Reporters (Non-SIU) .....	\$1,250
Annual Reporters (Non-SIU > 1 MGY) .....	\$1,250
Annual Reporters (Non-SIU < 1 MGY) .....	\$775
Non Significant Categorical user (NSCIU).....	\$775
Liquid Waste Hauler (> 1 MGY).....	\$1,250
Liquid Waste Hauler (< 1 MGY).....	\$775
Special Discharge Permit (quarterly reporter).....	\$1,250
Special Discharge Permit (contingency/low impact) .....	\$775
General.....	\$100-\$500

SIU = Significant Industrial User - a federal designation.



combine: i) a strength charge component, ii) a volume component that is based on the MCES Metropolitan Wastewater Charge and iii) a special facilities component for the discharge sites. Also, iv) out-of region waste is assessed an administrative service component.

**2014 Liquid Waste Load Charges** (per 1,000 gallons)

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Standard Load Charge	<b>\$54.71</b>
Portable Toilet Waste Load Charge	<b>\$70.26</b>
Holding Tank Load Charge	<b>\$9.60</b>
Collar County Load Charge	<b>\$69.71</b> (for 10 counties surrounding the Region)
Industrial Load Charge (\$ per excess lb.)	<b>\$.3730 TSS and .1865 COD plus \$9.60/1,000 gal. volume charge</b> (plus \$15.00/1000 gal. service fee for loads generated out of the Council's jurisdiction)

- Industrial Discharge Permit Fee: Those industries issued a MCES permit must also pay annual permit fees, which recover a portion of the costs to administer the industrial pretreatment program. Permit fees are based on permit type, annual volume of wastewater, federal designation reporting status, and self-monitoring reporting frequency. First-year permit fees for Liquid Waste Haulers and Special Dischargers are required at the time of permit application.

**2014 Industrial Discharge Permit Fees:**

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Volume (MGY)	>50 m.	<50 m.	>10 m.	5–10 m.	2–5 m.	<2 m.	>1 m.	<1 m.
Quarterly Reporters	\$7,400	\$6,175						
Semi-annual Reporters			\$4,875	\$3,675	\$2,450	\$1,250		
Annual Reporters and Liquid Waste Haulers							\$1,250	\$775
General Permits	\$100-\$500							

- Temporary Capacity Charge: A charge assessed for temporary use of the metropolitan system (e.g. capacity for disposal of contaminated groundwater). This charge is assessed in lieu of SAC, due to the temporary nature of the service – essentially renting capacity in the system.

**2014 Temporary Capacity Charge: \$1.25** per 1,000 gallons

- Late Report Fee: A fee assessed to permittees who fail to submit a complete self-monitoring report on a timely basis. The late fee amount is based on the frequency and severity of late reports.

**2014 Late Report Fees: \$150–\$800** per report (see Web site; link below for more detail)

- Stipulation Agreement Payment: These rare fees are negotiated monthly payments and daily penalties intended to negate the economic advantage of noncompliance with federal pretreatment standards or local limits.

- Cost Recovery Fees: These fees are used to recover costs from any responsible party associated with spill or enforcement responses, non-routine data requests, special discharge requests, orders to appear, or notices of violation. Two administrative cost recovery fees are the Encroachment Application Fee (\$600 per easement) and the Direct Connection Application Fee (\$1,000 per connection).

## Rate Setting Budget

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	2013 Adopted Budget \$s in thousands	2014 Preliminary Budget \$s in thousands	Change %
REVENUE & Other Sources:			
Metropolitan Wastewater Charge	178,824	184,188	3.0
SAC Transfer (includes Shift Back)	29,495	35,662	20.9
Industrial & Hauler Charges	13,977	14,020	.3
Other Sources	<u>3,179</u>	<u>5,155</u>	<u>62.2</u>
Total	225,475	239,026	6.0
EXPENSES & Other Uses:			
Wastewater Debt Service	100,245	102,734	2.5
MCES Labor	63,309	65,268	3.1
Non-Labor	52,403	58,325	11.3
Interdivisional Charges	10,868	11,199	3.0
Pay-as-You-Go for Capital Projects	<u>1,500</u>	<u>2,000</u>	<u>33.3</u>
Total	228,325	239,526	4.9
SURPLUS/(DEFICIT) to (from) Op. Reserve	(2,850)	(500)	(82.5)

## QUESTIONS/COMMENTS FROM JUNE 13 INDUSTRIAL WASTE CUSTOMER FORUM

Metro 94, Suite 32 Conference Room

34 customers present

**Question:** Given that water demand in St. Paul has been decreasing since 1988, could water be diverted from the city to other communities? How would that impact rates?

**Answer:** We are looking at efficiency and diverting treated wastewater for reuse. However, that would be quite expensive. MCES is in the midst of detailed engineering and analyses of restructuring the water supply in the metro area. St. Paul does already serve some of the surrounding suburbs. Approximately 5-6 suburbs receive water from Minneapolis and St. Paul. We will examine how those changes would affect rates.

**Question:** Will there be a reduction in PFC monitoring requirements?

**Answer:** Now that the MPCA (Minnesota Pollution Control Agency) has informed MCES that the NPDES permit for the Metro Plant will be renewed, there may be a change in monitoring frequency. We recognize that monitoring is expensive. However, please plan to continue monitoring for PFCs as data will still be needed.

**Question: Will the East Bethel Plant accept hauled waste when the facility becomes operational?**

**Answer:** No, East Bethel was not sized for that. It is too small to accept hauled waste.

**Question:** How much SAC money goes towards construction, debt service, maintenance, etc.?

**Answer:** Per state law, SAC revenue can be used for capital projects only (growth, regulatory, rehab).

**Question:** Were there any changes in the newly revised Waste Discharge Rules that will directly affect industrial users?

**Answer:** If you are in compliance and follow your permit requirements, you'll be fine. Local limits were not changed in the revisions. You will be notified by IW staff if changes to your permit need to be made.

**Question:** Given the concerns surrounding groundwater depletion, have well water restrictions been established for industrial users?

**Answer:** As of now, there have been no specific changes. We are initiating studies to determine the best mix of solutions, some of which may or may not impact well water usage.

**Question:** Is the Metropolitan Council purchasing wetlands in watershed areas to plan for water supply?

**Answer:** Municipalities do purchase wetlands for beautification, park use, etc. No thought was really given to using the land for aquifer regeneration. The timetable on addressing water supply is rapid due to legislative pressure. We hope to come out with firm proposals and recommendations by the end of 2013.

**Question:** Where can I find more information on the Burnsville/Savage cooperative effort?

**Answer:** Local city websites are good resources. You can find information on our own website as well. Ali Elhassan is also an excellent contact; he is an MCES employee who works on water supply planning.

**Question:** Why is there a discrepancy between the proposed SAC increase and the permit fee increase?

**Answer:** The 2.1% proposed SAC increase is determined by other formulas than those used to calculate industrial rates. It also differs from other costs because it represents a different portion of the budget.

Permit fees are gradually being phased towards the full cost recovery of the pretreatment program and so the percentage increase is higher.

**Question: What is the future of dental amalgam?**

**Answer:** Much of the mercury discharge from dental clinics comes from grinding out fillings, so more practices are phasing out silver amalgam and moving towards white composite fillings. Ultimately, however, the decision is between dentist and patient.

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**QUESTIONS/COMMENTS FROM JUNE 18 MUNICIPAL CUSTOMER FORUM**

Golden Valley City Hall Chambers

13 customers present

**Regarding Water Supply presentation:**

**Comment:** A customer felt the 2% use of Mississippi River volume was not a fair representation on the average we should be worried more about low flow. He said the Mississippi River is not a silver bullet. He feels major capital improvements would need to occur for us get to the pink in the 2030 Demand Scenario.

**Answer:** Keith said he is right and that his portion of today’s presentation is abbreviated. There is certainly complexity in these scenarios as well as comprehensive analyses to consider.

**Comment:** Golden Valley has been part of a water advisory board, and this person would like to be part of MCES’s water supply planning conversation. She said New Hope, Crystal and Golden Valley almost walked away from discussions with Minneapolis (and thus surface water) because of cost. She thinks Golden Valley could learn from their participation but also provide us some insight, i.e. “been there, done that,” as we move forward.

**Question:** Can you talk about what happened in the 1970s with the shift from surface water to ground water supply trends?

**Answer:** As the population grew outward, well drilling was easier and cheaper, as it is more expensive to treat surface water than ground water.

**Regarding Rate presentation:**

**Question:** Does the preliminary budget debt service include both principal and interest?

**Answer:** Yes

**Question:** Regarding the budget for labor, is Met Council not part of PERA?

**Answer:** No, we are part of MSRS. In addition, our retiree health care has its own legacy benefit program – now sunset and very close to fully funded. And the Council’s health care program has been switched to self insured, creating significant savings.

**Question:** How many cities add a Local SAC?

**Answer:** MCES does not survey cities for this information, so we do not know.

**Comment:** MCES does a great job. How do we manage to stay out of the news? This person mentioned national news of cities that cannot meet their sewer separation goals until 2030 – how does MCES manage to stay ahead of the game?

**Answer:** MCES attributed much of the success to forward thinking in the past that gave us strong statutory institutional arrangements for rule and rate setting. These allow us an economy of scale and

allows us, even now, to be proactive and make sometimes unpopular decisions but which are the right thing to do for the Region – the I/I surcharge program was cited as an example.

**Comment:** A staff person from Golden Valley encouraged MCES to continue to send the message about the I/I program: “we can’t build our way out of it” – and why it continues to be an important program. She mentioned other cities that have failed to address the challenges, and how important the perspective has been in looking at MCES’s program.

**Comment:** MCES does see the I/I program as a success, albeit unfinished. We have not spent the billion dollars we thought we might have to a decade ago, or the billions other metro areas are spending under consent decrees from the EPA, we have not had major spills, overflows or sewer capacity needed growth moratoriums. Staff acknowledged the need to keep communicating on this moving forward. Also, another possible workshop for cities was mentioned.

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## **QUESTIONS/COMMENTS FROM JUNE 24 MUNICIPAL CUSTOMER FORUM**

League of MN Cities, St. Paul  
10 customers present

### **Regarding Deputy General Manager’s Comments and Water Supply Planning presentation:**

**Comment:** A customer construed the nearly \$1 billion in capital expenses delayed or possibly avoided as projects that needed to take place. He asked, “Are we being pound foolish?”

**Answer:** It was clarified that the \$1 billion was an avoidance in future costs, not a delay in building needed infrastructure. By removing excess infiltration we are able to avoid building storage facilities which is what the billion dollars estimate was based on. Most other metropolitan areas with combined sewers were not able to avoid this cost, so it really is an advantage for our region to avoid this type of expense.

**Question:** Does the “Business As Usual” aquifer slide account for increased population?

**Answer:** Yes, it does.

### **Regarding Rate Presentation:**

**Question:** Can you give us examples of prospective IPIP candidates?

**Answer:** They will be mainly larger industrial customers and those with large organic loads.

**Question:** Does MCES have current numbers for the 2013-2018 Capital Improvement Plan (CIP)?

**Answer:** The working CIP is updated frequently. However, a snapshot of known information was used for the proposed 2014 CIP and the three slides, focused on interceptor rehabilitation’s growing share, are the result. The detail will likely get modified before we have a public version available (it will be available in fall). This year the Council is reviewing the capital budgets in sync with operating budgets – with final adoption typically completed in December. It was also pointed out the detail for capital projects and CIP approved last December is posted on our website.

**Comment:** One customer wanted a summary of the comments and questions from the June 13 and June 18 forums.

**Answer:** Staff discussed most of the items listed on the other meetings’ summaries.

**Question:** Is the increase in non-labor costs a trend or a one-time increase? Why?

**Answer:** Hopefully it is not a trend. There are a lot of items (like the fire alarm repair mentioned) that are one-time expenses. We are behind on some of these things, not really because of budget but

because of staff availability, which hopefully we are improving. If staff time continues to be an issue, some of these funds just won't get spent.

**Question:** The "Other" category for non-labor costs has almost doubled. Why is that?

**Answer:** The primary factor is that it includes \$2.5 million of I/I grants, for the two separate grant programs' cash flow estimates. These are pass-through dollars to us, but do show up as both other revenue and other expenses.