

## Environment Committee

Meeting date: September 9, 2014

For the Metropolitan Council meeting of September 24, 2014

**Subject:** Authorization to Hold a Public Hearing on Industrial Pretreatment Incentive Program (IPIP)

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

**Policy/Legal Reference:** MN Statute 116J.994 (Regulating Business Subsidies); and 473.524 (Regarding public-private partnerships)

**Staff Prepared/Presented:** Jason Willett, 651-602-1196; Dan Schueller, 651-602-1624

**Division/Department:** MCES c/o Leisa Thompson, 651-602-8101

### Proposed Action

That the Metropolitan Council authorizes staff to hold a formal public hearing to gather input and discuss a proposed new program that incentivizes industrial customers to put pretreatment facilities on their sites.

### Background

A proposed new program will provide a partnership and incentive to help high-strength wastewater industrial dischargers build and operate pretreatment equipment (e.g. anaerobic digestion facilities) on their sites. The proposed incentive would require the Council finance (at low public financing taxable rates) own the pretreatment equipment, and also pay up to 30% of annual debt service payments (up to a budget limit). The industry applicant would be responsible for the design, build and operation of the facility and all related costs and risks. In addition, at the end of the agreement term, the applicant would agree to assume ownership of the equipment regardless of its condition.

On June 25, 2013, MCES held a hearing to get public input. Seven customers attended and several questions were asked about the program details. Interest from those attending seemed strong. Since that meeting, staff have met with several interested parties and program details have been further refined for this public hearing.

A preliminary schedule for this second public hearing, and Council approval, follows:

September 9	Environment Committee recommendation to hold public hearing
September 24	Council approval to hold public hearing
November 12	Public Hearing
November 21	Public input period ends
November 25	Environment Committee recommendation
December 10	Council approval of IPIP

If the IPIP is eventually adopted, the direct public benefits include reduced MCES operating costs (mostly energy savings) and a delay of future capital costs to expand plants. Financial analyses show the present value of the benefits to Council (energy cost savings and avoided capital costs) exceed the costs (lost revenue and incentive payment) over the term. In addition, indirect benefits to the Region include helping the private industry, jobs and the tax base (eventually), and environmental benefits from energy impacts.

## **Rationale**

This action authorizes staff to get public input on this proposed new program. Moreover, should the program be adopted, a public hearing is required pursuant to the statutes listed above.

## **Funding**

If subsequent to the hearing, the Council adopts the program, it would need to issue bonds to finance the industrial pretreatment facilities. This proposal is limited to a maximum of \$50 million.

In addition, if the pretreatment facilities work, the wastewater rate base would lose strength charge revenue and would incur a cost equal to the difference between the related debt service and the lease payments paid by private vendors (this difference may be up to 30% of the debt service - but only if and when the pretreatment works).

## **Known Support / Opposition**

The St. Paul Port Authority and Sanimax Corporation have supported the concept in writing, and a few other industries have also expressed interest.