

Business Item 2014-310:

**Authorization to Approve  
Industrial Pretreatment  
Incentive Program (IPIP)**

Jason Willett, Director, MCES Finance & Energy

Environment Committee: December 9, 2014



# Proposed Program Rationale

- A public/private partnership that could be a win-win-win for Council (\$), Industry (\$) and the environment
- Tie to Thrive outcomes:
  - Stewardship
    - Ratepayer financial resources
    - Expanding and maintaining infrastructure
  - Prosperity
    - Promoting economic competitiveness of industries
    - Jobs
  - Sustainability
    - Reduced energy at plants
    - Probably increased reuse of energy at industries

# Design-Build-Operate Service Contract Approach

- Council to own and finance preprocessing facilities at customer sites
  - Low rates (general obligation & AAA credit)
  - For portion of waste that would otherwise come to MCES plants (up to \$20 million max per applicant)
- Industry responsible for all costs
  - Designs and builds using their procurement & contractors
  - Pays all operating costs
  - Pays Council lease payments for facility
  - Lease discount up to 30% for measured results
  - Takes ownership after 10 years

# Proposed Process Highlights

- Specific MCES plant(s) are determined to need capacity within 10 years
- Proposals solicited from industries
- Industry applications
  - A \$5,000 non-refundable application fee
  - Proposed technology cost and results
  - Letter of support from host community
  - Letter of commitment to proceed
  - List of contract deviations requested
  - Identify portion of waste not normally sent to metro system
  - Financial assurance (e.g. a parent company guarantee)

# Proposed Process Highlights

- MCES reviews and ranks applications
- Staff to determine incentives
  - Discount reduction (if private \$ benefits exceed public)
  - Rankings may be needed to fit within budget
- Issuance of taxable bonds or use of reserves
- Applicant designs facility
  - Council to pay 50% of design cost up to \$100K if design is acceptable but Council decides not to proceed
- Standard contract signed
- Funds dispersed after due diligence
- Operation
- Annual measures of success are made to determine Annual Discount
- Applicant takes ownership after 10 years

# Costs and Benefits to Council

## Costs:

- Eliminates strength charge revenue
- Payment of up to 30% of debt service

## Benefits:

- Avoidance or delay of capital costs to expand plant(s)
- Operating cost savings (mostly energy savings)
- Possible energy rebates
- Advancement of Thrive outcomes

# Costs and Benefits to Industry

## Costs:

- Payment of 70-100% of debt service via lease payments
- Operating and maintenance costs

## Benefits:

- Eliminated strength charges
- Energy generation

# Societal Benefits

- Stronger industries
- Enhanced jobs and tax base
- Environmental improvement (energy and emissions)



# Public Hearing on November 18

- Hearing notice was published in the State Register
- Hearing notice was sent to MCES' top 16 strength charge payers and to consultants who expressed interest
- About 20 customers and consultants attended, thirteen signed in and three gave verbal comments

# Public Hearing Comments November 18

- Vice president of Finance for St. Paul Port Authority:
  - Have been working with 9 digester projects across the state and think 3 in the metro area will be able to take advantage of IPIP
  - Believe the program will provide enough economic incentive for these 3 to go forward with their projects
  - Believe IPIP is better than some similar federal programs that provide incentives for renewable energy projects
  - Thinks this will be a national model
  - Thinks in 5 years many metro areas will adopt similar programs and recognize Met Council for the idea
  - Thinks this truly is a win-win-win, especially for the environment

# Public Hearing Comments November 18

- Sanimax/Sanigreen in South St. Paul:
  - Reiterate what was said by VP from St. Paul Port Authority
  - Programs like this are a great help for getting these types of projects get off the ground
- Twin City Tanning in South St. Paul:
  - Think we are one of the 3 largest contributors to the system
  - Intrigued by program and will see if it is something we can participate in
  - Asked “How will baseline strength be determined?”

Answer: It will be the average concentration for the two years prior to when the facility is built

# Proposed Calendar

<b>November 18, 2014</b>	<b>Public Hearing</b>
<b>December 9, 2014</b>	<b>Environment Committee recommendation</b>
January 14, 2015	Proposed adoption of IPIP
February 2015	RFPs sent to applicants and consultants
March 2015	Proposer meeting(s)
May 31, 2015	Initial applications due
June 30, 2015	Legal staff completes commitment offer letter
July 31, 2015	ES completes reviews and offer(s) to proceed are made
Remainder 2015	Design(s) reviewed and contracts executed

# Questions

Additional information (flowchart of process, draft contract, application form) can be found at:

[http://www.metrocouncil.org/SearchResults.aspx?searchtext=IPIP&searchmode=allwords#tab\\_Data\\_Publications](http://www.metrocouncil.org/SearchResults.aspx?searchtext=IPIP&searchmode=allwords#tab_Data_Publications)