

Information Item:
**Industrial Pretreatment
Incentive Program (IPIP)
Update**

Environment Committee: December 8, 2015



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

MCES Received Five Applications

- Deadline extended to October 31, 2015
- Applicants represent several industry sectors:
 - 2 food processors
 - 1 dairy
 - 2 animal processing plants (tanneries)
- The applicants are served by three MCES Treatment Plants
 - 1 customer served by Blue Lake
 - 1 customer served by Empire
 - 3 customers served by Metro
- Total preliminary pretreatment capital costs are approximately \$20 million
- Technologies proposed are membrane/filtration, reverse osmosis, and centrifuge
 - A 25% reduction across the five applicants would reduce Total Suspended Solids by ~3,000 pounds per day and reduce Chemical Oxygen Demand by ~14,500 pounds per day

MCES Formed Three Due-Diligence Teams

- Financial Review
 - *Members: Treasury, ES Finance, 3rd party analyst*
 - Determine potential funding mechanism
 - Coordinate 3rd-party review of offered financial assurance and financial stability of each customer
 - Analyze project cash flows
 - Benefit to customer
 - Benefit to MCES and ratepayers
- Technical
 - *Members: Industrial Waste, Technical Services Engineering*
 - Review technology for efficacy at site
 - Review technology for adverse impacts on plants
- Legal
 - *Members: Office of General Counsel (with ES Finance Assistance)*
 - Review customer-requested contract amendments

Next Steps

- 3 teams conduct initial reviews (4-6 weeks)
- MCES issues offer(s) to proceed (Q1 2016)
- Formal/Completed design(s) reviewed, funding secured, and contracts executed (balance of 2016)

Questions