

Environment Committee

Meeting date: July 24, 2018

For the Metropolitan Council meeting of July 25, 2018

Subject: Adoption of MCES Wastewater Rates and Charges

District(s), Member(s): All

Policy/Legal Reference: MS 473.517; 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)

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

Proposed Action

That the Metropolitan Council adopts the following wastewater rates and charges to be effective January 1, 2019:

- Regional Wastewater Charge (total of municipal wastewater charges) of \$227,441,000;
- Sewer Availability Charge: \$2,485;
- Temporary SAC: \$1.25 per thousand gallons;
- Industrial Strength Charge: \$.243 per excess pound of TSS (total suspended solids);
- Industrial Strength Charge: \$.1215 per excess pound of COD (chemical oxygen demand);
- Brewery Strength Charge: \$.762 per barrel;
- Standard Load Charge: \$60.24 per thousand gallons;
- Holding Tank Load Charge: \$11.10 per thousand gallons;
- Portable Toilet Waste Load Charge: \$77.46 per thousand gallons;
- Collar County Load Charge: \$75.24 per thousand gallons;
- Strength component of Industrial Load Charge \$.4130 per excess pound of TSS;
- Strength component of Industrial Load Charge \$.2065 per excess pound of COD;
- Out-of-Region Load Charge Component for hauled waste: \$15.00 per thousand gallons;
- Industrial Permit Fees as shown on Attachment A; and
- I&I Surcharge Exceedance Rate: \$437,000 per million gallons /day (rate of maximum measured flow within an hour over allowed flow rate).

Background

On May 8, 2018, staff presented information to the Environment Committee on the 2019 preliminary budget and rates. On May 24 and June 7, this information was shared with community customers at two Municipal Customer Budget Workshop and Open Houses. This information was also shared at three industrial customer workshops in late April. A combined total of 40 customer representatives attended the municipal customer meetings, and 101 industrial customers attended the industrial workshops. A staff summary of customer comments and responses are on Attachment D.

The revenue proposed to be raised through the Regional Wastewater Charge in 2019 is a 3.5% increase from 2018 (note: this increase will vary for each city depending on their flow). This increase and the other rate changes together comply with the Council policy and enable MCES to meet wastewater regulatory requirements, implement MCES infrastructure rehabilitation and repair needs, and provide wastewater capacity for growth. Further, per Council policy, proposed charges and rates are based on a regional cost-of-service methodology.

Rates are based on the preliminary or “rate-setting” budget which has total revenues of \$302 million and total expenses of \$305 million. This proposed budget will impact the wastewater operating contingency reserve fund balance through its planned use of \$3 million. However, the operating reserve balance will remain above its Council Policy minimum balance of \$15 million. This rate-setting budget is further detailed in Attachment C.

SAC receipts to date indicate a financially sound SAC reserve fund balance, barring any new economic downturn. Accordingly, there is no increase in the SAC rate proposed for 2019 (and the related Temporary Capacity Charge). With SAC units as projected, the SAC reserve balance will stay above the Council’s minimum target (Policy 3-2-5).

Once charges are approved and flow measurements finalized, staff will distribute final community-specific municipal charges in August.

The proposed 2019 “rate sheet” description of rates can be found on Attachment B.

Rationale

Wastewater service rates for 2019 need to be set well in advance to allow communities and businesses (e.g., permittees, waste haulers, etc.) time to plan their budgets and rates.

Thrive Lens Analysis

Outcomes:

Stewardship: the budget reflects MCES ongoing effort to be good stewards of ratepayer revenue.: seeking savings where possible, but prudently investing in the ongoing maintenance and rehabilitation of the system to minimize long term expenses.

Principles:

Collaboration: MCES customer outreach efforts around the budget preparation and presentation ensure we are working with our customers on operating and maintaining our system in a way that meets their level of service expectations.

Accountability: MCES budget forums and workshops are a means to share all details of the budget, our operating plans, and our capital plans with our customers.

Funding

100% of wastewater operations, maintenance, and debt service are funded by these charges and rates.

Known Support / Opposition

No known opposition.

2019 Industrial Discharge Permit Fees

Quarterly Reporters (SIU>50MGY)	\$10,000
Quarterly Reporters (SIU<50 MGY)	\$8,350
Semi-annual Reporters (SIU>10 MGY)	\$6,625
Semi-annual Reporters (SIU 5-10 MGY)	\$5,025
Semi-annual Reporters (SIU 2-5 MGY)	\$3,275
Semi-annual Reporters (SIU <2 MGY)	\$1,675
Semi-annual Reporters (Non-SIU)	\$1,675
Annual Reporters (Non-SIU > 1 MGY)	\$1,675
Annual Reporters (Non-SIU < 1 MGY)	\$1,025
Non-Significant Categorical user (NSCIU)	\$1,025
Liquid Waste Hauler (> 1 MGY)	\$1,675
Liquid Waste Hauler (< 1 MGY)	\$1,025
Special Discharge Permit (quarterly reporter)	\$1,675
Special Discharge Permit (contingency/low impact)	\$1,025
General	\$100-\$500

SIU = Significant Industrial User - a federal designation.



MCES 2019 Charges (preliminary)

1. Budget Municipal Wastewater Charges: MCES charges communities for sewer service and treatment. All customer communities pay an allocated portion of the Metropolitan Wastewater Charge which is their Municipal Wastewater Charge and is based on their estimated portion of the system's wastewater to be treated which in turn is based on actual measured wastewater volume from 2017. Most communities cover their own sewer costs by charging a higher "retail" rate to residents and businesses (these rate "mark-ups" are specific to each city).

2019 Metropolitan Wastewater Charge

Total Metropolitan Wastewater Charge in 2019	\$227,441,000
Allocated based on system flow: in million gallons (mg), based on flow for calendar year 2017	89,991 mg
Approximate rate per million gallons	\$2,527

2. Metropolitan Sewer Availability Charge (SAC): The sewer availability charge to communities is imposed for new connections or increased demand to the metropolitan wastewater system. Generally, one SAC unit equals 274 gallons of maximum potential daily wastewater flow capacity (100,000 gallons per year). A freestanding single-family residence is charged one SAC unit. Other types of buildings pay a prorated SAC fee, based on the estimated capacity of waste-water required. Communities may also include additional local charges (e.g., Local SAC and Local WAC) on this fee to cover their own capital costs.

2019 Sewer Availability Charges

Base Unit Fee (Single Family Dwelling) *	\$2,485.00
Apartment	20% discount
Multi-Dwelling Public Housing (without garbage disposals nor dishwashers)	25% discount
Multi-Dwelling Public Housing (without laundry, garbage disposals, nor dishwashers)	40% discount
Commercial Outdoor Space Discount	75% discount
* Note: Elko New Market and East Bethel have higher base SAC rates set by contract.	

Commercial: Base unit fee times number of residential equivalent connections (RECs) where the number of RECs is based on an estimated maximum daily capacity by use type.

Industrial Process Flow: Base unit fee times number of RECs where the number of RECs is based on maximum normal process flow plus RECs for commercial spaces

3. Industrial Strength Charge: Strength charges are MCES fees assessed directly to connected industries for the additional treatment costs caused by industrial wastewater that has more pollutants than typical domestic wastewater. Industrial strength charges are based on the concentration of pollutants (as measured by Total Suspended Solids (TSS) and Chemical Oxygen Demand (COD)) and the volume of the discharge. Industrial Users are



also subject to normal municipal wastewater charges and SAC through their host communities.

2019 Industrial Strength Charges

Cost per excess pound of Total Suspended Solids (TSS)	\$0.2430
Cost per excess pound of Chemical Oxygen Demand (COD)	\$0.1215

- Liquid Waste Load Charge: Liquid waste haulers pay directly for septage, leachate and other hauled wastes that are discharged at MCES disposal sites. The load charges combine: i) a strength charge component, ii) a volume component that is based on the MCES regional wastewater rate and iii) a special facilities component for the discharge sites. Also, iv) out-of-region waste is assessed an administrative service component.

2019 Liquid Waste Load Charges (per 1000 gallons)

Standard Load Charge	\$60.24
Portable Toilet Waste Load Charge	\$77.46
Holding Tank Load Charge	\$10.30
Collar County Load Charge (for 10 counties surrounding the region)	\$75.24
Industrial Load Charge (\$ per excess lb.)	\$0.4130 TSS \$0.2065 COD plus \$11.10/1000-gal volume (plus \$15/1000-gal service fee for loads generated out of the Council's jurisdiction)

- Industrial Discharge Permit Fee: Those Industrial Users issued a 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, Significant Industrial User (SIU) 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.

2019 Liquid Waste Load Charges (per 1000 gallons)

Volume (MGY)	>50 m.	<50 m.	>10 m.	5-10 m.	2-5 m.	<2 m.	>1 m.	<1 m.
Quarterly Reporters	\$10,000	\$8,350						
Semi-annual Reporters			\$6,625	\$5,025	\$3,275	\$1,675		
Annual Reporters & Liquid Waste Haulers							\$1,675	\$1,025
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.



2019 Temporary Capacity Charge

\$1.25 per 1,000 gallons

7. 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.

2019 Late Report Fees: \$150-\$800 per report (more detail available on website)

8. Stipulation Agreement Payment: These are negotiated monthly payments and daily penalties intended to negate the economic advantage of noncompliance with federal pretreatment standards or local limits.
9. 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). Both of these fees are assessed to recover administrative costs for time spent by MCES staff.



Rate Setting Budget	2018 Amended Budget \$s in thousands	2019 Rate- Setting Budget \$s in thousands	Change %
REVENUE & Other Sources:			
Regional Wastewater Charge	219,750	227,441	3.5
SAC Transfer (incl. Shift Backs, \$2.7M in 2015)	41,929	44,330	5.7
Industrial & Hauler Charges	13,680	13,957	2.0
Other Sources	3,853	16,230	191.5
Total	279,212	301,958	6.4
EXPENSES & Other Uses:			
Wastewater Debt Service	131,000	139,000	6.1
MCES Labor	65,826	66,967	1.7
Non-Labor	64,979	70,677	8.9
Interdivisional Charges	16,577	17,314	4.4
Pay-as-You-Go for Capital Projects	9,000	11,000	22.2
Total	287,382	304,628	6.0
SURPLUS/(DEFICIT) to (from) Op. Reserve	(8,170)	(2,670)	



Customer Forum Responses

Were the topics today relevant to you?

- All yes (100%)

What topics would you like to see covered in the future?

- I/I Mitigation Program
- Keep having the open discussion and breakouts
- Share infrastructure health index with customers

Overall, do you think the forum was helpful?

- 86% yes, 14% no

How can MCES improve outreach to its customers?

- Communications updates
- Continue with forums but sell as more finance focused or more technical.
- More individual community outreach, particularly to those communities experiencing significant rate increases.
- On site meetings are great and were very helpful in my community.
- Continue communications programs associated with construction projects.

Comments on the forum in general?

- Well done!
- Always good and they build trust in your operation through transparency.
- Good interaction and explanation on increases.
- Would like more detail.

