

Environment Committee

Meeting date: July 14, 2020

For the Metropolitan Council meeting of July 22, 2020

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)

Staff Prepared/Presented: Ned Smith, 651-602-1162; Matt Gsellmeier, 651-602-1802

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, 2021:

- Regional Wastewater Charge (total of municipal wastewater charges) of **\$240,342,000**;
- Sewer Availability Charge (SAC): **\$2,485**;
- Temporary SAC: **\$1.25** per thousand gallons;
- Industrial Capacity Charge: **\$2.18** per thousand gallons;
- Industrial Strength Charge: **\$.260** per excess pound of TSS (total suspended solids);
- Industrial Strength Charge: **\$.130** per excess pound of COD (chemical oxygen demand);
- Brewery Strength Charge: **\$.815** per barrel;
- Standard Load Charge: **\$60.24** per thousand gallons;
- Holding Tank Load Charge: **\$11.29** 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
- Inflow and Infiltration (I&I) Surcharge Exceedance Rate: **\$456,000** per million gallons per day (rate of maximum measured flow within an hour over allowed flow rate).

Background

On May 12, 2020 staff presented information to the Environment Committee on the 2021 preliminary budget and rates. On May 21, 2020 and June 11, 2020, this information was shared with community customers at two Customer Webinars. A record total of 86 customer representatives attended the meetings. A staff summary of customer comments and responses are included in Attachment D.

The revenue proposed to be raised through the Regional Wastewater Charge in 2021 is a 2.0% increase from 2020 (note: this increase will vary for each city depending on their 2019 flow). This increase and the other rate changes together comply with the Council policy and 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, 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 sources of \$323 million and total uses of \$323 million. This proposed budget includes a \$2 million use of the wastewater operating contingency reserve fund. However, the operating reserve balance will remain above its Council Policy minimum balance of \$15 million. The proposed budget also includes a \$7.5 million use of the SAC reserve fund to be dedicated to a portion of the Pay-As-You-Go expenditure. This rate-setting budget is further detailed in Attachment C.

SAC receipts to date indicate a financially sound SAC reserve fund balance and will help MCES to absorb the anticipated economic downturn. Accordingly, there is no increase in the SAC rate proposed for 2021 (and the related Temporary Capacity Charge). With SAC units as projected, the SAC reserve balance will stay well 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 2021 “rate sheet” description of rates can be found in Attachment B.

Rationale

Wastewater service rates for 2021 need to be set well in advance to allow communities and businesses (e.g. waste haulers) 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.



2021 Industrial Discharge Permit Fees

| | |
|---|-------------|
| Quarterly Reporters (SIU>50MGY) | \$10,550 |
| Quarterly Reporters (SIU<50 MGY) | \$8,825 |
| Semi-annual Reporters (SIU>10 MGY) | \$7,025 |
| Semi-annual Reporters (SIU 5-10 MGY) | \$5,300 |
| Semi-annual Reporters (SIU 2-5 MGY) | \$3,475 |
| Semi-annual Reporters (SIU <2 MGY) | \$1,750 |
| Semi-annual Reporters (Non-SIU) | \$1,750 |
| Annual Reporters (Non-SIU > 1 MGY) | \$1,750 |
| Annual Reporters (Non-SIU < 1 MGY) | \$1,075 |
| Non-Significant Categorical user (NSCIU) | \$1,075 |
| Liquid Waste Hauler (> 1 MGY) | \$1,750 |
| Liquid Waste Hauler (< 1 MGY) | \$1,075 |
| Special Discharge Permit (quarterly reporter) | \$1,750 |
| Special Discharge Permit (contingency/low impact) | \$1,075 |
| General | \$100-\$500 |

SIU = Significant Industrial User - a federal designation.

MCES 2021 Charges (preliminary)

1. Budget Municipal Wastewater Charges: MCES charges communities for sewer service and treatment. All customer communities pay an allocated portion of the Regional 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 2019. 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).

2021 Regional Wastewater Charge

| | |
|---|---------------|
| Total Regional Wastewater Charge in 2021 | \$240,342,000 |
| Allocated based on system flow: in million gallons (mg), based on flow for calendar year 2018 | 96,967 mg |
| Approximate rate per million gallons | \$2,479 |

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 wastewater required. Communities may also include additional local charges (e.g., Local SAC and Local WAC) on this fee to cover their own capital costs.

2021 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.

2021 Industrial Strength Charges

| | |
|---|---------|
| Cost per excess pound of Total Suspended Solids (TSS) | \$0.260 |
| Cost per excess pound of Chemical Oxygen Demand (COD) | \$0.130 |

- 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.

2021 Liquid Waste Load Charges (per 1000 gallons)

| | |
|--|--|
| Standard Load Charge | \$60.24 |
| Portable Toilet Waste Load Charge | \$77.46 |
| Holding Tank Load Charge | \$11.29 |
| 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 \$11.29/1000-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.

2021 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 | \$10,550 | \$8,825 | | | | | | |
| Semi-annual Reporters | | | \$7,025 | \$5,300 | \$3,475 | \$1,750 | | |
| Annual Reporters & Liquid Waste Haulers | | | | | | | \$1,750 | \$1,075 |
| 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.



2021 Temporary Capacity Charge

\$1.25 per 1,000 gallons

7. Industrial Capacity Charge (ICC): As of January 1, 2019, industries had a new option for paying SAC for process discharge (which may reduce or eliminate large SAC payments). In lieu of paying SAC for process flow that exceeds established baseline flow, industries can choose to pay a smaller but ongoing ICC; ICC is like renting capacity instead of owning it. The ICC will be applied to discharges above an industry's SAC baseline and it will be invoiced after each industry's reporting period. Depending on the variability of flow, it may make sense to purchase SAC units instead of continuing to rent; purchasing SAC permanently increases an industry's SAC baseline which decreases or eliminates future ICC payments. ICC payments do not increase the baseline.

2021 Industrial Capacity Charge

\$2.18 per 1,000 gallons over baseline flow

8. 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.

2021 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 | 2020 Amended Budget \$s in thousands | 2020 Rate- Setting Budget \$s in thousands | % Change |
|--|--|--|-------------|
| REVENUE & Other Sources: | | | |
| Regional Wastewater Charge | 235,629 | 240,342 | 2.0 |
| SAC Transfer (incl. \$2M and \$7.5M paygo from SAC fund) | 48,247 | 57,841 | 19.9 |
| Industrial & Hauler Charges | 14,406 | 15,506 | 7.6 |
| Other Sources* | 9,017 | 7,275 | -19.3 |
| Total | 307,299 | 320,964 | 4.4 |
| EXPENSES & Other Uses: | | | |
| Wastewater Debt Service | 148,000 | 157,000 | 6.1 |
| MCES Labor | 70,722 | 73,944 | 4.6 |
| Non-Labor | 63,555 | 62,617 | -1.5 |
| Interdivisional Charges | 17,523 | 18,400 | 5.0 |
| Pay-as-You-Go for Capital Projects | 11,000 | 11,000 | 0 |
| Total | 310,800 | 322,961 | 3.9 |
| SURPLUS/(DEFICIT) to (from) Op. Reserve | (3,500) | (1,997) | |



Customer Forum Feedback

- Record attendance! 86 non-council attendees from 40+ communities
- Engaged audience with helpful questions about:
 - Impact on capital programs, flows, and rates due to COVID19 and heavy rain in 2019
 - Customer Portal details (and 2 new account registrations!)
 - Presentation availability to share with elected officials
 - Regional billing methodology
 - 5-year MWC rate projection after debt service bubble
 - Hastings plant update
 - SAC Trends
- Survey responses were ~90% Very Good or Excellent regarding timing of presentation, WebEx platform and performance, materials, and overall satisfaction

Webinar Materials & video:

<https://metro council.org/Wastewater-Water/Funding-Finance/Budget-Workshops.aspx>

