

Business Item 2017-246 Industrial Pre-Treatment Incentive Program (IPIP) Contract Approvals

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Metropolitan Council: November 8, 2017



Proposed Action

- That the Metropolitan Council authorize its regional administrator to negotiate and execute the IPIP contracts to Kemps for \$.7 million and to Michael Foods for \$11.3 million.

IPIP Background

- January 14, 2015 – Business Item 2014-310
 - Metropolitan Council authorized the implementation of the IPIP program for up to \$50M
 - Five industrial customers have applied to the program for a total estimated cost of \$25M-\$30M
 - Two are ready to sign

Design-Build-Operate Service Contract Approach

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

Process Highlights

- MCES reviews applications for technical and financial feasibility
- Staff to determine incentives
 - Discount reduction (private \$ benefits cannot exceed public)
- Issuance of taxable bonds or use of reserves
- Applicant designs facility
- Standard IPIP contract signed
- Annual measures of success determine Annual Discount
- Applicant takes ownership after 10 years

Cost 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)
 - 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
- Lower interest financing
- Discounted lease payments (up to 30%)
- Expanded production capacity through wastewater reuse

IPIP Participants Ready to Sign

- Capital Costs for approval:
 - Kemps - \$.7 million
 - Michael Foods - \$11.3 million
- Financial analyses show present value of the benefits (energy cost savings and avoided capital costs) are expected to exceed the costs (lost revenue and incentive payment) over the 10-year contract term

Thrive Lens Analysis

- Stewardship
 - Lower financing costs for pretreatment facilities
 - Preserve plant capacity
 - Lower plant operating costs
- Prosperity
 - Enable customer growth
 - Lower customer strength charges
- Sustainability
 - Cleaner influent
 - Energy generation

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Questions