

Environment Committee

For the Metropolitan Council meeting of July 28, 2021

Subject: Adoption of MCES Wastewater Rates and Charges

Proposed Action

That the Metropolitan Council adopts the following wastewater rates and charges to be effective January 1, 2022:

- Regional Wastewater Charge (total of municipal wastewater charges) of **\$249,955,000**;
- Sewer Availability Charge (SAC): **\$2,485**;
- Temporary SAC: **\$1.25** per thousand gallons;
- Industrial Capacity Charge: **\$2.21** per thousand gallons;
- Industrial Strength Charge: **\$0.274** per excess pound of TSS (total suspended solids);
- Industrial Strength Charge: **\$0.137** per excess pound of COD (chemical oxygen demand);
- Brewery Strength Charge: **\$0.859** per barrel;
- Standard Load Charge: **\$60.24** per thousand gallons;
- Holding Tank Load Charge: **\$11.40** 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 **\$0.4130** per excess pound of TSS;
- Strength component of Industrial Load Charge **\$0.2065** 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: **\$461,000** per million gallons per day (rate of maximum measured flow within an hour over allowed flow rate).

Summary of Committee Discussion/Questions

Committee Member Vento commended Mr. Smith and staff on the excellent workshops. She stated she has been impressed efficient use of time as well as attendees feeling their time is being well spent. She also thanked him for the help with a constituent SAC rate question that came up recently stating that it was well handled.

Mr. Smith acknowledged the collaboration with Jeannine Clancy and her staff who helped design the workshops as well as the work done by Matt Gsellmeier and his staff.

The proposed action was approved and forwarded to the July 28, 2021 Council meeting for approval.



Environment Committee

Meeting date: July 13, 2021

For the Metropolitan Council meeting of July 28, 2021

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

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, 2022:

- Regional Wastewater Charge (total of municipal wastewater charges) of **\$249,955,000**;
- Sewer Availability Charge (SAC): **\$2,485**;
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Background

On May 11, 2021 staff presented information to the Environment Committee on the 2022 preliminary budget and rates. On May 25, 2021 and June 10, 2021, this information was shared with community customers at two Customer Webinars. A record total of 126 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 2022 is a 4.0% increase from 2021 (note: this increase will vary for each city depending on their 2020 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 \$333.3 million and total uses of \$333.3 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 \$9.5 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. Accordingly, there is no increase in the SAC rate proposed for 2022 (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 2022 "rate sheet" description of rates can be found in Attachment B.

Rationale

Wastewater service rates for 2022 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.



2022 Industrial Discharge Permit Fees

Quarterly Reporters (SIU>50MGY)	\$10,975
Quarterly Reporters (SIU<50 MGY)	\$9,175
Semi-annual Reporters (SIU>10 MGY)	\$7,300
Semi-annual Reporters (SIU 5-10 MGY)	\$5,500
Semi-annual Reporters (SIU 2-5 MGY)	\$3,600
Semi-annual Reporters (SIU <2 MGY)	\$1,825
Semi-annual Reporters (Non-SIU)	\$1,825
Annual Reporters (Non-SIU > 1 MGY)	\$1,825
Annual Reporters (Non-SIU < 1 MGY)	\$1,125
Non-Significant Categorical user (NSCIU)	\$1,125
Liquid Waste Hauler (> 1 MGY)	\$1,825
Liquid Waste Hauler (< 1 MGY)	\$1,125
Special Discharge Permit (quarterly reporter)	\$1,825
Special Discharge Permit (contingency/low impact)	\$1,125
General	\$100-\$500

SIU = Significant Industrial User - a federal designation.

MCES 2022 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).

2022 Regional Wastewater Charge

Total Regional Wastewater Charge in 2022	\$249,955,000
Allocated based on system flow: in million gallons (mg), based on flow for calendar year 2020	89,095 mg
Approximate rate per million gallons	\$2,805

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.

2022 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.

2022 Industrial Strength Charges

Cost per excess pound of Total Suspended Solids (TSS)	\$0.274
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Cost per excess pound of Chemical Oxygen Demand (COD)	\$0.137
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4. 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.

2022 Liquid Waste Load Charges (per 1000 gallons)

Standard Load Charge	\$60.24
Portable Toilet Waste Load Charge	\$77.46
Holding Tank Load Charge	\$11.40
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 \$11.40/1000-gal volume (plus \$15/1000-gal service fee for loads generated out of the Council's jurisdiction)

5. 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.

2022 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	\$10,975	\$9,175						
Semi-annual Reporters			\$7,300	\$5,500	\$3,600	\$1,825		
Annual Reporters & Liquid Waste Haulers							\$1,825	\$1,125
General Permits	\$100-500							

6. 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.

2022 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.

2022 Industrial Capacity Charge \$2.21 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.

2022 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	2021 Budget \$s in thousands	2022 Rate- Setting Budget \$s in thousands	% Change
REVENUE & Other Sources:			
Regional Wastewater Charge	240,342	249,955	4.0
SAC Transfer (incl. \$7.5M and \$9.5M paygo from SAC fund)	57,841	59,620	3.1
Industrial & Hauler Charges	15,506	15,301	-1.3
Other Sources*	7,275	6,515	-10.4
Total	320,964	331,391	3.2
EXPENSES & Other Uses:			
Wastewater Debt Service	157,000	157,000	0
MCES Labor	73,944	77,007	4.1
Non-Labor	62,617	66,225	5.8
Interdivisional Charges	18,400	22,115	20.1
Pay-as-You-Go for Capital Projects	11,000	11,000	0
Total	322,961	333,347	3.2
SURPLUS/(DEFICIT) to (from) Op. Reserve	(1,997)	(1,956)	

Customer Forum Feedback

- Record attendance! 105 non-council attendees from ~50 communities
- Topics:
 - Proposed 2022 budget
 - Municipal wastewater charge
 - MCES Capital Improvement Program
 - Updates on:
 - MCES Customer Portal
 - COVID-19 Research
 - 2050 Water Resources Policy Plan Update
- Engaged audience with helpful questions about:
 - Impact on capital programs, flows, and rates due to COVID19 in 2020
 - Private I/I initiatives
 - Chlorides treatment and reuse
 - Regional billing methodology and cost saving efforts
 - MPCA coordination on PFAS
 - Hastings plant update
 - SAC Trends

Webinar Materials & video:

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