

## Environment Committee

Meeting date: July 9, 2019

For the Metropolitan Council meeting of July 24, 2019

**Subject:** MCES Wastewater Rates and Charges Adoption

**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 (municipal wastewater charges), 3-2-4 (industrial charges), and 3-2-5 (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, 2020:

- Regional Wastewater Charge (total of municipal wastewater charges) of **\$235,629,000**;
- Sewer Availability Charge (SAC): **\$2,485**;
- Temporary SAC: **\$1.25** per thousand gallons;
- Industrial Capacity Charge: **\$2.14** per thousand gallons;
- Industrial Strength Charge: **\$.254** per excess pound of TSS (total suspended solids);
- Industrial Strength Charge: **\$.127** per excess pound of COD (chemical oxygen demand);
- Brewery Strength Charge: **\$.797** 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: **\$447,000** per million gallons per day (rate of maximum measured flow within an hour over allowed flow rate).

### Background

On May 14, 2019, staff presented information to the Environment Committee on the 2020 preliminary budget and rates. On May 23, 2019 and June 6, 2019, this information was shared with community customers at two Municipal Customer Budget Workshops and Open Houses. This information was also shared at three industrial customer workshops in March and April. A combined total of 52 customer representatives attended the municipal workshops and 107 industrial customers attended the industrial workshops. A staff summary of customer comments and responses are in Attachment D.

The revenue proposed to be raised through the Regional Wastewater Charge in 2020 is a 3.6% increase from 2019 (note: this increase will vary for each municipality depending on their flow). This increase and the other rate changes together comply with 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 \$310.8 million and total expenses of \$310.8 million. This proposed budget includes a \$3.5 million planned use the wastewater operating contingency reserve fund balance. 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 2020 (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, staff will distribute final community-specific municipal charges in August. Preliminary estimates were sent to the municipalities in May. There have been no material changes to the estimates since then.

The proposed 2020 “rate sheet” description of rates can be found in Attachment B.

### **Rationale**

Wastewater service rates for 2020 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 rehabilitation are funded by these charges and rates.

### **Known Support / Opposition**

No known opposition.



**2020 Industrial Discharge Permit Fees**

|                                                      |             |
|------------------------------------------------------|-------------|
| Quarterly Reporters (SIU>50MGY)                      | \$10,350    |
| Quarterly Reporters (SIU<50 MGY)                     | \$8,650     |
| Semi-annual Reporters (SIU>10 MGY)                   | \$6,875     |
| Semi-annual Reporters (SIU 5-10 MGY)                 | \$5,200     |
| Semi-annual Reporters (SIU 2-5 MGY)                  | \$3,400     |
| Semi-annual Reporters (SIU <2 MGY)                   | \$1,725     |
| Semi-annual Reporters (Non-SIU)                      | \$1,725     |
| Annual Reporters (Non-SIU > 1 MGY)                   | \$1,725     |
| Annual Reporters (Non-SIU < 1 MGY)                   | \$1,050     |
| Non-Significant Categorical Industrial User (NSCIU)  | \$1,050     |
| Liquid Waste Hauler (> 1 MGY)                        | \$1,725     |
| Liquid Waste Hauler (< 1 MGY)                        | \$1,050     |
| Special Discharge Permit (quarterly reporter)        | \$1,725     |
| Special Discharge Permit (contingency or low impact) | \$1,050     |
| General                                              | \$100-\$500 |

SIU = Significant Industrial User - a federal designation

MGY – Million Gallons per Year

## MCES 2020 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 2018. Most communities cover their own sewer costs by charging a higher "retail" rate to residents and businesses (these retail charges are specific to each city).

### 2020 Regional Wastewater Charge

|                                                                                               |               |
|-----------------------------------------------------------------------------------------------|---------------|
| Total Regional Wastewater Charge in 2020                                                      | \$235,629,000 |
| Allocated based on system flow: in million gallons (mg), based on flow for calendar year 2018 | 87,890 mg     |
| Approximate rate per million gallons                                                          | \$2,680       |

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 one residential equivalent of 274 gallons of maximum potential daily wastewater flow capacity (100,000 gallons per year). A single-family residence is charged one SAC unit. Other types of buildings pay a council-determined 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 top of this fee to cover their own capital costs.

### 2020 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.

**2020 Industrial Strength Charges**

|                                                       |         |
|-------------------------------------------------------|---------|
| Cost per excess pound of Total Suspended Solids (TSS) | \$0.254 |
| Cost per excess pound of Chemical Oxygen Demand (COD) | \$0.127 |

- 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.

**2020 Liquid Waste Load Charges (per 1000 gallons)**

|                                                                    |                                                                                                                                                                |
|--------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Standard Load Charge                                               | <b>\$60.24</b>                                                                                                                                                 |
| Portable Toilet Waste Load Charge                                  | <b>\$77.46</b>                                                                                                                                                 |
| Holding Tank Load Charge                                           | <b>\$11.29</b>                                                                                                                                                 |
| Collar County Load Charge (for 10 counties surrounding the region) | <b>\$75.24</b>                                                                                                                                                 |
| Industrial Load Charge (\$ per excess lb.)                         | <b>\$0.4130 TSS</b><br><b>\$0.2065 COD</b> 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.

**2020 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                     | \$10,350  | \$8,650 |         |         |         |         |         |         |
| Semi-annual Reporters                   |           |         | \$6,875 | \$5,200 | \$3,400 | \$1,725 |         |         |
| Annual Reporters & Liquid Waste Haulers |           |         |         |         |         |         | \$1,725 | \$1,050 |
| 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.



**2020 Temporary Capacity Charge**

**\$1.25 per 1,000 gallons**

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7. Industrial Capacity Charge (ICC): As of January 1, 2019, industries have 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 now 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.

**2020 Industrial Capacity Charge**

**\$2.14 per 1,000 gallons over baseline flow**

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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.

**2020 Late Report Fees:**

**\$150-\$800 per report (more detail available on website)**

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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                              | 2019 Amended<br>Budget<br>\$s in thousands | 2020 Rate-<br>Setting Budget<br>\$s in thousands | %<br>Change |
|--------------------------------------------------|--------------------------------------------|--------------------------------------------------|-------------|
| REVENUE & Other Sources:                         |                                            |                                                  |             |
| Regional Wastewater Charge                       | 227,441                                    | 235,629                                          | 3.6         |
| SAC Transfer (incl. Shift Backs, \$2.7M in 2015) | 44,330                                     | 48,247                                           | 8.8         |
| Industrial & Hauler Charges                      | 13,957                                     | 14,406                                           | 3.2         |
| Other Sources*                                   | 16,730                                     | 9,017                                            | -46.1       |
| <b>Total</b>                                     | <b>302,458</b>                             | <b>307,299</b>                                   | <b>1.6</b>  |
| EXPENSES & Other Uses:                           |                                            |                                                  |             |
| Wastewater Debt Service                          | 139,000                                    | 148,000                                          | 6.5         |
| MCES Labor                                       | 66,967                                     | 70,722                                           | 5.6         |
| Non-Labor*                                       | 71,114                                     | 63,555                                           | -10.6       |
| Interdivisional Charges                          | 17,047                                     | 17,523                                           | 2.8         |
| Pay-as-You-Go for Capital Projects               | 11,000                                     | 11,000                                           | 0           |
| <b>Total</b>                                     | <b>305,128</b>                             | <b>310,800</b>                                   | <b>1.9</b>  |
| SURPLUS/(DEFICIT) to (from) Op. Reserve          | (2,670)                                    | (3,500)                                          |             |

\* Includes \$8.7 million I/I grant in 2019.



## **Customer Forum Responses**

Overall satisfaction (good, fair, poor):

- 94% good, 6% fair

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

- "How they figure the billing out. The last bill it looks like you are billing from 2017 meter readings."
- "I think other topics will come forward with future presentations to elected officials. This was my first time as a newly elected official."

How can MCES improve outreach to its customers?

- Consider evening presentations – easier for elected officials
- Consider different locations, especially north and south vs. the current east and west

